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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Anhui Expressway Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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)

**(1) MAJOR AND CONNECTED TRANSACTION:
ACQUISITION OF INTEREST IN A COMPANY OPERATING A BRIDGE
AND AN EXPRESSWAY IN ANHUI PROVINCE, THE PRC;
(2) SHAREHOLDERS' RETURN PLAN
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



Independent financial adviser to the Independent Board Committee
and the Independent Shareholders



A notice convening an EGM of the Company to be held at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC, on 20 December 2021 (Monday) at 2:30 p.m. (Hong Kong time), together with the accompanying form of proxy, is set out on pages 226 to 229 of this circular. Whether or not you intend to attend the said EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the registrar of H Shares of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 24 hours before the holding of the said EGM (i.e. before 19 December 2021 (Sunday) at 2:30 p.m. (Hong Kong time)) or any of its adjourned meeting. Completion and return of the forms of proxy will not preclude you from subsequently attending and voting at the said EGM or any of its adjourned meeting(s) should you so wish.

30 November 2021

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the proposed acquisition of the Target Equity and the Shareholder’s Loan by the Company from Anhui Transportation Holding Group pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 13 October 2021 entered into between the Company and Anhui Transportation Holding Group in relation to the Acquisition, pursuant to which the Company conditionally agreed to purchase from Anhui Transportation Holding Group the Target Equity and the Shareholder’s Loan
“Acquisition Announcement”	the announcement of the Company dated 13 October 2021 wherein the Company announced, among other things, that the Company and Anhui Transportation Holding Group had entered into the Acquisition Agreement
“Anhui Section of the Yuewu Expressway”	the Anhui Section of the Yuewu Expressway* (岳武高速安徽段) with its concession rights owned and operated by the Target
“Anhui Transportation Holding Group”	Anhui Transportation Holding Group Company Limited* (安徽省交通控股集團有限公司), a state-owned enterprise established in the PRC and the controlling shareholder of the Company holding approximately 31.63% of the Company’s issued share capital as at the Latest Practicable Date
“Anqing Bridge”	Anqing Yangtze River Expressway Bridge* (安慶長江公路大橋) with its concession rights owned and operated by the Target
“associate(s)”	has the meaning prescribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“business day”	any day other than a Saturday or Sunday or a public holiday in the PRC, on which banks are generally open for business in the PRC
“Company”	Anhui Expressway Company Limited (安徽皖通高速公路股份有限公司), a joint stock limited company established in the PRC, the H Shares of which are listed on the Main Board of the Stock Exchange, and the domestic ordinary shares of which are listed on the Shanghai Stock Exchange in the PRC
“Completion”	completion of the Acquisition pursuant to the Acquisition Agreement

DEFINITIONS

“connected person(s)”	has the meaning prescribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Debt Conversion”	the debts conversion agreement entered into by the Target and Anhui Transportation Holding Group on 26 July 2021 to convert long-term payables with amount of approximately RMB965.3 million into Anhui Transportation Holding Group’s investment and included in capital reserve of the Target
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC on 20 December 2021 (Monday) at 2:30 p.m. (Hong Kong time)
“EGM Notice”	notice convening the EGM set out on pages 226 to 229 of this circular
“Enlarged Group”	the Group as enlarged by the Acquisition
“Equity Consideration”	as defined in Section 2(d) of the Letter from the Board
“Financial Adviser”	BOCOM International (Asia) Limited, the financial adviser of the Company in relation to the Acquisition
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are primarily listed on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“IFA”	Guoyuan Capital (Hong Kong) Limited, the independent financial adviser appointed by the Company in accordance with the Listing Rules for the purposes of advising and making recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
“IFA Letter”	the section headed “LETTER FROM THE IFA” of this circular
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Liu Hao, Mr. Zhang Jianping and Ms. Fang Fang
“Independent Shareholders”	Shareholders who are independent within the meaning of the relevant provisions of the Listing Rules, and, in relation to the approval of the Acquisition at an extraordinary general meeting to be convened by the Company for such purpose, means the Shareholders other than Anhui Transportation Holding Group and its associates
“km”	kilometre
“km/h”	kilometres per hour
“Latest Practicable Date”	23 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Loan Consideration”	as defined in Section 2(d) of the Letter from the Board
“OD”	Origin Destination
“Percentage Ratio(s)”	the percentage ratio(s) under rule 14.07 of the Listing Rules (except profits ratio and equity ratio)

DEFINITIONS

“PRC”	the People’s Republic of China and solely for the purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“PRC Domestic Valuer”	Zhongshuizhiyuan Assets Appraisal Limited Company* (中水致遠資產評估有限公司), a PRC qualified domestic valuer appointed by the Company and Anhui Transportation Holding Group
“PRC Traffic Consultant”	CHELBI Engineering Consultants, Inc* (華傑工程諮詢有限公司), a PRC qualified traffic consultant appointed by the Company and Anhui Transportation Holding Group
“PRC Valuation Report”	the valuation report dated 23 September 2021 prepared by the PRC Domestic Valuer and commissioned by the Company and Anhui Transportation Holding Group in respect of the Target
“PWC”	PricewaterhouseCoopers, the auditor of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shareholder’s Loan”	the benefit of the loan in the aggregate sum of RMB1,971,244,442.59 due and owing by the Target to Anhui Transportation Holding Group as at 31 July 2021
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company* (安徽安慶長江公路大橋有限責任公司), a limited company established in the PRC and a wholly-owned subsidiary of Anhui Transportation Holding Group as at the date of this circular
“Target Equity”	100% of the equity interest in the Target
“Target Expressways”	collectively, the Anqing Bridge and the Anhui Section of the Yuewu Expressway
“Total Consideration”	the total consideration in respect of the Acquisition payable by the Company to Anhui Transportation Holding Group in accordance with the Acquisition Agreement

DEFINITIONS

“Traffic Study Report”	the traffic study report dated 20 August 2021 prepared by the PRC Traffic Consultant in respect of the forecast and evaluation of traffic volume and toll revenue of the Target Expressways
“Valuation Benchmark Date”	31 July 2021
“%”	per cent

* *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this circular in both Chinese and English languages and the English names are for identification purposes only. In the event of inconsistency, the Chinese language shall prevail.*

In this circular, the translation of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$1.2. Such conversion shall not be construed as a representation that amounts in RMB were or may have been converted into HK\$ using such exchange rate or any other rate or at all.



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)

Executive Directors:

XIANG Xiaolong
YANG Xiaoguang
TAO Wensheng
CHEN Jiping

Registered Office:

520 Wangjiang West Road,
Hefei, Anhui,
the PRC

Non-executive Directors:

YANG Xudong
DU Jian

Business Address in Hong Kong:

5th Floor, Jardine House,
1 Connaught Place, Central,
Hong Kong

Independent Non-executive Directors:

LIU Hao
ZHANG Jianping
FANG Fang

30 November 2021

To Shareholders

Dear Sir/Madam,

**(1) MAJOR AND CONNECTED TRANSACTION:
ACQUISITION OF THE ENTIRE INTEREST IN THE TARGET
(2) SHAREHOLDERS' RETURN PLAN**

1. INTRODUCTION

Reference is made to the Acquisition Announcement.

The purpose of this circular is to provide you, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders regarding the Acquisition; (iii) the IFA Letter containing the IFA's advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition; (iv) the PRC Valuation Report; (v) other information as required under the Listing Rules; (vi) the Shareholders' Return Plan (2021-2023) and (vii) the notice of the EGM.

LETTER FROM THE BOARD

2. PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

(a) **Date:** 13 October 2021 (after trading hours)

(b) **Parties**

Purchaser: the Company

Vendor: Anhui Transportation Holding Group

(c) **Assets to be acquired**

The Target Equity and the Shareholder's Loan

(d) **Consideration and payment terms**

The Total Consideration for the sale and purchase of the Target Equity and the assignment of the Shareholder's Loan is the sum of:

- (i) RMB2,210,000,000 (equivalent to approximately HK\$2,652,000,000), being the consideration for the Target Equity (the "**Equity Consideration**"); and
- (ii) an amount representing the sum of (A) the outstanding amount of the Shareholder's Loan as at 31 July 2021 (RMB1,971,244,442.59, equivalent to approximately HK\$2,365,493,331.11); and (B) the interest on such outstanding amount up to the actual date of repayment as determined by the applicable interest rate ranging from 3.85% per annum to 5.19% per annum, being the interest rate at the time of the Target's drawdown of the relevant portion of the Shareholder's Loan from Anhui Transportation Holding Group (the "**Loan Consideration**"). Assuming that the Acquisition is completed on 31 December 2021, the interest as stated in (B) is approximately RMB35,600,000 (equivalent to approximately HK\$42,720,000).

Subject to the satisfaction of all the conditions precedent in the Acquisition Agreement, the Company shall pay the Equity Consideration to Anhui Transportation Holding Group in three instalments in the following manner:

- (i) the first instalment, being 50% of the Equity Consideration, shall be paid by the Company to Anhui Transportation Holding Group within five business days after the Acquisition Agreement has become effective.

LETTER FROM THE BOARD

- (ii) the second instalment, being 30% of the Equity Consideration, shall be paid by the Company to Anhui Transportation Holding Group within five business days after the relevant registration filing(s) with the relevant PRC authorities regarding the transfer of the Target Equity has been completed.
- (iii) the remaining 20% of the Equity Consideration shall be paid by the Company to Anhui Transportation Holding Group within 60 days after the relevant registration filing(s) with the relevant PRC authorities regarding the transfer of the Target Equity has been completed.

Upon the satisfaction of all the conditions precedent in the Acquisition Agreement, the Company shall pay to Anhui Transportation Holding Group within five business days the outstanding amount of the Shareholder's Loan as at the Valuation Benchmark Date. After such payment has been made, the assignment of the Shareholder's Loan will be completed. The final amount of the interest payable on the Shareholder's Loan will depend on the actual date on which the Loan Consideration is paid.

Within three business days from the assignment of the Shareholder's Loan, the Company shall procure the Target to pay to Anhui Transportation Holding Group the interest on the Shareholder's Loan from 1 August 2021 up to the date of the assignment of the Shareholder's Loan. For illustrative purposes, based on the quantification of the Company, if the assignment of the Shareholder's Loan is completed on 31 December 2021, the amount of such interest is approximately RMB35,600,000 (equivalent to approximately HK\$42,720,000).

The parties to the Acquisition Agreement have also agreed that all profits or losses incurred in the operation of the Target from 1 August 2021 to Completion shall belong to or be borne by the Company.

As at the Latest Practicable Date, the Company intends to finance no more than 60% of the Total Consideration by bank loan and the remaining by internal cash resources. The Company has obtained a commitment letter and two letters of intent from three PRC banks in respect for the Acquisition, under which each of the three PRC banks agreed, subject to certain conditions, to provide loans facilities in the amount ranging from approximately RMB2,200 million to no more than RMB2,508.7 million with duration up to seven years. As the final terms and conditions of the loans will only be finalized prior to the Completion, based on the current negotiation with the banks, it is expected that the interest rate for such facilities will not be higher than 3.9% per annum, which is comparable to the terms of the existing loan facilities of the Group as disclosed in its interim report of 2021.

(e) Basis for determining the Total Consideration

The Total Consideration was determined based on arm's length negotiations between the Company and Anhui Transportation Holding Group. A number of factors have been considered by the parties to the Acquisition Agreement when determining the Total Consideration, including, among others, the financial performance and the business prospect of the Target and the PRC Valuation Report prepared by the PRC Domestic Valuer pursuant to the requirements of the relevant PRC laws and regulations.

LETTER FROM THE BOARD

(A) Equity Consideration

The Equity Consideration was determined with reference to the market value of the Target Equity of RMB2,210,000,000 as appraised by the PRC Domestic Valuer as at the Valuation Benchmark Date. The PRC Domestic Valuer adopted the income approach with the use of discounted cash flow method as the primary approach to appraise the market value of the Target. In appraising the market value of the Target, the PRC Domestic Valuer has also taken into consideration, among others, the traffic volume and toll collection rates of the Target Expressways assessed by the PRC Traffic Consultant.

Regarding the approach to appraise the market value of the Target Equity, the Directors are of the opinion that the adoption of the income approach by the PRC Domestic Valuer is fair and reasonable for the following reasons:

- (i) As the expressways across the PRC differ significantly from each other in terms of scale of operation, geographical location and connectivity with other transportation network, asset conditions, government urban and expressway planning in surrounding area, prevailing operating cycle, concession term. Therefore, the market approach is generally not an appropriate approach in assessing the value of expressway concession rights.

- (ii) In assessing the valuation methodology adopted by the PRC Domestic Valuer, the Directors had identified and considered the valuation approach of the comparable transactions conducted based on the following objective criteria:
 - (i) the acquisition transactions must be conducted by the peers of the Company principally engaged in the PRC expressway business and listed in Hong Kong;
 - (ii) the nature of the transactions must relate to the acquisition transaction of toll road assets in the PRC which are similar to the Acquisition; and
 - (iii) the transactions were conducted between 2018 to 30 September 2021 with transaction information available on public domain search (i.e. published transaction announcements). The Directors identified seven comparable transactions conducted by the peers of the Company, including Huayu Expressway Group Limited (1823.HK), Zhejiang Expressway Co. Ltd (576.HK), Qilu Expressway Company Limited (1576.HK), Chengdu Expressway Co. Ltd (1785.HK), Yuexiu Transport Infrastructure Limited (1052.HK) and Shenzhen Express Company Limited (548.HK), all of which adopted the income approach as the primary valuation approach in their respective acquisition of toll road concession rights assets. The adoption of an income approach in evaluating the acquisition of expressway concession rights is common and widely adopted by the industry peers of the Company.

LETTER FROM THE BOARD

(B) Qualifications and experience of the PRC Traffic Consultant and the PRC Domestic Valuer

Chelbi Engineering Consultants, Inc. (hereinafter referred as “**Chelbi**”) was established in 1984 and was co-invested and founded by CCCC Highway Consultants Co., Ltd* (中交公路規劃設計院有限公司) (formerly known as Ministry of Transport Highway Research Institute) and Louis Berger Group, Inc.. It was the first Sino-foreign joint venture engaging in scientific research and technical services in Beijing, with business presence throughout the PRC. Chelbi possesses qualifications such as Class A Qualification for Engineering Consultation (in highway field, PPP consultation projects), Class A Qualification for Highway Design, Class A Qualification for Engineering Survey (General Category), and has passed ISO 9001 Series Quality Management System Certification, ISO 14001 Environmental Management System and OHSAS18001 Occupational Health and Safety Management System Certification and has established a management system covering quality, environment, occupational health and security management covering all business scope.

Chelbi has many years of experience acting as traffic consultant and is led by Mr. Pan Guoqing of Chelbi who specialises in traffic planning, traffic volume projection and economic evaluation and had participated in over 20 traffic consulting projects in traffic volume and toll revenue projection in the PRC. Chelbi team has also completed over 27 traffic consulting projects including experience in traffic volume and toll revenue projection in the past three years.

Zhongshuizhiyuan Assets Appraisal Co., Ltd. was established by the merger of Zhongshui Asset Appraisal Co., Ltd. and Anhui Zhiyuan Assets Appraisal Co., Ltd., and is a comprehensive assets appraisal institution with nation-wide practice qualification in asset appraisal, securities and futures and related businesses appraisal, exploration and mining right appraisal and others. It is engaged in the appraisal of various types of individual assets and enterprise total assets, and other asset appraisal, value consultation or project appraisal demanded in the market. After more than 20 years of development, Zhongshuizhiyuan Assets Appraisal Co., Ltd. has become one of the most influential large-scale asset appraisal agencies in the asset appraisal industry in China. It was ranked 11th among the top 100 asset appraisal firms in terms of comprehensive assessment by China Appraisal Society in 2019, and its Anhui branch ranked first among the asset appraisal firms in terms of comprehensive assessment in Anhui Province in 2020 and has been ranked first for several consecutive years.

Both Chelbi and the PRC Domestic Valuer have relevant and sufficient experience in providing valuation and consulting services in the transportation or expressways industry or related industries in the PRC.

LETTER FROM THE BOARD

Based on the reasons above, the Directors are satisfied with the PRC Domestic Valuer and the PRC Traffic Consultant for their experience and expertise in appraisal and consultation services in the expressway industry in the PRC.

The traffic volume projection is based on the relevant documents including the national economic, social and traffic development planning under the 14th Five-Year Plan for Anhui Province, Anqing City, and Chizhou City, with reference to the historical data of the project and by establishing the traffic volume forecasting model. The Directors had also assigned the Company's executives from various business departments including strategic investment department, finance department and legal department, to conduct a thorough due diligence on the Target and also to review and assess the relevant bases and assumptions of the cash flow forecast prepared by the PRC Domestic Valuer and the PRC Traffic Consultant and concluded that the relevant traffic volume and revenue estimation are fair.

With the continuing economic development and the ongoing development of transportation infrastructure and toll road system in the PRC, potential traffic diversion as a result of the opening of competing expressways is common in the expressway industry from time to time. The Company's business department would assess the diversion impact as part of its periodic business review and budget planning process of the Company's existing toll road asset portfolio. The management of the Company is experienced in assessing potential diversion impact of the toll expressway. As part of the Company's due diligence on the Acquisition, in respect of estimated diversion impact on the Target Expressways during the revenue forecast period, the Directors and the executives from the Company had reviewed the methodology, assumptions and parameters adopted as well as the relevant toll road construction planning publication issued by the PRC government, with reference to their ongoing project experience to assess the fairness and reasonableness of the diversion impact set out in the Traffic Study Report. For the details on the diversion impact of the completion of new expressways on the Target Expressways, please refer to section 5.2 of this circular.

(C) *Loan Consideration*

The Shareholder's Loan in the amount of RMB1,971,244,442.59 due to Anhui Transportation Holding Group by the Target as at the Valuation Benchmark Date was appraised by the PRC Domestic Valuer, principally determined with reference to the outstanding amount of the shareholder's financing provided to the Target by Anhui Transportation Holding Group as at the Valuation Benchmark Date, netting off the receivables due to the Target by Anhui Transportation Holding Group as at the Valuation Benchmark Date.

LETTER FROM THE BOARD

The Shareholder's Loan is appraised using the cost approach with the valuation methods are described below :

1. *Receivables*

For the receivables of the Target, the PRC Domestic Valuer assessed the recoverability of the receivables through reviewing the account books and financial statements, analysing their business nature and ageing of the receivables, verifying amounts of receivables through letter of confirmation, and understanding their occurrence time, cause of the receivables and their settlement status, as well as the capital, credit, operation and management status of the debtors. By reviewing the relevant account books and original vouchers, the PRC Domestic Valuer found that there were no bad debts caused by bankruptcy, business closure, death, disappearance or other force majeure of the debtors, but could not guarantee that no bad debt losses would occur in the future. As Anhui Transportation Holding Group is a shareholder of the Target and the Company, the operating performance of Anhui Transportation Holding Group is considerably well and it has strong liquidity, the possibility of loss is extremely low. Therefore, no risk loss was considered in the valuation and the appraised value was determined by subtracting the assessed risk loss from the carrying value of the receivables. The provision for bad debts was assessed to be nil in accordance with the relevant provisions of the valuation.

2. *Payables*

The assessment of the amount of payables of the Target within the scope of the valuation were based on the audited amounts of the payables and verification of liabilities to determine whether the liabilities payable were the actual liabilities borne by the creditors as at the Valuation Benchmark Date, and whether creditors existed. Through letter of confirmation on the payables and understanding the timing of their occurrence and the reasons for their formation, the payables were the liabilities to be borne by the Target, and therefore the appraised value was determined based on the actual amount of liabilities to be settled as at the Valuation Benchmark Date.

LETTER FROM THE BOARD

The market value of the Shareholder's Loan as at 31 July 2021 was appraised to be RMB1,971,244,442.59. The results of the valuation are set out in the table below:

Creditor	Debtor	Accounting entries presented by the Target	Account	Appraised	Appreciation
			book value	value	
			(RMB)	(RMB)	(RMB)
Anhui Transportation Holding Group	The Target	Long-term payables	3,257,432,163.27	3,257,432,163.27	0.00
Anhui Transportation Holding Group	The Target	Other payables	35,125.16	35,125.16	0.00
The Target	Anhui Transportation Holding Group	Other receivables	1,286,222,845.84	1,286,222,845.84	0.00

Based on the information provided by Anhui Transportation Holding Group, the gross amount of original cost of investment made by Anhui Transportation Holding Group in the Target taking into account of the financing provided to the Target was approximately RMB4,580,000,000 as at 31 July 2021 (being the aggregate of Anhui Transportation Holding Group's initial capital contribution to the Target in the amount of RMB150 million, the Target's capital reserves in the amount of approximately RMB1,173 million and the outstanding amount of the shareholder's financing provided by Anhui Transportation Holding Group to the Target as at 31 July 2021 in the amount of approximately RMB3,257 million).

(D) Debt Conversion

The construction of the infrastructure assets of the Target including the Target Expressways had been fully financed by Anhui Transportation Holding Group by way of initial share capital funds injected into the Target and the Shareholder's Loan.

The amount of Debt Conversion of approximately RMB965.3 million of the Shareholder's Loan represented the subsidies and tax rebate received from the Ministry of Transport of Anhui Province and Anhui Provincial Department of Finance in previous years by Anhui Transportation Holding Group, which was then provided to the Target for the construction of toll road expressway assets.

LETTER FROM THE BOARD

(i) *Background of the subsidies and tax rebate received by Anhui Transportation Holding Group*

To support and encourage the regional public infrastructure investment, the PRC government would provide funding support (the “**Funding Support**”) to the sponsor of the infrastructure project. Financial incentives in the form of subsidy and tax rebates had been received by Anhui Transportation Holding Group in relation to the Target’s toll road infrastructure construction in the prior years.

Such subsidy and the tax rebates represent the specific funding support from the PRC government, and were applied by and granted to the sponsor of the relevant toll road infrastructure (i.e. Anhui Transportation Holding Group).

Therefore, the funding arrangement and associated transactions of the Funding Support would not be reflected in the historical financial statements of the Target.

(ii) *Reasons for the Debt Conversion*

According to the relevant government notices relating to the grant of Funding Support, such funding was attached with specific purpose and restricted only to capital needs of the construction of toll road infrastructure.

Anhui Transportation Holding Group subsequently provided such funding to the Target in the form of Shareholder’s Loan for the Target’s construction of toll road infrastructure accordingly and required for repayment according to the Target’s actual operating results. Therefore, such funding provided was financial liability in nature and accounted as the long-term payables due to Anhui Transportation Holding Group in the Target’s financial statement prior to the Debt Conversion.

In view of the aforesaid nature of the Funding Support received by Anhui Transportation Holding Group and having considered the benefits of the Debt Conversion to improve the Target’s capital structure and to ease the burden of repayment, Anhui Transportation Holding Group decided to convert the Shareholders’ Loan to equity capital of the Target with the amount of RMB965.3 million.

Since the application of the Funding Support and the Debt Conversion was complicated and regulated by the relevant PRC laws and regulation and therefore required a rather long administrative and decision making process, the Debt Conversion was concluded on 26 July 2021 and reflected in the financial statement of the Target as of 31 July 2021.

LETTER FROM THE BOARD

(iii) Valuation impact of the Debt Conversion

The corresponding valuation impact resulting from the Debt Conversion completed on 26 July 2021 had been properly accounted for and reflected in the future cash flow forecast of the assessment of the equity valuation of the Target with the Valuation Benchmark Date as of 31 July 2021 contained in the PRC Valuation Report.

The Equity Consideration is principally arrived from the assessed enterprise value (i.e. the present value of the free cash flow of the Target) after deduction of value of liabilities of the Target. The Equity Consideration would have decreased while the corresponding amount of the Loan Consideration would have increased as if the Debt Conversion was not conducted prior to the Valuation Benchmark Date. As such, the Directors are of the view that the Debt Conversion which was completed pursuant to the PRC regulatory laws and regulation would not have material impact in formulating the Total Consideration.

(E) Equity Premium

The Equity Consideration of approximately RMB 2,210 million as appraised by the PRC Domestic Valuer, represented a premium (the “**Equity Premium**”) of approximately 90.3% of the audited net asset value of the Target as of 31 July 2021.

The Equity Premium was mainly resulted from:

- (i) the historical low investment cost of the toll road assets completed in earlier years (i.e. the Anqing Bridge which was completed in 2005) and associated operating loss incurred in the early stage of the operation mainly arising from depreciation and amortisation expenses and finance charge incurred since the commencement of the concession period; and
- (ii) the audited net asset value of the Target comprised of majority of assets measured under historical cost basis including the concession intangible assets and property, plant and equipment and had not been revalued with reference to its fair value as of the Valuation Benchmark Date.

Expressways and bridges are large-scale transportation infrastructure with long payback cycle. The industry is capital intensive involving significant upfront investment and relatively long investment period, therefore usually under-performing during the initial stages of the operation cycle.

LETTER FROM THE BOARD

The Directors considered the adoption of an income approach in evaluating the equity value of acquisition of expressway concession rights by the PRC Domestic Valuer was more appropriate and concluded the market approach with the use of historical net assets value without taking into account the corresponding fair value adjustment on the assets of the Target as at the Valuation Benchmark Date and future profitability of the Target does not serve an appropriate valuation benchmark in assessing equity valuation of the Target.

The Directors had also considered the comparable toll road concession right acquisition transactions conducted by its peer principally engaged in the expressway industry business and listed in the PRC from 2018 to 30 September 2021 and noted that the significant premium of the equity consideration over the net assets value of the target toll road concession right assets are not uncommon in the expressway industry because of the reasons set out above. The details of such comparable acquisitions are set out below and selected based on the following objective criteria: (i) the acquisition transactions must be conducted by the peers of the Company principally engaged in the PRC expressway business and listed in PRC; (ii) the nature of the transactions must relate to the acquisition transaction of toll road assets in the PRC which are similar to the Acquisition; and (iii) the transactions were conducted between 2018 to 30 September 2021 with transaction information available on public domain search (i.e. published transaction announcements).

LETTER FROM THE BOARD

While the acquisition target of these transactions identified may not operate in the same location as the Target, they operate in the same industry and country as the Target and are within the same regulatory framework and industry environment. Therefore, the Directors are of the view that these comparable toll road concession rights acquisitions conducted recently by the peers, based on reliable public information, are of sufficient sampling basis, fair and representative.

Date of first announcement	Target	Buyer	Date of completion and open to traffic	Equity consideration (RMB'0000)	Price-to-book ratio
July 2020	21% of the equity interest in Guanghui Company	Guangdong Expressway	December 2003	249,354.96	3.33
August 2020	100% of the equity interest in Pingyu Company	Shanxi Road & Bridge	December 2012	292,327.80	1.51
February 2020	100% of the equity interest in Changshaolou Company	Modern Investment	December 2014	382,509.08	1.07
December 2019	51% equity and creditor's rights of China Railway Expressway	China Merchants Expressway	–	994,500.00	1.17
December 2019	80% of the equity interest in the Luyu Company	Shandong Expressway	May 2013	147,200.00	2.55
December 2019	100% equity interest in Daguangbei Company	Chutian Expressway; Hubei Transportation Investment	April 2009	345,700.00	2.98
December 2018	100% equity interest in Zhejiang Shenjiahuhang Expressway	Zhejiang Expressway	Huzhou Section January 2008; Hangzhou Section February 2010	294,300.00	1.04
June 2018	60% equity interest in Wujing Expressway	Shandong Expressway	May 2010	276,638.26	4.90
June 2018	100% of the equity interest in Yuhe Company	Shanxi Road & Bridge	June 2012	148,505.30	1.03
Average					2.18
The Acquisition					1.90

LETTER FROM THE BOARD

(f) Conditions Precedent

The Completion of the Acquisition is conditional upon the satisfaction the following conditions:

- (i) approval of the Acquisition by the Company's competent decision-making authorities having been obtained in accordance with the Company's articles of association and the applicable laws and regulations, including but not limited to the Listing Rules;
- (ii) approval of the Acquisition by the competent decision-making authorities of Anhui Transportation Holding Group in accordance with its articles of association and the applicable laws and regulations having been obtained;
- (iii) approval and filing procedure in respect of the Acquisition by the relevant regulatory authorities in the PRC (if any) having been completed by both the Company and Anhui Transportation Holding Group; and
- (iv) approval of the concentration of business operators involved in the Acquisition by the relevant anti-monopoly authority in the PRC (if any) having been obtained.

None of the above conditions precedent can be waived by the Company or Anhui Transportation Holding Group.

(g) Completion

Within 10 business days from the date on which the conditions precedent of the Acquisition Agreement are satisfied, the Company and Anhui Transportation Holding Group shall cooperate to procure a shareholders' resolution of the Target relating to alteration of the Target's articles of association to be passed and apply with the relevant governmental authorities to alter the registration for industrial and commercial administration for Completion.

The completion of the assignment of the Shareholder's Loan shall take place within five business days from the date on which the conditions precedent in the Acquisition Agreement are satisfied, upon the Company's payment of the outstanding amount of the Shareholder's Loan as at the Valuation Benchmark Date.

LETTER FROM THE BOARD

Upon Completion, the Company will be interested in the entire issued share capital of the Target and the Target will become a wholly-owned subsidiary of the Company. The Company will also acquire the entire interest in the Shareholder's Loan, which will become a long-term receivable of the Company due from the Target. The interest on the Shareholder's Loan after the Completion will be accounted for as interest income of the Company.

The Company and Anhui Transportation Holding Group agreed to use their best endeavours to procure the Completion on or before 31 December 2021.

(h) Post-Completion matters

As required by the "Notice on Exemption of Toll Payment for Vehicles Using Toll Roads During the Containment Period of Novel Coronavirus Disease" (Jiao Gong Lu Ming Fa [2020] No. 62) issued by the Ministry of Transport, with effect from 00:00 midnight on 17 February 2020 to 00:00 midnight on 6 May 2020 (79 days in total), a toll-free policy was implemented for all vehicles using the toll highways. The government will study and promulgate related supporting policies in respect of the toll-free period. As of the Latest Practicable Date, the related supporting policies have not been promulgated.

The parties to the Acquisition Agreement have agreed that if the Target receives cash subsidy in respect of the 79-day toll-free period from 17 February 2020 to 6 May 2020 as required by the Ministry of Transport, all such cash proceeds shall be paid to Anhui Transportation Holding Group. If the subsidy takes the form of extension of the concession period, the Company shall promptly pay such toll income obtained during the extended concession period (after deducting the operating costs incurred by the Target) to Anhui Transportation Holding Group after the issuance of policy document concerning the extension, the amount of which shall be appraised by the valuation institution jointly appointed by the parties to the Acquisition Agreement. If other forms of subsidy are adopted, the Company and Anhui Transportation Holding Group shall decide the amount of subsidy attributable to Anhui Transportation Holding Group through amicable negotiation.

LETTER FROM THE BOARD

(i) **Related Party and Future Connected Transactions**

The following related party transactions conducted between the Target and Anhui Transportation Holding Group and its subsidiaries will continue upon Completion:

Name of counterparty	Relationship with the Target prior to the Completion	Nature of transactions
Anhui Expressway Petrochemical Co., Ltd. (“安徽省高速石化有限公司”, “AEPC”)	Subsidiary of Anhui Transportation Holding Group	Leasing of gasoline station
Anhui Expressway Network Operations Co., Ltd. (“安徽省高速公路聯網運營有限公司”, “AENO”)	Subsidiary of Anhui Transportation Holding Group	Service contract for the collection of toll road and bridge income
Anhui Transportation Planning, Design and Research Institute Co., Ltd. (“安徽省交通規劃設計研究總院股份有限公司”, “ATPDRI”)	Subsidiary of Anhui Transportation Holding Group	Purchase, construction and maintenance services
Anhui Gaolu Construction Co., Ltd. (“安徽省高路建設有限公司”, “AGCC”)	Subsidiary of Anhui Transportation Holding Group	Purchase, construction and maintenance services
Anhui Qixing Project Testing Co., Ltd. (“安徽省七星工程測試有限公司”, “AQPT”)	Subsidiary of Anhui Transportation Holding Group	Purchase, construction and maintenance services
Anhui Transportation Holding Group	–	Purchase, construction and maintenance services
Anhui Expressway Experiment Research Centre Co., Ltd. (“安徽省高速公路試驗檢測科研中心有限公司”, “AERC”)	Subsidiary of Anhui Transportation Holding Group	Purchase, construction and maintenance services

LETTER FROM THE BOARD

Name of counterparty	Relationship with the Target prior to the Completion	Nature of transactions
Anhui Zhongxing Project Management Co., Ltd. (“安徽省中興工程監理有限公司”, “AZPMC”)	Subsidiary of Anhui Transportation Holding Group	Purchase, construction and maintenance services
Anhui Shengxuan Landscaping Engineering Co., Ltd. (“安徽省盛軒園林綠化工程有限公司”, “ASLE”)	Subsidiary of Anhui Transportation Holding Group	Purchase, construction and maintenance services

The Completion is expected to take place on or around 31 December 2021. Upon Completion, all of the abovementioned transactions will constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, the Company does not expect any of the abovementioned future connected transactions would be subject to independent shareholders’ approval requirement, in respect of the transactions which would not be fully exempt under Rule 14A.76 of the Listing Rules, the Company will comply with the disclosure, annual report, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules upon Completion.

3. INFORMATION ON THE TARGET

3.1 General

The Target is a limited company established in the PRC on 6 April 2000. The Target is principally engaged in the investment, operation and management of toll road expressway and bridge in Anhui Province in the PRC. The Target currently owns the concession rights of the Target Expressways, details of which are set out in section 4 below. As of the Latest Practicable Date, the Target is a wholly-owned subsidiary of Anhui Transportation Holding Group, and upon Completion, the Target will become a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

3.2 Financial information

A summary of the audited financial information of the Target for the two years ended 31 December 2019 and 2020 respectively and seven months ended 31 July 2021 which were prepared in accordance with HKFRS is set out below:

	As at/For the year ended		As at/For the
	31 December		seven months
	2019	2020	ended 31 July
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
	<i>RMB ('000)</i>	<i>RMB ('000)</i>	<i>RMB ('000)</i>
Profit/(loss) before income tax	13,800	(57,407)	56,272
Profit/(loss) after income tax	10,257	(42,929)	42,203
Revenue	394,282	313,130	267,969
Net Assets	196,592	153,663	1,161,167
	<u>4,341,608</u>	<u>4,424,471</u>	<u>4,557,614</u>
Total Assets	<u>4,341,608</u>	<u>4,424,471</u>	<u>4,557,614</u>

4. INFORMATION ON THE TARGET EXPRESSWAYS

4.1 Anqing Bridge

The Anqing Bridge opened on 26 December 2004. It starts from the Dadukou interchange hub in the south, crossing the Yangtze River waterway and ends at Longmianshan South Road in the north. The total length of the line is 5,985.66 metres, and the main bridge is 1,040 metres. The bridge is designed as a two-way four-lane highway.

The Anqing Bridge is one of the important projects listed in the Plan for Layout of Pathways Crossing the Mainline of Yangtze River (2020–2035) by the National Development and Reform Commission of the PRC. The Anqing Bridge connects Dongzhi County of Chizhou City and Yixiu District of Anqing City. The Anqing Bridge borders Anqing-Dongzhi Expressway (S27 in the Anhui expressway network) to the south, Hefei-Anqing Expressway (G42 in the national expressway network) to the north, with Shanghai-Chongqing Expressway (G50 in the national expressway network) passing through. The Anqing Bridge is an important part of the “four lengthwise expressways (四縱)” of the “four lengthwise and eight transverse (四縱八橫)” expressway network in Anhui Province as well as the transportation hub of He’an Expressway and Anjing Expressway (Anqing-Jingdezhen), connecting the Beijing-Tianjin-Hebei region, the Central Henan City Cluster, the middle reaches of Yangtze River City Cluster, the Pearl River Delta City Cluster and the Western Taiwan Straits City Cluster.

LETTER FROM THE BOARD

As an important highway hub in southwest part of Anhui Province, the Anqing Bridge is vital to improving the expressway network in Eastern China and establishing the Anqing region as a transportation hub. It is also of great significance to opening up the eastward and southward access to the sea for the central region, and strengthening the economic ties between southern part of Anhui Province and the Bohai Rim Region, the Yangtze River Delta Region, southeast part of Fujian Province and the Pearl River Delta Region. It also plays a positive role in the economic ties between Chizhou City and Anqing City.

For reference, a map showing the location of the Anqing Bridge is depicted below:



Further information on the Anqing Bridge is set out below:

Total Length	:	approximately 5985.66 metres
Design Speed	:	100 kilometres/hour
Concession Period	:	26 December 2004 to 25 December 2033 (29 years in total)
Toll Rates	:	Please refer to the tables below

LETTER FROM THE BOARD

Passenger Vehicles

Class	Vehicle Type	Approved Passenger Capacity	Toll Rate (RMB/time)
Class 1 Passenger Vehicle	Micro/Small	≤9	20
Class 2 Passenger Vehicle	Medium	10–19	40
	Passenger car train	–	
Class 3 Passenger Vehicle	Large	≤39	60
Class 4 Passenger Vehicle		≥40	80

Goods Vehicles

Class of Vehicle	Classification Standard	Toll Rate (RMB/time)
Class 1	2 axles. The length of the vehicle is less than 6,000mm and the maximum allowable total mass is less than 4,500kg	20
Class 2	2 axles. The length of the vehicle is not less than 6,000mm or the maximum allowable total mass is not less than 4,500kg	30
Class 3	3 axles	45
Class 4	4 axles	70
Class 5	5 axles	75
Class 6	6 axles	100

For trucks with more than six axles: based on the charging standard for Class 6 trucks, for each additional axle, the charging standard is determined by a factor of 1.1.

For trucks with 10 axles and above, the charging standard for trucks with 10 axles shall be adopted according to the standard for trucks with 10 axles.

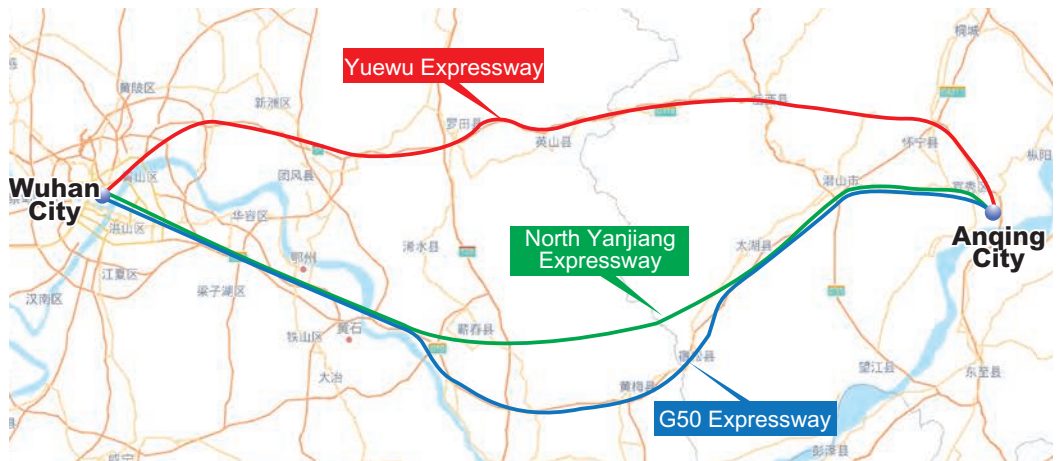
The toll rates of Anqing Bridge are subject to the approval of provincial people's government. The toll rates of Anqing Bridge are primarily based on the classification of vehicles by reference to the number of seats (in the case of passenger vehicles) and number of axles (in the case of trucks).

LETTER FROM THE BOARD

4.2 The Anhui Section of the Yuewu Expressway

The Anhui Section of the Yuewu Expressway opened in December 2015. It begins at the Liuqian Expressway, ending at the Dafengshu Mountain at the provincial boundary between Anhui Province and Hubei Province, bridging the Wuying Expressway in Hubei Province. It adopts a two-way four-lane expressway standard. Passing through the hinterland of Dabie Mountain, there are 10 tunnels and 33 bridges, with a bridge-to-tunnel ratio of 57.2%. This project was appraised as the 2015 “Green Highway” thematic project by the Ministry of Transport of the PRC.

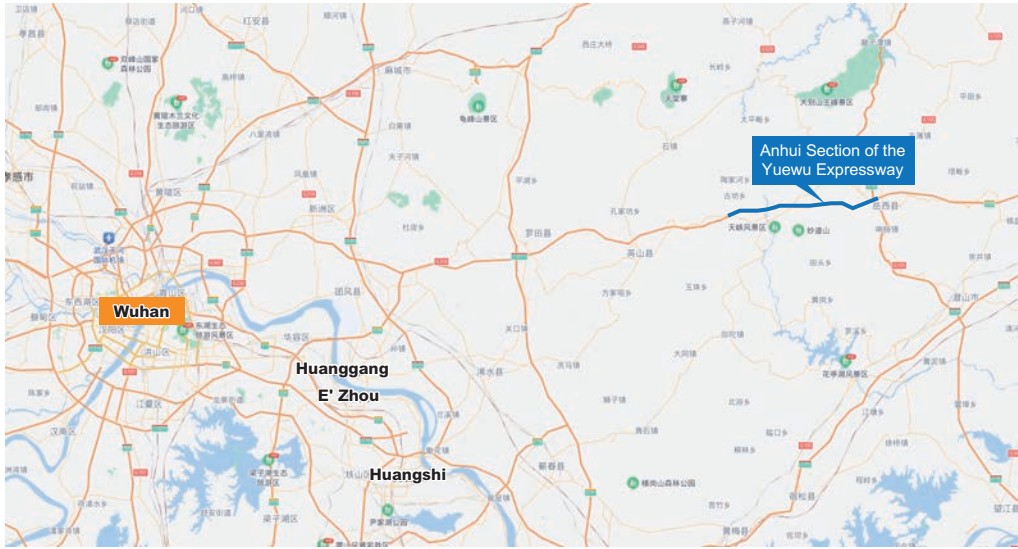
Yuewu Expressway is an important part of the Lishui-Wuhan Expressway as planned by the Central Government of the PRC. It is an express route connecting the central and eastern regions of China, and also one of the most convenient inter-provincial regional main lines connecting Anhui Province and Hubei Province. It was awarded the title of “Safe Transportation” demonstration project in 2015. Since its opening, the driving time from Yuexi County to Wuhan City has been shortened from more than 4 hours to 2 hours, which has significantly promoted the contiguous poverty alleviation, tourism and industrial development and rural revitalization in Yuexi County, Qianshan County, Yingshan County, Luotian County and other counties and cities in the hinterland of Dabie Mountain.



As shown on the map above, in respect of the long-distance transit from Wuhan to Anqing, the Yuewu Expressway provides an alternate route which has shortened the driving distance and time as compared with the G50 Expressway. Based on the above comparison of driving distance and time, after the completion of the Wuwei-Yuexi section of the Shanghai-Wuhan Expressway, it is expected that some of the existing traffic volume going from Wuhan City to Anqing City via G50 Expressway will be diverted.

LETTER FROM THE BOARD

For reference, a map showing the location of the Anhui Section of the Yuewu Expressway is depicted below:



Further information on the Anhui Section of the Yuewu Expressway is set out below:

Total Length : approximately 46.26 kilometres

Design Speed : 80 kilometres/hour

Concession Period : 31 December 2015 to 30 December 2045 (30 years)

Toll Rates : Please refer to the tables below

Passenger Vehicles

Class	Vehicle Type	Approved Passenger Capacity	Toll Rate (RMB/car kilometre)
Class 1 Passenger Vehicle	Micro/Small	≤9	0.45
Class 2 Passenger Vehicle	Medium	10–19	0.8
	Passenger car train	–	
Class 3 Passenger Vehicle	Large	≤39	1.1
Class 4 Passenger Vehicle		≥40	1.3

LETTER FROM THE BOARD

Goods Vehicles

Class of Vehicle	Classification Standard	Toll Rate (RMB/ kilometre)
Class 1	2 axles. The length of the vehicle is less than 6,000mm and the maximum allowable total mass is less than 4,500kg	0.45
Class 2	2 axles. The length of the vehicle is not less than 6,000mm or the maximum allowable total mass is not less than 4,500kg	0.9
Class 3	3 axles	1.35
Class 4	4 axles	1.7
Class 5	5 axles	1.85
Class 6	6 axles	2.20
<p>For trucks with more than six axles: based on the charging standard for Class 6 trucks, for each additional axle, the charging standard is determined by a factor of 1.1.</p> <p>For trucks with 10 axles and above, the charging standard for trucks with 10 axles shall be adopted according to the standard for trucks with 10 axles.</p>		

LETTER FROM THE BOARD

In addition, under the relevant requirements of Notice Wan Jiao Lu [2019] No. 144, additional toll will be collected from extra-large bridges or tunnels, namely bridges with a length of over 1,000 meters or tunnels with a length of over 3,000 meters. The additional toll for extra-large bridges or tunnels will be collected on top of the basic toll calculated with reference to the type of vehicle and the proportion of the travel distance of the vehicle on the expressway to the total length of the expressway. Considering the actual toll situation of the expressway project, the additional toll for extra-large bridge or tunnel applies to the Anhui Section of the Yuewu Expressway. Additional toll standards are as follows:

Additional toll standards for extra-large bridges/tunnels for the Anhui Section of the Yuewu Expressway

Vehicle type classification	Passenger Vehicles (Vehicles classification and Approved passenger capacity)	Goods vehicles	Toll rates (RMB/time)
Type 1	≤9	With 2 axles, the vehicles length is less than 6,000mm and the maximum allowable total mass is less than 4,500kg	10
Type 2	10–19	With 2 axles, the vehicles length is not less than 6,000mm or the maximum allowable total mass is not less than 4,500kg	15
Type 3	≤39	With 3 axles	20
Type 4	≥40	With 4 axles	25
Type 5	–	With 5 axles	25
Type 6	–	With 6 axles	30
Cargo vehicles of type 5 or above shall be implemented to charge according to the additional toll rates for type 5.			

The toll rates of Anhui Section of the Yuewu Expressway are subject to the approval of provincial people's government. The toll rates of Anhui Section of the Yuewu Expressway are primarily based on the classification of vehicles by reference to the number of seats (in the case of passenger vehicles) and number of axles (in the case of trucks).

LETTER FROM THE BOARD

5. MARKET VALUE OF THE TARGET EQUITY AS APPRAISED BY THE PRC DOMESTIC VALUER

5.1 Principal assumptions

The market value of the Target Equity under the PRC Valuation Report was appraised by the PRC Domestic Valuer using the asset approach and the income approach with the use of discounted cash flow method. The income approach with the use of discounted cash flow method was adopted to appraise the value of the Target Equity, which constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast are applicable.

As required under Rule 14.62(1) of the Listing Rules, details of the principal assumptions upon which the profit forecast is based are set out below:

(a) *General assumptions*

- (i) It is assumed that all assets to be appraised are in the process of transaction, and the valuation is made by the PRC Domestic Valuer based on a simulated market according to the transaction conditions of the assets to be appraised.
- (ii) The open market assumption is an assumption regarding the conditions of the market where the assets are proposed to be traded and what impact will be made on the assets under such market conditions. An open market refers to a well-developed, comprehensive and competitive market with willing buyers and sellers in which the parties are of equal standings, with sufficient opportunities and time to obtain market information, and transactions between the parties are conducted under voluntary, rational, non-compulsory or unrestricted conditions.
- (iii) The continuous use assumption is an assumption made on the conditions of the market where the assets are proposed to enter as well as on the status of the assets under such market conditions. It is first assumed that the assets to be appraised are in use, and further assumed that such assets in use will be used continuously. Under continuous use assumption, no consideration is given to any change of use of the assets or the optimal utilisation conditions of the assets and the scope of use of the valuation results is limited.
- (iv) It is assumed that the production and operation business of the Target can be continued as it is and there will be no significant changes in its operating condition in the foreseeable operating period.

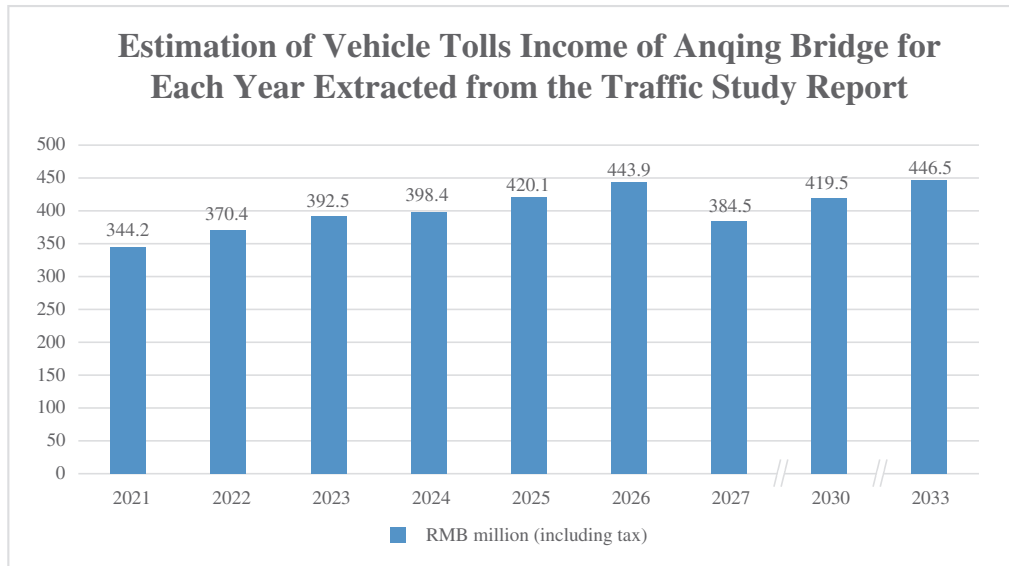
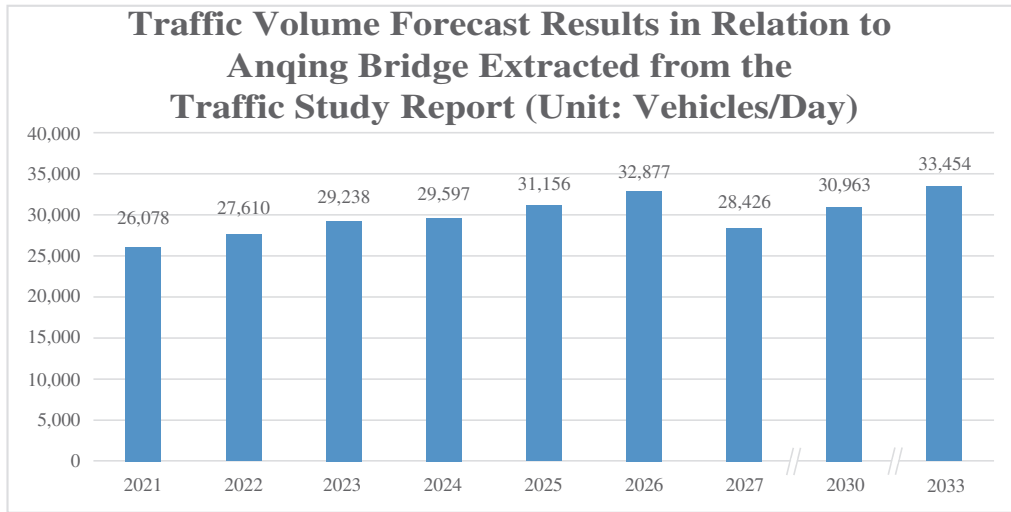
LETTER FROM THE BOARD

(b) *Specific assumptions*

- (i) The valuation does not take into account the effect of inflation factors. All the price standards adopted in the valuation calculation are the effective price standards and value systems as at the Valuation Benchmark Date.
- (ii) There are no major changes in the current national laws, regulations and basic policies of the industry in which the Target operates affecting the Target, and there are no major changes in the macroeconomic situation or in the political, economic and social environment of the area where the Target is located.
- (iii) There are no major changes in the national current bank interest rates, exchange rates, tax policies, and policy-based levies.
- (iv) It is assumed that the Target fully complies with all relevant national laws, regulations and national industrial policies, and there will be no major violations that affect its development and profit realization.
- (v) No other unpredictable and force majeure factors will cause material adverse effects on the Target.
- (vi) The various business plans formulated by the Target can be implemented smoothly. The Target's management will exercise due diligence in the future operation period, the core members of management remain stable, and the existing operation and management model will continue to be maintained.
- (vii) It is assumed that the accounting policies adopted by the Target after the appraisal base date are consistent with the accounting policies adopted in the preparation of the PRC Valuation Report in material respects.
- (viii) The Target's cash flow of income and expenditure is generated evenly.
- (ix) The basic information and financial information provided by the Target are true, accurate and complete.
- (x) The Target has no ownership defects, or all existing ownership defects have been disclosed.

LETTER FROM THE BOARD

5.2 Traffic and Revenue Forecast Projection in Relation to the Target Expressways

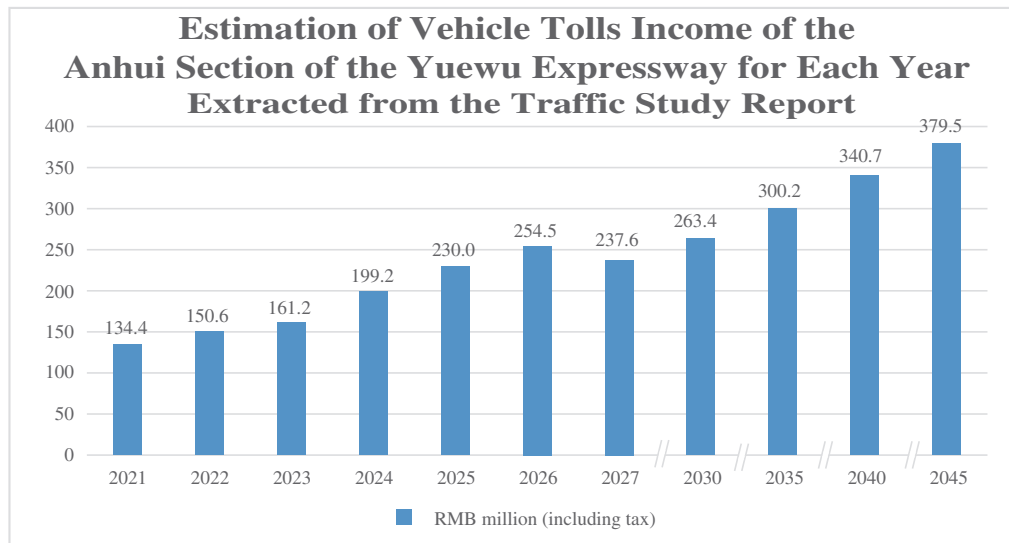
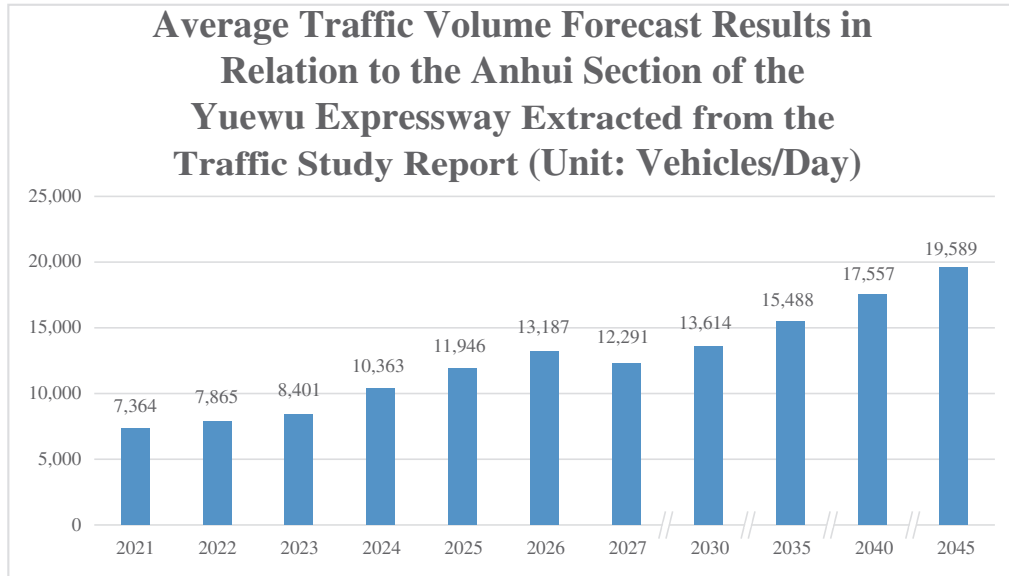


Notes:

- The actual toll income of the Anqing Bridge from 1 January 2021 to 31 July 2021 was RMB197,710,000, while the toll income for the period from 1 August to 31 December is an estimated figure and is estimated to be RMB146,500,000. The total amount of the toll income for 2021 is RMB344,210,000.
- In 2024, the growth rate of toll revenue of the Anqing Bridge is expected to decrease from 6.0% in 2023 to 1.5% in 2024 in light of the possible traffic diversion impact of the Wuwei-Yuexi section of the G4221 Shanghai-Wuhan Expressway on the bridge. On the border-crossing passage between Wuhan and Anqing, the Wuwei-Yuexi section of the G4221 Shanghai-Wuhan Expressway, the Wuwei-Anqing section of the North Yanjiang Expressway and the Anqing-Qianshan section of the Tianqian Expressway are competitive with the Anqing Bridge, the potential traffic diversion impact of relevant passages had been taken into consideration in the traffic volume projection. In assessing the traffic volume growth, after taking into account the natural growth of traffic volume of the Anqing Bridge, and the abovementioned diversion impact of the Wuwei-Yuexi section of the G4221 Shanghai-Wuhan Expressway on the traffic volume of the Anqing Bridge, the traffic volume of the Anqing Bridge is expected to increase at a relatively lower rate as compared with previous years.

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3. In 2027, the opening to traffic of the North Yanjiang Expressway, the Anqing-Haikou Yangtze River Bridge and the Chizhou Yangtze River Highway and Railway Bridge may have a relatively strong traffic diversion impact on the Anqing Bridge so the corresponding toll revenue may decrease by approximately 13.4%. Anqing Bridge is the main river-crossing passage from Anqing to Chizhou. According to the planning, the Anqing-Haikou Yangtze River Bridge and the Chizhou Yangtze River Public Railway Bridge are close to the Anqing Yangtze River Expressway Bridge, and both are the river-crossing passages from Anqing to Chizhou, and will serve as the river-crossing passages from Anqing to Chizhou upon the opening to traffic and operation of the project in the future, which will have a relatively strong diversion impact on the Anqing Bridge.
4. In the estimation of the tolls income, various special vehicle categories such as special use vehicles, general wagons and large trucks have been taken into consideration in the Traffic Study Report.



LETTER FROM THE BOARD

Notes:

1. The actual toll income of the Anhui section of the Yuewu Expressway from 1 January 2021 to 31 July 2021 was RMB75,070,000, while the toll income for the period from 1 August to 31 December is an estimated figure and is estimated to be RMB59,320,000. The total amount of the toll income for 2021 is RMB134,390,000.
2. The cross-boundary traffic volume during the Spring Festival has a substantial influence on the traffic volume of the Anhui Section of the Yuewu Expressway. In 2021, due to “staying put for the Spring Festival” measure advocated for the Covid-19 pandemic, the traffic was adversely affected. It is estimated that the revenue for 2022 will increase materially as compared with that for 2021 as the travel restrictions imposed as a result of the Covid-19 pandemic were lifted.
3. In addition, the opening to traffic of the Wuwei-Yuexi section of the G4221 Shanghai-Wuhan Expressway in 2024 will have a substantial impact on the traffic volume of the Anhui Section of the Yuewu Expressway, and such impact will continue for a period of time, so the corresponding revenue is expected to increase at a high growth rate. Anhui Section of the Yuewu Expressway and Wuwei-Yuexi section of the G4221 Shanghai-Wuhan Expressway are both part of the G4221 Shanghai-Wuhan Expressway, which has a large traffic volume as being the main passage towards the direction from Shanghai to Wuhan. In addition, G4221 Shanghai-Wuhan Expressway has certain advantages in respect of the driving distance, cost and time of travel from Wuhan to Shanghai as compared with the original G50 Shanghai-Chongqing Expressway. Therefore, upon completion of the Wuwei-Yuexi section of the Shanghai-Wuhan Expressway, some vehicles travelling between Wuhan to Shanghai via the G50 Expressway will be diverted to Wuwei-Yuexi section of the Shanghai-Wuhan Expressway. Based on the above factors, it has been considered in the valuation process that the traffic volume of the Anhui Section of the Yuewu Expressway will be continuously and significantly influenced by the Wuwei-Yuexi section of the G4221 Shanghai-Wuhan Expressway for a few years after its opening to traffic.
4. In 2027, revenues from the Anhui Section of the Yuewu Expressway will decline significantly due to the opening to traffic of some competitive highways such as the North Yanjiang Expressway, which will have a traffic diversion impact on the Anhui section of the Yuewu Expressway, and the Wuhan-Anqing High-speed Rail.
5. In the estimation of the toll income, various special vehicle categories such as special use vehicles, general wagons and large trucks have been taken into consideration in the Traffic Study Report.

LETTER FROM THE BOARD

5.3 Reports from the Reporting Accountant and the Financial Adviser

PWC, the reporting accountant of the Company, has performed an assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagement Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out in section 5 in this circular. PWC reported that the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions as set out in section 5 in this circular. Please refer to Appendix I to the Acquisition Announcement for the said report from PWC for the purpose of Rule 14.62 of the Listing Rules.

The Financial Adviser confirms that it is satisfied that the valuation of the Target Equity in the PRC Valuation Report, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made by the Directors after due and careful enquiry. Please refer to Appendix II to the Acquisition Announcement for the letter of the Financial Adviser.

6. SIGNIFICANT FINANCIAL EFFECTS OF THE ACQUISITION

Significant financial effects of the Acquisition on the Enlarged Group

Upon Completion, the Company will beneficially own the Target Equity. As a result, the Target will become a wholly-owned subsidiary of the Company and the financial results of the Target will be consolidated into the accounts of the Company in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants. Accordingly, no goodwill or excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination to the extent of the continuation of the controlling party or parties’ interests will be recognised.

LETTER FROM THE BOARD

The following table sets forth the significant financial effects of the Acquisition on the Enlarged Group identified in the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to this circular (“**Pro Forma Financial Information**”), assuming that completion of the Acquisition had taken place on 30 June 2021, as compared to the financial position of the Group as at 30 June 2021.

	Unadjusted consolidated statement of assets and liabilities of the Group As at 30 June 2021 RMB'000	Upon Completion (unaudited pro forma Enlarged Group) RMB'000	Change %
Net assets	12,181,310	11,202,373	(8.0)
Total assets	17,524,788	18,712,137	6.8
Total liabilities	5,343,478	7,509,764	40.5

Assets and liabilities

Based on the Pro Forma Financial Information, the unaudited pro forma consolidated total assets of the Enlarged Group as at 30 June 2021 would increase by approximately RMB1.2 billion to approximately RMB18.7 billion and the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 30 June 2021 would increase by approximately RMB2.2 billion to approximately RMB7.5 billion after the Acquisition, assuming that completion of the Acquisition had taken place on 30 June 2021. As disclosed in the section headed “4. WORKING CAPITAL” of Appendix I to this circular, the Directors are of the opinion that, after taking into account the completion of the Acquisition and the financial resources available to the Enlarged Group, the Enlarged Group has sufficient working capital for at least the next 12 months from the date of this circular.

LETTER FROM THE BOARD

The net assets, the total assets and the total liabilities of the Enlarged Group which are referred to in this subsection were extracted from the Pro Forma Financial Information, which was based on, among other things, a Total Consideration of approximately RMB4,181.2 million and the assumption that the completion of the Acquisition had occurred on 30 June 2021. The Total Consideration comprises the Equity Consideration which is a fixed amount, and the Loan Consideration which, as disclosed in section 2(d) above, depends on the actual date on which the Loan Consideration is paid. Since the completion of the Acquisition would occur on a date later than 30 June 2021, the Total Consideration would be higher than the assumed amount of the Total Consideration for the purposes of the Pro Formal Financial Information. As the actual amount of the Total Consideration will be different from the assumed amount used in the Pro Forma Financial Information, the abovementioned figures as at the date of completion of the Acquisition may also be different from the corresponding amounts presented in the Pro Forma Financial Information.

Earnings

Upon Completion, the Target will become a wholly-owned subsidiary of the Company. Based on the statements of comprehensive income of the Target as set out in Appendix III to this circular, it is expected that the earnings of the Enlarged Group will increase as a result of the Acquisition. After considering the factors set out in section 9 (“Reasons for and benefits of the Acquisition”) of the Board Letter, and that the toll revenue generated from the Target Expressways is expected to increase in the coming years as projected in the Traffic Study Report, the Directors expect that the Acquisition will produce a positive impact on the earnings of the Group in the near future.

7. RISK FACTORS

The Directors noted that there are certain risks involved in the Acquisition or the management and operation of the Target, including but not limited to:

Traffic volume may be affected by competing roads and bridges and other modes of transportation and factors beyond the Target’s control and traffic forecasts are based on historical data which may prove to be incorrect

Revenue from the Target Expressways is principally dependent on the number and classes of motor vehicles using such road and the applicable toll regime. Traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative road(s) or bridges, the existence of other means of transportation, including rail, aviation and waterway, fuel prices, taxation and environmental regulations. There can be no assurance that such other roads or modes of transportation will not significantly improve their services and reduce their charges, that competing expressways, toll roads or bridges will not be built nor that alternative routes which charge lower or zero tolls will not be devised, which in

LETTER FROM THE BOARD

each case would have an adverse effect on the revenue, results of operations and financial condition of the Target. Shareholders and potential investors should note that the forecasts on revenue and traffic volume contained in the Traffic Study Report were based on the historical data specified in the section headed “4. BASIS OF PREPARATION” of the summary of the Traffic Study Report set out in Appendix VI to this circular, including but not limited to the social and economic data, the historical traffic data and the economic, social and traffic planning data of the 14th Five-Year Plan for Anhui Province, Hefei City, Anqing City, Yuexi County, Chizhou City, Hubei Province and Wuhan City. Should these assumptions prove to be incorrect, the financial performance of the Target Equity may be adversely affected.

The toll regime significantly impacts the Target’s revenues and is regulated by governmental authorities

The toll rates for the Target Expressways are subject to regulation by the relevant governmental authorities in the PRC. Toll rates require approval from the relevant governmental authorities. There can be no assurance that the relevant government authorities will, if a request for increase in toll rates is made, approve such request in a timely manner or at all or that relevant governmental authorities will not at any time request a toll rate reduction.

Changes to the provincial government’s transportation-related policies may impact the revenues and earnings of the Target

The Target’s operations are sensitive to changes in the PRC government’s policies relating to all aspects of the transportation sector, for example, provincial and municipal transportation networks, traffic regulations, toll regime and the planning, development, construction and management of expressways in the PRC. There is no assurance that changes in such policies would not have a material adverse effect on the financial condition and results of operations of the Target. Shareholders and potential investors should note that the market value of Target Equity as appraised by the PRC Domestic Valuer was made on the assumptions as disclosed in section 5.1 above, including but not limited to the assumption that there are no major changes in the current national laws, regulations and basic policies of the transportation industry or major changes in the macroeconomic situation or in the political, economic and social environment of the area where the Target is located. Should this assumption and/or other assumptions of the valuation of Target Equity prove to be incorrect, the appraised value of the Target Equity may be adversely affected.

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The expressway operations of the Target may be subject to operational risks

The expressway operations of the Target may be materially adversely affected or interrupted by unforeseeable events and various factors, such as major traffic accidents, other unforeseen circumstances and road closure or restricted access beyond the control of the Target.

Unexpected economic slowdown may adversely affect the financial performance of the Target

Both the Target Expressways are located in Anhui Province. The business and performance of the Target Expressways is closely linked to the economic conditions of Anhui Province and affected by the macro-economic environment and policy stability in the PRC. Any downturn or slowdown in economic activities than as forecasted, or slow GDP growth in Anhui Province and/or the PRC overall could lead to lower utilisation of the Target Expressways. In those circumstances the financial performance of the Target may be adversely affected.

Third party information and forward looking statements

This circular contains certain information which has been derived from various governmental and other publicly available documents or other sources and such information has not been independently verified by the Company, the Directors or its advisors. Any estimates, projections, targets, forecasts, timelines and other forward-looking statements made or proposed by the Company or the Directors in this circular are based on its or their current expectations and assumptions. These forward-looking statements are subject to uncertainties and are not guarantees of future performance or development. Should these uncertainties materialized or should the underlying assumptions prove to be incorrect, the financial performance of the Target may be adversely affected. Accordingly, Shareholders and potential investors should not place undue reliance on these statements.

LETTER FROM THE BOARD

8. INFORMATION ON THE PARTIES

8.1 The Company

The Company is a joint stock limited company established in the PRC on 15 August 1996, the H Shares of which are listed on the Main Board of the Stock Exchange, and the domestic ordinary shares of which are listed on the stock exchange in Shanghai, the PRC. The Company is principally engaged in the holding, investment, construction, development, operation and management of toll expressways within Anhui Province.

8.2 Anhui Transportation Holding Group

Anhui Transportation Holding Group is a state-owned enterprise established in the PRC on 27 April 1993 and is the controlling shareholder of the Company holding approximately 31.63% of the Company's issued share capital as at the Latest Practicable Date. Anhui Transportation Holding Group is principally engaged in highway construction, planning, design, control, technical consultation and ancillary services and owns the Target Equity.

9. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Anqing Bridge is one of the important river-crossing passages in Anhui Province. It is vital to the improvement of the national trunk road network on both sides of the Anqing Bridge and the trunk road network in Anhui Province and Anqing City. It is also of high significance in respect of easing the transportation tension in East China and the coastal areas, and promoting the resource development and the development of economy and tourism in Anhui Province and Anqing City.

The Anhui Section of the Yuewu Expressway is of great significance in respect of strengthening the transportation and economic links between Anhui Province and Hubei Province. At the same time, the Anhui Section of Yuewu Expressway, together with Liuqian and Liuwu Expressways, build an expressway network connecting the central and eastern regions of the PRC, and hence is an important expressway connecting the central and eastern regions.

Upon Completion, the total length of expressways operated by the Company will increase from approximately 557 kilometers to approximately 609 kilometers. The main businesses of the Company will be enhanced through the Acquisition which helps to increase the market share and competitive strength of the Company in Anhui province. The Directors believe that the Acquisition will facilitate the Company to better utilise its experience and advantages in toll operation and to complement the Company's existing network of expressways, and is in line with the Company's development strategy.

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The Acquisition is conducive to enhancing the Company's sustainable development capabilities. There are 10.4 years left in average for toll collection of road assets of the Company, and thus the Company lacks sufficient momentum for future development and has limited space for strategic coordination and capital operation. It is expected that when the transaction is completed, the remaining periods for toll collection of the Anqing Bridge and the Anhui Section of the Yuewu Expressway will be 12 years and 24 years, respectively, which will extend the average toll collection period of the road assets of the Company, create a road network effect and effectively enhance the Company's sustainable development capabilities.

Expressways and bridges are large-scale transportation infrastructure with long-payback cycle and usually loss-making during the earlier stage of the concession period. In assessing the potential acquisition target, the Directors placed significant focus on the growth potential of the profit of the potential acquisition target during the concession period.

For the seven months ended 31 July 2021, the operating and financial performance of the Target has made a notable turnaround with its net profit increasing to approximately RMB 42.2 million, primarily driven by the growth of traffic volume. From 2016 to the seven months ended 31 July 2021, the compounded annual growth rates of the traffic volume of the Anqing Bridge and the Anhui Section of the Yuewu Expressway amounted to approximately 9.98% and 33.57%, respectively.

The recent significant improvement of the Target's financial performance as well as the past traffic volume growth demonstrates a clear growth potential of the profitability of the Target. With the expected opening of the Wuwei-Yuexi section of the Shanghai-Wuhan Expressway in 2023 and the shortening the driving time from Yuexi to Wuhan from over four hours in the past to two hours, it is expected that the traffic volume of the Anhui Section of the Yuewu Expressway (which is also part of the Shanghai-Wuhan Expressway) will further increase.

In assessing the growth potential and reasonableness of the Equity Consideration, the Company, being a state-owned enterprise supervised by the State-owned Assets Supervision and Administration Commission ("SASAC") of the PRC and listed in both Hong Kong and the PRC, had appointed qualified and experienced PRC Domestic Valuer and PRC Traffic Consultant to assess the traffic volume and revenue growth as well as the equity valuation of the Target pursuant to the relevant SASAC regulation.

Based on the Traffic Study Report and the PRC Valuation Report, it is expected that the revenue and profitability of the Target will continue to grow along with continuing economic development of the PRC supported by the favourable economic and transportation policy under the 14th Five-Year Plan for Anhui Province, Anqing City, and Chizhou City.

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The acquisition of the Target Expressways will not only extend the average duration of the toll road concession right portfolio of the Company but also represent the future source of revenue and profit of the Company. The acquisition expansion strategy is also in line with the business strategy widely employed by its peers as indicated in the aforesaid recent acquisition transactions.

In respect of the acquisition of the Shareholder's Loan, the Directors are of the opinion that including the Shareholder's Loan in the Acquisition is more beneficial to the Company overall for the reasons below.

From the perspective of proper corporate governance, if the Shareholder's Loan is to subsist after the acquisition of the Target Equity, it would represent a significant liability to the Enlarged Group due and owing to its controlling shareholder. The acquisition of the Shareholder's Loan can ensure that the Company maintain its financial independence from its parent group without placing significant reliance of parent group's financing.

The acquisition of the Shareholder's Loan is also conducive to the Company's continuing fulfillment of suitability criteria of listing pursuant to the prevailing Listing Rules upon Completion, and minimize future connected transactions between the Company and Anhui Transportation Holding Group arising in connection with transfer of funds and repayment of interests on the Shareholder's Loan.

From the commercial perspective, the Shareholder's Loan is subject to an interest rate ranging from 3.85% p.a. and 5.19% per annum, which is considerably higher than the interest rate on the Company's existing loan facilities as disclosed in the Interim Report of the Company of 2021 i.e., ranging from 1.2% to 4.9% per annum. The weighted average of the interest rate of the Company's existing loan facilities as at 30 June 2021 is approximately 3.75% per annum, which is also lower than that of the Shareholder's Loan. The acquisition of the Shareholder's Loan can potentially reduce the finance cost of the Enlarged Group upon Completion and is therefore in the interest of the Company and the Shareholders as a whole.

The terms of the Acquisition Agreement were arrived at after arm's length negotiations between the Company and Anhui Transportation Holding Group, and are on normal commercial terms or better, taking into account various factors and with reference to the PRC Valuation Report.

The Directors (excluding the members of the Independent Board Committee, whose opinion will be set out in this circular after taking into account the IFA's advice to be set out in this circular) consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

10. LISTING RULES IMPLICATION

As the highest percentage ratio (as defined in the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Anhui Transportation Holding Group is the controlling shareholder of the Company holding approximately 31.63% of the Company's issued share capital as at the Latest Practicable Date and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will put forward, among others, ordinary resolutions to approve the Acquisition and the transactions contemplated thereunder at the extraordinary general meeting to be convened by the Company for the Independent Shareholders' consideration and approval.

Xiang Xiaolong, Yang Xiaoguang, Tao Wensheng and Chen Jiping (directors or senior management of Anhui Transportation Holding Group and/or Directors of the Company nominated by Anhui Transportation Holding Group) are deemed to be interested in the Acquisition and have abstained from voting on the major and connected transaction in respect of the Acquisition according to the Listing Rules. Except as stated above, no director has any material interest in the Acquisition, neither are there any directors who are required to abstain from voting on the relevant Board resolutions.

In view of the interest of Anhui Transportation Holding Group in the Acquisition Agreement, Anhui Transportation Holding Group and its associates will abstain from voting at the extraordinary general meeting to be convened by the Company to, among others, consider and approve the resolution in relation to the Acquisition and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no other Shareholders would be required to abstain from voting on the Shareholders' resolution(s) to approve the Acquisition, and no Shareholders would be required to abstain from voting on the Shareholders' resolution(s), to approve the Plan (as defined below).

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Liu Hao, Mr. Zhang Jianping and Ms. Fang Fang, has been formed to consider the Acquisition and the transactions contemplated thereunder, and Guoyuan Capital (Hong Kong) Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition and the transactions contemplated thereunder are fair and reasonable, whether the Acquisition and the transactions contemplated thereunder are on normal commercial terms, whether the Acquisition and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and whether the Independent Shareholder should vote in favour of the Acquisition and the transactions contemplated thereunder.

LETTER FROM THE BOARD

11. EXTRAORDINARY GENERAL MEETING

The EGM Notice is set out on pages 226 to 229 of this circular. At the EGM, resolutions as set out in the EGM Notice will be put to the vote.

A form of proxy of the EGM are also attached to this letter. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the registrar of H Shares of the Company, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 24 hours before the holding of the EGM or any of its adjourned meetings. Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the EGM or any adjourned meeting(s) should you so wish.

12. RECOMMENDATIONS

In addition to the information contained in the sections immediately preceding this section headed "12. RECOMMENDATIONS", your attention is drawn to the Independent Board Committee Letter set out on pages 41 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Acquisition.

The Directors, having taken into account the advice of the IFA, the principal factors and reasons taken into consideration by the IFA considers that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommends the Independent Shareholders to vote in favour of the ordinary resolution approving the Acquisition at the EGM.

13. SHAREHOLDERS' RETURN PLAN (2021–2023)

In order to further perfect and improve the consistent and stable dividend policy and supervision mechanism of the Company, enhance the transparency and operability of the decision-making in profit distribution of the Company, achieve active reward to the investors and effectively protect the entitlement of the Company's shareholders, especially small and medium investors, to return on assets in accordance with law, the Shareholders' Return Plan of Anhui Expressway Company Limited (2021-2023) (hereinafter referred to as the "Plan") is hereby formulated in accordance with the Notice on the Further Implementation of Matters in Relation to Cash Dividend of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies (《上市公司監管指引3號—上市公司現金分紅》) issued by the China Securities Regulatory Commission and other relevant documents and the relevant requirements under the Articles of Association. The Plan will be implemented upon approval by the Shareholders as special resolution at the EGM.

LETTER FROM THE BOARD

I. Factors Considered when Formulating the Plan

By focusing on its long-term and sustainable development, making comprehensive analysis of its actual operation conditions, shareholders' demands and wishes, capital costs and financing environment, taking full consideration the characteristics of the industry in which it operates and its current stage of development, level of profitability, cash flow conditions, capital needs of project investment, borrowings from banks, etc., and taking overall account the short-term and long-term interests of the shareholders, the Company has made institutional arrangements for profit distribution and established a scientific, consistent and stable dividend return mechanism.

II. Principles for Formulating the Plan

- (1) Actively reward the investors and take into account the long-term interests of the Company, the overall interests of the Shareholders, as well as the need for sustainable development of the Company.
- (2) Further enhance the transparency of profit distribution of the Company, and give priority to profit distribution method of cash dividends so that investors can form a stable return expectation.
- (3) Maintain the consistency and stability of the profit distribution policy.
- (4) Strictly abide by relevant requirements on profit distribution under relevant laws and regulations and the articles of association.

III. Details of Plan for the Next Three Years (2021-2023)

- (1) The Company may distribute its profit in cash, shares, a combination of both cash and shares or otherwise permitted by laws and regulations, and shall maintain the consistency and stability of its profit distribution policy. The Company should preferentially distribute dividends in cash where the Company satisfies the conditions for cash dividends.
- (2) Except for special circumstances, the Company shall, in principle, make dividends distribution in cash once a year for the next three years (2021-2023), provided that the closing balance of the Company's accumulated undistributed profits is positive, the distributable profit for the current period is positive and the Company's cash flow is sufficient to meet the normal operation and sustainable development of the Company.

LETTER FROM THE BOARD

- (3) Subject to the conditions for cash dividends, the Company shall distribute profits in cash in an amount not less than 60% of the net profit attributable to owner of the parent company in the consolidated financial statements for each of the next three years (2021-2023).
- (4) Subject to ensuring full distribution of cash dividends, the Company may distribute profits otherwise by issuing bonus shares. Where the Company distributes profit in the form of shares, the decision shall be made based on true and reasonable factors such as the growth of the Company and the dilution of net assets per share. The profit distribution of the Company shall not exceed the accumulated distributable profit, and the profit distribution policy shall not violate the provisions of relevant national laws and regulations.

If the Company needs to adjust the shareholders return plan due to major changes in external business environment or its own operation conditions, it shall, taking the interests of shareholders as the starting point, justify in detail the reasons for the adjustment and submit a written justification report to the general meeting of the Company for consideration, after the same has been considered and approved at the meeting of the Board.

The Directors consider that the resolution approving the Plan is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the special resolution approving the Plan at the EGM.

14. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

* *translation for identification purposes only*



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)

30 November 2021

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION:
ACQUISITION OF THE ENTIRE INTEREST IN A COMPANY OPERATING AN
EXPRESSWAY AND A BRIDGE IN ANHUI PROVINCE, THE PRC**

We refer to the circular of the Company dated 30 November 2021 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the Acquisition, details of which are set out in the letter from the Board contained in the Circular, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Having considered the terms of the Acquisition Agreement and the advice of the IFA in relation thereto as set out on pages 42 to 82 of the Circular, the Independent Board Committee, after internal discussion, conducted voting on the matter. The Independent Board Committee resolved by a simple majority that it is of the opinion that the Acquisition is on normal commercial terms, the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Zhang Jianping

Independent Non-executive Director

Ms. Fang Fang

Independent Non-executive Director

Mr. Liu Hao

Independent Non-executive Director

LETTER FROM THE IFA



17/F, Three Exchange Square
8 Connaught Place
Central, Hong Kong

30 November 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS ACQUISITION OF ENTIRE INTERESTS IN A COMPANY OPERATING A BRIDGE AND AN EXPRESSWAY IN ANHUI PROVINCE, THE PRC

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition Agreement between the Company and Anhui Transportation Holding Group and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 30 November 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Anhui Transportation Holding Group is the controlling shareholder of the Company holding approximately 31.63% of the Company’s issued share capital as at the date of the Circular and is therefore a connected person of the Company under the Listing Rules. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the Acquisition exceeds 25% but is below 100%, the Acquisition is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Anhui Transportation Holding Group and its associates shall abstain from voting at the extraordinary general meeting to be convened by the Company (the “**EGM**”) to, among others, consider and approve the resolutions in relation to the Acquisition and the transactions contemplated thereunder. Save as disclosed above, to the best knowledge, information and belief of the Directors’ knowledge, no other Shareholders or any of their respective associates have a material interest in the Acquisition and the transactions contemplated thereunder, and accordingly are required to abstain from voting at the EGM.

LETTER FROM THE IFA

The Company has established the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Liu Hao, Mr. Zhang Jianping and Ms. Fang Fang, to advise the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder, and to recommend to the Independent Shareholders how to vote at the EGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we were not aware of any relationships or interests between Guoyuan Capital and the Company, Anhui Transportation Holding Group and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. Save for this appointment as the Independent Financial Adviser in respect of the Connected Transaction, there were no other engagements between Guoyuan Capital and the Company, or any other parties to the Acquisition Agreement, in the two years immediately preceding the Latest Practicable Date. Apart from the normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company. Accordingly, Guoyuan Capital is independent as defined under Rule 13.84 of the Listing Rules to act as an Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the connected transaction.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have reviewed, among other things, (i) the Acquisition Agreement; (ii) the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”); (iii) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); (iv) audited financial statements of the Target for the financial years ended 31 December 2018, 2019 and 2020 and seven months ended 31 July 2021 (the “**Audited Accounts of the Target**”); and (v) other information as set out in the Circular. We have also discussed with the management of the Group regarding the business, financial and the commercial implications of the Acquisition on the Group.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors’ representation and

LETTER FROM THE IFA

confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Acquisition Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any independent in-depth investigation into the business and affairs of the Company and Anhui Transportation Holding Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or Anhui Transportation Holding Group as a result of the entering into of the Acquisition Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for entering into the Acquisition Agreement

1.1 The Group

The Company was incorporated on 15 August 1996 as a joint stock company in Anhui province, the PRC. The H Shares of the Company are listed on the Main Board of the Stock Exchange, and the domestic ordinary shares of the Company are listed on the stock exchange in Shanghai, the PRC. It is the first highway company listed in Hong Kong and the only listed highway company in Anhui province. The Group is principally engaged in the holding, investment, construction, development, operation and management of toll expressways

LETTER FROM THE IFA

(the “Existing Toll Roads and Bridges”) within Anhui province. The Group acquires toll expressway assets through various means such as investment and construction, acquisition or co-operative operation. The Group provides toll service for vehicles, collects vehicles toll fee according to the charging standard and maintains, repairs and carries out safety maintenance for the toll expressways.

Set out below is the summary of the financial information of the Group for the years ended 31 December 2020 and 2021 and the six months ended 30 June 2020 and 2021 as extracted from the 2020 Annual Report and 2021 Interim Report:

	For the year ended		For the six months	
	31 December		ended 30 June	
	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	(Unaudited)
Toll roads income, rental income and others	2,942,197	2,626,551	817,172	1,687,240
Revenue from construction or upgrade work under Service Concessions	1,694,008	81,737	52,157	32,951
Interest income from pawn loans to customers	4,226	5,981	1,696	410
	<u>4,226</u>	<u>5,981</u>	<u>1,696</u>	<u>410</u>
Total Revenue	4,640,431	2,714,269	871,025	1,720,601
Profit for the year attributable to owners of the Company	1,051,962	863,810	108,200	709,160
			As at 31 December	As at 30 June
			2019	2020
			<i>RMB'000</i>	<i>RMB'000</i>
				2021
				<i>RMB'000</i>
				(Unaudited)
Total equity excluding non-controlling interests	10,778,299	11,314,457	11,642,347	

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The revenue of the Group decreased by approximately 41.6% from RMB4,640.4 million for the year ended 31 December 2019 to RMB2,714.3 million for the year ended 31 December 2020. This was mainly contributed by the decrease in revenue from construction or upgrade work under service concessions and toll road income, rental income and others, mainly as a result of (i) the completion of “four-lane to eight-lane” construction works on Hening Expressway and (ii) the outbreak of coronavirus (the “**COVID-19 outbreak**”). The COVID-19 outbreak had a significant impact on the Group’s production and business activities in the first half of 2020. With the orderly economic recovery in the second half of the 2020, the demand of road transportation and logistics in the region recovered. The profit attributable to owners of the Company for the corresponding period were approximately RMB1,052.0 million and RMB863.8 million, representing a decrease of approximately 17.9%, which was mainly attributed to the outbreak of the COVID-19 outbreak which affected the production and business activities of the Group.

For the six months ended 30 June 2020 and 2021, the Group recorded a revenue of RMB871.0 million and RMB1,720.6 million, respectively, representing an increase of approximately 97.5%. The profit attributable to owners of the Company for the corresponding period were approximately RMB108.2 million and RMB709.2 million, respectively, representing a period-on-period increase of approximately 555.5%. The significant increase was mainly as a result of the recovery of road transport and logistics demand in the region for the Group’s expressway’s toll revenue.

The total equity of the Group (excluding non-controlling interest) increased from approximately RMB10,778.3 million as at 31 December 2019 to RMB11,314.5 million as at 31 December 2020 and further increased to approximately RMB11,642.3 million as at 30 June 2021.

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1.2 The Existing Toll Roads and Bridges

The Existing Toll Roads and Bridges are all located in Anhui Province, PRC, namely: (i) Hening Expressway (G40 Hushan Expressway Hening Section); (ii) New Tianchang Section of National Trunk 205; (iii) Gaojie Expressway (G50 Huyu Expressway Gaojie Section); (iv) Xuanguang Expressway (G50 Huyu Expressway Xuanguang Section); (v) Lianhuo Highway Anhui Section (G30 Lianhuo Expressway Anhui Section); (vi) Guangci Expressway (G50 Huyu Expressway Guangci Section); (vii) Ninghuai Expressway Tianchang Section; and (viii) Ningxuanhang Expressway. Details of the Existing Toll Roads and Bridges are set out below:

Existing Toll Roads and Bridges	For the year ended 31 December 2020						Toll Length (km)	Number of lanes	Number of toll station(s)
	Attributable Interest	Remaining operating term	Revenue	Cost of Sales	Gross Margin				
	(%)	(years)	(RMB '000)	(RMB '000)	(%)				
Hening Expressway	100	10	840,162	392,521	53.3%	134	8	12	
New Tianchang Section of National Trunk 205	100	5	70,118	41,742	40.5%	30	4	1	
Gaojie Expressway	100	8	592,407	162,022	72.7%	110	4	3	
Xuanguang Expressway	55.47	7	452,473	150,651	66.7%	84	4	6	
Lianhuo Expressway Anhui Section	100	11	204,447	119,650	41.5%	54	4	3	
Guangci Expressway	55.47	8	93,869	20,836	77.8%	14	4	0	
Ninghuai Expressway Tianchang Section	100	11	89,378	36,256	59.4%	14	6	1	
Ningxuanhang Expressway (Anhui Section)	51	(Note)	99,535	253,130	(154.3)%	117	4	6	

Note: Ningxuanhang Expressway (Anhui Section) is made up of three section namely: Xuancheng to Ningguo Section, Ningguo to Qianqiuguan Section and Liqiao to Xuancheng Section with approximately 22 years, 24 years and 1 year of remaining operation term.

As at 31 December 2020 the Group had eight controlled expressways (namely (i) Hening Expressway; (ii) New Tianchang Section of National Trunk 205; (iii) Gaojie Expressway; (iv) Xuanguang Expressway; (v) Lianhuo Highway Anhui Section; (vi) Guangci Expressway; (vii) Ninghuai Expressway Tianchang Section; and (viii) Ningxuanhang Expressway). Among the eight controlled expressways, Hening Expressway and Gaojie Expressway together accounted for approximately 58.7% of the revenue for the year ended 31 December 2020 from these eight expressways combined with an average remaining concession period of approximately 8.9 years only. The average remaining concession period of the eight toll expressways are approximately 10.4 years.

1.3 *Anhui Transportation Holding Group*

Anhui Transportation Holding Group is a state-owned enterprise established in the PRC on 27 April 1993 and is the controlling shareholder of the Company holding approximately 31.63% of the Company's issued share capital as at the Latest Practicable Date. Anhui Transportation Holding Group is a state-owned enterprise under the supervision of the State-owned Assets Supervision Commission of Anhui Province ("**Anhui SASAC**"). Anhui Transportation Holding Group owns the entire equity interest in the Target and is a wholly owned subsidiary of Anhui SASAC as at the Latest Practicable Date. Anhui Transportation Holding Group is principally engaged in highway construction, planning, design, control, technical consultation and ancillary services.

1.4 *The Acquisition*

The Acquisition consists of two parts: the equities acquisition and the shareholder's loan acquisition. The equities acquisition refers to the acquisition of 100% equity interest in the Target (the "**Target Equities**") amounting to RMB2,210 million (the "**Equities Acquisition**"). The shareholder's loan acquisition refers to the outstanding shareholder's loan as at the Valuation Benchmark Date (the "**Target Loan**") of approximately RMB1,971.2 million and the interest accrued thereon (the "**Loan Acquisition**"). The Loan Acquisition represents all the rights, benefits and titles of the Target Loan due to Anhui Transportation Holding Group, being the long-term payables and other payables of the Target due to Anhui Transportation Holding Group amounting to approximately RMB3,257.5 million being offset against the Target's other receivables due from Anhui Transportation Holding Group amounting to approximately RMB1,286.2 million and the interest accrued thereon. The long-term payables of the Target due to Anhui Transportation Holding Group are mainly represented by the financial support provided by Anhui Transportation Holding Group to the Target. The Target's other receivables due from Anhui Transportation Holding Group are represented by the toll road and bridge income receivable from Anhui Transportation Holding Group. The tolls are collected by expressway fee settlement centre from customers and then Anhui Transportation Holding Group, on behalf of the Target, settles with expressway fee settlement centre.

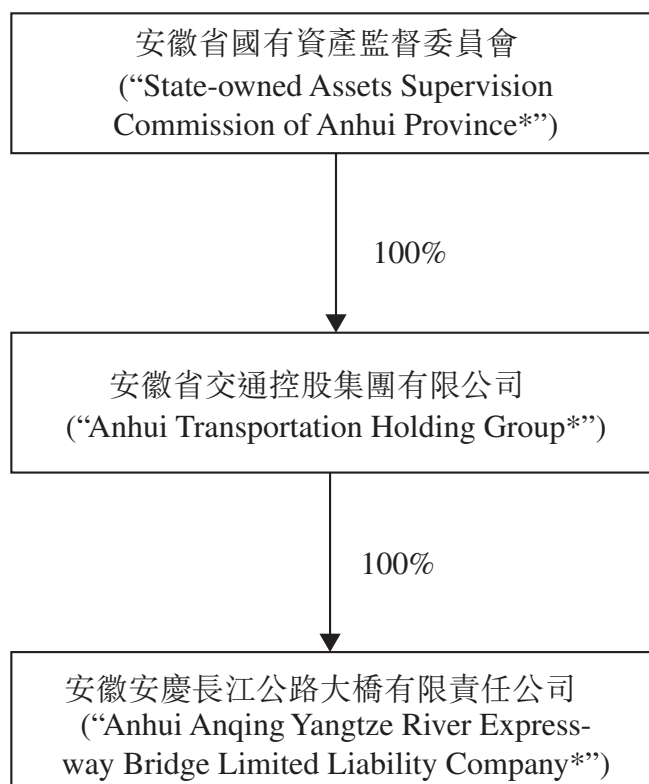
For details of the terms of the Acquisition (including the consideration for the Acquisition), please refer to "5. Principal terms of the Acquisition" of this letter below.

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1.5 The Target

The Target is a limited company established in the PRC on 6 April 2000. The Target is principally engaged in the investment, operation and management of toll road expressways and bridge in Anhui province in the PRC. The Target currently owns the concession rights of the Target Expressways. As of the Latest Practicable Date, the Target is a wholly-owned subsidiary of Anhui Transportation Holding Group, and upon Completion, the Target will become a wholly-owned subsidiary of the Company.

The shareholding structure of the Target as at the Latest Practicable Date is set out below:



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Set out below is the summary of the financial information of the Target for the year ended 31 December 2019 and 2020 and for the seven months ended 31 July 2020 and 2021, respectively, as extracted from the accountant's report on the Target in Appendix III to the Circular:

	For the year ended		For the seven months	
	31 December		ended 31 July	
	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Revenue	394,282	313,130	124,922	267,969
Profit (loss) for the year/period	10,257	(42,929)	(60,155)	42,203
		As at 31 December	As at 31 July	
		2019	2020	2021
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net asset value		196,592	153,663	1,161,167

For the year ended 31 December 2019 and 2020, the Target recorded a revenue of approximately RMB394.3 million and RMB313.1 million, respectively representing a decrease of approximately 20.6%. The Target recorded a profit for the year ended 31 December 2019 of approximately 10.3 million and loss for the year ended 31 December 2020 of approximately RMB42.9 million. The decrease in both revenue and profit was mainly contributed by the decrease in the toll income from toll road and bridge operation as a result of the COVID-19 outbreak. On 15 February 2020, the Ministry of Transport of the PRC issued 《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》(“Notice on the toll fee exemption for toll roads during the novel coronavirus disease*”) with the approval of the state council of the PRC (the “**State Council**”), implemented toll fee exemption for vehicles on all toll roads in the PRC during the period of the prevention and control of the novel coronavirus disease. The toll road exemption took effect from 0:00 a.m. on 17 February 2020. Pursuant to 《交通運輸部關於恢復收費公路收費的公告》(“Notice from the Ministry of Transport on Resumption of Toll Fees Collection on Toll Roads*”) issued by the Ministry of Transport of the PRC on 28 April 2020, with the approval of the State Council, save for the designated vehicles for which the toll-free policy will continue to be applied, toll roads nationwide (including toll bridges and tunnels) will resume toll fees collection for all vehicles legally travelling through the toll roads from 00:00 on 6 May 2020. In accordance with the said policies, the Target had to waive the toll fees of vehicles using the Target Expressway. As a result, the Target did not record revenue for 79 days from 17 February 2020 to 5 May 2020 whilst continuing to incur management and operating cost.

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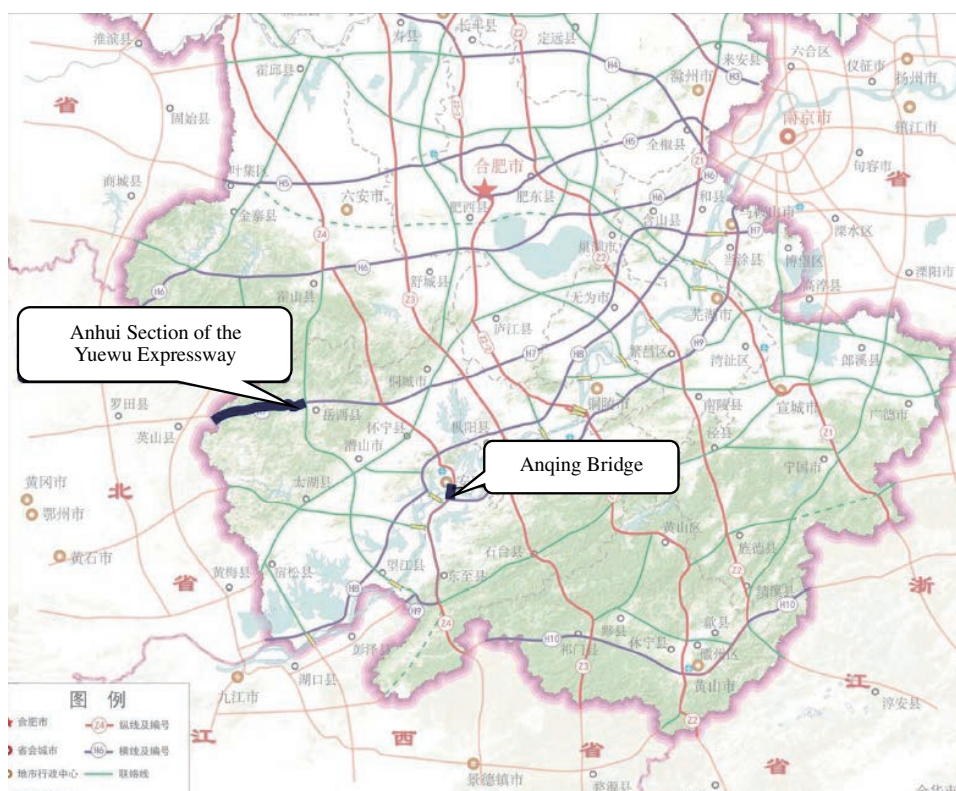
For the seven months ended 31 July 2020 and 2021, the Target recorded a revenue of approximately RMB124.9 million and RMB268.0 million, respectively representing an increase of approximately 114.5%. The Target recorded a loss for the seven months ended 31 July 2020 of approximately RMB60.2 million and a profit for the seven months ended 31 July 2021 of approximately RMB42.2 million. The increase in both revenue and profit was contributed by the increase in toll revenue as collection of toll fees on tolled highway resumed and the recovery of the economy of Anhui Province from the COVID-19 outbreak.

The net asset value increased from approximately RMB153.7 million as at 31 December 2020 to RMB1,161.2 million as at 31 July 2021. The increase was as a result of a debt conversion agreement entered between the Target and Anhui Transportation Holding Group where the long-term payables amounting to approximately RMB965.3 million was converted to shareholders' investment and recorded in capital reserve.

Upon the Completion, the Company will replace Anhui Transportation Holding Group as the holding company of the Target. Accordingly, the Target will become a wholly owned subsidiary of the Company and their financial results will be consolidated in the financial statements of the Group.

1.6 The Target Expressways

Set out below is a map which illustrates the location of the Target Expressways.



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Anqing Bridge

Anqing Bridge is an important highway hub in southwest Anhui Province. Anqing Bridge starts at Dadukou Interchange (大渡口立交樞紐) of the Chizhou prefecture (池州市) in the south, where it then crosses the Yangtze River, and reaches Longmianshan South Road (龍眠山南路) in Anqing north of the river. The Anqing Bridge spans 1,040 metres over the Yangtze River and carries four lanes of traffic on the expressway.

The Anqing Bridge is an important component to the province's transportation network as it connects the north and south side of the Yangtze River and is significant to the economic and tourism development in Anhui Province and Anqing City; allowing for expansion of the province's transportation capacity by improving the national trunk road network on both side of the Yangtze River and promotion of the trunk road network in Anhui Province and Anqing City while easing the traffic tension to the nearby provinces and city of East China and coastal area.

The Anqing bridge is one of the important projects listed in the 《長江干線過江通道佈局規劃(2020-2035年)》 (“Plan for Layout of Pathways Crossing the Mainline of Yangtze River (2020-2035)”) by the NDRC. The Anqing Bridge connects Dongzhi County of Chizhou City and Yixiu District of Anqing City. The Anqing Bridge borders Anqing-Dongzhi Expressway (S27 in the Anhui expressway network) to the south, Hefei-Anqing Expressway (G42 in the national expressway network) to the north, with Shanghai-Chongqing Expressway (G50 in the national expressway network) passing through. The Anqing Bridge is an important part of the “four lengthwise” (四縱) of the “four lengthwise and eight transverse” (四縱八橫) expressway network in Anhui Province, and it is the transportation hub for He'an Expressway (合安高速公路) and Anjing Expressway (Anqing-Jingdezhen) (安景高速公路(安慶-景德鎮)). The Anqing Bridge is also a transportation hub connecting the Beijing-Tianjin-Hebei region, the Central Henan City Cluster, the Yangtze River City Cluster, the Pearl River Delta City Cluster and the Western Taiwan Straits City Cluster.

Anhui section of the Yuewu Expressway

The Anhui section of the Yuewu Expressway is located in the Dabie mountain hinterland (大別山腹地) in western Anhui. It is an important inter-provincial regional main line connecting Anhui and Hubei provinces. It is also an important highway connecting the central and eastern regions. It starts from the Liuqian Expressway (六潛高速) and ends at Dafengshu Mountain (大楓樹嶺) at the Anhui-Hubei boundary and connects the Wuying Expressway (武英高速) in Hubei Province. The Anhui section of the Yuewu Expressway is approximately 46.3 kilometres in length and carries four lanes of traffic on the expressway. It was appraised as the “2015 Green Highway” thematic project by the Ministry of Transport and was awarded the title of “Safe Transportation” demonstration project in 2015.

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The Anhui section of the Yuewu Expressway is of great importance as it stands to strengthen the transportation and economic links between Anhui and Hubei, the Central China region and the Yangtze River Delta region, and as a way to strengthen the economy of the western region from the eastern region. Since the complete operation of the Yuewu Expressway, the journey time between Yuexi and Wuhan has been reduced from more than 4 hours to 2 hours, which in turn have allowed for development in tourism, industrial and rural revitalization as well as poverty alleviation to the counties and cities surrounding the Dabie mountain hinterland (大別山腹地) such as Yuexi (岳西縣), Qianshan (潛山市), Yingshan (英山縣) and Luotian (羅田縣).

Details of the Target Expressways are summarized below:

Target Expressways	Remaining operating term	Toll Length (approximately)	Number of lanes	Number of toll collection station	2020 traffic volume (Number of vehicles per day)	2020 toll revenue (RMB '000)
Anqing Bridge	12	5.99 km	4	1	24,668	231,163
Anhui Section of the Yuewu Expressway	24	46.26 km	4	2	5,389	79,881

1.7 Rationale of the Acquisition

The Company is principally engaged in the holding, investment, construction, development, operation and management of toll expressways within Anhui province.

As discussed in the sub-section 1.2 of this letter, the average remaining concession period of the eight toll expressways controlled by the Group is approximately 10.4 years, of which the concession right of the top 2 expressways which generated the most revenue are Hening Expressway and Gaojie Expressway (together accounted for approximately 58.7% of the revenue from these eight expressways combined for the year ended 31 December 2020) will expire in 10 years and 8 years, respectively. The remaining concession period for the Target Expressway range from 12–24 years, which, upon the Completion, will extend the average concession period of the Group's existing portfolio. The main businesses of the Company will be enhanced through the Acquisition which in turn will increase the market share and competitive strength of the Company within the Anhui province. The Acquisition in our view, will provide an opportunity for the Group to extend the overall concession period of its toll roads and bridges portfolio and increase the total toll mileage of the controlled expressways of the Group by approximately 9.3%, from approximately 557 km to 609km, and as such the Acquisition will be conducive to enhancing the Company's sustainable development capabilities. Furthermore, the Directors believe that the Group will be able

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to generate additional toll revenues from the Acquisition with its expertise in the toll road business without incurring substantial expenses by utilizing its existing management team, equipment and machinery for maintenance. It is expected that the Acquisition will facilitate the Company to better utilise its experience and advantages in toll operation and to complement the Company's existing network of expressways, and is in line with the Company's development strategy.

Shareholders are advised to refer to the section headed "Reason for and benefits of the Acquisition" in the Board Letter set out in the Circular for further details.

2. Market outlook of toll road industry

2.1 Macro overview of Anhui Province

Benefited from its geographical location, Anhui Province is located in Central China and is an important part of the Yangtze River Delta Economic Zone. It is strategically positioned for national economic development and enjoys close connection with other areas within the Yangtze River Delta Economic Zone. After years of development, the transportation network within the province matures, nowhere in Central China is a denser concentration of railways and expressway within the province, allowing Anhui to enjoy the geographical benefit of connecting the north to south and east to west. According to the Anhui Province Bureau of Statistics of China (安徽省統計局), Anhui Province recorded a growth rate for gross domestic product ("GDP") of approximately 3.9%⁽¹⁾ in 2020 which has exceeded the national growth rate for GDP by approximately 1.6% in the same year, reaching approximately RMB3.87 trillion.

(1) <http://tjj.ah.gov.cn/ssah/qwfbjd/tjgb/sjtjgb/145651891.html>

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Anhui Province has benefited from strong policy support from the Central Government. In 2021, the People's Government of Anhui Province (“**Anhui Government**”) published the successive provincial strategy, 《安徽省國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》 (“The 14th Five-Year Plan of Anhui's National Economic and Social Development and the Outline of Long-Term Goals for 2035*”), which outlined the provincial development action plans for the period of 2021 to 2025 and the long-term goals for 2035. During the 14th five-year period, the Anhui province shall target to accelerate the construction of major transportation facilities such as expressways and actively participate in the constructions underlying the 長江三角洲區域一體化發展 (“Yangtze River Delta Integrated development”*) and 交通強省 (“Strong transportation Province Construction”*) initiatives by promoting interconnection of infrastructure along the Yangtze River delta, improving city cluster expressway network and strengthening the connections between expressways and urban road. As evidenced by the growth in 2020, this new strategy will further stimulate the economic development in the Anhui Province.

Furthermore, the Anhui Government released an opinion, 《中共安徽省委安徽省人民政府關於貫徹〈交通強國建設綱要〉的實施意見》 (“The Anhui Provincial Committee of the Communist Party of China and the Anhui Government Opinions on Implementation of the Outline for Building a Powerful Transportation Country*”), Anhui Province is expected to build a three-dimensional transportation network namely by focusing on high-speed rail, expressways, and civil aviation. On personnel travel, to achieve an 安徽123 出行交通圈 (“Anhui 123 transportation circle”*) (represents an one-hour commute in Hefei urban areas, two-hour travel between the cities of a conurbation such as from the Yangtze River Delta city cluster and Hefei to a neighboring provincial capital, and three-hour reachability of major cities nationwide) and an 安徽123 快貨物流圈 (“Anhui 123 fast movement of goods circle”*) (representing an one-day domestic delivery, two-day delivery from neighboring countries, and three-day delivery from global major cities) forming a safe and efficient logistics network with internal and external connections. Recently, 安徽省高速公路網規劃修編(2020-2035 年) (“the planning and revision of Anhui expressway network (2020-2035)*”) was implemented, the plan was by 2035, the planned total mileage of expressways in Anhui will exceed 10,000 kilometers, basically achieving loop lines in each city, dual lines in counties and districts, full coverage of key cities and towns, full connectivity of important nodes, and full expansion of main passages. Anhui will form a 五縱十橫 (“five lengthwise and ten transverse*”) expressway network, including 5 vertical lines, 10 horizontal lines and 54 tie lines.

2.2 Market overview of the cities along the Target Expressways

As per discussion with Chelbi, we are advised that the future economic condition of Hefei and major cities along the Target Expressways has significant influence to the future growth of the traffic volume of the Target Expressways. According to the Anhui Province Bureau of Statistics of China (安徽省統計局), the GDP of Hefei, Anqing, and Chizhou, the major cities along the Target Expressways, recorded an annual growth rate of approximately 4.3%⁽²⁾, 4.0%⁽³⁾ and 4.0%⁽⁴⁾ respectively, for 2020. All of which recorded a greater growth rate than the national average of 2.3%⁽⁵⁾ of the same period. The economic growth of the major cities along the Target Expressways contributed to the demand for road transport and in turn increased the usage of toll expressways.

Taking into consideration of (i) the generally positive economic development of Anhui Province and the major cities along the Target Expressways in the past year, and (ii) the governmental initiatives and national policies in support of the future growth and development of Anhui Province, it is expected that the future prospect of the Target Expressway will be generally optimistic. Given the governmental initiatives and policies, the Directors are optimistic of the prospect of the province, that such initiatives will have a positive impact on the traffic volumes on the Target Expressway and will increase traffic demand on roads, which will bring about favorable earnings to the Group through toll revenues. We concur with the Director that the prospect remains positive for the Group as the economic development drive greater demand on expressways that connect the major cities across the province.

3. The Traffic Study Reports

3.1 Qualification and experience of the traffic consultant

Pursuant to Rule 13.80 of the Listing Rules, in order to assess the expertise and independence of Chelbi Engineering Consultant, Inc. (“Chelbi”), we have (i) reviewed the terms of the engagement (having particular regard to the scope of work); (ii) conducted an interview with Chelbi including as to its expertise and any current or prior relationships with the Group, the Vendor, and core connected persons of either the Group or the Vendor; and (iii) reviewed and discussed with Chelbi in relation to its past experience on traffic consulting projects (including traffic volume and toll revenue projection).

(2) <http://tjj.ah.gov.cn/ssah/qwfbjd/tjgb/sjtjgbao/145732751.html>

(3) <http://tjj.ah.gov.cn/ssah/qwfbjd/tjgb/sjtjgbao/145772231.html>

(4) <http://tjj.ah.gov.cn/ssah/qwfbjd/tjgb/sjtjgbao/145692851.html>

(5) http://www.stats.gov.cn/tjsj/zxfb/202101/t20210118_1812423.html

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Based on our work performed as mentioned above, we understand that (a) Chelbi has over 20 years of experience acting as traffic consultant and is led by Mr. Pan Guoqing of Chelbi who specialises in traffic planning, traffic volume projection and economic evaluation and had participated in over 20 traffic consulting projects in traffic volume and toll revenue projection in the PRC; (b) Chelbi team has completed over 27 traffic consulting projects including experience in traffic volume and toll revenue projection in the past three years; and (c) Chelbi is a third party independent of the Company and the Vendor and their respective core connected persons. In addition, we have reviewed their terms of engagement (including their scope of work) which we are of the view that their scope of work is appropriate. As such, we are not aware of any matters that would cause to have doubts on the expertise and independence of Chelbi.

3.2 *Projection methodology*

We have reviewed and discussed with Chelbi on the Traffic Study Reports in relation to the bases, assumptions and methodologies for the projection of the traffic volume, toll revenue as well as operation and maintenance costs of the Target Expressways. In respect of the preparation of the Traffic Study Reports, we noted that Chelbi has, among other things, (i) collected (a) GDP and planning data of Anhui Province and cities near the Target Expressways; (b) historical traffic data of the Target Expressways and adjacent cities; and (c) historical toll revenue and operational data of the Target Expressways; (ii) reviewed relevant national or local government policies, including the Anhui Provincial Expressway Network Planning and Revision information and documents approving the existing toll rates of Anhui Province; (iii) analysed the data in (i) and (ii) above; (iv) conducted route reconnaissance on the Target Expressways; and (v) built traffic and revenue forecast models to estimate the traffic volume and toll revenue of the Anqing Bridge and the Anhui Section of the Yuewu Expressway.

In the traffic and revenue forecast models to estimate the future traffic volume and toll revenue of the Target Expressways, Chelbi took into consideration of the followings, including but not limited to, (i) the GDP of the regions where the Target Expressways are running through; (ii) the connection between the transport and the local economies; (iii) the existing travel patterns; (iv) historical traffic data; (v) the toll free policy for small passenger cars during major holidays; (vi) the assumption that there will be no change in the existing toll rate during the forecast period; (vii) road capacity of the Target Expressways and nearby expressways; (viii) the toll rates for passenger and good vehicles; (ix) the potential changes in expressway network (i.e. commencement of operation of new expressways and bridges) and other relevant information.

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Based on the Traffic Study Report, we noted the following:

(i) *Anhui Section of the Yuewu Expressway*

In respect of Anhui Section of the Yuewu Expressway, there is an increase in the average daily traffic volume in years 2024, 2025 and 2026 of 23.4%, 15.3% and 10.4%, respectively, and a decrease in the average daily traffic volume in 2027 of 6.8%. Chelbi is of the view that some of the vehicles will be diverted to Anhui Section of the Yuewu Expressway after the completion of the construction work on the G4221 Shanghai-Wuhan Expressway (Wuwei to Yuexi) by year 2023; and part of the traffic will be diverted away from Anhui Section of the Yuewu Express way in year 2027 as a result of the completion of (a) the High Speed Rail travelling from Wuhan via Huanggang to Anqing (the “**High Speed Rail (Wuhan – Anqing)**”) and (b) the North Yanjiang Expressway (from Wuwei to Anqing Section + Tianqian Expressway from Anqing to Qianshan Section + Taihu Lake to Qichun) (the “**North Yanjiang Tianqian Expressway**”) in 2026.

In view of the adjustment factors of Anhui Section of the Yuewu Expressway, we have discussed with Chelbi on the reason for the adjustment effect on the completion of (i) G4221 Shanghai-Wuhan Expressway (Wuwei to Yuexi), (ii) High Speed Rail (Wuhan to Anqing) and (iii) the North Yanjiang Tianqian Expressway have on Anhui Section of the Yuewu Expressway. We understand that the current Anhui section of the Yuewu Expressway and the future G4221 Shanghai-Wuhan Expressway (Wuwei to Yuexi) will form part of the G4221 Shanghai-Wuhan Expressway. G4221 Shanghai-Wuhan Expressway serves as the main access between Shanghai and Wuhan. Upon the completion of the G4221 Shanghai-Wuhan Expressway (Wuwei to Yuexi) in year 2023, it will complete the G4221 Shanghai-Wuhan Expressway and is expected that some vehicles travelling between Wuhan to Shanghai via the neighboring G50 Expressway will be diverted to Anhui Section of the Yuewu Expressway as it is expected to be more advantageous in respect of travel time and mileage.

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Upon the completion of the North Yanjiang Tianqian Expressway in 2026, we understand will create the North Yanjiang Expressway, which will provide main access between Wuhan and Anqing, together with the completion of the High Speed Rail (Wuhan to Anqing) in 2026, both North Yangjiang Expressway and the High Speed Rail (Wuhan to Anqing) will compete with Anhui Section of the Yuewu Expressway. North Yanjiang Expressway and Anhui Section of Yuewu Expressway are comparable in respect of travel time, mileage and cost when travelling between Wuhan and Anqing, it is therefore expected that some traffic will hence be diverted away from Anhui Section of Yuewu Expressway. High Speed Rail (Wuhan to Anqing) is expected to be more advantageous in respect of travel time compared to Anhui Section of Yuewu Expressway and as a result is expected to have some passenger car traffic diverted away.

(ii) *Anqing Bridge*

In respect of the Anqing Bridge, there is a decrease in the average daily traffic volume in 2027 of 13.5%. Chelbi is of the view that part of the traffic will be diverted away from Anqing Bridge to (a) the North Yanjiang Expressway from Wuwei to Anqing Section + Tianqian Expressway from Anqing to Qianshan Section; (b) Anqing Haikou Bridge; (c) the Chizhou Yangtze River Highway and Railway Bridge on their completion in 2026.

In view of the adjustment factors of Anqing Bridge, we have discussed with Chelbi on the reason for the adjustment effect on the completion of (i) the North Yanjiang Expressway from Wuwei to Anqing Section + Tianqian Expressway from Anqing to Qianshan Section; (ii) Anqing Haikou Bridge; and (iii) the Chizhou Yangtze River Highway and Railway Bridge have on Anqing Bridge. We understand that currently Anqing Bridge is the main access between the north and south side of the Yangtze River connecting Chizhou prefecture in the south and Anqing north of the river. Upon the completion of the Anqing Haikou Bridge and Chizhou Yangtze River Highway and Railway Bridge, considering that both bridges are in close proximity to the Anqing Bridge and will both assume the function of connecting the north and south side of the Yangtze River between Chizhou and Anqing, it is expected that part of the traffic will be diverted away from Anqing Bridge. As the North Yanjiang Expressway from Wuwei to Anqing Section + Tianqian Expressway from Anqing to Qianshan Section will also provide access between the north and south side of the Yangtze River, upon their completion it is also expected that some traffic will be diverted away from Anqing Bridge.

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Moreover, we have reviewed the aforesaid adjustment factors made to the forecast traffic volume for the Target Expressways as a result of, amongst others, the above-mentioned expected traffic diversion as well as the revenue projection and noted that the existing toll rates of the Target Expressways have been used in the projection without adjustment. With regards to the traffic diversion adjustments, we have, (i) reviewed the Traffic Study Report; (ii) discussed with Chelbi on the aforesaid qualitative reasons on the adjustment factors made to the forecast traffic volume of the Target Expressways as a result of the traffic diversions; and have (iii) reviewed news articles published and (iv) notices published by the governmental bodies which supports the existence and expected completion date of such proposed construction work. In view of the above, we concur with Chelbi that the abovementioned adjustments are reasonable.

With regards to the toll rates, a fixed toll rate over the forecast period had been assumed. To evaluate the fairness and reasonableness of the assumption, we have (i) discussed with Chelbi the determining factors to use fixed toll rates over the forecast period, such as historical toll rate policy in Anhui; and (ii) reviewed the historical toll rate changes of the Target Expressway. In view of the uncertainty on toll rate policy changes and the trend of toll rates cannot be predicted as the toll rates policy are developed by the provincial government according to the specifics standards established by the Ministry of Transport of the PRC, we concur with Chelbi that the abovementioned assumption is reasonable.

We have conducted independent research and reviewed the traffic study reports commissioned by other Hong Kong listed issuers and noted that the methodology, basis and assumptions adopted by Chelbi in the Traffic Study Reports are in line with the market practice. Specifically, in building up the traffic model in estimating the traffic volume our independent research showed that these traffic consultants have, by and large (i) analysed the existing travel patterns; (ii) used historical traffic data; (iii) considered GDP of the relevant location; (iv) adopted the assumption that there will be no change in the toll rates; and (v) considered the future development in expressway networks, which are in line with the methodology, basis and assumptions adopted by Chelbi. In assessing whether the methodology, basis and assumptions adopted in the Traffic Study Report are in line with the market practice, we have (i) referred to acquisition transactions in equity interests in toll road concession right companies announced by companies which operate or own expressways in the PRC and are listed on the Stock Exchange under the industry classification of railway and tollroad operation during the 10 years immediately preceding the Latest Practicable Date; and (ii) scrutinized the methodology, basis and assumptions adopted by those traffic consultants that are similar to the Traffic Study Report in these acquisition transaction. We were able to obtain an exhaustive list of 8 acquisition transactions. We consider the sample extracted to be fair and representative as (i) these 8 acquisition transactions are related to toll road concession rights acquisition; (ii) the listed companies under these 8 acquisition transactions operate within the same industry classification as the Target; and (iii) similar methodology, basis and assumptions were adopted.

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The relevant details of the industry reports reviewed where our independent research is based upon are set out below:

Date of transaction circular	Name of listed company	Stock code	Type of transactions
07 December 2020	Zhejiang Expressway Company Limited	576.HK	Discloseable and connected transaction
29 November 2019	Chengdu Expressway Company Limited	1785.HK	Major and connected transaction
15 January 2019	Zhejiang Expressway Company Limited	576.HK	Discloseable and connected transaction
23 January 2018	Shenzhen Express Company Limited	548.HK	Discloseable and connected transaction
19 January 2018	Shenzhen International Holdings Limited	152.HK	Discloseable and connected transaction
28 August 2015	Zhejiang Expressway Company Limited	576.HK	Discloseable and connected transaction
07 May 2013	Zhejiang Expressway Company Limited	576.HK	Discloseable and connected transaction
24 June 2011	Huayu Expressway Group Limited	1823.HK	Very substantial acquisition and connected transaction

Nonetheless, it is noteworthy that the valuation by the PRC Domestic Valuer could be affected by the possibility of toll rate increases or decreases of the Target Expressway in the future.

We have further discussed with Chelbi on the above and it has confirmed with us that the bases, assumptions and methodologies employed in the Traffic Study Reports are commonly used for traffic volume and toll revenue projection and the Traffic Study Report are prepared in accordance to the forecasting procedure which are in-line with market practice and similar to those that Chelbi employed for other toll road traffic studies in the PRC.

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In view of the above and based on our interview with Chelbi, nothing has come to our attention that will cause us to doubt the fairness and reasonableness of the Traffic Study Report including the bases, assumptions and methodologies applied in the Traffic Study Report. As such, we consider that the bases, assumptions and methodologies adopted in the Traffic Study Report are in line with the market practice, and we are of the opinion that the Traffic Study Report provides a fair and reasonable basis for the PRC Valuation Report.

4. The PRC Valuation Report

The PRC Domestic Valuer, a professional independent valuer who has been engaged by the Company to assess the market value of the Target Equities and Target Loan (details of which are set out in Appendix V to the Circular). According to the PRC Valuation report, the market value of the Target Equities and Target Loan as at the Valuation Benchmark Date appraised by the PRC Domestic Valuer was RMB2,210 million and RMB1,971.2 million, respectively.

4.1 Qualification and experience of the PRC Domestic Valuer

In compliance with the requirements of Rule 13.80 of the Listing Rules, in respect of our assessment of the expertise and independence of the PRC Domestic Valuer, we have (i) reviewed their terms of engagement (including their scope of work); (ii) reviewed and enquired the qualification and experience of the PRC Domestic Valuer; (iii) conducted an interview with the PRC Domestic Valuer including as to its expertise and any current or prior relationships with the Group, the Vendor, and core connected persons of either the Group or the Vendor; and (iv) reviewed and discussed with the PRC Domestic Valuer in relation to its past experience on toll road valuation. Based on our work performed as mentioned above, we understand that (a) the PRC Domestic Valuer is an established appraisal firm with over 20 years of experiences in acting as an asset appraisal valuer and the valuation is project managed by Mr. Gong Shihu of the PRC Domestic Valuer who specialises in toll road project valuation and had participated in relevant valuations in the PRC before; (b) the PRC Domestic Valuer had extensive experience in undertaking appraisals and has completed over ten toll road valuation projects in the past three years; (c) the China Appraisal Society have ranked the PRC Domestic Valuer at 11th place in 2019⁽⁶⁾ of the country under 《2019年資產評估機構綜合評價綜合得分前百家機構名單》(“The top 100 institutions in the comprehensive

(6) <http://www.cas.org.cn/zcgl2/zcpgjgzhpj/62268.htm>

evaluation of asset appraisal institutions in 2019⁽⁷⁾) and the PRC Domestic Valuer were ranked first in Anhui Province by the Anhui Assets Appraisal Association in 2021⁽⁷⁾ under 《2021年全省資產評估機構綜合評價前30家排名信息》(“The top 30 comprehensive evaluations of the province’s asset appraisal agencies in 2021⁽⁷⁾”) and (d) the PRC Domestic Valuer is a third party independent of the Company and the Vendor and their respective core connected persons. Furthermore, we have reviewed their terms of the engagement (including their scope of work) which we are of the view that their scope of work is appropriate. Thus, we consider that the PRC Domestic Valuer is qualified and possesses sufficient relevant experience in conducting the valuation of the Target Equities.

4.2 Valuation methodologies

Target Equities

We understand that the PRC Domestic Valuer has considered three generally accepted valuation approaches, namely the income approach, market approach and asset-based approach, as the valuation methodologies in valuing the market value of the Target Equities.

From our discussion with the PRC Domestic Valuer, we understand that income approach is commonly used for valuation subjects with supportable operating profit and cash flow forecast such as infrastructure assets. The income approach provides an indication of value by converting future cash flow to a single current value. Given (i) that the main source of revenue for the Target is toll income, which is recurring and relatively stable in the future; (ii) the close relationship between cash flow and value of the Target and (iii) the availability of a cash flow forecast confirmed by the Company’s management and the Financial Advisor and primarily substantiated by the Traffic Study reports, the PRC Domestic Valuer considers the income approach to be the most appropriate valuation method to estimate the market value of the Target Equities that appropriately values predictable toll revenue streams with consistent growth based on assessment on the Target’s historical business performance. We also understand from the PRC Domestic Valuer that the asset-based approach, which involves the assessment of assets and liabilities to appraise the value of the target, is less appropriate in this instance as (i) it only takes into account of the Target worth as at the valuation date and forgoes the positive growth prospect of the Target; and (ii) the earning potential of the Target is in its ability to generate sustainable and predictable revenue in the future through its expressway and bridge. We are advised by the PRC Domestic Valuer that market approach is normally not suitable in the valuation of expressways due to limited appropriate comparable valuation multiples as each of the expressways has its own traffic characteristics, concession terms, asset conditions, cost structure, profitability and scale of operation. On this basis,

(7) <http://www.aicpa.org.cn/ahzx/wzgg/1628035488027840.htm>

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nothing has come to our attention that will cause us to doubt the reasonableness of using the income approach for the Target Expressways. We have, in this regard, conducted independent research and noted that the income approach with the use of discounted future cash flow method has been commonly adopted for the valuations of private companies which operate or own expressways in the PRC involved in acquisitions of other companies listed on the Stock Exchange. In assessing whether the income approach has been commonly adopted, we have referred to acquisition transactions in equity interests in toll road concession right companies announced by companies which operate or own expressways in the PRC and are listed on the Stock Exchange under the industry classification of railway and tollroad operation during the 10 years immediately preceding the Latest Practicable Date and obtained an exhaustive list of 13 acquisition transactions. We consider the samples extracted to be fair and representative as (i) these 13 acquisition transactions are related to toll road concession rights acquisition and (ii) the listed companies under these 13 acquisition transactions operate within the same industry classification as the Target.

The relevant details of the valuation reports reviewed where our independent research is based upon are set out below:

Date of transaction circular	Name of listed company	Stock code	Type of transactions	Valuation approach adopted
30 April 2021	Huayu Expressway Group Limited	1823.HK	Major and connected transaction	Income approach
07 December 2020	Zhejiang Expressway Company Limited	576.HK	Discloseable and connected transaction	Income approach
26 June 2020	Qilu Expressway Company Limited	1576.HK	Very substantial acquisition and connected transaction	Income approach
29 November 2019	Chengdu Expressway Company Limited	1785.HK	Major and connected transaction	Income approach
17 October 2019	Yuexiu Transport Infrastructure Limited	1052.HK	Major and connected transaction	Income approach
15 January 2019	Zhejiang Expressway Company Limited	576.HK	Discloseable and connected transaction	Income approach
23 January 2018	Shenzhen Express Company Limited	548.HK	Discloseable and connected transaction	Income approach
19 January 2018	Shenzhen International Holdings Limited ^(Note)	152.HK	Discloseable and connected transaction	Income approach
28 August 2015	Zhejiang Expressway Company Limited	576.HK	Discloseable and connected transaction	Income approach

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Date of transaction circular	Name of listed company	Stock code	Type of transactions	Valuation approach adopted
22 January 2015	Jiangsu Expressway Company Limited	177.HK	Major and connected transaction	Income approach
07 May 2013	Zhejiang Expressway Company Limited	576.HK	Discloseable and connected transaction	Income approach
24 April 2012	Jiangsu Expressway Company Limited	177.HK	Discloseable and connected transaction	Income approach
24 June 2011	Huayu Expressway Group Limited	1823.HK	Very substantial acquisition and connected transaction	Income approach

Note: The acquisition transaction of Shenzhen International Holdings Limited dated 19 January 2018 was not included by the Directors in their assessment of valuation methodology adopted by the PRC Domestic Valuer under subsection “(e) Basis for determining the Total Consideration – (A) Equity Consideration” of the Board Letter, as Shenzhen Express Company Limited is a non-wholly owned subsidiary of Shenzhen International Holdings Limited, therefore the valuation report included within the circular of the acquisition transaction dated 19 January 2018 by Shenzhen International Holdings is the same as the transaction dated 23 January 2018 by Shenzhen Express Company Limited, as a result the Directors considered to disclose the result of the valuation methodology for acquisition dated 23 January 2018 for its assessment.

Based on the aforesaid valuation approach adopted by industry peer of the Company, and having considered and discussed with the PRC Domestic Valuer on (i) the limitation of the market approach where there are limited appropriate comparable valuation multiples to be adopted as each expressways has its own traffic characteristics, concession terms, asset conditions, cost structures, profitability and scale of operation; (ii) the limitation of the asset-based approach where such approach forgoes the positive growth prospect and the future earning potential of the Target; and (iii) the experience of the PRC Domestic Valuer as previously analysed within this letter, we concur with the PRC Domestic Valuer’s view that the adoption of income method for the valuation by the PRC Domestic Valuer is fair and reasonable.

Target Loan

We understand that the PRC Domestic Valuer has adopted the cost approach in valuing the market value of the Target Loan. The cost approach is based on the economic principle of substitution; it essentially measures what is the value of the subject asset and liability as at the valuation day and how much it would cost to replace those assets or liabilities. In this case, the long-term payables and other payables due to Anhui Transportation Holding Group and the other receivables due from Anhui Transportation Holding Group recorded on the financial statement of the Target as at 31 July 2021 are included. We also understand from the PRC Domestic Valuer, that the cost approach was adopted for the valuation of the Target Loan as it is considered the most consistently reliable indication of value for assets and liabilities as at the valuation day without a known used market with appropriate market comparable (as required by the market approach) or separately identifiable cashflows attributable to assets and liabilities appraised (as required by the income approach).

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Having discussed these methods with the PRC Domestic Valuer and reviewed with them the reasons for adopting the valuation methodologies and the bases and assumptions used for valuing the Target Equities and Target Loan, we are of the opinion that, the chosen valuation methodologies in establishing the appraised value of the Target Equities and Target Loan as at the Valuation Benchmark Date, which has been cross-checked with the previous transaction, are in line with the market practice for valuation of similar businesses.

4.3 Valuation bases and assumptions

Target Equities

We have reviewed and discussed with the PRC Domestic Valuer in respect of the valuation assumptions applied in the valuation. Details of the valuation assumptions are set out in the PRC Valuation Report as set out in Appendix V to the Circular.

(i) Toll traffic volume and revenue

In determining the valuation of the Target Equities, the PRC Domestic Valuer had taken into consideration and relied upon the projection of traffic volume and toll revenue for the Target Expressways during their respective concession period based on the Traffic Study Report. The Traffic Study Report includes the projections for toll traffic volume and revenue for Anqing Bridge from 2021 to 2033 and for Anhui Section of the Yuewu Expressway from 2021 to 2045. The PRC Domestic Valuer confirmed that they have satisfied themselves with regard to the qualification and professional competency of Chelbi in the preparation of the Traffic Study Report and they believed that the information and the forecasts of traffic volume and revenue for the Target Expressways during their respective concession period as stated in the Traffic Study Report are reasonable after considering the historical performance of the Target, in particular the historical growth of toll revenue of the Target. In order to understand the relevant assumptions used in the valuation, we have (i) discussed with the PRC Domestic Valuer and reviewed on the major items of the projection (including but not limited to the forecast of toll traffic volume and toll revenue and toll road policy) provided by Chelbi; (ii) reviewed the forecast projection prepared by the PRC Domestic Valuer; (iii) reviewed the historical financial information of the Target for the three years ended 31 December 2020 and the seven months ended 31 July 2021; and (iv) reviewed the underlying documents showing the concession period of the Target Expressways. We have further cross-checked and compared the forecast toll volume and revenue used in the valuation against the traffic study report and no variance is noted. Based on the work performed as set out above, we are not aware of any factors which would cause us to doubt the fairness and reasonableness of the assumptions of the toll traffic volume and revenue projection being adopted by the PRC Domestic Valuer.

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(ii) *Discount rate*

We discussed with the PRC Domestic Valuer regarding the discounted future free cash flow to firm (“FCFF”) to be generated by the Target, while the discount rate is determined through the weighted average cost of capital model (the “WACC”). The WACC has been determined based on standard formula incorporating the cost of capital and cost of debt as well as a fixed capital structure. The required rate of return on equity of the Target is determined through the Capital Asset Pricing Model (the “CAPM”).

In arriving at the discount rate, the PRC Domestic Valuer has taken into consideration the (i) risk-free rate; (ii) market risk premium; (iii) specific risk premium; and (iv) beta.

In respect of the risk-free rate, we were given to understand that the PRC Domestic Valuer has adopted the yield-to-maturity of the PRC treasury bonds with a remaining term of above 10 years as at the Valuation Benchmark Date of 3.86% quoted by RoyalFlush iFinD Data interface after considering the remaining concession period of the Target Expressway is approximately over 10 years. We understand that over ten-year term is adopted as it is comparable to the life of the remaining concession period of the Target Expressway which were approximately over ten years. We have conducted independent research from public domain and reviewed the historical daily interest rates of China 20 years treasury bond⁽⁸⁾ between the period of 1 January 2021 and the Valuation Benchmark Date which ranges from approximately 3.54% to 3.88% with an average of 3.70%. We have selected to review the interest rates of the China 20 years treasury bond as it is the closest match in remaining years to the remaining toll concessions of our Target Expressways which ranges from 12 years to 24 years. Considering that the risk-free rate of 3.86% adopted by the PRC Domestic Valuer (i) falls within the range of; and (ii) is close to the average of the interest rates of the China 20 years treasury bond, we consider that the risk-free rate adopted by the PRC Domestic Valuer to be justifiable. A market risk premium of 6.94% was adopted by the PRC Domestic Valuer which, based on our review of the calculation methodology provided by the PRC Domestic Valuer and with reference to a survey on market risk premium and risk-free rate used for 88 countries in 2021⁽⁹⁾ published by Professor Pablo Fernandez of IESE Business School, is reasonable and justifiable. In determining the specific risk premium, the PRC Domestic Valuer has taken into account of the size premium of 1.5% which was determined based on the unsystematic risk inherent to the Target. We have discussed and reviewed with the PRC Domestic Valuer on the judgement applied to the risk factor ratings applied to the company specific risk factors and found the specific risk premium adopted by the PRC Domestic Valuer to be reasonable. In addition, we have reviewed and discussed with the PRC Domestic Valuer the list of comparable companies as disclosed in the PRC Valuation report set out in Appendix V to the Circular used to determine the beta and debt-to-equity ratio, being the key components for the CAPM to estimate an appropriate

(8) <https://www.investing.com/rates-bonds/china-20-year-bond-yield-historical-data>

(9) https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3861152

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discount rate of the Target Equities. From our discussion we understand that the PRC Domestic Valuer identified and selected comparable companies that are listed companies on either the Shenzhen Stock Exchange or the Shanghai Stock Exchange which are also engaged in similar business to that of the Target, namely, operation of toll expressways and bridges in the PRC with revenue generated as such. Given the comparable companies are in the same industry and primarily generate its revenue from the operation of toll expressways and bridges as the Target, we are of the view that it is fair and reasonable to derive the beta from such comparable companies. We have further reviewed that such comparable companies as set out in Appendix V to the Circular are a fair and representative sample. For our assessment purposes, we have independently performed search from public domains to identify companies which (i) were listed on either the Shanghai Stock Exchange and Shenzhen Stock Exchange for at least three years as at the Valuation Benchmark Date; and (ii) principally engaged in management, operation, maintenance and investment in toll roads projects in the PRC with such relevant segments having accounted for not less than 50% of their respective total revenues for the then latest financial year ended, and obtained a list of exhaustive comparable companies (the “**Comparable Companies**”). Based on the exhaustive list we were then able to obtain the beta value of those Comparable Companies from an analytic database named: RoyalFlush iFinD Data interface (the “**Analytic Database**”), and noted that the average beta value for those Comparable Companies was 0.4733, which is close to the average beta value of 0.4748 adopted by the PRC Domestic Valuer.

The relevant details of the Comparable Companies and its beta value where our independent research is based upon are set out below:

Name of listed companies	Stock Code	Type of shares	Beta value
Jilin Expressway Company Limited (吉林高速公路股份有限公司)	601518.SH	A share	0.5057
Heilongjiang Transportation Development Company Limited (黑龍江交通發展股份有限公司)	601188.SH	A share	0.5903
Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司)	601107.SH/ 107.HK	A+H shares	0.3970
Shenzhen Expressway Company Limited (深圳高速公路股份有限公司)	600548.SH/ 548.HK	A+H shares	0.4756 ^(Note)
Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司)	600377.SH/ 177.HK	A+H shares	0.3772 ^(Note)
Guangxi Wuzhou Communications Company Limited (廣西五洲交通股 份有限公司)	600368.SH	A share	0.4892

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Name of listed companies	Stock Code	Type of shares	Beta value
Shandong Expressway Company Limited (山東高速股份有限公司)	600350.SH	A share	0.4328
Jiangxi Ganyue Expressway Company Limited (江西贛粵高速公路股份有限公司)	600269.SH	A share	0.4471
Chongqing Road & Bridge Company Limited (重慶路橋股份有限公司)	600106.SH	A share	0.5209
Hubei Chutian Smart Communication Company Limited (湖北楚天高速公路股份有限公司)	600035.SH	A share	0.4114 ^(Note)
Fujian Expressway Development Company Limited (福建省高速公路集團有限公司)	600033.SH	A share	0.4810
Henan Zhongyuan Expressway Company Limited (河南中原高速公路股份有限公司)	600020.SH	A share	0.4011
China Merchants Expressway Network & Technology Holdings Company Limited (招商局公路網絡科技控股股份有限公司)	001965.SZ	A share	0.5373 ^(Note)
Dongguan Development (Holdings) Company Limited (東莞發展控股股份有限公司)	000828.SZ	A share	0.7039
Shanxi Road & Bridge Construction Group Company Limited (山西路橋建設集團有限公司)	000755.SZ	A share	0.3572
Guangdong Provincial Expressway Development Company Limited (廣東省高速公路發展股份有限公司)	000429.SZ	A share	0.4457 ^(Note)

**Average beta value of the
Comparable Companies: 0.4733**

Note: These beta values are different from the ones quoted by the PRC Domestic Valuer as set out in Appendix V to the Circular. Based on our discussion with the PRC Domestic Valuer and advice from the technical support of the Analytic Database, the difference in these beta values independently obtained by utilising the Analytic Database (which was also used by the PRC Domestic Valuer under the same beta value extraction parameters) was due to the different extraction time of such beta values. The equity value data are mined by the Analytic Database which are constantly updated as it mirrors the market of A shares closely, any additions of new shares or updates in financial will result in changes in the equity value and by extension the beta value, therefore as the extraction time of such beta value is different, the beta values extracted will be different while the beta value extraction parameters are kept the same.

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Based on the above, we are not aware of any material facts which may lead us to doubt the fairness and reasonableness on the discount rate adopted for the valuation of the Target Equities.

We have further discussed with the PRC Domestic Valuer about the specific assumptions and general assumptions adopted in the PRC Valuation report and noted that (i) the specific assumptions that the Traffic Study Reports prepared by Chelbi are relied upon; (ii) the general assumptions are common assumptions adopted in business valuation including but not limited to no material change in the existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business is in operation; and (iii) the general assumptions that the accuracy of the financial and operational information provided to the PRC Domestic Valuer by the Company and the Target are relied upon to a considerable extent in arriving at the PRC Domestic Valuer's conclusion of value. We are not aware of any material facts which may lead us to doubt the principal bases or assumptions adopted for the valuation.

We have further discussed with PWC, acting as the reporting accountant of the Company, (the "**Reporting Accountant**") regarding their work performed on the discounted future cashflow method. We understand that the Reporting Accountant reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions as set out in Appendix V to the Circular and concluded that the discounted future cash flows has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company, who are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in Appendix V to the Circular.

In addition, we have discussed with the Financial Adviser regarding their views, on the basis and assumptions adopted in the profit forecast. We understand that the Financial Adviser has taken into account the business plans, toll market environment and historical business performance of the Target before forming their views that the bases and assumptions, including but not limited to the growth rates and discount rates adopted in the profit forecast, have been made after due and careful enquiry by the Directors.

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Target Loan

In assessing the fairness and reasonableness of the market value of the Target Loan, we have discussed with the PRC Domestic Valuer on various basis and assumption adopted in the valuation of the Target Loan and noted that the valuation is mainly derived from the value based on the principle that an informed buyer would pay no more than the cost of producing the same or substitute asset with equal utility as the subject asset. The valuation of the Target Loan is based on the book value of the outstanding shareholder's loan represented by the long-term payables and other payables due to Anhui Transportation Holding Group being offset against the other receivables due from Anhui Transportation Holding Group recorded on the financial statement of the Target as at 31 July 2021. The valuation amount of the long-term payables and other payables due to Anhui Transportation Holding Group and the other receivables due from Anhui Transportation Holding Group agreed with the relevant amount recorded on the audited financial statement of the Target for the seven months ended 31 July 2021. We were given to understand after discussion with the PRC Domestic Valuer, that no adjustment has been provided to the book value of the Target Loan as at the Valuation Benchmark Date. Based on our review of relevant agreements and the audited financial statement of the Target for the seven months ended 31 July 2021, we were satisfied with the existence of the creditor and that the payables were liabilities actually assumed by the Target, and based on the net profit posted by the Target for the seven months ended 31 July 2021, it is reasonable to expect due-recovery of the other receivable amount from the Target upon Completion. Based on the above, we are not aware of any material facts which may lead us to doubt the valuation bases and assumptions for the valuation of the Target Loan.

Taking into account (i) the PRC Domestic Valuer is independent from the Company is competent to perform the Valuation; (ii) scope of work of the PRC Domestic Valuer is appropriate for the relevant engagement; (iii) the Reporting Accountant reported that the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions as set out in Appendix V to the Circular, as set out in Appendix I of the Acquisition Announcement; and (iv) the Financial Adviser is satisfied with the profit forecast included in the PRC Valuation Report which is solely responsible by the Directors, as stated in Appendix II of the Acquisition Announcement, we consider that the valuation of the Target Equities and Target Loan is appropriate reference to assess the fairness and reasonableness of the consideration for the Acquisition.

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5. Principal terms of the Acquisition

5.1 Consideration and payment terms

	Assets	Consideration	Basis of Consideration	Payment Date
1. Equities Acquisition (A)	100% of the equity interest in the Target	A: RMB2,210,000,000 (the “ Equity Consideration ”)	Principally based on the market value as at the Valuation Benchmark Date appraised by the PRC Domestic Valuer	<p>50% of the Equity Consideration shall be paid by the Company to Anhui Transportation Holding Group within five business days after the Acquisition Agreement has become effective.</p> <p>30% of the Equity Consideration shall be paid by the Company to Anhui Transportation Holding Group within five business days after the relevant registration filing(s) with the relevant PRC authorities regarding the transfer of the entire equity interest in the Target has been completed.</p> <p>20% of the Equity Consideration shall be paid by the Company to Anhui Transportation Holding Group within 60 days after the relevant registration filing(s) with the relevant PRC authorities regarding the transfer of the entire equity interest in the Target has been completed.</p>

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	Assets	Consideration	Basis of Consideration	Payment Date
2. Loan Acquisition (B)	All the rights, benefits and title of shareholder's loan owed by the Target to Anhui Transportation Holding Group	<p>Long term payables and other payables of the Target due to Anhui Transportation Holding Group: RMB3,257,467,288.43 (a)</p> <p>The Target's other receivables due from Anhui Transportation Holding Group: RMB1,286,222,845.84 (b)</p> <p>The shareholder's loan: RMB1,971,244,442.59 (B1 = a - b)</p> <p>Interest to be paid by the Group: RMB35,640,998.33 (Note) (B2)</p> <p>B: RMB2,006,885,440.92 (Note) (the "Loan Consideration") (B = B1 + B2)</p>	<p>Principally based on the market value as at the Valuation Benchmark Date appraised by the PRC Domestic Valuer</p> <p>The shareholder's loan together with the interest accrued thereon calculated from the Valuation Benchmark Date until this part of the Total Consideration is paid</p>	<p>Loan Consideration will be payable by the Company to Anhui Transportation Holding Group within five business days, upon satisfaction of all the conditions precedents of the Acquisition Agreement</p>
Total Consideration (C = A + B)		RMB4,216,885,440.92 (Note)		

Note: The final amount of the Loan Consideration depends on the actual date on which the Loan Consideration is paid. For illustrative purposes, if the assignment of the Shareholder's Loan is completed on 31 December 2021, the amount of the such interest is approximately RMB35,600,000.

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The Equity Consideration of RMB2,210 million is equivalent to the market value of the Target Equities as at the Valuation Benchmark Date appraised by the PRC Domestic Valuer. The Loan Consideration is equivalent to the Target Loan of approximately RMB1,971.2 million and the interest accrued thereon from 1 August 2021 until the date of assignment of the Shareholder's Loan. The Target Loan is represented by the long-term payables and other payables of the Target due to Anhui Transportation Holding Group amounting to approximately RMB3,257.5 million being offset against the Target's other receivables due from Anhui Transportation Holding Group amounting to approximately RMB1,286.2 million as at the Valuation Benchmark Date appraised by the PRC Domestic Valuer. On the basis that (i) the Equity Consideration is equivalent to the market value of the Target Equities as at the Valuation Benchmark Date appraised by the PRC Domestic Valuer; and (ii) the Loan Consideration is equivalent to the Target Loan as appraised by the PRC Domestic Valuer and the interest accrued thereon from 1 August 2021 until the date of assignment of the Shareholder's Loan on a dollar for dollar basis, we consider that the Total Consideration for obtaining the Target Equities and the Target Loan are fair and reasonable.

As stated in the Board Letter, the Total Consideration is payable in cash. As advised by the management of the Group, the Company intends to finance no more than 60% of the Total Consideration by bank borrowing and the remaining balance by internal cash resources.

We have discussed with the management on the financing of the Total Consideration and have been advised that the Company has obtained a commitment letter and two letter of intents from three PRC banks in respect for the Acquisition. We have been provided with and reviewed the commitment letter and letter of intents from the three PRC banks regarding the acquisition loan. Based on the commitment letter and letter of intents, each of the three PRC banks agreed, subject to certain conditions, to provide an amount of ranging from approximately RMB2,200 million to no more than RMB2,508.7 million with duration up to seven years. The final terms and conditions of the loan will be finalised prior to the Completion.

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5.2 Conditions precedent

The Acquisition Agreement will become effective upon satisfaction of the following conditions:

- (i) approval of the Acquisition by the Company's competent decision-making authorities having been obtained in accordance with the Company's articles of association and the applicable laws and regulations, including but not limited to the Listing Rules;
- (ii) approval of the Acquisition by the competent decision-making authorities of Anhui Transportation Holding Group in accordance with its articles of association and the applicable laws and regulations having been obtained;
- (iii) approval and filing procedure in respect of the Acquisition by the relevant regulatory authorities in the PRC (if any) having been completed by both the Company and Anhui Transportation Holding Group; and
- (iv) approval of the concentration of business operators involved in the Acquisition by the relevant anti-monopoly authority in the PRC (if any) having been obtained or waived.

6. Other factors considered

(i) Debt Conversion

With respect to the Debt Conversion that was conducted on 26 July 2021 before the Acquisition, we have, in this regard discussed with the Company and the PRC Domestic Valuer on the Debt Conversion.

The Debt Conversion amounting to approximately RMB965.3 million represented the subsidies and tax rebate received in prior years by the Anhui Transportation Holding Group from the Ministry of Transport and Anhui Provincial Department of Finance, which was then provided to the Target as shareholder's financing on construction of toll road expressways, such financing was capital in nature and were used for highway infrastructure expenditures and therefore required to be accounted in the shareholder's equity of the Target pursuant to the prevailing PRC laws and regulation and leading to the Debt Conversion. We have discussed with the management of the Company and reviewed the relevant government subsidy funds agreement and consider that the Debt Conversion is well-grounded and justifiable.

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The Total Consideration is principally made-up by the Equity Consideration and Loan Consideration. We understand from the PRC Domestic Valuer that should the Debt Conversion have not had happened while all things are kept constant, (i) the shareholder's loan value of the Loan Consideration will increase as a result of assuming additional long-term payables; whilst (ii) the Equity Consideration will decrease as a result of assuming additional long-term payables. Wherein, the value of entire shareholders' equity = sum of present value of free cash flow + surplus assets + non-operating assets - non-operating liabilities - value of interest-bearing liabilities + present value of working capital to be recovered, the increase in long-term payables should the Debt Conversion had not have happened will increase the value of the non-operating liabilities which will ultimately reduce the corresponding amount of the assessed market value of the entire shareholder's equity. Therefore, the Debt Conversion will not materially affect the determination and our assessment of the fairness of the Total Consideration as set out within this letter.

(ii) Equity premium

We noted that the net asset value of the Target as at the Valuation Benchmark Date amounted to approximately RMB1,161.2 million and that the Equity Consideration amounted to RMB2,210 million as appraised by the PRC Domestic Valuer, which represented an equity premium (the "**Equity Premium**") of approximately 90.3% of the net asset values of the Target as at the Valuation Benchmark Date. With regards to the reason for the Equity Premium, the Directors are of the view that the net asset value represents the carrying value of the Target where the original investment cost is low and did not reflect the market value and future earnings potential of the Target. Please refer to the subsection "(e) Basis for determining the Total Consideration – (D) Equity Premium" of the Board Letter for details on the reasons for the Equity Premium.

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In assessing the Equity Premium, we have referred to (i) acquisition transactions in equity interests in toll road concession right companies announced by companies which operate or own expressways in the PRC, and (ii) listed on the Stock Exchange during the 2 years immediately preceding the Latest Practicable Date. We have identified an exhaustive list of 4 acquisition transactions (the “**Comparable Transaction(s)**”) which have met the above criteria as at the Latest Practicable Date. We consider that the Comparable Transactions are fair and representative as (i) the Comparable Transactions are related to toll road concession rights acquisition and (ii) the listed companies of the Comparable Transactions operate within the same regulatory framework and industry environment, as the Target. We consider that our assessment serves as a general reference to the recent market practice in respect of acquisition of toll road concession rights companies from connected person. The relevant details of the Comparable Transactions are set out below:

Date of circular	Name of listed company	Stock code	Price-to-book ratio ⁽¹⁾
30 April 2021	Huayu Expressway Group Limited	1823.HK	1.36
07 December 2020 ⁽²⁾	Zhejiang Expressway Company Limited	576.HK	3.39
			1.06
24 June 2020	Qilu Expressway Company Limited	1576.HK	1.98
29 November 2019	Chengdu Expressway Company Limited	1785.HK	2.19
		Average price to book ratio of the Comparable Transactions:	1.99
		Implied price to book ratio of the Acquisition:	1.90

Source: The official website of the Stock Exchange (<http://www.hkexnews.hk/>)

Notes:

- (1) Price to book ratio = equity consideration/net asset value
- (2) The Circular of Zhejiang Expressway Co. Ltd represents an acquisition of two equity interest entities.

We noted that the Equity Premium of the equity consideration over the net assets value of the Target (i) are not uncommon within the expressway industry and (ii) lower than the average price to book ratio of the Comparable Transactions. Nonetheless, we do not consider the adoption of market approach (i.e. Price-to-earning/Price-to-book ratio) without taking into account the corresponding revaluation as at the Valuation Benchmark Date and future profitability of the Target to be an appropriate valuation benchmark in assessing the equity valuation of the Target. The analysis above are solely for the illustrative purpose of market observation of the Equity Premium.

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7. Financial effects of the Acquisition

Independent Shareholders should note that the following discussion of the financial effects of the Acquisition is based on the illustrative scenario provided for the pro forma financial information of the Enlarged Group (the “**Proforma Financial Information**”) in Appendix IV to the Circular.

The discussion of the financial effects of the Acquisition may or may not be accurate or necessarily reflect the true picture of the financial position or operating results of the Enlarged Group following completion of the Acquisition.

7.1 *Net asset value*

As at 30 June 2021, the unaudited consolidated net asset value of the Group was approximately RMB12,181.3 million. Upon completion of the Acquisition, the Target will become a subsidiary of the Company and its assets and liabilities will be consolidated into the financial statements of the Group. As stated in the “unaudited pro forma financial information of the Enlarged Group” in Appendix IV to the Circular, the net assets of the Enlarged Group as at 30 June 2021 will decrease to approximately RMB11,200.4 million.

7.2 *Earnings*

According to the 2021 Interim Report, the unaudited consolidated net profit of the Group for the six months ended 30 June 2021 was approximately RMB724.1 million. Upon completion of the Acquisition, the results of the Target will be consolidated into the financial statements of the Group. According to the accountant’s report on the Target (as set out in Appendix III to the Circular), the net profit for the seven months ended 31 July 2021 was approximately RMB42.2 million. Except for the finance cost to be incurred for the bank borrowing to fund the Total Consideration and the professional expenses in relation to the transaction under the Acquisition Agreement, there would be no material impact on the earnings of the Group. Pursuant to the Traffic Study Report and the Valuation Report, the Directors are of the view, having considered the traffic volume and toll revenue projections of the Target Expressways, that the Acquisition would likely to have a positive impact on the future earnings of the Group.

7.3 Working capital

As set out in the Board Letter, the Total Consideration of RMB4,216.8 million will be settled by cash from its internal cash resources as well as bank loan. As advised by the management of the Group, the Company intends to finance no more than 60% of the Total Consideration by bank borrowing and the remaining balance by internal cash resources. According to the 2021 Interim Report, the Group had bank balances and cash of approximately RMB3,989.2 million as at 30 June 2021. It is expected that the Group's cash and cash equivalent would be reduced as a result of the Acquisition. As advised by the Company, based on the existing available cash and the cash to be generated through bank borrowing, the Directors are confident that the Company will have adequate cash to settle the payments of the Total Consideration when the Acquisition Agreement becomes effective. It is expected that the Group's bank balances and cash would be reduced by part of the Total Consideration that will be settled by internal cash resources.

8. Risk factors

Shareholders are advised to refer to the risks involved in the management and operations of the Target as set out in the section headed under "Risk Factors" in the Board Letter, in particular, the following:

(i) *Unexpected economic slowdown may adversely affect the financial performance of the Target*

Both of the Target Expressways are located in Anhui Province. The business and performance of the Target Expressways is closely linked to the economic conditions of Anhui Province and affected by the macro-economic environment and policy stability in the PRC. Any downturn or slowdown in economic activities than as forecasted, or slow GDP growth in Anhui Province and/or the PRC overall could lead to lower utilisation of the Target Expressways. In those circumstances the financial performance of the Target may be adversely affected.

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- (ii) Traffic volume may be affected by competing roads and bridges and other modes of transportation and factors beyond the Target's control and traffic forecasts are based on historical data which may prove to be incorrect***

Revenue from each Target Expressway is principally dependent on the number and classes of motor vehicles using such road and the applicable toll regime. Traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative road(s) or bridges, the existence of other means of transportation, including rail, aviation and waterway, fuel prices, taxation and environmental regulations. There can be no assurance that such other roads or modes of transportation will not significantly improve their services and reduce their charges, that competing expressways, toll roads or bridges will not be built nor that alternative routes which charge lower or zero tolls will not be devised, which in each case would have an adverse effect on the revenue, results of operations and financial condition of the Target. Shareholders and potential investors should note that the forecasts on revenue and traffic volume contained in the Traffic Study Report were based on the historical data specified in the section headed "4. BASIS OF PREPARATION" of the summary of the Traffic Study Report set out in Appendix VI to this circular, including but not limited to the social and economic data, the historical traffic data and the economic, social and traffic planning data of the 14th Five-Year Plan for Anhui Province, Hefei City, Anqing City, Yuexi County, Chizhou City, Hubei Province and Wuhan City. Should these assumptions prove to be incorrect, the financial performance of the Target Equity may be adversely affected.

DISCUSSION AND ANALYSIS

- (i) The Acquisition will help enhance sustainability of the Group's business operation**

The Group is principally engaged in the holding, investment, construction, development, operation and management of toll expressways within Anhui province. Its portfolio comprises of controlling interests in eight toll expressways with the average remaining concession period of approximately 10.4 years, respectively. The remaining concession period for the Target Expressways ranges from 12–24 years, which, upon the Completion, will extend the average concession period of the Group's existing portfolio. The Acquisition in our view, will provide an opportunity for the Group to extend the overall concession period of its toll roads and bridges portfolio and increase the total toll mileage of the controlled expressways of the Group by approximately 9.3%, from approximately 557 km to 609 km and as such the Acquisition will be conducive to enhancing the Company's sustainable development capabilities.

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(ii) The Positive market outlook with Government initiatives

With reference to 《安徽省國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》 (“The 14th Five-Year Plan of Anhui’s National Economic and Social Development and the Outline of Long-Term Goals for 2035*”) published in 2021 by the Anhui Government, which outlined the provincial development action plans for the period of 2021 to 2025 and the long-term goals for 2035. Anhui Province shall target to accelerate the construction of major transportation facilities such as expressways and actively participate in the constructions underlying the 長江三角洲區域一體化發展 (“Yangtze River Delta Integrated development”*) and 交通強省 (“Strong transportation Province Construction”*) initiatives. Anhui Province has benefited from strong policy support from the Central Government and will further stimulate the economic development within the Province. Taking into consideration of (i) the general positive economic development in Anhui Province and (ii) the generally positive prospect of toll expressway development in Anhui as supported by favourable national policies, governmental initiatives and policy in support of the future growth and development of Anhui Province, in our view, the prospect of the Group remains positive and the economic development will drive greater demand on expressways that connect the major cities across the province and bring about favorable earnings to the Group through toll revenues.

(iii) The basis of the Total Consideration is considered reasonable

The Total Consideration comprises of the Equities Acquisition and the Loan Acquisition, which no more than 60% of the Total Consideration will be financed by bank borrowing and the remaining balance by internal cash resources. The consideration for the Equities Acquisition and the Loan Acquisition is based on the market value appraised by the PRC Domestic Valuer. We have discussed with the PRC Traffic Consultant and the PRC Domestic Valuer the methodologies, bases, and assumptions adopted in the projection or valuation, which we consider are in line with market practice for similar projections and valuations.

(iv) The effect of the Acquisition on the profitability of the Group

Based on the Proforma Financial Information in Appendix IV to the Circular, the Enlarged Group’s pro forma net asset as at 30 June 2021 will slightly decrease by approximately 8.1% to approximately RMB11,200.4 million upon completion of the Acquisition, mainly due to the utilization of bank borrowing amounting to approximately RMB2,000 million to finance the Acquisition. For the six months ended 30 June 2021, the unaudited consolidated net profit of the Group was approximately RMB724.1 million. Upon completion of the Acquisition, the results of the Target will be consolidated into the financial statements of the Group. According to the accountant’s report on the Target (as set out in Appendix III to the Circular), the net profit for the seven months ended 31 July 2021 was approximately RMB42.2 million. The Directors are of the opinion, having considered the traffic volume and toll revenue projections of the Target Expressways, that the Acquisition would likely to have a positive impact on the future earnings of the Group.

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(v) **Risk factors**

We consider there are certain risk factors attendant on the Target Expressways as summarized in the Board Letter. In view of the growth and cashflow of the Target as evidenced by the projection of the traffic volumes of the Target Expressways under the Traffic Study Report and the valuation of the Target Equities and Target Loan as appraised by the PRC Domestic Valuer, we consider that these risks are balanced by the potential benefits.

OPINIONS AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition and the Transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Guoyuan Capital (Hong Kong) Limited
Andy Chan
Managing Director

Note: Mr. Andy Chan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in and completed various independent financial advisory transactions.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the financial year ended 31 December 2018, the financial year ended 31 December 2019, the financial year ended 31 December 2020 and the six months ended 30 June 2021 respectively was set out in the annual reports and the interim report of the Company for these periods respectively and are available on the website of the Stock Exchange set out below:

Financial period ended	Website
31 December 2018	https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltm20190425445.pdf
31 December 2019	https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042400659.pdf
31 December 2020	https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042902047.pdf
30 June 2021	https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0917/2021091701370.pdf

2. INDEBTEDNESS

Borrowings and long-term payables of the Enlarged Group

As at the close of business on 30 September 2021, the total borrowings and long-term payables of the Enlarged Group was RMB7,063.1 million, comprising of guaranteed borrowings from banks of RMB85.0 million, pledged borrowings from banks and financial institutions of RMB3,329.7 million, long-term payables from Anhui Transportation Holding Group of RMB3,566.5 million and long-term payables from non-controlling interests of RMB81.9 million. Borrowings of RMB3,329.7 million were pledged by the toll collection rights of the Enlarged Group. Borrowings of RMB85.0 million were guaranteed by non-controlling interests.

Contingent liabilities

As at the close of business on 30 September 2021, the Enlarged Group did not have any material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 September 2021, the Enlarged Group did not have any other debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances or acceptances credits or hire purchase commitments, or outstanding mortgages and charges, or contingent liabilities or guarantees.

3. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

The Group

For the financial year ended 31 December 2020, the Group recorded an audited revenue of approximately RMB2,714 million, representing a decrease of approximately 41.51% compared to approximately RMB4,640 million for the financial year ended 31 December 2019. The audited profit before income tax of approximately RMB1,246 million for the year ended 31 December 2020, representing a decrease of 19.62% as compared to approximately RMB1,550 million for the financial year ended 31 December 2019.

The unaudited revenue was approximately RMB1,721 million for the six months ended 30 June 2021, representing an increase of approximately 97.54% compared to approximately RMB871 million for the corresponding period in 2020. The unaudited profit before income tax was approximately RMB1,007 million for the six months ended 30 June 2021, representing an increase of approximately 949.91% compared to approximately RMB96 million for the corresponding period in 2020.

Looking forward to the remainder of financial year ending 31 December 2021, the Group will continue to focus on the main business solid work to strive for a favourable start for the 14th Five-year Plan, including consolidating the responsibility for road safety and smooth traffic with ensuring access to roads as the core and refining operation and maintenance with the goal of serving satisfactory journeys.

The Group entered into the Acquisition Agreement to acquire the Target Expressways which are all located in Anhui Province and targeted to complete the Acquisition on or before 31 December 2021. Please refer to section 9 of the Letter from the Board for the benefits of the Acquisition that are expected to be brought to the Group.

The Enlarged Group

Upon the completion of the sale and purchase of the Target Equity, the Target will become a wholly-owned subsidiary of the Company, and its financial results will be consolidated in the financial statements of the Group.

Looking forward to the remainder of financial year ending 31 December 2021, after the completion of the Acquisition, the Enlarged Group will continue with the existing principal business of the Group in investment in, operation and management of expressways and bridges in Anhui Province. The Acquisition can increase both the toll mileage and the overall duration of the Group's toll collection rights as disclosed in detail in section 9 of the Letter from the Board.

The Acquisition will also enhance the income and asset base of the Group, create new business opportunities for the Group and will broaden its revenue base.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Enlarged Group (including but not limited to cash flow to be generated from operations, the available banking facilities and cash and cash equivalents), the Enlarged Group has sufficient working capital for its business operation, that is for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances. The aforesaid financial resources include, without limitation, (i) letter of intent and commitment with indicated facilities amount ranging from approximately RMB2.2 billion to approximately RMB2.5 billion offered to the Group in connection with the financing of the Acquisition as at the Latest Practicable Date; (ii) undrawn banking facilities of approximately RMB0.8 billion available to the Group as at 30 June 2021; and (iii) the Group's internal resources, including cash flows expected to generate from the Group's operations.

5. NO MATERIAL ADVERSE CHANGE

The Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

This appendix summarises the management discussion and analysis of the Target for the years ended 31 December 2018, 2019 and 2020 and the seven months ended 31 July 2021 (the “**Reporting Period**”). The following financial information is principally based on the accountant’s report of the Target as set out in Appendix III to this circular.

The Target owns and operates the Target Expressways under its concession rights. Please refer to section 3 and section 4 of the Letter from the Board respectively for more information on the Target and its assets.

Operating Results

Segmental information and income from operations

During the Reporting Period, the Target’s revenue was from (i) toll income from toll roads operation; (ii) rental income from toll road service sectors; and (iii) other income such as cable leasing. The concession rights of Anhui Section of the Yuewu Expressway and the Anqing Bridge will expire on 30 December 2045 and 25 December 2033, respectively.

	Year ended 31 December			Seven months ended 31 July	
	2018 (RMB’000)	2019 (RMB’000)	2020 (RMB’000)	2020 (RMB’000)	2021 (RMB’000)
Toll income from toll roads and bridge operation	347,874	392,520	311,044	123,846	266,614
Rental income from toll road service sectors	1,492	1,492	1,492	870	870
Others	267	270	594	206	484
	<u>349,633</u>	<u>394,282</u>	<u>313,130</u>	<u>124,922</u>	<u>267,969</u>

Traffic volume and toll revenue

The following table sets out a breakdown of the Target’s traffic volume by each of the Anhui Section of the Yuewu Expressway and the Anqing Bridge for the periods as indicated:

	Year ended 31 December			Seven months ended 31 July	
	2018 Number of vehicles (approximately)	2019 Number of vehicles (approximately)	2020 Number of vehicles (approximately)	2020 Number of vehicles (approximately)	2021 Number of vehicles (approximately)
Anhui Section of the Yuewu Expressway	1,768,700	2,261,800	1,766,600	806,200	1,761,250
Anqing Bridge	6,701,400	7,169,800	6,981,200	3,016,300	6,044,550
Total	<u>8,470,100</u>	<u>9,431,600</u>	<u>8,747,800</u>	<u>3,822,509</u>	<u>7,805,800</u>

The Target's toll income from roads and bridge operation:

- (a) increased by 12.8% from approximately RMB347.9 million for the year ended 31 December 2018 to approximately RMB392.5 million for the year ended 31 December 2019;
- (b) decreased by 20.8% from approximately RMB392.5 million for the year ended 31 December 2019 to approximately RMB311.0 million for the year ended 31 December 2020; and
- (c) increased by 115.3% from approximately RMB123.8 million for the seven months ended 31 July 2020 to approximately RMB266.6 million for the seven months ended 31 July 2021.

The increase in the Target's toll revenue in the year ended 31 December 2019 was primarily attributable to the increase in traffic volume from approximately 8.5 million vehicles for the year ended 31 December 2018 to approximately 9.4 million vehicles for the year ended 31 December 2019.

The decrease in the Target's toll revenue in the year ended 31 December 2020 was primarily attributable to the decrease in traffic volume from approximately 9.4 million vehicles for the year ended 31 December 2019 to approximately 8.8 million vehicles for the year ended 31 December 2020. The decrease in the traffic volume was mainly a result of the imposition of travel restrictions within the PRC during 2020 as result of the Covid-19 pandemic. At the same time, the toll-free policy for all vehicles using the toll highways, which was implemented by the Ministry of Transport with effect from 00:00 midnight on 17 February 2020 to 00:00 midnight on 6 May 2020 (79 days in total) in order to support the economic recovery, also contributed to the decrease in the Target's toll revenue for the year ended 31 December 2020.

The increase in the Target's toll revenue in the seven months ended 31 July 2021 as compared to the seven months ended 31 July 2020 was primarily attributable to the resumption of toll collection after toll-free policy imposed by the Ministry of Transport ceased on 6 May 2020, which resulted in significant increase in toll revenue thereafter.

Rental income from toll roads service sectors and other income

The Target's rental income from toll roads service sectors primarily represented income from leasing of gas stations, which was steady at approximately RMB1.5 million for each of the years ended 31 December 2018, 2019 and 2020, and at approximately RMB 0.9 million for the seven months ended 31 July 2020 and 31 July 2021.

The Target's other income was stable at approximately RMB0.3 million for the years ended 31 December 2018 and 2019. It increased to approximately RMB 0.6 million for the year ended 31 December 2020. The Target's other income increased from approximately RMB 0.2 million for the seven months ended 31 July 2020 to approximately RMB 0.5 million for the seven months ended 31 July 2021.

Cost of sales

During the Reporting Period, the Target's cost of services primarily consisted of (i) depreciation and amortisation of property, plant and equipment and intangible concession operating rights; (ii) management of toll roads service fees; (iii) employee benefit expenses; (iv) repair and maintenance expenses; (v) taxes and surcharges; and (vi) service fee for the collection of toll roads income.

The following table sets out a breakdown of the Target's cost of sales by each of the Anqing Bridge and the Anhui Section of the Yuewu Expressway for the periods indicated:

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Anhui Section of the Yuewu					
Expressway	166,342	177,599	172,685	100,278	99,282
Anqing Bridge	54,433	55,719	58,634	33,976	36,005
Total	220,775	233,318	231,319	134,254	135,287

The Target's cost of sales:

- (a) increased by 5.7% from approximately RMB220.8 million for the year ended 31 December 2018 to approximately RMB233.3 million for the year ended 31 December 2019;
- (b) remained relatively stable at approximately RMB233.3 million for the year ended 31 December 2019 and approximately RMB231.3 million for the year ended 31 December 2020; and
- (c) remained relatively stable at approximately RMB134.3 million for the seven months ended 31 July 2020 and approximately RMB135.3 million for the seven months ended 31 July 2021.

The increase in the Target's cost of sales in the year ended 31 December 2019 was mainly due to rise in management fee of toll roads, repair and maintenance expenses, and impairment losses for property, plant and equipment.

Other income and gains (net)

During the Reporting Period, the Target's other income and gains (net) primarily consisted of (i) interest income; (ii) government grants; and (iii) net gains and losses from disposal of property, plant and equipment.

The Target's other income and gains (net):

- (a) increased by 115.5% from approximately RMB0.7 million for the year ended 31 December 2018 to approximately RMB1.5 million for the year ended 31 December 2019 mainly due to receipt of compensation under contracts and accident relief expenses;
- (b) increased by 98.7% from approximately RMB1.5 million for the year ended 31 December 2019 to approximately RMB2.9 million for the year ended 31 December 2020 mainly due to income in amortisation of government grants relating to assets and net gains from disposal of property, plant and equipment; and
- (c) increased by 102.5% from approximately RMB1.2 million for the seven months ended 31 July 2020 to approximately RMB2.4 million for the seven months ended 31 July 2021 mainly due to net gains from disposal of property, plant and equipment.

Administrative expenses

During the Reporting Period, the Target's administrative expenses primarily consisted of (i) depreciation and amortisation expenses; (ii) employee benefit expenses; and (iii) other miscellaneous expenses.

The Target's administrative expenses:

- (a) decreased by 4.5% from approximately RMB 9.0 million for the year ended 31 December 2018 to approximately RMB8.6 million for the year ended 31 December 2019;
- (b) decreased by 2.7% from approximately RMB8.6 million for the year ended 31 December 2019 to approximately RMB8.3 million for the year ended 31 December 2020; and
- (c) increased by 29.2% from approximately RMB4.2 million for the seven months ended 31 July 2020 to approximately RMB5.4 million for the seven months ended 31 July 2021 mainly due to increase in employee benefit expenses.

Finance costs

During the Reporting Period, the Target's finance costs primarily consisted of interest expenses for interest-bearing long-term payables, being the shareholders' financing provided by Anhui Transportation Holding Group to the Target pursuant to the relevant financial support agreements.

The Target's finance costs:

- (a) decreased by 5.7% from approximately RMB149.8 million for the year ended 31 December 2018 to approximately RMB141.3 million for the year ended 31 December 2019;
- (b) decreased by 7.1% from approximately RMB141.3 million for the year ended 31 December 2019 to approximately RMB131.2 million for the year ended 31 December 2020; and
- (c) increased by 10.4% from approximately RMB65.7 million for the seven months ended 31 July 2020 to approximately RMB72.5 million for the seven months ended 31 July 2021.

Income tax credit/(expense)

During the Reporting Period, the Target's income tax expense represented the corporate income tax provided on the assessable profits of the Target in accordance with the Enterprise Income Tax Law of the PRC.

For the year ended 31 December 2018, the Target recorded an income tax credit of approximately RMB7.6 million mainly due to the operating loss incurred for the year which amounted to approximately RMB29.7 million.

For the year ended 31 December 2019, the Target recorded an income tax expense of approximately RMB3.5 million mainly due to the operating profit recorded for the year which amounted to approximately RMB13.8 million.

For the year ended 31 December 2020, the Target recorded an income tax credit of approximately RMB14.5 million mainly due to the operating loss for the year which amounted to approximately RMB57.4 million.

For the seven months ended 31 July 2020, the Target recorded an income tax credit of RMB20.0 million mainly due to the operating loss for the period which amounted to approximately RMB80.2 million. For the seven months ended 31 July 2021, the Target recorded a tax expense of approximately RMB14.1 million, mainly due to the operating profit for the period which amounted to approximately RMB56.3 million.

Profit/Loss for the year/period

The Target's profit or loss for the year/period:

- (a) increased from a loss of approximately RMB22.1 million for the year ended 31 December 2018 to a profit of approximately RMB10.3 million for the year ended 31 December 2019;
- (b) decreased from approximately RMB10.3 million for the year ended 31 December 2019 to a loss of approximately RMB42.9 million for the year ended 31 December 2020; and
- (c) increased from a loss of approximately RMB60.2 million for the seven months ended 31 July 2020 to a profit of approximately RMB42.2 million for the seven months ended 31 July 2021.

The Target's loss for the year ended 31 December 2018 was primarily a result of finance cost, depreciation and amortisation of property, plant and equipment and intangible concession operating rights based on remaining concession period and depreciation of fixed assets. The Target's profit for the year ended 31 December 2019 was primarily a result of the increase in traffic volume. The Target's loss for the year ended 31 December 2020 was primarily a result of decrease in traffic volume caused by the impositions of travel restrictions. The fluctuations of the Target's profit or loss in each of the years/periods referred to above were primarily attributable to the foregoing reasons as discussed above.

Financial Resources and Capital Structure

The Target financed its operations and working capital requirements primarily through a combination of capital injection, borrowings and net advances from related companies and ultimate holding companies.

Cash and cash equivalents

As at 31 December 2018, 2019, 2020 and 31 July 2021, the Target had cash and cash equivalents amounting to approximately RMB2.9 million, RMB9.9 million, RMB6.0 million and RMB16.8 million, respectively. All the cash and cash equivalents held by the Target were denominated in RMB.

Long-term Payables

As at 31 December 2018, 2019, 2020 and 31 July 2021, the Target had total outstanding long-term payables of approximately RMB3,762 million, RMB4,000 million, RMB4,140 and RMB3,257 million, respectively, which were all denominated in RMB.

The following table sets out a breakdown of the Target's long-term payables as at the dates indicated:

	As at 31 December			As at
	2018	2019	2020	31 July
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Long-term payables due to Anhui Transportation Holding Group	3,761,706	3,999,544	4,140,462	3,257,432
Total	3,761,706	3,999,544	4,140,462	3,257,432

The long-term payables represented the shareholders' financing provided pursuant to the relevant financial support agreements entered into between the Target and Anhui Transportation Holding Group. The amount is repayable from January 2023 based on the Target's actual operating results. The long-term payables of the Target bear interest rates ranging from 4.35% to 6.38%, 4.35% to 6.38%, 4.35% to 5.19% and 3.85% to 5.19% per annum in the years ended 31 December 2018, 2019, 2020 and the seven months ended 31 July 2021 respectively. The carrying amount of long-term payables is a reasonable approximation of their fair value as at 31 December 2018, 2019 and 2020 and 31 July 2021.

Gearing Ratio

Gearing ratio (net debts divided by total capital) of the Target was approximately 95.3%, 95.3%, 96.4% and 73.6% as at 31 December 2018, 2019, 2020 and 31 July 2021, respectively. Net debts are equal to the Target's total long-term payables less the Target's cash and cash equivalents as at the respective period or year end dates. Total capital is calculated as the sum of the Target's net debts and total equity.

Charge on Assets

As at 31 December 2018, 2019 and 2020 and 31 July 2021, the estimated future toll road cash inflow from the Anhui Section of the Yuewu Expressway held by the Target were pledged as security for Anhui Transportation Holding Group's bank borrowings which amounted to RMB1,093.8 million, RMB1,071 million, RMB1,038.2 million and RMB806 million respectively.

Foreign Currency and Hedging

The Target conducts its business in the PRC and all transactions are denominated in RMB. Therefore, the Target has no foreign exchange risk exposure. In addition, the Target has not used any financial instrument to hedge potential fluctuation in interest rates and exchange rates.

Contingent Liabilities

As at 31 December 2018, 2019, 2020 and 31 July 2021, the Target did not have any material contingent liabilities.

Employee and Remuneration Policies

As at 31 July 2021, the Target had approximately 125 employees based in the PRC. During the Reporting Period, the Target's staff costs mainly comprised wages and salaries, social security and housing benefits and other welfares which amounted to approximately RMB8.3 million, RMB3.0 million and RMB0.2 million, respectively.

The Target is required to participate in defined contribution retirement plans organised by the PRC government. The remuneration policy of the Target considers its own human resources policy, market circumstances and the overall qualities of employees taking into account the requirements of the positions concerned and making the best use of the individual capabilities of each employee.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, there was no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Significant Investments

During the Reporting Period, there was no significant investment held by the Target.

Future Plans for Material Investments or Capital Assets

As at 31 July 2021, the Target did not have any material capital commitments.

The following is the text of a report set out on pages 94 to 96, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ANHUI EXPRESSWAY COMPANY LIMITED

Introduction

We report on the historical financial information of Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company (the "**Target**") set out on pages 97 to 146, which comprises the balance sheets as at 31 December 2018, 2019 and 2020 and 31 July 2021, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 and the seven months ended 31 July 2021 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 97 to 146 forms an integral part of this report, which has been prepared for inclusion in the circular of Anhui Expressway Company Limited (the "**Company**") dated 30 November 2021 (the "**Circular**") in connection with the proposed acquisition of the Target by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the director of the Target. The director of the Target is responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and for such internal control as the director determines is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target as at 31 December 2018, 2019 and 2020 and 31 July 2021 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the seven months ended 31 July 2020 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers*Certified Public Accountants*

Hong Kong

30 November 2021

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("RMB") except when otherwise indicated.

BALANCE SHEETS

	<i>Note</i>	As at 31 December			As at 31 July
		2018	2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
ASSETS					
Non-current assets					
Concession intangible assets	5	3,375,321,820.68	3,232,685,259.27	3,090,048,697.85	3,006,844,037.02
Property, plant and equipment	6	268,070,659.66	239,445,795.32	212,616,692.76	187,200,310.98
Investment properties	7	4,350,310.65	4,194,540.95	4,038,771.24	3,947,905.58
Intangible assets	8	220,061.34	1,132,709.01	512,197.12	192,617.16
Deferred income tax assets	18	62,413,299.80	58,870,925.91	73,348,964.38	59,280,606.82
Total non-current assets		<u>3,710,376,152.13</u>	<u>3,536,329,230.46</u>	<u>3,380,565,323.35</u>	<u>3,257,465,477.56</u>
Current assets					
Inventories	10	961,449.76	675,290.10	961,270.67	903,251.77
Receivables and prepayments	9	453,792,456.55	794,704,688.53	1,036,980,173.38	1,282,475,308.83
Cash and cash equivalents	11	2,894,856.36	9,899,165.78	5,964,073.76	16,769,528.10
Total current assets		<u>457,648,762.67</u>	<u>805,279,144.41</u>	<u>1,043,905,517.81</u>	<u>1,300,148,088.70</u>
Total assets		<u><u>4,168,024,914.80</u></u>	<u><u>4,341,608,374.87</u></u>	<u><u>4,424,470,841.16</u></u>	<u><u>4,557,613,566.26</u></u>

	Note	As at 31 December			As at 31 July
		2018	2019	2020	2021
		RMB	RMB	RMB	RMB
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Paid-in capital	12	150,000,000.00	150,000,000.00	150,000,000.00	150,000,000.00
Capital reserve	12	208,005,700.00	208,005,700.00	208,005,700.00	1,173,306,522.54
Other reserves	13	18,212,010.89	18,976,110.89	19,645,860.89	19,645,860.89
Accumulated deficits		<u>(189,883,320.92)</u>	<u>(180,390,100.82)</u>	<u>(223,988,533.98)</u>	<u>(181,785,139.30)</u>
Total equity		<u>186,334,389.97</u>	<u>196,591,710.07</u>	<u>153,663,026.91</u>	<u>1,161,167,244.13</u>
Liabilities					
Non-current liabilities					
Long-term payables	17	3,761,706,494.16	3,999,543,794.41	4,140,462,493.52	3,257,432,163.27
Deferred income	14	<u>18,409,090.91</u>	<u>17,727,272.73</u>	<u>47,575,551.64</u>	<u>56,010,534.07</u>
Total non-current liabilities		<u>3,780,115,585.07</u>	<u>4,017,271,067.14</u>	<u>4,188,038,045.16</u>	<u>3,313,442,697.34</u>
Current liabilities					
Trade and other payables	15	198,600,469.82	123,257,243.99	78,617,782.14	78,195,067.30
Provisions	16	<u>2,974,469.94</u>	<u>4,488,353.67</u>	<u>4,151,986.95</u>	<u>4,808,557.49</u>
Total current liabilities		<u>201,574,939.76</u>	<u>127,745,597.66</u>	<u>82,769,769.09</u>	<u>83,003,624.79</u>
Total liabilities		<u>3,981,690,524.83</u>	<u>4,145,016,664.80</u>	<u>4,270,807,814.25</u>	<u>3,396,446,322.13</u>
Total equity and liabilities		<u>4,168,024,914.80</u>	<u>4,341,608,374.87</u>	<u>4,424,470,841.16</u>	<u>4,557,613,566.26</u>

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Seven months ended 31 July	
		2018	2019	2020	2020	2021
		RMB	RMB	RMB	RMB	RMB
					(Unaudited)	
Revenue	20	349,633,263.03	394,282,153.73	313,129,788.45	124,921,971.98	267,968,542.15
Cost of sales	22	<u>(220,775,033.91)</u>	<u>(233,318,408.56)</u>	<u>(231,319,035.97)</u>	<u>(134,253,999.69)</u>	<u>(135,286,613.48)</u>
Gross profit/(loss)		128,858,229.12	160,963,745.17	81,810,752.48	(9,332,027.71)	132,681,928.67
Other income and gains – net	21	681,937.15	1,469,634.96	2,920,007.00	1,182,938.63	2,395,934.90
Administrative expenses	22	(8,983,834.92)	(8,579,025.20)	(8,349,293.20)	(4,163,425.34)	(5,378,433.91)
Net (impairment)/reversal of impairment of financial assets	23	<u>(388,794.19)</u>	<u>1,274,747.13</u>	<u>(2,550,477.20)</u>	<u>(2,129,844.92)</u>	<u>(952,738.94)</u>
Operating profit/(loss)		120,167,537.16	155,129,102.06	73,830,989.08	(14,442,359.34)	128,746,690.72
Finance costs	25	<u>(149,841,932.12)</u>	<u>(141,329,408.07)</u>	<u>(131,237,710.71)</u>	<u>(65,731,807.26)</u>	<u>(72,474,938.48)</u>
(Loss)/profit before income tax		(29,674,394.96)	13,799,693.99	(57,406,721.63)	(80,174,166.60)	56,271,752.24
Income tax credits/(expenses)	26	<u>7,554,369.34</u>	<u>(3,542,373.89)</u>	<u>14,478,038.47</u>	<u>20,019,578.64</u>	<u>(14,068,357.56)</u>
(Loss)/profit for the year/period		(22,120,025.62)	10,257,320.10	(42,928,683.16)	(60,154,587.96)	42,203,394.68
Other comprehensive income for the year/period		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the year/period		<u>(22,120,025.62)</u>	<u>10,257,320.10</u>	<u>(42,928,683.16)</u>	<u>(60,154,587.96)</u>	<u>42,203,394.68</u>

STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Paid-in capital <i>RMB</i>	Capital reserve <i>RMB</i>	Other reserves <i>RMB</i>	Accumulated deficits <i>RMB</i>	Total <i>RMB</i>
As at 1 January 2018		150,000,000.00	208,005,700.00	17,647,560.89	(167,198,845.30)	208,454,415.59
Loss for the year		-	-	-	(22,120,025.62)	(22,120,025.62)
Provision of enterprise safety fund	13	-	-	564,450.00	(564,450.00)	-
As at 31 December 2018		<u>150,000,000.00</u>	<u>208,005,700.00</u>	<u>18,212,010.89</u>	<u>(189,883,320.92)</u>	<u>186,334,389.97</u>
As at 1 January 2019		150,000,000.00	208,005,700.00	18,212,010.89	(189,883,320.92)	186,334,389.97
Profit for the year		-	-	-	10,257,320.10	10,257,320.10
Provision of enterprise safety fund	13	-	-	764,100.00	(764,100.00)	-
As at 31 December 2019		<u>150,000,000.00</u>	<u>208,005,700.00</u>	<u>18,976,110.89</u>	<u>(180,390,100.82)</u>	<u>196,591,710.07</u>
As at 1 January 2020		150,000,000.00	208,005,700.00	18,976,110.89	(180,390,100.82)	196,591,710.07
Loss for the year		-	-	-	(42,928,683.16)	(42,928,683.16)
Provision of enterprise safety fund	13	-	-	669,750.00	(669,750.00)	-
As at 31 December 2020		<u>150,000,000.00</u>	<u>208,005,700.00</u>	<u>19,645,860.89</u>	<u>(223,988,533.98)</u>	<u>153,663,026.91</u>

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Paid-in capital	Capital reserve	Other reserves	Accumulated deficits	Total
	<i>Note</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
As at 1 January 2020		<u>150,000,000.00</u>	<u>208,005,700.00</u>	<u>18,976,110.89</u>	<u>(180,390,100.82)</u>	<u>196,591,710.07</u>
Loss for the period (unaudited)		<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,154,587.96)</u>	<u>(60,154,587.96)</u>
As at 31 July 2020 (unaudited)		<u>150,000,000.00</u>	<u>208,005,700.00</u>	<u>18,976,110.89</u>	<u>(240,544,688.78)</u>	<u>136,437,122.11</u>
As at 1 January 2021		150,000,000.00	208,005,700.00	19,645,860.89	(223,988,533.98)	153,663,026.91
Profit for the period		-	-	-	42,203,394.68	42,203,394.68
Debt conversion	12	<u>-</u>	<u>965,300,822.54</u>	<u>-</u>	<u>-</u>	<u>965,300,822.54</u>
Balance at 31 July 2021		<u>150,000,000.00</u>	<u>1,173,306,522.54</u>	<u>19,645,860.89</u>	<u>(181,785,139.30)</u>	<u>1,161,167,244.13</u>

STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Seven months ended 31 July	
		2018 RMB	2019 RMB	2020 RMB	2020 RMB	2021 RMB
(Unaudited)						
Cash flows from operating activities						
Cash generated from/(used in) operations	28	21,166,354.05	(3,574,310.34)	2,387,075.13	7,501,206.51	11,837,711.44
Interest paid		(390,502.78)	-	-	-	-
Net cash generated from/(used in) operating activities		<u>20,775,851.27</u>	<u>(3,574,310.34)</u>	<u>2,387,075.13</u>	<u>7,501,206.51</u>	<u>11,837,711.44</u>
Cash flows from investing activities						
Purchase of property, plant and equipment		(69,130,223.98)	(89,630,564.72)	(58,631,750.44)	(43,876,779.03)	(15,259,200.16)
Purchase of intangible assets		(222,168.36)	-	-	-	(20,000.00)
Proceeds from disposal of property, plant and equipment		-	2,008,901.25	961,364.27	74,703.13	1,343,045.25
Net cash used in investing activities		<u>(69,352,392.34)</u>	<u>(87,621,663.47)</u>	<u>(57,670,386.17)</u>	<u>(43,802,075.90)</u>	<u>(13,936,154.91)</u>
Cash flows from financing activities						
Proceeds from long-term payables		63,965,019.13	98,200,283.23	51,348,219.02	33,285,414.18	12,903,897.81
Repayments of bank borrowings		(20,000,000.00)	-	-	-	-
Net cash generated from financing activities		<u>43,965,019.13</u>	<u>98,200,283.23</u>	<u>51,348,219.02</u>	<u>33,285,414.18</u>	<u>12,903,897.81</u>
Net (decrease)/increase in cash and cash equivalents						
Cash and cash equivalents at beginning of the year/period		<u>7,506,378.30</u>	<u>2,894,856.36</u>	<u>9,899,165.78</u>	<u>9,899,165.78</u>	<u>5,964,073.76</u>
Cash and cash equivalents at end of the year/period		<u>2,894,856.36</u>	<u>9,899,165.78</u>	<u>5,964,073.76</u>	<u>6,883,710.57</u>	<u>16,769,528.10</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 GENERAL INFORMATION**

Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company (the “**Target**”) was incorporated in the People’s Republic of China (the “**PRC**”) in April 2000 as a limited liability company. Pursuant to a share transfer agreement in 2005 entered in by Anhui Transportation Holding Group Co., Ltd. (“安徽省交通控股集團有限公司”, “**ATHC**”) and Anqing People’s Government, ATHC acquired 100% interests in the Target from Anqing People’s Government. After the acquisition, the Target became the wholly owned subsidiary of ATHC. The Target is principally engaged in the construction, operation, management and development of the bridge and toll roads and associated service sections in the Anhui Province.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Target has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The Historical Financial Information has been prepared under the historical cost basis.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2021, are consistently applied to the Target for the Track Record Period.

2.1.1 Changes in accounting policies and disclosures

New standard and amendments that have been published but not yet effective and have not been early adopted by the Target during the Track Record Period, are as follows:

- Annual Improvements to HKFRSs 2018–2020, effective for annual accounting periods beginning on or after 1 January 2022
- Amendments to HKFRS 3, HKAS 16 and HKAS 37 regarding narrow-scope amendments, effective for annual accounting periods beginning on or after 1 January 2022
- Amendments to HKAS 1 regarding classification of liabilities as current or non-current, effective for annual accounting periods beginning on or after 1 January 2023
- HKFRS 17 “Insurance Contracts” and amendments to HKFRS 17, effective for annual accounting periods beginning on or after 1 January 2023
- Amendments to HK Int 5 (2020) “Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause”, effective only when an entity applies the Amendments to HKAS 1
- Amendments to HKFRS 10 and HKAS 28 regarding sale or contribution of assets between an investor and its associate or joint venture. The amendments were originally intended to be effective for annual accounting periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
- Amendments to HKAS 12 regarding deferred tax related to assets and liabilities arising from a single transaction
- Amendments to HKAS 1 and HKFRS Practice Statement 2 regarding disclosure of accounting policies
- Amendments to HKAS 8 regarding definition of accounting estimates

None of these is expected to have a significant effect on the financial statements of the Target.

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Currently, the Target operates its business as one single segmentation. No separate segment information is necessary to be disclosed.

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Target are measured using the currency of the primary economic environment in which the entity operates (“**the functional currency**”). The financial statements are presented in Renminbi (“**RMB**”), which is the Target’s presentation and functional currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within “finance costs”. All other foreign exchange gains and losses are presented in statement of comprehensive income on a net basis within “other income and gains – net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss (“**FVPL**”) are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income (“**FVOCI**”) are recognised in other comprehensive income.

2.4 Service concession arrangements

The Target has entered into contractual service arrangements with local government authorities (“**the Grantor**”) for its participation in the construction, development, financing, operation and maintenance of toll road and bridge infrastructures. Under these arrangements, the Target carries out the construction or upgrade work of the toll road and bridge for the granting authorities from the Grantor and receives in exchange of a right to operate the toll road and bridge concerned and entitlement to the toll collection from users of the toll road and bridge services (the “**Service Concessions**”). The Target recorded the assets under the Service Concessions, including toll road, bridge and associated land use rights, as “concession intangible assets” on the balance sheets, to the extent that it received a right to charge users of the public service. The Target does not have obligation to return the assets other than toll road, bridge and associated land use rights to the Grantor at the concession period end.

The Target accounts for revenue and costs relating to construction or upgrade work under the Service Concessions and account for revenue and costs relating to operation services under the Service Concessions in accordance with HKFRS 15.

Concession intangible assets are stated at cost, that is, the fair value of the consideration in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and impairment losses.

The amortisation of concession intangible assets is calculated using the straight-line method to allocate cost over the concession periods granted, which is 29 years for the bridge and 30 years for the toll road.

Where the carrying amount of the concession intangible assets is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.8).

The concession periods are approved by the Grantor and the Target does not have renewal or termination option for the concession periods granted. At the end of concession period, the Target has to return these concession intangible assets to the Grantor at specific conditions required by the law for toll road and bridge. The Target does not have rights to receive specified assets at the end of concession period.

The pricing right of above toll road and bridge is owned by the Grantor.

As part of its obligations under the respective Service Concessions, the Target assumes responsibility for maintenance and resurfacing of the toll road and bridge it manages. Please refer to Note 2.20 for details. Other than the aforementioned, the Target does not have obligations to acquire or build items of property, plant and equipment for toll road and bridge services.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, after taking into account an estimated residual value, as follows:

Buildings	30 years
Safety, communication and signalling equipment	10 years
Toll stations and ancillary equipment	7 years
Motor vehicles	9 years
Other machinery and equipment	6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “other income and gains – net” in the statement of comprehensive income.

Construction in progress represents property, plant and equipment under construction or installation and is stated at cost less accumulated impairment losses. Construction in progress is not depreciated until such time when the assets are completed and ready for their intended use.

2.6 Investment properties

Investment properties, principally comprising buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Target. It also includes properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, the Target chooses the cost method to measure its investment property. Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is calculated using the straight-line method to write off the cost of each investment property over its expected useful life, after taking into account an estimated residual value, as follows:

Investment properties	30 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “other income and gains – net” in the income statement.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property; or
- end of owner-occupation, for a transfer from owner-occupied property to investment property.

2.7 Intangible assets – acquired computer software licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life or have not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are not subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Target classifies its financial assets in the following measurement category:

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2.9.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Target commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Target has transferred substantially all the risks and rewards of ownership.

2.9.3 Measurement

At initial recognition, the Target measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets at FVPL are expensed in profit or loss.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Target's business model for managing the asset and the cash flow characteristics of the asset. The Target classifies its debt instruments into the following measurement category:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other income and gains – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

2.9.4 Impairment

The Target assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.10 Inventories

Inventories mainly comprise materials and spare parts for the repair and maintenance of toll road and bridge. The inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2.11 Other receivables

Other receivables mainly consist of toll road and bridge income receivable from ATHC. The tolls are collected by expressway fee settlement centre from customers and then ATHC, on behalf of the Target, received toll road and bridge income from expressway fee settlement centre. If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Target holds the other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.9.4 for a description of the Target's impairment policies on financial assets which are applicable to other receivables.

2.12 Cash and cash equivalents

In the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Target has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Target operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Target measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) **Deferred income tax**

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Target is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) **Offsetting**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Target will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2.19 Employee benefits**(a) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Post-employment obligations

The Target contributes on a monthly basis to defined contribution plans in the PRC based on a percentage of the relevant employee's monthly salaries. In addition, the employees of the Target also enter into supplementary pension scheme on a voluntary basis. The Target is required to make annual contributions to an independent fund management company equivalent to the basic monthly salary, subject to certain ceiling, in respect of its employees. The Target's contributions to defined contributions plans are expensed as incurred. The Target has no legal or constructive obligations to pay further contributions even if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee in the current and prior years.

2.20 Provisions

Provisions for maintenance and resurfacing of the toll road and bridge are recognised when: the Target has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Target.

Contracts may contain both lease and non-lease components. The Target allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Target, the lessee's incremental borrowing rate is used being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Target:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Target, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The Target is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise vehicles.

Lease income from operating leases where the Target is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Target did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of land leases across the Target. These are used to maximise operational flexibility in terms of managing the assets used in the Target's operations. The majority of extension and termination options held are exercisable only by the Target and not by the respective lessor.

To optimise lease costs during the contract period, the Target sometimes provides residual value guarantees in relation to equipment leases.

2.22 Revenue recognition

(a) Toll income from toll road and bridge operation

Toll income from toll road and bridge operation is recognised on a receipt basis.

(b) Service income

Service income is recognised when the service has been rendered.

2.23 Dividend distribution

Dividend distribution to the Target's shareholders is recognised as a liability in the Target's financial statements in the period in which the dividends are approved by the Target's shareholders.

2.24 Enterprise safety fund

According to the regulations of the PRC, the Target is required to accrue 1% of its toll income of prior year as enterprise safety fund from 1 January 2004 onwards unless the accrued balance exceeds 1.5% of toll income of prior year. The fund can only be used for improvements of the safety of its toll road and bridge. Accruals to the fund are treated as an appropriation to reserves, which will be transferred to retained earnings when the related expenses are incurred.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Target's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow interest rate risk. The Target's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Target's financial performance.

Risk management is carried out by finance department under policies approved by the director. The director provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and investment of excess liquidity.

The Target's activities do not expose it to significant foreign exchange risk because it principally operates in the PRC and RMB is the currency of the primary economic environment in which the Target operates.

(a) Credit risk

The Target's credit risk mainly arises from deposits with banks and other receivables.

(i) Deposits with banks

The table below shows the cash at bank balances of the Target as at 31 December 2018, 2019 and 2020 and 31 July 2021:

Counterparties	As at 31 December			As at 31 July
	2018	2019	2020	2021
Major financial institutions	2,894,856.36	9,899,165.78	5,964,073.76	16,769,528.10

The Target has policies to place its deposits only with major financial institutions. As at 31 December 2018, 2019 and 2020 and 31 July 2021, all cash and cash equivalents were deposited with major financial institutions in Mainland China. The Target's management does not expect any material loss from non-performance by these counterparties.

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. Other receivables are mainly due from related parties, and are considered be low credit risk where they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.

The closing impairment allowances for other receivables as at 31 December 2018, 2019 and 2020 and 31 July 2021 reconcile to the opening impairment allowances as follows:

	Year ended 31 December			Seven months
	2018	2019	2020	ended 31 July 2021
Beginning of the year/period	(1,442,752.10)	(1,831,546.29)	(556,799.16)	(3,107,276.36)
Net (impairment)/reversal of impairment of financial assets (<i>Note 23</i>)	<u>(388,794.19)</u>	<u>1,274,747.13</u>	<u>(2,550,477.20)</u>	<u>(952,738.94)</u>
End of the year/period	<u><u>(1,831,546.29)</u></u>	<u><u>(556,799.16)</u></u>	<u><u>(3,107,276.36)</u></u>	<u><u>(4,060,015.30)</u></u>

As at 31 December 2018, 2019 and 2020 and 31 July 2021, all other receivables balances were denominated in RMB.

(b) Liquidity risk

The Target's toll road and bridge income is settled in cash.

The liquidity risk of the Target is controlled by maintaining sufficient cash and cash equivalents.

The table below analyses the Target's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2018					
Trade and other payables, excluding other tax payables, staff salaries and welfare and advance rent receipts (<i>Note 15</i>)	154,332,507.97	-	-	-	154,332,507.97
Long-term payables, including interest (<i>Note 17</i>) (<i>note</i>)	<u>-</u>	<u>-</u>	<u>381,049,938.24</u>	<u>5,459,715,168.22</u>	<u>5,840,765,106.46</u>
	<u><u>154,332,507.97</u></u>	<u><u>-</u></u>	<u><u>381,049,938.24</u></u>	<u><u>5,459,715,168.22</u></u>	<u><u>5,995,097,614.43</u></u>
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2019					
Trade and other payables, excluding other tax payables, staff salaries and welfare and advance rent receipts (<i>Note 15</i>)	80,632,748.14	-	-	-	80,632,748.14
Long-term payables, including interest (<i>Note 17</i>) (<i>note</i>)	<u>-</u>	<u>-</u>	<u>794,202,483.33</u>	<u>4,747,026,657.56</u>	<u>5,541,229,140.89</u>
	<u><u>80,632,748.14</u></u>	<u><u>-</u></u>	<u><u>794,202,483.33</u></u>	<u><u>4,747,026,657.56</u></u>	<u><u>5,621,861,889.03</u></u>

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2020					
Trade and other payables, excluding other tax payables, staff salaries and welfare and advance rent receipts (Note 15)	37,765,715.00	-	-	-	37,765,715.00
Long-term payables, including interest (Note 17) (note)	-	-	1,220,347,224.26	4,074,031,179.44	5,294,378,403.70
	<u>37,765,715.00</u>	<u>-</u>	<u>1,220,347,224.26</u>	<u>4,074,031,179.44</u>	<u>5,332,144,118.70</u>
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 July 2021					
Trade and other payables, excluding other tax payables, staff salaries and welfare and advance rent receipts (Note 15)	35,118,189.91	-	-	-	35,118,189.91
Long-term payables, including interest (Note 17) (note)	-	222,279,130.64	1,262,364,770.09	2,185,157,244.34	3,669,801,145.07
	<u>35,118,189.91</u>	<u>222,279,130.64</u>	<u>1,262,364,770.09</u>	<u>2,185,157,244.34</u>	<u>3,704,919,334.98</u>

Note: the long-term payables are to be settled by the Target based on the Target's actual operating results. For purpose of liquidity risk disclosure, the amounts disclosed in the table are estimated based on the management's profit and cashflow forecast.

(c) **Cash flow interest rate risk**

The Target's income and operating cash flows are substantially independent of changes in market interest rates. The Target's interest rate risk mainly arises from long-term payables.

As at 31 December 2018, 2019 and 2020 and 31 July 2021, the Target's long-term payables of RMB3,761,706,494.16, RMB3,999,543,794.41, RMB4,140,462,493.52 and RMB3,257,432,163.27 were at floating rate and expose the Target to cash flow interest rate risk. As at 31 December 2018, 2019 and 2020 and 31 July 2021, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB16,545,206.89, RMB16,284,196.86, RMB15,762,762.27 and RMB9,043,030.33 higher or lower.

3.2 Capital risk management

The primary objective of the Target's capital management is to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Target manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Target may adjust the amount of issue new shares or control the capital expenditures to reduce debts.

The Target monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as long-term payables, as shown in the balance sheet, less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratio of the Target at 31 December 2018, 2019 and 2020 and 31 July 2021 were as follows:

	As at 31 December			As at 31 July
	2018	2019	2020	2021
Long-term payables (<i>Note 17</i>)	3,761,706,494.16	3,999,543,794.41	4,140,462,493.52	3,257,432,163.27
Less: cash and cash equivalents (<i>Note 11</i>)	<u>(2,894,856.36)</u>	<u>(9,899,165.78)</u>	<u>(5,964,073.76)</u>	<u>(16,769,528.10)</u>
Net debts	3,758,811,637.80	3,989,644,628.63	4,134,498,419.76	3,240,662,635.17
Total equity	<u>186,334,389.97</u>	<u>196,591,710.07</u>	<u>153,663,026.91</u>	<u>1,161,167,244.13</u>
Total capital	<u><u>3,945,146,027.77</u></u>	<u><u>4,186,236,338.70</u></u>	<u><u>4,288,161,446.67</u></u>	<u><u>4,401,829,879.30</u></u>
Gearing ratio	<u>95.28%</u>	<u>95.30%</u>	<u>96.42%</u>	<u>73.62%</u>

3.3 Fair value estimation

Below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The nominal value less impairment provision of receivables, trade and other payables are assumed to approximate their fair values due to short period of maturity dates. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Target for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by management of the Target and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Provision for maintenance obligations

As described in Note 2.4, the Target has contractual obligations under the Service Concessions to maintain the toll road and bridge infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision. Provision for maintenance obligations at 31 December 2018, 2019 and 2020 and 31 July 2021 had been provided at the present value of expenditures expected to be incurred by the Target to settle the obligations at the balance sheet dates (Note 16).

The expenditures expected to be required to settle the obligations at the balance sheet dates are determined based on the number of major maintenance and resurfacing to be undertaken throughout the allowed operating periods of the toll road and bridge operated by the Target under the Service Concessions and the expected costs to be incurred for each event.

The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by management of the Target, which were developed based on the Target's resurfacing plan and historical costs incurred for similar activities. In addition, the director is of the view that the discount rate currently used in the current estimate reflects the time value of money and the risks specific to the obligations.

If the expected expenditures, resurfacing plan and discount rate were different from management's current estimates, the change in provision for maintenance obligations is required to be accounted for prospectively.

(b) Estimation of useful lives of property, plant and equipment

The Target's management determines the estimated useful lives for its property, plant and equipment. The estimate is based on the historical experience of the actual useful lives.

Management will revise the depreciation charges where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

(c) Estimation of amortisation periods of concession intangible assets

The Target amortises the concession intangible assets using the straight-line method over the concession periods granted. The concession periods are approved by the Grantor and the Target does not have renewal or termination option for the concession periods. For the toll road without formal concession period granted, the Target's management determines the estimated granted concession periods based on the historical experience.

If the Grantor requires to extend or shorten the concession periods, management will revise the amortisation charges which are different to previously calculated, or recognise an impairment loss, if any.

(d) Estimation of deferred income tax assets and income tax

The Target's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Target for coming years during which the deferred tax assets are expected to be utilised. Management revisits the assumptions and profit projections by the balance sheet date. If the final assumptions and profit were to be differed from management's current estimates, the Target would account for the change prospectively. Details of the Target's unrecognised tax losses and deductible temporary difference have been disclosed in Note 18.

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the year in which such determination is made.

(e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Target uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Target's past history, existing market conditions as well as forward looking estimates at the end of each reporting periods.

(f) Impairment of long-term assets

Concession intangible assets, property, plant and equipment, investment properties and intangible assets with finite useful lives are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

5 CONCESSION INTANGIBLE ASSETS

	As at 31 December			As at 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
Cost	4,223,935,677.74	4,223,935,677.74	4,223,935,677.74	4,223,935,677.74	4,223,935,677.74
Accumulated amortisation	(848,613,857.06)	(991,250,418.47)	(1,133,886,979.89)	(1,074,455,079.31)	(1,217,091,640.72)
Net book amount	<u>3,375,321,820.68</u>	<u>3,232,685,259.27</u>	<u>3,090,048,697.85</u>	<u>3,149,480,598.43</u>	<u>3,006,844,037.02</u>

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020 (unaudited)	2021
Opening net book amount	3,516,029,216.30	3,375,321,820.68	3,232,685,259.27	3,232,685,259.27	3,090,048,697.85
Amortisation charges (<i>Note 22</i>)	(140,707,395.62)	(142,636,561.41)	(142,636,561.42)	(83,204,660.84)	(83,204,660.83)
Closing net book amount	<u>3,375,321,820.68</u>	<u>3,232,685,259.27</u>	<u>3,090,048,697.85</u>	<u>3,149,480,598.43</u>	<u>3,006,844,037.02</u>

All of the Target's lands under the Service Concessions are located in Anhui Province, the PRC.

No borrowing costs have been capitalised in the years ended 31 December 2018, 2019, 2020 and the seven months ended 31 July 2020 and 2021.

Amortisation expenses of RMB140,707,395.62, RMB142,636,561.41, RMB142,636,561.42, RMB83,204,660.84 and RMB83,204,660.83 have been charged in "cost of sales" in the years ended 31 December 2018, 2019, 2020 and the seven months ended 31 July 2020 and 2021.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Safety, communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
At 1 January 2018							
Cost	121,968,247.55	127,890,305.41	23,843,438.89	6,366,863.55	173,610,548.17	66,533.74	453,745,937.31
Accumulated depreciation	(13,733,811.08)	(43,125,586.37)	(10,861,432.47)	(2,144,874.30)	(76,664,636.62)	-	(146,530,340.84)
Net book value	<u>108,234,436.47</u>	<u>84,764,719.04</u>	<u>12,982,006.42</u>	<u>4,221,989.25</u>	<u>96,945,911.55</u>	<u>66,533.74</u>	<u>307,215,596.47</u>
Year ended 31 December 2018							
Opening net book amount	108,234,436.47	84,764,719.04	12,982,006.42	4,221,989.25	96,945,911.55	66,533.74	307,215,596.47
Additions	-	209,780.00	540,669.64	-	433,279.00	4,424,563.46	5,608,292.10
Transfers	-	-	1,290,268.00	-	95,048.20	(1,385,316.20)	-
Depreciation (<i>Note 22</i>)	(4,111,784.36)	(12,065,694.93)	(4,476,531.88)	(678,883.02)	(23,420,334.72)	-	(44,753,228.91)
Closing net book amount	<u>104,122,652.11</u>	<u>72,908,804.11</u>	<u>10,336,412.18</u>	<u>3,543,106.23</u>	<u>74,053,904.03</u>	<u>3,105,781.00</u>	<u>268,070,659.66</u>
At 31 December 2018							
Cost	121,968,247.55	128,100,085.41	25,674,376.53	6,366,863.55	174,138,875.37	3,105,781.00	459,354,229.41
Accumulated depreciation	(17,845,595.44)	(55,191,281.30)	(15,337,964.35)	(2,823,757.32)	(100,084,971.34)	-	(191,283,569.75)
Net book value	<u>104,122,652.11</u>	<u>72,908,804.11</u>	<u>10,336,412.18</u>	<u>3,543,106.23</u>	<u>74,053,904.03</u>	<u>3,105,781.00</u>	<u>268,070,659.66</u>

	Buildings	Safety, communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
Year ended 31 December 2019							
Opening net book amount	104,122,652.11	72,908,804.11	10,336,412.18	3,543,106.23	74,053,904.03	3,105,781.00	268,070,659.66
Additions	–	80,217.99	954,316.00	–	598,890.00	15,610,357.29	17,243,781.28
Disposals	–	(63,108.06)	(5,960.19)	–	(16,280.00)	(3,185.84)	(88,534.09)
Transfers	–	2,023,454.60	13,032,437.25	–	–	(15,055,891.85)	–
Transfer out to intangible assets (Note 8)	–	–	–	–	–	(1,075,702.81)	(1,075,702.81)
Impairment (Note 22)	–	–	(3,671,247.29)	–	–	–	(3,671,247.29)
Depreciation (Note 22)	(3,559,361.82)	(10,826,380.53)	(2,944,150.17)	(579,680.28)	(23,123,588.63)	–	(41,033,161.43)
Closing net book amount	<u>100,563,290.29</u>	<u>64,122,988.11</u>	<u>17,701,807.78</u>	<u>2,963,425.95</u>	<u>51,512,925.40</u>	<u>2,581,357.79</u>	<u>239,445,795.32</u>
At 31 December 2019							
Cost	121,968,247.55	128,100,156.45	39,462,456.49	6,366,863.55	174,195,098.52	2,581,357.79	472,674,180.35
Accumulated depreciation	(21,404,957.26)	(63,977,168.34)	(18,089,401.42)	(3,403,437.60)	(122,682,173.12)	–	(229,557,137.74)
Impairment	–	–	(3,671,247.29)	–	–	–	(3,671,247.29)
Net book value	<u>100,563,290.29</u>	<u>64,122,988.11</u>	<u>17,701,807.78</u>	<u>2,963,425.95</u>	<u>51,512,925.40</u>	<u>2,581,357.79</u>	<u>239,445,795.32</u>
	Buildings	Safety, communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
Year ended 31 December 2020							
Opening net book amount	100,563,290.29	64,122,988.11	17,701,807.78	2,963,425.95	51,512,925.40	2,581,357.79	239,445,795.32
Additions	–	261,622.80	37,190.00	–	52,210.00	15,602,275.38	15,953,298.18
Disposals	(74,703.13)	–	–	–	–	–	(74,703.13)
Depreciation (Note 22)	(3,507,237.97)	(10,945,823.40)	(4,545,625.77)	(574,611.14)	(23,134,399.33)	–	(42,707,697.61)
Closing net book amount	<u>96,981,349.19</u>	<u>53,438,787.51</u>	<u>13,193,372.01</u>	<u>2,388,814.81</u>	<u>28,430,736.07</u>	<u>18,183,633.17</u>	<u>212,616,692.76</u>
At 31 December 2020							
Cost	121,812,213.90	128,361,779.25	39,499,646.49	6,366,863.55	174,247,308.52	18,183,633.17	488,471,444.88
Accumulated depreciation	(24,830,864.71)	(74,922,991.74)	(22,635,027.19)	(3,978,048.74)	(145,816,572.45)	–	(272,183,504.83)
Impairment	–	–	(3,671,247.29)	–	–	–	(3,671,247.29)
Net book value	<u>96,981,349.19</u>	<u>53,438,787.51</u>	<u>13,193,372.01</u>	<u>2,388,814.81</u>	<u>28,430,736.07</u>	<u>18,183,633.17</u>	<u>212,616,692.76</u>

	Buildings	Safety, communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
Period ended 31 July 2021							
Opening net book amount	96,981,349.19	53,438,787.51	13,193,372.01	2,388,814.81	28,430,736.07	18,183,633.17	212,616,692.76
Additions	-	-	-	-	21,188.00	-	21,188.00
Disposals	(316,239.19)	-	-	-	-	(46,300.00)	(362,539.19)
Transfers	-	15,015,457.56	53,379.33	-	-	(15,068,836.89)	-
Depreciation (Note 22)	(2,039,159.93)	(6,517,067.89)	(2,644,695.16)	(329,275.83)	(13,544,831.78)	-	(25,075,030.59)
Closing net book amount	<u>94,625,950.07</u>	<u>61,937,177.18</u>	<u>10,602,056.18</u>	<u>2,059,538.98</u>	<u>14,907,092.29</u>	<u>3,068,496.28</u>	<u>187,200,310.98</u>
At 31 July 2021							
Cost	121,448,435.98	143,377,236.81	39,553,025.82	6,366,863.55	174,268,496.52	3,068,496.28	488,082,554.96
Accumulated depreciation	(26,822,485.91)	(81,440,059.63)	(25,279,722.35)	(4,307,324.57)	(159,361,404.23)	-	(297,210,996.69)
Impairment	-	-	(3,671,247.29)	-	-	-	(3,671,247.29)
Net book value	<u>94,625,950.07</u>	<u>61,937,177.18</u>	<u>10,602,056.18</u>	<u>2,059,538.98</u>	<u>14,907,092.29</u>	<u>3,068,496.28</u>	<u>187,200,310.98</u>
	Buildings	Safety, communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
Period ended 31 July 2020 (unaudited)							
Opening net book amount	100,563,290.29	64,122,988.11	17,701,807.78	2,963,425.95	51,512,925.40	2,581,357.79	239,445,795.32
Additions	163,713.54	-	-	-	-	176,892.88	340,606.42
Disposals	(74,703.13)	-	-	-	-	-	(74,703.13)
Depreciation (Note 22)	(2,048,244.73)	(6,384,810.60)	(2,651,122.01)	(338,146.83)	(13,542,358.30)	-	(24,964,682.47)
Closing net book amount	<u>98,604,055.97</u>	<u>57,738,177.51</u>	<u>15,050,685.77</u>	<u>2,625,279.12</u>	<u>37,970,567.10</u>	<u>2,758,250.67</u>	<u>214,747,016.14</u>
At 31 July 2020 (unaudited)							
Cost	121,975,927.44	128,100,156.45	39,462,456.49	6,366,863.55	174,195,098.52	2,758,250.67	472,858,753.12
Accumulated depreciation	(23,371,871.47)	(70,361,978.94)	(20,740,523.43)	(3,741,584.43)	(136,224,531.42)	-	(254,440,489.69)
Impairment	-	-	(3,671,247.29)	-	-	-	(3,671,247.29)
Net book value	<u>98,604,055.97</u>	<u>57,738,177.51</u>	<u>15,050,685.77</u>	<u>2,625,279.12</u>	<u>37,970,567.10</u>	<u>2,758,250.67</u>	<u>214,747,016.14</u>

During the years ended 31 December 2018, 2019 and 2020 and the seven months ended 31 July 2020 and 2021, the amounts of depreciation expense charged in cost of sales and administrative expenses are as follows:

	Year ended 31 December			Seven months ended 30 July	
	2018	2019	2020	2020 (Unaudited)	2021
Depreciation of property, plant and equipment					
– Cost of sales	43,562,344.86	40,799,883.78	42,350,721.44	24,753,963.10	24,867,684.04
– Administrative expenses	<u>1,190,884.05</u>	<u>233,277.65</u>	<u>356,976.17</u>	<u>210,719.37</u>	<u>207,346.55</u>
Depreciation expenses charged to profit or loss (<i>Note 22</i>)	<u>44,753,228.91</u>	<u>41,033,161.43</u>	<u>42,707,697.61</u>	<u>24,964,682.47</u>	<u>25,075,030.59</u>

7 INVESTMENT PROPERTIES

Buildings

At 1 January 2018

Cost	4,817,619.77
Accumulated amortisation	<u>(311,539.41)</u>

Net book amount	<u>4,506,080.36</u>
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Year ended 31 December 2018

Opening net book amount	4,506,080.36
Amortisation expenses (<i>Note 22</i>)	<u>(155,769.71)</u>

Closing net book amount	<u>4,350,310.65</u>
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At 31 December 2018 and 1 January 2019

Cost	4,817,619.77
Accumulated amortisation	<u>(467,309.12)</u>

Net book amount	<u>4,350,310.65</u>
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Year ended 31 December 2019

Opening net book amount	4,350,310.65
Amortisation expenses (<i>Note 22</i>)	<u>(155,769.70)</u>

Closing net book amount	<u>4,194,540.95</u>
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At 31 December 2019 and 1 January 2020

Cost	4,817,619.77
Accumulated amortisation	<u>(623,078.82)</u>

Net book amount	<u>4,194,540.95</u>
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	Buildings
Year ended 31 December 2020	
Opening net book amount	4,194,540.95
Amortisation expenses (<i>Note 22</i>)	<u>(155,769.71)</u>
Closing net book amount	<u><u>4,038,771.24</u></u>
At 31 December 2020 and 1 January 2021	
Cost	4,817,619.77
Accumulated amortisation	<u>(778,848.53)</u>
Net book amount	<u><u>4,038,771.24</u></u>
Period ended 31 July 2021	
Opening net book amount	4,038,771.24
Amortisation expenses (<i>Note 22</i>)	<u>(90,865.66)</u>
Closing net book amount	<u><u>3,947,905.58</u></u>
At 31 July 2021	
Cost	4,817,619.77
Accumulated amortisation	<u>(869,714.19)</u>
Net book amount	<u><u>3,947,905.58</u></u>
At 1 January 2020	
Cost	4,817,619.77
Accumulated amortisation	<u>(623,078.82)</u>
Net book amount	<u><u>4,194,540.95</u></u>
Period ended 31 July 2020 (unaudited)	
Opening net book amount	4,194,540.95
Amortisation expenses (<i>Note 22</i>)	<u>(90,865.67)</u>
Closing net book amount	<u><u>4,103,675.28</u></u>
At 31 July 2020 (unaudited)	
Cost	4,817,619.77
Accumulated amortisation	<u>(713,944.49)</u>
Net book amount	<u><u>4,103,675.28</u></u>

The fair values for the investment properties of the Target as at 31 December 2018, 2019 and 2020 and 31 July 2021 totalled RMB5,185,494.37, RMB5,012,644.56, RMB4,782,178.14 and RMB4,666,944.93. The fair value is estimated by the Target including the use of inputs that are not based on an observable market data (that is, level 3 assets).

The fair values were arrived at using the approach of (i) applying capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence and (ii) by making reference to comparables as available in the relevant market.

All of the Target's property interests held under operating leases to earn rentals are measured using the cost model and are classified and accounted for as investment properties.

During the years ended 31 December 2018, 2019 and 2020 and the seven months ended 31 July 2020 and 2021, the amounts of amortisation expense charged in cost of sales are as follows:

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020 (unaudited)	2021
Amortisation of investment properties – cost of sales	155,769.71	155,769.70	155,769.71	90,865.67	90,865.66

8 INTANGIBLE ASSETS

	Acquired computer software licenses
At 1 January 2018	
Cost	838,206.46
Accumulated amortisation	<u>(813,268.98)</u>
Net book amount	<u>24,937.48</u>
Year ended 31 December 2018	
Opening net book amount	24,937.48
Additions	222,168.36
Amortisation expenses (<i>Note 22</i>)	<u>(27,044.50)</u>
Closing net book amount	<u>220,061.34</u>
At 31 December 2018 and 1 January 2019	
Cost	1,060,374.82
Accumulated amortisation	<u>(840,313.48)</u>
Net book amount	<u>220,061.34</u>
Year ended 31 December 2019	
Opening net book amount	220,061.34
Transfer in from property, plant and equipment (<i>Note 6</i>)	1,075,702.81
Amortisation expenses (<i>Note 22</i>)	<u>(163,055.14)</u>
Closing net book amount	<u>1,132,709.01</u>

	Acquired computer software licenses
At 31 December 2019 and 1 January 2020	
Cost	2,136,077.63
Accumulated amortisation	<u>(1,003,368.62)</u>
Net book amount	<u><u>1,132,709.01</u></u>
Year ended 31 December 2020	
Opening net book amount	1,132,709.01
Additions	20,000.00
Amortisation expenses (<i>Note 22</i>)	<u>(640,511.89)</u>
Closing net book amount	<u><u>512,197.12</u></u>
At 31 December 2020 and 1 January 2021	
Cost	2,156,077.63
Accumulated amortisation	<u>(1,643,880.51)</u>
Net book amount	<u><u>512,197.12</u></u>
Period ended 31 July 2021	
Opening net book amount	512,197.12
Amortisation expenses (<i>Note 22</i>)	<u>(319,579.96)</u>
Closing net book amount	<u><u>192,617.16</u></u>
At 31 July 2021	
Cost	2,156,077.63
Accumulated amortisation	<u>(1,963,460.47)</u>
Net book amount	<u><u>192,617.16</u></u>
At 1 January 2020	
Cost	2,136,077.63
Accumulated amortisation	<u>(1,003,368.62)</u>
Net book amount	<u><u>1,132,709.01</u></u>

	Acquired computer software licenses
Period ended 31 July 2020 (unaudited)	
Opening net book amount	1,132,709.01
Amortisation expenses (<i>Note 22</i>)	<u>(378,545.75)</u>
Closing net book amount	<u><u>754,163.26</u></u>
At 31 July 2020 (unaudited)	
Cost	2,136,077.63
Accumulated amortisation	<u>(1,381,914.37)</u>
Net book amount	<u><u>754,163.26</u></u>

During the years ended 31 December 2018, 2019 and 2020 and the seven months ended 31 July 2020 and 2021, the amounts of amortisation expense charged cost of are as follows:

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
Amortisation of intangible assets					
– cost of sales	<u>27,044.50</u>	<u>163,055.14</u>	<u>640,511.89</u>	<u>378,545.75</u>	<u>319,579.96</u>

9 RECEIVABLES AND PREPAYMENTS

	2018	As at 31 December 2019	2020	As at 31 July 2021
Receivables – other receivables				
– Toll road and bridge income receivable (<i>a</i>) (<i>Note 30 (c)</i>) (<i>(i)</i>)	452,665,116.94	794,906,427.07	1,039,994,950.88	1,286,222,845.84
– Receivable for land sales	1,923,553.00	–	–	–
– Advances to employees	941,397.58	39,500.00	39,500.00	148,312.00
– Others	<u>73,589.35</u>	<u>7,082.61</u>	<u>1,386.00</u>	<u>35,085.71</u>
	455,603,656.87	794,953,009.68	1,040,035,836.88	1,286,406,243.55
Less: Provision for impairment	<u>(1,831,546.29)</u>	<u>(556,799.16)</u>	<u>(3,107,276.36)</u>	<u>(4,060,015.30)</u>
Prepayments				
– Prepaid expenses	<u>20,345.97</u>	<u>308,478.01</u>	<u>51,612.86</u>	<u>129,080.58</u>
	<u><u>453,792,456.55</u></u>	<u><u>794,704,688.53</u></u>	<u><u>1,036,980,173.38</u></u>	<u><u>1,282,475,308.83</u></u>

The ageing analysis of the other receivables were as follows:

	As at 31 December		As at 31 July	
	2018	2019	2020	2021
Within 1 year	361,771,231.21	404,790,683.61	324,827,683.87	467,717,178.82
Between 1 and 2 years	91,855,908.63	358,315,006.50	404,308,691.02	299,206,700.89
Between 2 and 3 years	–	32,152,957.58	310,948,234.85	380,907,210.86
Over 3 years	1,996,863.00	2,840.00	2,840.00	138,704,233.56
	<u>455,624,002.84</u>	<u>795,261,487.69</u>	<u>1,040,087,449.74</u>	<u>1,286,535,324.13</u>

(a) The tolls are collected by expressway fee settlement centre from customers and then ATHC, on behalf of the Target, received toll road and bridge income from expressway fee settlement centre, which is operated by ATHC's subsidiary, Anhui Expressway Network Operations Co., Ltd. (“安徽省高速公路聯網運營有限公司”, “AENO”). As at 31 December 2018, 2019 and 2020 and 31 July 2021, toll road and bridge income receivables mainly represented receivable from ATHC of RMB452,665,116.94, RMB794,906,427.07, RMB1,039,994,950.88 and RMB1,286,222,845.84 for uncollected toll road and bridge income, respectively.

(b) Reconciliation of provision for impairment on other receivables is as follows:

	Year ended 31 December			Seven months
	2018	2019	2020	ended 31 July
				2021
Beginning of the year/ period	(1,442,752.10)	(1,831,546.29)	(556,799.16)	(3,107,276.36)
Net (impairment)/reversal of impairment of other receivables (Note 23)	<u>(388,794.19)</u>	<u>1,274,747.13</u>	<u>(2,550,477.20)</u>	<u>(952,738.94)</u>
End of the year/period	<u>(1,831,546.29)</u>	<u>(556,799.16)</u>	<u>(3,107,276.36)</u>	<u>(4,060,015.30)</u>

As at 31 December 2018, 2019 and 2020 and 31 July 2021, all other receivables balances were denominated in RMB.

As at 31 December 2018, 2019 and 2020 and 31 July 2021, the fair values of the other receivables of the Target approximated their carrying amounts.

10 INVENTORIES

	2018	As at 31 December 2019	2020	As at 31 July 2021
Materials and spare parts	961,449.76	855,643.60	1,140,232.17	1,082,213.27
Less: provision of write-down	—	(180,353.50)	(178,961.50)	(178,961.50)
	<u>961,449.76</u>	<u>675,290.10</u>	<u>961,270.67</u>	<u>903,251.77</u>

Write-downs of inventories to net realisable value amounted to RMB180,353.50 in 2019. The Target reversed RMB1,392.00 of the previous inventory write-down in 2020.

11 CASH AND CASH EQUIVALENTS

	2018	As at 31 December 2019	2020	As at 31 July 2021
Cash and cash equivalents	<u>2,894,856.36</u>	<u>9,899,165.78</u>	<u>5,964,073.76</u>	<u>16,769,528.10</u>

As at 31 December 2018, 2019 and 2020 and 31 July 2021, the carrying amounts of cash at bank and on hand were denominated in RMB.

12 PAID-IN CAPITAL AND CAPITAL RESERVE

	2018	As at 31 December 2019	2020	As at 31 July 2021
Paid-in capital	<u>150,000,000.00</u>	<u>150,000,000.00</u>	<u>150,000,000.00</u>	<u>150,000,000.00</u>

As at 31 December 2018, 2019 and 2020 and 31 July 2021, the Target's capital reserve is shown as follows:

	2018	As at 31 December 2019	2020	As at 31 July 2021
Capital reserve	<u>208,005,700.00</u>	<u>208,005,700.00</u>	<u>208,005,700.00</u>	<u>1,173,306,522.54</u>

The Target and ATHC entered into a debts conversion agreement on 26 July 2021 (the "Agreement"). Pursuant to the Agreement, long-term payables with amount of RMB965,300,822.54 was converted to ATHC's investment and included in capital reserve.

13 OTHER RESERVES

	Statutory surplus reserve fund	Enterprise safety fund <i>(Note 2.24)</i>	Total
As at 1 January 2018	13,758,060.89	3,889,500.00	17,647,560.89
Provision of enterprise safety fund	–	564,450.00	564,450.00
As at 31 December 2018	<u>13,758,060.89</u>	<u>4,453,950.00</u>	<u>18,212,010.89</u>
Provision of enterprise safety fund	–	764,100.00	764,100.00
As at 31 December 2019	<u>13,758,060.89</u>	<u>5,218,050.00</u>	<u>18,976,110.89</u>
Provision of enterprise safety fund	–	669,750.00	669,750.00
As at 31 December 2020	<u>13,758,060.89</u>	<u>5,887,800.00</u>	<u>19,645,860.89</u>
Provision of enterprise safety fund	–	–	–
As at 31 July 2021	<u>13,758,060.89</u>	<u>5,887,800.00</u>	<u>19,645,860.89</u>

For the requirement in respect of the appropriation of enterprise safety fund, please refer to Note 2.24.

14 DEFERRED INCOME

	2018	As at 31 December 2019	2020	As at 31 July 2021
Government grants	<u>18,409,090.91</u>	<u>17,727,272.73</u>	<u>47,575,551.64</u>	<u>56,010,534.07</u>

Deferred income represents government grants relating to assets and is amortised over 12 to 29 years (Note 2.18).

In the year ended 31 December 2020 and the seven months ended 31 July 2021, long-term payables due to ATHC of RMB31,446,000.00 and RMB3,108,344.00 were converted to deferred income.

Amortisation of RMB681,818.18, RMB681,818.18, RMB1,597,721.09, RMB804,795.24 and RMB1,155,061.57 was charged in “other income and gains – net” in the years ended 31 December 2018, 2019 and 2020 and the seven months ended 31 July 2020 and 2021, respectively (Note 21).

15 TRADE AND OTHER PAYABLES

	As at 31 December		As at 31 July	
	2018	2019	2020	2021
Trade payables – payables on acquisition of concession intangible assets and property, plant and equipment	148,753,599.49	76,366,816.05	33,708,363.79	18,450,351.63
Advance rent receipts	42,515,730.76	40,758,666.76	39,001,602.76	37,976,648.76
Deposits for construction projects	1,920,394.61	767,353.18	731,290.27	705,477.77
Land transferring fee payables	1,594,000.00	1,594,000.00	1,594,000.00	1,594,000.00
Other tax payables	1,375,927.61	1,621,554.29	1,746,912.02	1,766,800.54
Service fee payable for repair and maintenance	587,147.76	573,639.66	612,565.93	12,522,005.71
Staff salaries and welfare	376,303.48	244,274.80	103,552.36	3,333,428.09
Service fee payable for collection of toll road and bridge income	341,512.77	809,928.31	484,949.37	1,537,817.80
Others	1,135,853.34	521,010.94	634,545.64	308,537.00
	<u>198,600,469.82</u>	<u>123,257,243.99</u>	<u>78,617,782.14</u>	<u>78,195,067.30</u>

As at 31 December 2018, 2019 and 2020 and 31 July 2021, trade payables of RMB108,410,784.85, RMB56,150,622.67, RMB14,961,648.54 and RMB5,031,452.04 were aged over one year.

As at 31 December 2018, 2019 and 2020 and 31 July 2021, the fair values of trade and other payables, except for staff salaries and welfare, other taxation payables and advance rent receipts approximated their carrying amounts.

16 PROVISION

	Maintenance obligations
Balance at 1 January 2018	2,668,351.95
Accrual of provision	<u>306,117.99</u>
Balance at 31 December 2018	<u>2,974,469.94</u>
Accrual of provision	<u>1,513,883.73</u>
Balance at 31 December 2019	<u>4,488,353.67</u>
Reversal of provision	<u>(336,366.72)</u>
Balance at 31 December 2020	<u>4,151,986.95</u>
Accrual of provision	<u>656,570.54</u>
Balance at 31 July 2021	<u>4,808,557.49</u>

17 LONG-TERM PAYABLES

	2018	As at 31 December 2019	2020	As at 31 July 2021
Due to ATHC	3,761,706,494.16	3,999,543,794.41	4,140,462,493.52	3,257,432,163.27

Pursuant to the Financial Support Agreement and the supplementary agreement entered in by the Target and ATHC, ATHC will provide financial support to the Target based on its operating demands. The Target will repay the payables including interest starting from January 2023 based on its actual operating results.

The interest rate of long-term payables ranged from 4.35% to 6.38%, 4.35% to 6.38%, 4.35% to 5.19% and 3.85% to 5.19% in the years ended 31 December 2018, 2019, 2020 and the seven months ended 31 July 2021 per annum. The carrying amount of long-term payables is a reasonable approximation of their fair value as at 31 December 2018, 2019 and 2020 and 31 July 2021.

The Target and ATHC entered into a debts conversion agreement on 26 July 2021 (the “**Agreement**”). Pursuant to the Agreement, long-term payables with RMB965,300,822.54 was converted to ATHC’s investment and included in capital reserve (Note 12).

18 DEFERRED TAX ASSETS

The deferred income tax assets balance are as follows:

	2018	As at 31 December 2019	2020	As at 31 July 2021
Deferred tax assets:				
– Deferred tax to be realised after more than 12 months	56,646,737.50	57,394,094.78	44,345,114.19	28,093,254.79
– Deferred tax to be realised within 12 months	5,766,562.30	1,476,831.13	29,003,850.19	31,187,352.03
	62,413,299.80	58,870,925.91	73,348,964.38	59,280,606.82

The movements on the Target’s deferred income tax assets are as follows:

	Accounting for government grants	Provision	Provision for impairment of inventories	Provision for impairment of Property, plant and equipment	Provision for impairment of other receivables	Tax loss carried forward	Total
Deferred income tax assets							
Balance at 1 January 2018	4,772,727.26	667,087.99	–	–	360,688.03	49,058,427.18	54,858,930.46
Deferred taxation charged to statement of comprehensive income	(170,454.54)	76,529.50	–	–	97,198.54	7,551,095.84	7,554,369.34
Balance at 31 December 2018 and 1 January 2019	4,602,272.72	743,617.49	–	–	457,886.57	56,609,523.02	62,413,299.80
Deferred taxation charged to statement of comprehensive income	(170,454.54)	378,470.93	45,088.38	917,811.82	(318,686.78)	(4,394,603.70)	(3,542,373.89)
Balance at 31 December 2019 and 1 January 2020	4,431,818.18	1,122,088.42	45,088.38	917,811.82	139,199.79	52,214,919.32	58,870,925.91
Deferred taxation charged to statement of comprehensive income	7,462,069.73	(84,091.68)	(348.00)	–	637,619.30	6,462,789.12	14,478,038.47
Balance at 31 December 2020 and 1 January 2021	11,893,887.91	1,037,996.74	44,740.38	917,811.82	776,819.09	58,677,708.44	73,348,964.38
Deferred taxation charged to statement of comprehensive income	2,108,745.61	164,142.63	–	–	238,184.74	(16,579,430.54)	(14,068,357.56)
Balance at 31 July 2021	14,002,633.52	1,202,139.37	44,740.38	917,811.82	1,015,003.83	42,098,277.90	59,280,606.82

19 FINANCIAL INSTRUMENTS BY CATEGORY

The Target holds the following financial instruments:

Financial assets	As at 31 December			As at 31 July	
	2018	2019	2020	2021	
Financial assets at amortised cost					
– Other receivables (Note 9)	453,772,110.58	794,396,210.52	1,036,928,560.52	1,282,346,228.25	
– Cash and cash equivalents (Note 11)	2,894,856.36	9,899,165.78	5,964,073.76	16,769,528.10	
	<u>456,666,966.94</u>	<u>804,295,376.30</u>	<u>1,042,892,634.28</u>	<u>1,299,115,756.35</u>	
Financial liabilities	As at 31 December			As at 31 July	
	2018	2019	2020	2021	
Liabilities at amortised cost					
– Trade and other payables (Note 15) (i)	154,332,507.97	80,632,748.14	37,765,715.00	35,118,189.91	
– Long-term payables (Note 17)	3,761,706,494.16	3,999,543,794.41	4,140,462,493.52	3,257,432,163.27	
	<u>3,916,039,002.13</u>	<u>4,080,176,542.55</u>	<u>4,178,228,208.52</u>	<u>3,292,550,353.18</u>	

- (i) Excluding non-financial liabilities (staff salaries and welfare, other taxation payables and advance rent receipt).

The Target's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the year/period is the carrying amount of each class of financial assets mentioned above.

20 REVENUE

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
Toll income from toll road and bridge operation	347,873,794.08	392,520,487.96	311,044,001.87	123,845,474.44	266,613,860.52
Rental income from toll road service sectors (a) (Note 30)	1,492,064.00	1,492,064.00	1,492,064.00	870,370.67	870,370.67
Others	267,404.95	269,601.77	593,722.58	206,126.87	484,310.96
	<u>349,633,263.03</u>	<u>394,282,153.73</u>	<u>313,129,788.45</u>	<u>124,921,971.98</u>	<u>267,968,542.15</u>
Timing of revenue recognition					
– At a point in time	347,873,794.08	392,520,487.96	311,044,001.87	123,845,474.44	266,613,860.52
– Over time	1,759,468.95	1,761,665.77	2,085,786.58	1,076,497.54	1,354,681.63
	<u>349,633,263.03</u>	<u>394,282,153.73</u>	<u>313,129,788.45</u>	<u>124,921,971.98</u>	<u>267,968,542.15</u>

- (a) Pursuant to a lease agreement with Anhui Expressway Petrochemical Co., Ltd. (“安徽省高速石化有限公司”, “AEPC”), a subsidiary of ATHC, the Target's gas stations were leased to AEPC with annual rental fee of RMB1,492,064.00. The lease period was from 1 January 2016 to 30 December 2045.

21 OTHER INCOME AND GAINS – NET

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
Other income					
– Interest income	22,861.90	20,137.22	24,439.06	11,957.68	26,631.44
– Government grants relating to profits	18,870.39	71,075.64	78,698.11	33,698.11	24,272.74
– Amortisation of government grants relating to assets (Note 14)	681,818.18	681,818.18	1,597,721.09	804,795.24	1,155,061.57
	<u>723,550.47</u>	<u>773,031.04</u>	<u>1,700,858.26</u>	<u>850,451.03</u>	<u>1,205,965.75</u>
Other (loss)/gains – net					
– Net (loss)/gains from disposal of property, plant and equipment	–	–	886,661.14	–	1,026,806.06
– Others	(41,613.32)	696,603.92	332,487.60	332,487.60	163,163.09
	<u>(41,613.32)</u>	<u>696,603.92</u>	<u>1,219,148.74</u>	<u>332,487.60</u>	<u>1,189,969.15</u>
Other income and gains – net	<u>681,937.15</u>	<u>1,469,634.96</u>	<u>2,920,007.00</u>	<u>1,182,938.63</u>	<u>2,395,934.90</u>

22 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analysed as follows:

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
Depreciation and amortisation expenses (Notes 5, 6, 7 and 8)	185,643,438.74	183,988,547.68	186,140,540.63	108,638,754.73	108,690,137.04
Management of toll road service fee	17,012,875.21	22,221,092.65	23,418,502.35	13,660,793.04	136,705.71
Employee benefit expenses (Note 24)	10,837,002.65	12,670,850.39	11,764,396.33	6,679,804.03	11,446,998.97
Repair and maintenance expenses	9,609,267.93	12,048,836.45	11,857,121.18	6,578,173.11	13,898,363.21
Taxes and surcharges	2,023,296.37	2,754,761.20	2,144,363.38	885,868.29	2,002,435.06
Service fee for the collection of toll road and bridge income (Note 30)	1,958,105.90	2,256,783.72	1,967,983.26	952,360.32	1,537,817.80
Impairment losses for property, plant and equipment	–	3,671,247.29	–	–	–
Others	2,674,882.03	2,285,314.38	2,375,422.04	1,021,671.51	2,952,589.60
	<u>229,758,868.83</u>	<u>241,897,433.76</u>	<u>239,668,329.17</u>	<u>138,417,425.03</u>	<u>140,665,047.39</u>

23 NET (IMPAIRMENT)/REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
Net (impairment)/reversal of impairment of other receivables <i>(Note 9(b))</i>	<u>(388,794.19)</u>	<u>1,274,747.13</u>	<u>(2,550,477.20)</u>	<u>(2,129,844.92)</u>	<u>(952,738.94)</u>

24 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
Salaries and wages	8,521,017.80	9,529,554.92	9,440,673.24	5,431,376.64	8,272,953.01
Social security and housing benefits	2,152,026.29	2,957,167.80	2,149,811.51	1,187,976.53	3,034,353.78
Other welfares	<u>163,958.56</u>	<u>184,127.67</u>	<u>173,911.58</u>	<u>60,450.86</u>	<u>139,692.18</u>
	<u>10,837,002.65</u>	<u>12,670,850.39</u>	<u>11,764,396.33</u>	<u>6,679,804.03</u>	<u>11,446,998.97</u>

25 FINANCE COSTS

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
Interest expenses for long-term payables <i>(Note 30)</i>	<u>149,841,932.12</u>	<u>141,329,408.07</u>	<u>131,237,710.71</u>	<u>65,731,807.26</u>	<u>72,474,938.48</u>

26 INCOME TAXATION

The amount of taxation charged to the statement of comprehensive income represents:

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
Current taxation – CIT	-	-	-	-	-
Deferred taxation charged to the statement of comprehensive income <i>(Note 18)</i>	<u>(7,554,369.34)</u>	<u>3,542,373.89</u>	<u>(14,478,038.47)</u>	<u>(20,019,578.64)</u>	<u>14,068,357.56</u>
	<u>(7,554,369.34)</u>	<u>3,542,373.89</u>	<u>(14,478,038.47)</u>	<u>(20,019,578.64)</u>	<u>14,068,357.56</u>

(a) PRC Corporate Income Tax

The Target determines and pays the PRC Corporate Income Tax (“CIT”) in accordance with the CIT Law as approved by the National People’s Congress on 16 March 2007. Under the CIT Law, the CIT rate applicable to the Target is 25%.

(b) The tax on the Target’s (loss)/profit before income tax differs from the theoretical amount that would arise using the CIT rate for the Target as follows:

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020 (unaudited)	2021
(Loss)/Profit before income tax	(29,674,394.96)	13,799,693.99	(57,406,721.63)	(80,174,166.60)	56,271,752.24
Tax calculated at domestic tax rates applicable to profits in PRC	(7,418,598.74)	3,449,923.50	(14,351,680.41)	(20,043,541.65)	14,067,938.06
Expenses not deductible for tax purpose	5,341.90	283,475.39	41,079.44	23,963.01	419.50
Deductible enterprise safety fund charged to equity	(141,112.50)	(191,025.00)	(167,437.50)	-	-
Tax charges	<u>(7,554,369.34)</u>	<u>3,542,373.89</u>	<u>(14,478,038.47)</u>	<u>(20,019,578.64)</u>	<u>14,068,357.56</u>

27 APPROPRIATION**Statutory surplus reserve fund**

In accordance with the PRC Company Law, the Target shall appropriate 10% of their annual statutory net income (after offsetting any prior years’ loss) to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of a company’s share capital or registered capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years’ loss or to issue bonus shares/paid-in capital. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of share capital/registered capital after such utilisation.

28 NOTES TO CASH FLOW STATEMENT

(a) Cash generated from/(used in) operating activities

Reconciliation from (loss)/profit before income tax to net cash inflow from operating activities:

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020 (unaudited)	2021
(Loss)/profit before income tax	(29,674,394.96)	13,799,693.99	(57,406,721.63)	(80,174,166.60)	56,271,752.24
Adjustments for:					
Amortisation of concession intangible assets (Note 5)	140,707,395.62	142,636,561.41	142,636,561.42	83,204,660.84	83,204,660.83
Depreciation of property, plant and equipment (Note 6)	44,753,228.91	41,033,161.43	42,707,697.61	24,964,682.47	25,075,030.59
Depreciation of investment properties (Note 7)	155,769.71	155,769.70	155,769.71	90,865.67	90,865.66
Amortisation of intangible assets (Note 8)	27,044.50	163,055.14	640,511.89	378,545.75	319,579.96
Write-down provision/(reversal) for inventories (Note 10)	–	180,353.50	(1,392.00)	–	–
Impairment losses for property, plant and equipment (Note 22)	–	3,671,247.29	–	–	–
Impairment losses/(reversal) for other receivables	388,794.19	(1,274,747.13)	2,550,477.20	2,129,844.92	952,738.94
Net gains on disposal of property, plant and equipment (Note 21)	–	–	(886,661.14)	–	(1,026,806.06)
Interest expenses (Note 25)	149,841,932.12	141,329,408.07	131,237,710.71	65,731,807.26	72,474,938.48
	<u>306,199,770.09</u>	<u>341,694,503.40</u>	<u>261,633,953.77</u>	<u>96,326,240.31</u>	<u>237,362,760.64</u>
(Increase)/decrease in inventories	(96,848.00)	105,806.16	(284,588.57)	1,715.00	58,018.90
Increase in receivables and prepayments	(283,340,599.13)	(343,253,428.90)	(255,047,192.67)	(102,045,656.81)	(246,447,874.39)
(Decrease)/increase in other operating liabilities	(914,150.73)	(1,439,372.82)	(2,317,376.31)	14,023,703.25	15,538,167.86
(Decrease)/increase in deferred revenue	(987,936.17)	(2,195,701.91)	(1,261,354.37)	(734,219.40)	4,670,067.89
Increase/(decrease) in provision	306,117.99	1,513,883.73	(336,366.72)	(70,575.84)	656,570.54
	<u>306,117.99</u>	<u>1,513,883.73</u>	<u>(336,366.72)</u>	<u>(70,575.84)</u>	<u>656,570.54</u>
Cash generated from/(used in) operating activities	<u><u>21,166,354.05</u></u>	<u><u>(3,574,310.34)</u></u>	<u><u>2,387,075.13</u></u>	<u><u>7,501,206.51</u></u>	<u><u>11,837,711.44</u></u>

(b) Non-cash financing activities

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(Unaudited)	
Long-term payables offset against other receivables	-	1,692,391.05	10,221,230.62	-	-
Long-term payables converted to deferred income	-	-	31,446,000.00	31,446,000.00	3,108,344.00
Debt conversion (<i>Note 12</i>)	-	-	-	-	965,300,822.54
	<u>-</u>	<u>1,692,391.05</u>	<u>41,667,230.62</u>	<u>31,446,000.00</u>	<u>968,409,166.54</u>

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December			As at 31 July
	2018	2019	2020	2021
Cash and cash equivalents	2,894,856.36	9,899,165.78	5,964,073.76	16,769,528.10
Long-term payables	<u>(3,761,706,494.16)</u>	<u>(3,999,543,794.41)</u>	<u>(4,140,462,493.52)</u>	<u>(3,257,432,163.27)</u>
Net debt	<u>(3,758,811,637.80)</u>	<u>(3,989,644,628.63)</u>	<u>(4,134,498,419.76)</u>	<u>(3,240,662,635.17)</u>
	As at 31 December			As at 31 July
	2018	2019	2020	2021
Cash and cash equivalents	2,894,856.36	9,899,165.78	5,964,073.76	16,769,528.10
Gross debt - floating interest rate	<u>(3,761,706,494.16)</u>	<u>(3,999,543,794.41)</u>	<u>(4,140,462,493.52)</u>	<u>(3,257,432,163.27)</u>
Net debt	<u>(3,758,811,637.80)</u>	<u>(3,989,644,628.63)</u>	<u>(4,134,498,419.76)</u>	<u>(3,240,662,635.17)</u>

	Cash and cash equivalents	Long-term payables	Borrowings	Total
Net debt as at 1 January 2018	7,506,378.30	(3,548,262,823.69)	(20,000,000.00)	(3,560,756,445.39)
Cash flows	(4,611,521.94)	(63,965,019.13)	20,363,280.78	(48,213,260.29)
Interest expenses	–	(149,478,651.34)	(363,280.78)	(149,841,932.12)
Net debt as at 31 December 2018	<u>2,894,856.36</u>	<u>(3,761,706,494.16)</u>	<u>–</u>	<u>(3,758,811,637.80)</u>
Cash flows	7,004,309.42	(98,200,283.23)	–	(91,195,973.81)
Interest expenses	–	(141,329,408.07)	–	(141,329,408.07)
Other non-cash movement (i)	–	1,692,391.05	–	1,692,391.05
Net debt as at 31 December 2019	<u>9,899,165.78</u>	<u>(3,999,543,794.41)</u>	<u>–</u>	<u>(3,989,644,628.63)</u>
Cash flows	(3,935,092.02)	(51,348,219.02)	–	(55,283,311.04)
Interest expenses	–	(131,237,710.71)	–	(131,237,710.71)
Other non-cash movement (i)	–	41,667,230.62	–	41,667,230.62
Net debt as at 31 December 2020	<u>5,964,073.76</u>	<u>(4,140,462,493.52)</u>	<u>–</u>	<u>(4,134,498,419.76)</u>
Cash flows	10,805,454.34	(12,903,897.81)	–	(2,098,443.47)
Interest expenses	–	(72,474,938.48)	–	(72,474,938.48)
Other non-cash movement (i)	–	968,409,166.54	–	968,409,166.54
Net debt as at 31 July 2021	<u>16,769,528.10</u>	<u>(3,257,432,163.27)</u>	<u>–</u>	<u>(3,240,662,635.17)</u>

(i) Other non-cash movements include non-cash financing activities (Note 28(b)).

29 COMMITMENTS

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2018	As at 31 December 2019	2020	As at 31 July 2021
Contracted but not provided for				
– Property, plant and equipment	<u>1,359,934.60</u>	<u>41,603.77</u>	<u>2,280,214.90</u>	<u>2,279,503.58</u>

30 RELATED PARTY TRANSACTIONS

The Target's parent company is ATHC, a state-owned enterprise established in Anhui Province, the PRC, and is controlled by the PRC government. It owns a significant portion of the expressway assets in Anhui Province.

In accordance with HKAS 24 (Revised), "Related Party Disclosures", government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Target. On that basis, related parties include ATHC and its subsidiaries (other than the Target), other government-related entities and their subsidiaries, other entities and corporations in which the Target is able to control or exercise significant influence and key management personnel of the Target and ATHC as well as their close family members.

(a) Name of related party and relationship

Name	Relationship with the Target
ATHC	Parent company
AEPC	Subsidiary of ATHC
AENO	Subsidiary of ATHC
Anhui Expressway Company Limited (“安徽皖通高速公路股份有限公司”, “AECL”)	Subsidiary of ATHC
Anhui Transportation Planning, Design and Research Institute Co., Ltd. (“安徽省交通規劃設計研究總院 股份有限公司”, “ATPDRI”)	Subsidiary of ATHC
Anhui Gaolu Construction Co., Ltd. (“安徽省高路建設有限公司”, “AGCC”)	Subsidiary of ATHC
Anhui Qixing Project Testing Co., Ltd. (“安徽省七星工程測試有限公司”, “AQPT”)	Subsidiary of ATHC
Anhui Expressway Experiment Research Centre Co., Ltd. (“安徽省高速公路試驗檢測科研中心 有限公司”, “AERC”)	Subsidiary of ATHC
Anhui Zhongxing Project Management Co., Ltd. (“安徽省中興工程監理有限公司”, “AZPMC”)	Subsidiary of ATHC
Anhui Shengxuan Landscaping Engineering Co., Ltd. (“安徽省盛軒園林綠化工程有限公司”, “ASLE”)	Subsidiary of ATHC

(b) Related party transactions

(i) Toll road and bridge income received on behalf of the Target

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
ATHC	<u>358,310,007.89</u>	<u>404,296,102.58</u>	<u>320,375,321.91</u>	<u>127,560,838.68</u>	<u>274,614,055.45</u>

(ii) Rental income

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
AEPC	<u>1,492,064.00</u>	<u>1,492,064.00</u>	<u>1,492,064.00</u>	<u>870,370.67</u>	<u>870,370.67</u>

(iii) Interest expenses for interest bearing long-term payables

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
ATHC	<u>149,841,932.12</u>	<u>141,329,408.07</u>	<u>131,237,710.71</u>	<u>65,731,807.26</u>	<u>72,474,938.48</u>

(iv) Service fee for the collection of toll road and bridge income

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
AENO	<u>1,958,105.90</u>	<u>2,256,783.72</u>	<u>1,967,983.26</u>	<u>952,360.32</u>	<u>1,537,817.80</u>

(v) Proceeds from financial support

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020	2021
				(unaudited)	
ATHC	<u>63,965,019.13</u>	<u>98,200,283.23</u>	<u>51,348,219.02</u>	<u>33,285,414.18</u>	<u>12,903,897.81</u>

(vi) Purchase, construction and maintenance services

	Year ended 31 December			Seven months ended 31 July	
	2018	2019	2020	2020 (unaudited)	2021
AECL	16,506,843.00	10,912,700.00	12,555,200.00	8,217,241.67	-
ATPDRI	2,606,000.00	110,188.34	558,278.28	-	15,266.01
AGCC	2,301,956.64	887,020.20	7,430,268.69	-	-
AQPT	54,006.60	-	-	-	-
ATHC	673,811.38	11,316,570.83	10,925,191.84	5,505,440.86	644,112.55
AERC	-	286,000.00	2,258,997.18	-	-
AZPMC	-	-	200,656.50	-	-
ASLE	-	-	4,912.58	-	-
	<u>22,142,617.62</u>	<u>23,512,479.37</u>	<u>33,933,505.12</u>	<u>13,722,682.53</u>	<u>659,378.56</u>

It mainly represented payable to above related parties for purchase, construction and maintenance services in connection with expressway.

(vii) Guarantee provided

ATHC's bank borrowings, which are pledged by estimated future toll road cash inflow from Yuewu Expressway Anhui Section held by the Target are as follows:

	Bank borrowings under the guarantee			As at 31 July 2021
	2018	2019	2020	
ATHC	<u>1,093,800,000.00</u>	<u>1,071,000,000.00</u>	<u>1,038,200,000.00</u>	<u>806,000,000.00</u>

The possibility of the Target's performance of the guarantee obligation is remote.

(viii) Key management compensation

The general manager and director of the Target who did not receive any remuneration from the Target during the years ended 31 December 2018, 2019 and 2020 and the seven months ended 31 July 2020 and 2021 was assigned by ATHC and also holds position in ATHC. ATHC borne all of his remuneration and did not recharge any amount to the Target.

(c) Related party balances

(i) Receivables – other receivables

	As at 31 December			As at 31 July
	2018	2019	2020	2021
ATHC (Note 9)	<u>452,665,116.94</u>	<u>794,906,427.07</u>	<u>1,039,994,950.88</u>	<u>1,286,222,845.84</u>

(ii) Trade and other payables

	As at 31 December			As at 31 July
	2018	2019	2020	2021
AEPC	40,285,730.76	38,793,666.76	37,301,602.76	36,431,232.09
AGCC	2,301,956.64	8,553,092.32	7,644,343.48	7,976,105.34
AENO	–	809,928.31	484,949.37	1,537,817.80
ATPDRI	2,606,000.00	2,617,188.34	1,313,674.87	840,673.88
AECL	510,606.07	3,770.00	3,770.00	3,770.00
ATHC	506,032.21	608,764.82	642,778.51	35,125.16
AERC	493,167.50	286,000.00	110,170.00	14,300.00
AZPMC	115,651.90	115,651.90	115,651.90	115,651.90
AQPT	54,006.60	–	–	–
AZPMC	–	118,069.00	242,915.82	2,656.55
ASLE	–	–	4,912.58	4,912.58
	<u>46,873,151.68</u>	<u>51,906,131.45</u>	<u>47,864,769.29</u>	<u>46,962,245.30</u>

(iii) Long-term payables

	As at 31 December			As at 31 July
	2018	2019	2020	2021
ATHC	<u>3,761,706,494.16</u>	<u>3,999,543,794.41</u>	<u>4,140,462,493.52</u>	<u>3,257,432,163.27</u>

As at 31 December 2018, 2019 and 2020 and 31 July 2021, amounts due from and due to the related parties as aforementioned, except for long-term payables to ATHC as disclosed in Note 17, were unsecured, interest-free and are repayable within 1 year.

31 BENEFITS AND INTERESTS OF THE DIRECTOR

During the years ended 31 December 2018, 2019 and 2020 and the seven months ended 31 July 2020 and 2021, except as disclosed in Note 30, no emoluments, retirement benefits, payments or benefits in respect of termination of the director's services (equivalent to key management compensation) were paid or made, directly or indirectly, to the director; nor any payable. No consideration was provided to or receivable by third parties for making available the director's services. There are no loans, quasi-loans and other dealings in favour of the director, his controlled bodies corporate and connected entities.

The director of the Target did not have a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Target's business to which the Target was or is a party that subsisted at the end of the year or at any time during the years ended 31 December 2018, 2019 and 2020 and the seven months ended 31 July 2020 and 2021.

32 CONTINGENT LIABILITIES

As at 31 December 2018, 2019 and 2020 and 31 July 2021, the Target had no material contingent liabilities.

33 SUBSEQUENT EVENTS

The Target has no material subsequent events in respect of any period subsequent to 31 July 2021 and up to the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target in respect of any period subsequent to 31 July 2021 and up to the date of this report.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF THE ASSETS AND
LIABILITIES OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of Anhui Expressway Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) including Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company (the “**Target**”) (collectively referred to as the “**Enlarged Group**”) which has been prepared based on the unaudited condensed consolidated balance sheet of the Group as set out in the published interim report for the six months ended 30 June 2021 after making pro forma adjustments as set out in notes below. This unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effects of the acquisition of the Target (the “**Proposed Acquisition**”), as if the Proposed Acquisition had taken place on 30 June 2021. It has been prepared on the basis of the notes below and is consistent with the accounting policies adopted by the Group. It has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed as at 30 June 2021 or at any future date.

Unaudited pro forma consolidated statement of the assets and liabilities of the Enlarged
Group as at 30 June 2021

	Unadjusted consolidated statement of assets and liabilities of the Group as at 30 June 2021		Pro forma adjustments			Pro forma Enlarged Group RMB'000
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000 (Note 4)	RMB'000 (Note 5)	
Assets						
Non-current assets						
Concession intangible assets	10,352,364	3,006,844		93,144		13,452,352
Right-of-use assets	7,189					7,189
Property, plant and equipment	1,086,562	187,200				1,273,762
Investment properties	385,811	3,948				389,759
Intangible assets	1,680	193				1,873
Investments in associates	143,577					143,577
Deferred income tax assets	31,860	59,281				91,141
Financial assets at fair value through profit or loss	255,869					255,869
Financial assets at fair value through other comprehensive income	118,606					118,606
	<u>12,383,518</u>					<u>15,734,128</u>

	Unadjusted consolidated statement of assets and liabilities of the Group as at 30 June 2021					Pro forma Enlarged Group RMB'000
	RMB'000	RMB'000	Pro forma adjustments			
	(Note 1)	(Note 2)	RMB'000 (Note 3)	RMB'000 (Note 4)	RMB'000 (Note 5)	
Current assets						
Inventories	5,935	903				6,838
Other current assets	3,728					3,728
Financial assets at FVPL	502,770					502,770
Receivables and prepayments	228,021	1,282,475	(1,282,165)			228,331
Time deposits with original maturity over three months	411,664					411,664
Cash and cash equivalents	3,989,152	16,770	(2,181,244)			1,824,678
	<u>5,141,270</u>					<u>2,978,009</u>
Total assets	<u>17,524,788</u>					<u>18,712,137</u>
Liabilities						
Non-current liabilities						
Long-term payables	326,408	3,257,432	(3,257,432)			326,408
Borrowings	3,047,066		2,000,000			5,047,066
Deferred income tax liabilities	19,764			23,286		43,050
Deferred income	77,128	56,011				133,139
	<u>3,470,366</u>					<u>5,549,663</u>
Current liabilities						
Trade and other payables	1,528,390	78,195	(35)		4,020	1,610,570
Current income tax liabilities	140,068					140,068
Provision	23,484	4,809				28,293
Borrowings	181,170					181,170
	<u>1,873,112</u>					<u>1,960,101</u>
Total liabilities	<u>5,343,478</u>					<u>7,509,764</u>
Net assets	<u>12,181,310</u>					<u>11,202,373</u>

Notes to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

1. The balances are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2021 set out in the published interim report for the six months ended 30 June 2021.
2. The balances are extracted from the accountant's report of the Target as at 31 July 2021 as set out in Appendix III to this circular.
3. On 13 October 2021, the Group entered into the acquisition agreement with Anhui Transportation Holding Group Co., Ltd. ("**ATHC**"), the ultimate controlling shareholder of the Company, and pursuant to which the Group has conditionally agreed to acquire 100% of the issued share capital of the Target and take the assignment of the shareholder's loan at a total consideration consisting of:
 - (1) RMB2,210.0 million (equivalent to approximately HK\$2,652.0 million), being the consideration for the entire equity interest in the Target (the "**Equity Consideration**"); and
 - (2) an amount representing the sum of (A) the outstanding amount of the shareholder's loan as at 31 July 2021 of RMB1,971.2 million (being long-term amounts due to ATHC of RMB3,257.4 million and other payables of RMB35 thousand, net of gross other receivables due from ATHC of RMB1,286.2 million); and (B) the interest on such outstanding amount up to the actual date of repayment as determined by the applicable interest rate ranging from 3.85% per annum to 5.19% per annum (the "**Loan Consideration**").

As the Group and the Target are under common control by ATHC and the control is not transitional, the Proposed Acquisition is accounted for using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. Accordingly, no goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination to the extent of the continuation of the controlling party or parties' interests will be recognised as a result of the Proposed Acquisition.

For the purpose of this pro forma financial information, the total consideration is assumed to be RMB4,181.2 million without taking into account the portion on the interest on such outstanding amount after 31 July 2021 up to the actual date of repayment as if the acquisition of equity interest in the Target and settlement of the shareholder's loan had been completed as at 30 June 2021. For the purpose of this unaudited pro forma financial information, the Group intends to finance total consideration of RMB4,181.2 million by new unsecured loans amounting to RMB2,000.0 million and the remaining balance of RMB2,181.2 million to be satisfied by the Group's internal resources. Subsequent to 30 June 2021 and up to the date of this circular, the Group has not withdrawn new bank borrowings.

The pro forma adjustment represents decreases in cash and bank balances by RMB2,181.2 million, other receivable, net by RMB1,282.1 million (being gross other receivables due from ATHC of RMB1,286.2 million minus accumulated provision of RMB4.1 million); other payables due to ATHC by RMB35 thousand and long-term payables due to ATHC by RMB3,257.4 million; and an increase in borrowings by RMB2,000 million.

4. The Target was acquired by ATHC from a third party on 27 June 2005. The adjustment represents the recognition of the initial fair value adjustment to the Target's concession intangible assets and relevant deferred income tax liabilities at the date of the acquisition from the third party by ATHC and its subsequent amortisation under the books of ATHC.

For the purpose of preparing the pro forma financial information, the Directors have made an assessment on whether there is any impairment in respect of concession intangible assets acquired from the Proposed Acquisition with reference to HKAS 36 "Impairment of Assets". They have taken into consideration the estimated future cash flows for the assessment. Based on the assessment results, the Directors concluded that there is no impairment in the value of concession intangible assets.

5. The adjustment represents the estimated transaction costs of approximately RMB4.0 million, which are mainly professional fees payable by the Group in connection with the Proposed Acquisition.
6. No other adjustments have been made to reflect any trading results or other transactions of the Group or the Target entered into subsequent to 30 June 2021 or 31 July 2021 respectively.

B. REPORT ON ILLUSTRATIVE PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report on the unaudited pro forma financial information of the Enlarged Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Anhui Expressway Company Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Anhui Expressway Company Limited (the "Company") and its subsidiaries (collectively the "Group") and Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company (the "Target") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2021 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 147 to 150 of the Company's circular dated 30 November 2021, in connection with the proposed acquisition of the Target (the "Transaction") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 147 to 150 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2021 as if the Transaction had taken place at 30 June 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2021, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 November 2021

VALUATION REPORT

ON THE VALUE OF

THE ENTIRE SHAREHOLDERS' EQUITY

OF ANHUI ANQING YANGTZE RIVER EXPRESSWAY

BRIDGE LIMITED LIABILITY COMPANY IN THE PROPOSED

TRANSFER OF EQUITY INTEREST BY

ANHUI TRANSPORTATION HOLDING GROUP CO., LTD.

Zhong Shui Zhi Yuan Ping Bao Zi [2021] No. 020383-2

Valuation Institution: Zhongshuizhiyuan Assets Appraisal Co., Ltd.

Report Date: 23 September 2021

The following is a valuation report issued from Zhongshuizhiyuan Assets Appraisal Co., Ltd., for inclusion in this circular. This valuation report is prepared in Chinese, and in case of any discrepancies between the English version and the Chinese version, the Chinese version shall prevail.

23 September 2021

Dear Sirs/Madams,

In accordance with the instruction of Anhui Expressway Company Limited, we have conducted valuation on the market value of the entire shareholders' equity of Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company* (安徽安慶長江公路大橋有限責任公司) as at the Valuation Benchmark Date (i.e. 31 July 2021) involved in the proposed transfer of the equity interest in Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company by Anhui Transportation Holding Group Co., Ltd..

The purpose of this valuation by Zhongshuizhiyuan Assets Appraisal Co., Ltd. is, in accordance with the instruction of Anhui Expressway Company Limited, for the proposed transfer of the equity interest held in Anqing Yangtze River Expressway Bridge Limited Liability Company by Anhui Transportation Holding Group Co., Ltd. to Anhui Expressway Company Limited, to value the market value of the entire shareholders' equity of Anqing Yangtze River Expressway Bridge Limited Liability Company as at the Valuation Benchmark Date involved in the said economic activity, which will serve as value reference for such economic activity.

According to factors such as the valuation purpose, market conditions and conditions of the valuation target, we have selected market value as the type of value for this valuation. Market value means the estimated amount for which the valuation target should be traded on the Valuation Benchmark Date between a willing buyer and a willing seller in an arm's length transaction, where the parties had each acted rationally and without compulsion.

Taking into consideration the valuation target, the type of value, information collection and other relevant conditions, we have adopted the asset-based approach and the income approach for the valuation in this project. Based on the respective estimate results arrived at using such two valuation approaches, as well as our comprehensive analysis of the completeness and reliability of the information used in the specific application of the two valuation approaches and the reasonableness of the estimate results and other aspects, we have chosen the estimate result arrived at using one of the approaches as the final valuation conclusion of this report. We believe that the valuation result arrived at using the income approach can reflect the market value of Anqing Yangtze River Expressway Bridge Limited Liability Company in a more objective manner, and therefore we have adopted the same as the final valuation conclusion in this report.

The list of assets and liabilities of the valuation target involved has been provided by the client and the Target Company and confirmed with their signatures, and certain analysis involved in valuation report has been conducted based on relevant financial information provided.

The valuation conclusion is based on recognized valuation procedures and their implementation, and reached through overall consideration of a number of assumed conditions and various factors related to the actual operation of Anqing Bridge Company. We have also considered the potential impact which various risks and uncertainties may have on the company. We have assumed that the pre-conditions and assumptions contained in the report were true on the Valuation Benchmark Date. We will not assume the liabilities for different valuation results to be inferred due to the change of pre-conditions and assumptions in case of significant changes in the economic environment in the future.

In carrying out the assets valuation engagement, we adhered to the principle of independence, objectivity and fairness. Based on the information we collected during our practice, the contents stated in the valuation report are objective, and we will take corresponding legal liabilities for the reasonableness of the valuation conclusion. However, the valuation conclusion shall not be deemed as guarantee for the realizable price of the valuation target.

The income approach and the asset-based approach have been used to estimate the value of the entire shareholders' equity of Anqing Yangtze River Expressway Bridge Limited Liability Company. Under the assumptions disclosed in this report, the market value of the valuation target as at the Valuation Benchmark Date (i.e. 31 July 2021) is as follows:

Valuation Benchmark Date	Market value of the entire shareholders' equity
31 July 2021	RMB2,210 million

For and on behalf of
Zhongshuizhiyuan Assets Appraisal Co., Ltd.

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INTRODUCTION

Zhongshuizhiyuan Assets Appraisal Co., Ltd. has been engaged by Anhui Expressway Company Limited (hereinafter referred to as “**Anhui Expressway**”) to conduct valuation on the market value of the entire shareholders’ equity of Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company* (hereinafter referred to as “**Anqing Bridge Company**” or “**Target Company**”) as at the Valuation Benchmark Date (i.e. 31 July 2021) involved in the proposed transfer of the equity interest held in Anqing Bridge Company by Anhui Transportation Holding Group Co., Ltd. (hereinafter referred to as “**Anhui Transportation Holding Group**”) to Anhui Expressway by adopting the asset-based approach and the income approach and performing necessary valuation procedures in accordance with laws and administrative regulations, based on the principles of independence, objectivity and fairness.

PURPOSE OF VALUATION

Anhui Transportation Holdings Group intends to transfer the equity interest held by it in Anqing Bridge Company to Anhui Expressway. Having been engaged by Anhui Expressway, Zhongshuizhiyuan Assets Appraisal Co., Ltd. has conducted valuation on the market value of the entire shareholders’ equity of Anqing Bridge Company as at the Valuation Benchmark Date involved in the above economic activity, which will serve as the value reference for such economic activity.

TYPE OF VALUE

According to the purpose of this valuation, market value has been determined as the type of value.

Market value means the estimated amount for which the valuation target should be traded on the Valuation Benchmark Date between a willing buyer and a willing seller in an arm’s length transaction, where the parties had each acted rationally and without compulsion.

Market value was chosen as the type of value in this valuation on the principle that the type of value should be consistent with the purpose of the valuation and upon full consideration of factors such as market conditions and conditions of the valuation target. It was clearly specified as the type of value for the valuation conclusion when the asset valuation institution accepted the engagement by the client.

SUMMARY OF BACKGROUND**1. Basic Information of Industrial and Commercial Registration**

Name of enterprise: Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company* (安徽安慶長江大橋有限責任公司) (hereinafter referred to as “**Anqing Bridge Company**”)

Unified social credit code: 913408007139827027

Domicile: 9 Wanjiang Avenue, Anqing City, Anhui Province

Legal representative: Wang Xiaowen (汪小文)

Registered capital: RMB150,000,000

Type of company: limited liability company (solely invested by a corporation that is invested or controlled by a non-natural person)

Date of establishment: 6 April 2000

Duration of operation: from 6 April 2000 with no fixed period

Business scope: bridge construction and fund raising, material supply, tertiary industry operation and bridge operation and management services.

2. Historical Development**(1) Establishment of Anqing Bridge Company**

On 31 March 2000, Anqing Municipal People’s Government proposed to prepare for the establishment of Anqing Bridge Company, which was to be set up by Anqing Municipal People’s Government (Finance Bureau) in accordance with the Notice on the Establishment of Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company (Yi Zheng Ban Mi [2000] No.29) issued by the Office of Anqing Municipal People’s Government. The registered capital of Anqing Bridge Company is RMB150 million, of which RMB136 million was contributed by Anqing Municipal Finance Bureau and the remaining balance was to be fully available by 2004 as committed by Anqing Municipal People’s Government. Anqing Municipal People’s Government held 100% equity interest in Anqing Bridge Company.

On 22 June 2000, Anqing Huashen Certified Public Accountants issued the Capital Verification Report (Qing Hua Yan Zi [2000] No.049), confirming that as at 22 June 2000, Anqing Bridge Company had received capital contribution of RMB136 million from its shareholder, all of which were in monetary funds.

The shareholding structure of Anqing Bridge Company at the time of its establishment was as follows:

No.	Shareholder	Subscribed	Paid-in capital	Shareholding	Contribution
		capital			
		contribution	contribution		
		(RMB0'000)	(RMB0'000)		
1	Anqing Municipal People's Government	15,000.00	13,600.00	100.00%	Monetary contribution
Total		15,000.00	13,600.00	100.00%	-

(2) Equity transfer of Anqing Bridge Company

On 11 April 2005, the People's Government of Anhui Province issued Reply of the People's Government of Anhui Province on Issues Relating to Anqing Yangtze River Expressway Bridge (Wan Zheng Mi [2005] No. 40), pursuant to which it was resolved that Anhui Provincial Expressway Corporation (安徽省高速公路總公司) would acquire the entire equity interest in Anqing Bridge Company. On 27 June of the same year, the Department of Transportation of Anhui Province, Anqing Municipal People's Government entered into an agreement on the equity interest transfer with Anhui Provincial Expressway Corporation (安徽省高速公路總公司). In accordance with the decision under the meeting minutes of Anhui Provincial Expressway Corporation (安徽省高速公路總公司) and the amendments to its articles of association, the registered capital of Anqing Bridge Company of RMB150 million was injected by Anhui Provincial Expressway Corporation (安徽省高速公路總公司) before 27 June 2005, as the shareholder, and meanwhile applied for the change of the company name and shareholder.

On 22 August 2005, Anhui Anrui Certified Public Accountants issued the Capital Verification Report (An Rui Yan Zi [2005] No.106), confirming that as of 27 June 2005, the shareholder of Anqing Bridge Company had been changed to Anhui Provincial Expressway Corporation (安徽省高速公路總公司) and the accumulated registered capital received after such change was RMB150 million.

The shareholding structure of Anqing Bridge Company was as follows:

No.	Shareholder	Subscribed		Shareholding percentage	Contribution method
		capital contribution (RMB0'000)	Paid-in capital contribution (RMB0'000)		
1	Anhui Provincial Expressway Corporation (安徽省高速公路總公司)	15,000.00	15,000.00	100.00%	Monetary contribution
	Total	15,000.00	15,000.00	100.00%	-

(3) Change of the name of shareholder of Anqing Bridge Company

At the end of 2014, the former Anhui Expressway Holding Group Company Limited (formerly known as Anhui Provincial Expressway Corporation (安徽省高速公路總公司)) and the former Anhui Transportation Investment Group Company Limited merged and was reorganized to form Anhui Transportation Holding Group Company Limited. Meanwhile, on 7 May 2015, the company name was changed from Anhui Expressway Holding Group Company Limited to Anhui Transportation Holding Group Company Limited. According to the Decision of Shareholders of Anqing Bridge Company, the shareholders decided on 11 May 2015 to approve the change of the name of the shareholder of the Anqing Bridge Company to “Anhui Transportation Holding Group Company Limited”.

(4) Shareholding structure as at the Valuation Benchmark Date

As at the Valuation Benchmark Date, the shareholding structure and capital contribution of Anqing Bridge Company are as follows:

No.	Name of shareholder	Subscribed capital		Shareholding percentage
		contribution (RMB0'000)	Paid-in capital contribution (RMB0'000)	
1	Anhui Transportation Holding Group Company Limited	15,000.00	15,000.00	100.00%
	Total	15,000.00	15,000.00	100.00%

3. Basic Information on the Principal Business

Anqing Bridge Company is managing the property of two highways including the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway. The company is responsible for the daily operation and management of the headquarters of the Anqing Yangtze River Expressway Bridge. The toll collection, maintenance, road property, information, electrical and mechanical technology and human resources management of the Anhui Section of the Yuewu Expressway is conducted by Gaojie Management Office on its behalf. The main assets are as follows:

① *Information on the Anqing Yangtze River Expressway Bridge*

Project description: the project was opened to traffic on 26 December 2004. The Anqing Yangtze River Expressway Bridge starts from the Dadukou interchange hub in the south, crossing the Yangtze River waterway and ends at Longmianshan South Road in the north. The total length of the line is 5,985.66 metres, and the main bridge is 1,040 metres. The bridge is designed as a two-way four-lane highway, with a design speed of 100 km/h.

Concession period: the operation period of the Anqing Yangtze River Expressway Bridge is 29 years, from 26 December 2004 to 25 December 2033.

Toll rates: In December 2019, as prescribed under the “Notices on Adjusting the Toll Rates Method of Toll Road in Anhui Province” (Wan Jiao Lu [2019] No. 144) issued by the Department of Transportation of Anhui Province, Anhui Provincial Development and Reform Committee and Anhui Provincial Finance Department, “II. Additional toll will be collected from extra-large bridges or tunnels, namely bridges with a length of over 1,000 meters or tunnels with a length of over 3,000 meters. The additional toll for extra-large bridges/tunnels will be collected on top of the basic toll calculated by reference to the type of vehicle and the proportion of the travel distance of the vehicle on the expressway to the total length of the expressway.” It is specified that “the toll rates for passenger vehicles for Yangtze River highway bridge shall apply the current toll rates for passenger vehicles. In accordance with the relevant regulations on the classification of passenger vehicles in “Vehicle Classification for Toll Rates of Toll Road”, the 8 and 9 passenger vehicles had been adjusted from “type 2” to “type 1”, and had implemented the charging standard of class 1 buses since 1 January 2020. The toll rates for special motor vehicles on Yangtze River expressway bridge shall be charged according to the toll rates for the same type of goods vehicles, and the new toll rates has been implemented since 1 January 2020.

Toll rates for passenger vehicles for the Anqing Yangtze River Expressway Bridge

Passenger Vehicle Type	Vehicle Classification	Approved Passenger Capacity	Toll rates (RMB/time)
Type 1	Micro/Small	≤9	20
Type 2	Medium	10–19	40
	Passenger Car Train	–	
Type 3	Passenger Car Train	≤39	60
Type 4	Large	≥40	80

Toll rates for goods vehicles for the Anqing Yangtze River Expressway Bridge

Vehicle type classification	Standard of classification	Toll rates (RMB/time)
Type 1	With 2 axles, the vehicles length is less than 6,000mm and the maximum allowable total mass is less than 4,500kg	20
Type 2	With 2 axles, the vehicles length is not less than 6,000mm or the maximum allowable total mass is not less than 4,500kg	30
Type 3	With 3 axles	45
Type 4	With 4 axles	70
Type 5	With 5 axles	75
Type 6	With 6 axles	100

For goods vehicles with more than six axles, on the basis of the toll rates for goods vehicles of type 6, the toll rates shall be determined according to a factor of 1.1 for each additional axle; the toll rates for goods vehicles with 10 axles and above shall be implemented according to the toll rates for goods vehicles with 10 axles.

The toll rates for special motor vehicles on Yangtze Rivers expressway bridge shall be charged according to the toll rates for the same type of goods vehicles.

② **Information on the Anhui section of Yuexi-Wuhan Expressway**

Project Description: the project begins at the Liuqian Expressway, within the boundary of Lianyun Township, Yuexi County and ends at Dafengshu Mountain at the provincial boundary between Anhui Province and Hubei Province, bridging the Wuying Expressway in Hubei Province, which was open to traffic in December 2015, with a total length of 46.26 kilometres, adopting a two-way four-lane expressway standard with a width of 24.5 meters and a design speed of 80 km/h. It passes through the hinterland of Dabie Mountain and there are 10 tunnels and 33 bridges, with a bridge-to-tunnel ratio of 57.2%. This project was appraised as the 2015 “Green Highway” thematic project by the Ministry of Transport.

Toll stations and service areas: Sikong Mountain Toll Station, Dabie Mountain South Toll Station and Baimao Service Area have been established along the line.

Concession period: the toll operation period of the Anhui Section of the Yuewu Expressway is 30 years, from 31 December 2015 to 30 December 2045.

Toll rates: according to the toll standard prescribed under the “Notices on Adjusting the Toll Rates Method of Toll Road in Anhui Province” (Wan Jiao Lu [2019] No. 144) issued by the Department of Transportation of Anhui Province, Anhui Provincial Development and Reform Committee and Anhui Provincial Finance Department, the toll rates for expressways was adjusted in accordance with the relevant requirements of Adjusting Plan on the Toll Rates Method of Toll Road in Anhui Province. Specifically, the passenger vehicles are charged by vehicle type and goods vehicles are charged by axle. The toll rates for the Anhui Section of the Yuewu Expressway are as follows:

Toll rates for passenger vehicles for the Anhui Section of the Yuewu Expressway

Passenger vehicles type	Vehicle classification	Approved passenger capacity	Toll rates (RMB/vehicle km)
Type 1	Micro and Small	≤9	0.45
Type 2	Medium	10–19	0.8
	Passenger Car Train	–	
Type 3	Passenger Car Train	≤39	1.1
Type 4	Large	≥40	1.3

Toll rates for goods vehicles for the Anhui Section of the Yuewu Expressway

Vehicle type classification	Standard of classification	Toll rates (RMB/vehicle km)
Type 1	With 2 axles, the vehicles length is less than 6,000mm and the maximum allowable total mass is less than 4,500kg	0.45
Type 2	With 2 axles, the vehicles length is not less than 6,000mm or the maximum allowable total mass is not less than 4,500kg	0.9
Type 3	With 3 axles	1.35
Type 4	With 4 axles	1.7
Type 5	With 5 axles	1.85
Type 6	With 6 axles	2.20

For goods vehicles with more than six axles, on the basis of the toll rates for goods vehicles of type 6, the toll rates shall be determined according to a factor of 1.1 for each additional axle; the toll rates for goods vehicles with 10 axles and above shall be implemented according to the toll rates for goods vehicles with 10 axles.

In addition, under the relevant requirements of Notice Wan Jiao Lu [2019] No. 144, additional toll will be collected from extra-large bridges or tunnels, namely bridges with a length of over 1,000 meters or tunnels with a length of over 3,000 meters. The additional toll for extra-large bridges or tunnels will be collected on top of the basic toll calculated with reference to the type of vehicle and the proportion of the travel distance of the vehicle on the expressway to the total length of the expressway. Considering the actual toll situation of the expressway project, the additional toll for extra-large bridge or tunnel applies to the Anhui Section of the Yuewu Expressway. Additional toll rates are as follows:

Additional toll rates for extra-large bridges/tunnels for the Anhui Section of the Yuewu Expressway

Vehicle type classification	Passenger Vehicles (Vehicles classification and approved passenger capacity)		Goods vehicles	Toll rates (RMB /time)
Type 1	≤9	With 2 axles, the vehicles length is less than 6,000mm and the maximum allowable total mass is less than 4,500kg		10
Type 2	10–19	With 2 axles, the vehicles length is not less than 6,000mm or the maximum allowable total mass is not less than 4,500kg		15
Type 3	≤39	With 3 axles		20
Type 4	≥40	With 4 axles		25
Type 5	–	With 5 axles		25
Type 6	–	With 6 axles		30

Goods vehicles of type 5 or above shall be charged according to the additional toll rates for type 5.

③ **Location of the Anqing Yangtze River Bridge and the Anhui section of the Yuewu Expressway**



RELEVANT DOCUMENTS AS BASIS OF VALUATION

List of main reference documents and information in valuation:

1. Valuation declaration form;
2. Approval of relevant economic activity;
3. Accountants' audit report;
4. Asset ownership proof and property right certificates;
5. Significant contracts, agreements, etc.;
6. Operational forecast information;
7. Detailed information and documentation on toll roads;
8. Traffic Study Report for the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway provided by CHELBI Engineering Consultants, INC.;
9. Other relevant materials.

We have had discussions with the senior management of Anqing Bridge Company, and we have relied on the information provided by the management to form our valuation opinion to a large extent. We have also analyzed the financial information and documents obtained and conducted research using a variety of resources.

TRAFFIC FLOW AND REVENUE FORECAST

We have made reference to the Report on the Forecast and Evaluation of Traffic Volume and Toll Revenue of Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway issued by CHELBI Engineering Consultants, INC. in August 2021. The clients and the management of Anqing Bridge Company have fully understood, demonstrated and reviewed the forecasting model and methodology and parameter selection in the above report and have familiarised with important information on weighting policy, toll period, etc. On such basis, the management of Anqing Bridge Company formulated the future profit forecast, which has been confirmed by Anqing Bridge Company and the clients. Anqing Bridge Company is responsible for the relevant information on the future profit forecast provided and its authenticity, scientificity and completeness, as well as the rationality and feasibility of the future profit forecasts. The asset valuer has made necessary investigation, analysis and judgment on the profit forecast. This valuation report was made on the basis of the forecast information provided by Anqing Bridge Company. The responsibility of the asset appraisal professional is to analyze, estimate and express professional opinions on the value of the valuation target for specific purpose as at the Valuation Benchmark Date.

METHODOLOGY

(I) Basic Approaches to Valuation of Enterprise Value

The basic approaches to valuation of enterprise value include market approach, income approach and asset-based approach.

1. Market approach

The market approach used in enterprise valuation refers to a method where the valuation target is compared with comparable listed companies or comparable transactions to determine the value of the valuation target. The basic prerequisites for its application are as follows:

- (1) There is an active open market;
- (2) There are comparable transaction cases or comparable listed companies in the open market.

2. *Income approach*

The income approach used in enterprise valuation refers to a method where expected income is capitalized or discounted to determine the value of the valuation target. The basic prerequisites for its application are as follows:

- (1) The price paid by an investor when investing in an enterprise will not exceed the present value discounted from the expected future income of the enterprise (or comparable enterprises of the same type and with the same level of risks); the future income of the enterprise can be reasonably forecasted;
- (2) The rate of return corresponding to the level of risks of the enterprise's future income can be reasonably estimated.

3. *Asset-based approach*

The asset-based approach in the valuation of enterprise value refers to a method that reasonably estimates the value of various assets and liabilities on and off the enterprise's balance sheet as at the Valuation Benchmark Date of the enterprise being valued. The prerequisites for adopting the asset-based approach are:

- (1) The valuation target is in a state of continuous use or is assumed to be in a state of continuous use;
- (2) It is possible to investigate and obtain the information on the current channel for acquisition or construction of the valued assets and the corresponding average social cost.

(II) Selection of Valuation Approach

Based on the purpose of valuation, valuation target, type of value, information collection and other related conditions, we analyzed the applicability of the three basic asset valuation approaches (market approach, income approach and asset-based approach).

The market approach used in enterprise valuation refers to a method where the valuation target is compared with comparable listed companies or comparable transaction cases to determine the value of the valuation target. We searched for domestic listed companies in the same industry in conformity with the characteristics of the appraised entity and found few enterprises which matched the appraised entity in terms of business type, business model, asset scale, operating results and other aspects; in the market of property rights transaction, there has been few equity transactions in similar industries and of the same scale recently; and considering the current development of the

property rights market and the restriction on market information conditions in China, it is difficult to obtain detailed financial information, transaction background and other information on related cases from open and normal channels and reasonably quantify the influence of various comparable factors on enterprise value. Therefore, the market approach was not used in this valuation.

The asset-based approach used in enterprise valuation refers to a method which is based on the balance sheet of the valuation target as at the Valuation Benchmark Date, and where values of various assets and liabilities in and various identifiable assets and liabilities off the balance sheet are appraised to determine the value of the valuation target. Since complete information on all assets and liabilities within the scope of engagement was collected, it was appropriate to adopt the asset-based approach to valuation.

The income approach used in enterprise valuation refers to a method where expected income is capitalized or discounted to determine the value of the valuation target. This valuation was based on a going-concern assumption of the valuation target; the enterprise could provide complete historical operating and financial information; the management of the enterprise has analyzed and forecasted the enterprise's future operation; and based on the analysis of the enterprise' financial information, the enterprise's future income and operating risks could be quantified. Therefore, there exist basic conditions for adopting the income approach to valuation.

Based on the above analysis, the income approach and the asset-based approach were used to estimate the value of the entire shareholders' equity in Anqing Bridge Company.

Anqing Bridge Company is managing the property of two highways including the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway. The company is responsible for the daily operation and management of the headquarters of the Anqing Yangtze River Expressway Bridge. The toll collection, maintenance, road property, information, electrical and mechanical technology and human resources management of the Anhui Section of the Yuewu Expressway is conducted by Gaojie Management Office on its behalf. In the context of the rapid development of the expressway network, the industry embraces a good development prospect, while Anqing Bridge Company also enjoys a relatively broad development prospect and room for continuous growth, leading to relatively strong expected sustained profitability in the future, which is the core of the value of an enterprise. Moreover, considering the fact that Anqing Bridge Company is mainly engaged in expressway operation, has relatively rich experience, and, without regard to the impacts of non-incident factors, enjoys relatively stable income scale and profitability, we believe that the conclusion from the income approach can reflect its value in a reasonable, comprehensive and accurate manner.

In summary, we believe that the valuation results under the income approach can reflect the market value of Anqing Bridge Company in a more objective way. Therefore, the valuation results under the income approach was adopted as the final valuation conclusion in this report.

VALUATION ASSUMPTIONS

This valuation is based on a series of prerequisites and assumptions. The main prerequisites and assumptions are as follows:

(I) General assumptions

- (1) Transaction assumption: it is assumed that all assets to be appraised are in the process of transaction, and valuation is made by the valuer based on the transaction conditions of the assets to be valued and other simulated market.
- (2) Open market assumption: it is a hypothesis made on the conditions of the market which assets are proposed to enter and on what impact will be made on the assets under such market conditions. Open market represents a competitive market with adequately developed and complete market conditions as well as a willing buyer and a willing seller each having, on an equal footing, the opportunities and time to gain sufficient market information, whereby a transaction is conducted on a willing, rational (rather than forced) or unrestricted basis on either part of the buyer and the seller.
- (3) Continuous use assumption: it is a hypothesis made on the conditions of the market which assets are proposed to enter and the status of the assets under such market conditions. It is first assumed that the valued assets are in use, and it is further assumed that the assets that are in use will be used continuously. Under the continuous use assumption, no consideration is given to the conversion of use of the assets or their best condition of use. Thus, valuation results are subject to a restricted scope of applicability.
- (4) Going concern assumption: it is assumed that the production and operation business of the valued entity will continue in the current state, and there will be no material changes in its operating conditions during the foreseeable operating period.

(II) Special assumptions

- (1) The valuation was made without considering the effect of inflation. All pricing standards in the valuation are effective price standards and valuation systems at the Valuation Benchmark Date.
- (2) There will be no material changes in the current relevant laws and regulations in China and the basic policies in the industry in which the enterprise operates, which will affect the operation of the enterprise; in the macroeconomic situation; or in the political, economic and social environment in the area where the enterprise is located.

- (3) There are no material changes in the current bank interest rates, exchange rates, taxation policies and policy-based levies in China.
- (4) It is assumed that the valued entity fully complies with all relevant laws and regulations and national industrial policies in China, without any material violation which affects the company's development and profit realization.
- (5) There are no other unpredictable and force majeure factors which will cause material and adverse effects on the company.
- (6) The valued entity can smoothly implement various business plans it formulates, has diligent management and stable core members in the future operating period, and will maintain the existing operation and management model.
- (7) It is assumed that the accounting policies adopted by the valued entity after the Valuation Benchmark Date will be consistent with those adopted in the preparation of this valuation report in material respects.
- (8) It is assumed that the cash flow of the income and expenditures of the valued entity is evenly generated.
- (9) It is assumed that the basic information and financial information provided by the valued entity is true, accurate and complete.
- (10) The valued entity has no asset ownership defects, all existing ownership defects have been disclosed.

CASH FLOW FORECAST

(I) Forecast of Revenue and Cost of Sales

1. Forecast of revenue

Revenue from principal business of Anqing Bridge Company mainly comprises toll income and leasing business income. Anqing Bridge Company is managing the property of two road assets including the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway. The company is responsible for the daily operation and management of the headquarters of the Anqing Yangtze River Expressway Bridge. The toll collection, maintenance, road property, information, electrical and mechanical technology and human resources management of the Anhui Section of the Yuewu Expressway is conducted by Gaojie Management Office on its behalf.

The clients and the management of Anqing Bridge Company have fully understood, demonstrated and reviewed the model, methodology and parameter selection used for the above traffic flow forecast, mastered important information on weighting policy, toll period, etc., analyzed the revenue forecast, and converted the toll income during the forecast period into income exclusive of tax as the forecast information in this valuation after taking into consideration the industry's development prospects and the company's business conditions in historical years and future strategic plans and with reference to the conclusions in the above report.

Forecasts of revenue are shown in the table below:

Table of Revenue Forecasts

Unit: RMB10 thousand

Item	August to	2022	2023	2024	2025	2026	2027
	December 2021						
Toll income	19,981.55	50,579.61	53,761.17	58,020.39	63,116.50	67,806.80	60,394.17
Leasing business							
income	213.31	222.09	223.26	224.99	226.59	227.86	229.29
Sub-total	20,194.87	50,801.71	53,984.43	58,245.38	63,343.09	68,034.66	60,623.46
Item	2028	2029	2030	2031	2032	2033	2034
Toll income	62,299.03	64,267.96	66,302.91	68,067.96	69,875.73	71,011.65	28,389.32
Leasing business							
income	230.79	232.32	234.03	235.79	237.62	239.52	214.63
Sub-total	62,529.82	64,500.28	66,536.94	68,303.75	70,113.35	71,251.17	28,603.95
Item	2035	2036	2037	2038	2039	2040	2041
Toll income	29,142.72	29,887.38	30,654.37	31,438.83	32,245.63	33,070.87	33,812.62
Leasing business							
income	216.40	218.24	220.16	222.17	224.25	226.43	228.69
Sub-total	29,359.12	30,105.62	30,874.53	31,661.00	32,469.88	33,297.30	34,041.32

Item	2042	2043	2044	2045
Toll income	34,567.96	35,340.78	36,131.07	36,837.86
Leasing business				
income	231.06	233.53	236.10	238.79
Sub-total	34,799.02	35,574.30	36,367.17	37,076.65

2026 and the future will see competitive passages successively opening to traffic, which will have a certain diversion impact on the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway. For details, please refer to the Report on the Forecast and Evaluation of Traffic Volume and Toll Revenue of Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway issued by CHELBI Engineering Consultants, INC.. In particular, a number of competitive passages will open to traffic in 2026, which will have a certain diversion impact and result in a decline in the income in 2027 as compared to 2026. The reason for the steep decline in income in 2034 as compared to 2033 is that the toll and operation right over the Anqing Yangtze River Expressway Bridge will expire at the end of 2033, and no income from the Anqing Yangtze River Expressway Bridge will be generated from 2034 and thereafter.

2. *Forecast of Cost of Sales*

Cost of sales of Anqing Bridge Company mainly represents cost from principal business, including routine road maintenance and repair cost, special maintenance cost, ordinary mechanical and electrical maintenance cost, staff salaries and welfare, depreciation and amortization, and other expenses. In this valuation, major costs were forecasted as follows:

(1) *Maintenance cost*

It mainly consists of routine maintenance cost for ensuring efficient and smooth operation of the Anqing Bridge and the Anhui Section of the Yuewu Expressway, including tunnel electricity fees, routine maintenance fees and machinery usage fees. It was estimated based on data in historical years and appropriate growth rates.

(2) *Staff remuneration*

Salaries were forecast based on the staffing and salary payment scale of relevant staff of the Target, as well as the development level of Anhui Province and the company's future development. Related staff welfare and social insurance are assumed to increase along with the increase in salaries.

(3) *Depreciation and amortization*

Depreciation to be accrued for each year was estimated based on the original values of the existing and new fixed assets of Anqing Bridge Company and at the comprehensive depreciation rates. Amortization to be accrued for each year was estimated based on the intangible assets and the original value of intangible assets and the new assets and in accordance with amortization policies.

For the estimated cost of sales during the forecast period, depreciation and amortization charge accounted for more than 70% of the cost of sales of the Target. Depreciation and amortization charge of the Target are based on the historical cost of the property, plant and equipment and intangible concession operating rights and calculated based on straight line method over the fixed useful life and concession period. Therefore, the depreciation and amortization expense and cost of sales are rather fixed in nature. As a result, the estimated cost of sales is not expected to increase at the similar rate as the revenue growth which is consistent with the historical trend of the cost of sales of the Target from 2018 to the seven months ended 31 July 2021.

From year of 2034 onward, the cost of sales is estimated to decrease significantly mainly attributable to the end of the concession period of the Anqing Bridge where the depreciation and amortization charge and respective associated operating cost is expected to cease to incur from 2034.

Based on the above-mentioned operating characteristics of the enterprise, forecasts of cost of sales are shown in the table below:

Table of Cost of Sales Forecast

Unit: RMB10 thousand

Item	August to	2022	2023	2024	2025	2026	2027
	December 2021						
Revenue	20,194.87	50,801.71	53,984.43	58,245.38	63,343.09	68,034.66	60,623.46
Cost of sales	9,928.40	21,679.47	21,807.55	21,939.69	22,077.95	21,820.38	21,968.06
Gross profit margin	50.84%	57.33%	59.60%	62.33%	65.15%	67.93%	63.76%
Item	2028	2029	2030	2031	2032	2033	2034
Revenue	62,529.82	64,500.28	66,536.94	68,303.75	70,113.35	71,251.17	28,603.95
Cost of sales	22,122.03	22,281.38	22,447.17	23,418.14	23,596.03	23,768.58	16,125.85
Gross profit margin	64.62%	65.46%	66.26%	65.71%	66.35%	66.64%	43.62%
Item	2035	2036	2037	2038	2039	2040	2041
Revenue	29,359.12	30,105.62	30,874.53	31,661.00	32,469.88	33,297.30	34,041.32
Cost of sales	16,226.80	16,331.05	16,440.63	16,553.58	16,671.95	16,794.78	16,922.10
Gross profit margin	44.73%	45.75%	46.75%	47.72%	48.65%	49.56%	50.29%
Item	2042	2043	2044	2045			
Revenue	34,799.02	35,574.30	36,367.17	37,076.65			
Cost of sales	17,054.97	17,193.42	17,337.51	17,487.29			
Gross profit margin	50.99%	51.67%	52.33%	52.83%			

Cost of sales in the expressway industry is relatively stable. With the continuous increase in the traffic on the Anqing Bridge and the Anhui Section of the Yuewu Expressway, the gross profit margin from August to December 2021 to 2026 will also increase. The reason for the decrease in the gross profit margin in 2027 as compared with 2026 is that a number of competitive passages will open to traffic in 2026, which will have a certain diversion effect, and result in a decline in the revenue in 2027 as compared with 2026 and thus a decline in the gross profit margin. The decrease in the gross profit margin in 2034 as compared with 2033 is due to the fact that the toll and operation right over Anqing Yangtze River Expressway Bridge will expire at the end of 2033 and no income from Anqing Yangtze River Expressway Bridge will be generated from 2034 and thereafter, resulting in a sharp decline in the gross profit margin. As the traffic will increase on the Anhui Section of the Yuewu Expressway in later periods, the gross profit margin will also increase accordingly.

Taxes and surcharges

Taxes and surcharges of the enterprise include urban maintenance and construction tax, education surcharge, local education surcharge, house property and land use tax, stamp duty, etc.

VAT on toll income is levied on a simplified basis and is determined each year at 3% of future annual income; VAT on leasing business income is determined at 5% of future annual income. Taxes and surcharges mainly consist of urban maintenance and construction tax at 7%, education surcharge (including local education surcharge) at 5% and other taxes. Urban maintenance and construction tax and education surcharge for each year are based on the VAT paid in that period, and house property tax, land use tax, etc. were forecast in accordance with the relevant tax laws.

Forecasts of taxes and surcharges are shown in the table below:

Table of Taxes and Surcharges Forecasts

Unit: RMB10 thousand

Item	August to December						
	2021	2022	2023	2024	2025	2026	2027
Taxes and surcharges	136.00	337.00	351.00	370.00	393.00	414.00	381.00
Item	2028	2029	2030	2031	2032	2033	2034
Taxes and surcharges	389.00	398.00	407.00	415.00	423.00	428.00	231.00
Item	2035	2036	2037	2038	2039	2040	2041
Taxes and surcharges	234.00	238.00	241.00	244.00	248.00	252.00	255.00
Item	2042	2043	2044	2045			
Taxes and surcharges	258.00	262.00	265.00	269.00			

Administration cost

Administration cost of the enterprise is mainly composed of staff salaries and welfare, depreciation expenses, business entertainment and other expenses.

Different methods were used to forecast different administration cost items on the basis of the analysis of historical annual expenses:

- (1) Staff salaries and welfare were forecast on the basis of the enterprise's future annual income, taking into account the enterprise's employment plan and wage and salary level;
- (2) Business entertainment and other expenses were forecast in accordance with the conditions of business and the revenue forecast for future years, with reference to historical annual expense levels;

- (3) Depreciation expenses were forecast based on the existing fixed assets as at the Valuation Benchmark Date and the enterprise's depreciation policy, taking into consideration future capital expenditure plans.

Forecasts of administration cost are shown in the following table:

Table of Administration Cost Forecasts

Unit: RMB10 thousand

Item	August to December						
	2021	2022	2023	2024	2025	2026	2027
Staff salaries and welfare	436.00	1,099.00	1,154.00	1,211.00	1,271.00	1,335.00	1,402.00
Depreciation expenses	16.25	39.00	39.00	39.00	39.00	39.00	39.00
Business entertainment expenses	2.02	5.08	5.40	5.82	6.33	6.80	6.06
Others	24.23	60.96	64.78	69.89	76.01	81.64	72.75
Administration cost	478.50	1,204.04	1,263.18	1,325.72	1,392.35	1,462.45	1,519.81
Percentage of income	2.37%	2.37%	2.34%	2.28%	2.20%	2.15%	2.51%
Item	2028	2029	2030	2031	2032	2033	2034
Staff salaries and welfare	1,471.00	1,546.00	1,623.00	1,704.00	1,789.00	1,878.00	1,972.00
Depreciation expenses	39.00	39.00	39.00	39.00	39.00	39.00	39.00
Business entertainment expenses	6.25	6.45	6.65	6.83	7.01	7.13	2.86
Others	75.04	77.40	79.84	81.96	84.14	85.50	34.32
Administration cost	1,591.29	1,668.85	1,748.50	1,831.80	1,919.15	2,009.63	2,048.19
Percentage of income	2.54%	2.59%	2.63%	2.68%	2.74%	2.82%	7.16%

Item	2035	2036	2037	2038	2039	2040	2041
Staff salaries and welfare	2,071.00	2,174.00	2,283.00	2,398.00	2,517.00	2,643.00	2,775.00
Depreciation expenses	39.00	39.00	39.00	39.00	39.00	39.00	39.00
Business entertainment expenses	2.94	3.01	3.09	3.17	3.25	3.33	3.40
Others	35.23	36.13	37.05	37.99	38.96	39.96	40.85
Administration cost	2,148.17	2,252.14	2,362.14	2,478.16	2,598.21	2,725.29	2,858.26
Percentage of income	7.32%	7.48%	7.65%	7.83%	8.00%	8.18%	8.40%
Item	2042	2043	2044	2045			
Staff salaries and welfare	2,915.00	3,060.00	3,213.00	3,373.00			
Depreciation expenses	39.00	39.00	39.00	39.00			
Business entertainment expenses	3.48	3.56	3.64	3.71			
Others	41.76	42.69	43.64	44.49			
Administration cost	2,999.24	3,145.25	3,299.28	3,460.20			
Percentage of income	8.62%	8.84%	9.07%	9.33%			

The increase in administration cost as a percentage of revenue in 2034 as compared with 2033 is due to the expiration of the toll operation rights over the Anqing Yangtze River Expressway Bridge at the end of 2033 and no income from the Anqing Yangtze River Expressway Bridge will be generated from 2034 and thereafter, resulting in a sudden and significant increase in the administrative expense rate.

Finance cost

Finance cost of the enterprise mainly consists of interest income, bank charges, interest expenses, etc.

As interest income and bank charges are relatively small in amount, no forecast was made for future years; it was expected that no large amount of financing would be needed by Anqing Bridge Company in the future and the possibility of suspension or withdrawal of the existing borrowings was relatively small. The interest on the borrowings of Transportation Holding Group for the construction of Anqing Expressway Bridge was calculated at the interest rate under the loan agreement based on the agreed time and amount for scheduled repayment of principal and interest; the capital occupation by Anqing Bridge Company and Transportation Holding Group was forecast based on the one-year loan prime rate (LPR) published by the National Interbank Funding Center on the Valuation Benchmark Date. In addition, Anqing Bridge Company may repay the principal and interest on the above-mentioned borrowings in advance according to its capital plan when it has sufficient funds.

Forecasts of finance cost are shown in the following table:

Table of Finance Costs Forecasts

Unit: RMB10 thousand

Item	August to December						
	2021	2022	2023	2024	2025	2026	2027
Finance cost	5,582.36	13,142.55	12,071.33	10,407.16	9,103.43	7,676.40	6,199.70
Item	2028	2029	2030	2031	2032	2033	2034
Finance cost	4,828.82	3,643.11	2,773.51	1,845.91	960.40	470.40	112.70
Item	2035	2036	2037	2038	2039	2040	2041
Finance cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Item	2042	2043	2044	2045			
Finance cost	0.00	0.00	0.00	0.00			

Income tax expense

Tax adjustment factors have been taken into account in the forecast of income tax expense. The formula is as follows: income tax expense = (total profit + tax adjustment) × income tax rate

Total profit = revenue – cost of sales – business tax and surcharges – selling expenses – administration cost – finance cost + non-operating income – non-operating expenses

The income tax rate applicable to Anqing Bridge Company as at the Valuation Benchmark Date and for the subsequent forecast periods is 25%.

Forecasts of income tax, having taking into account the income tax credit for losses in historical years, are shown in the following table:

Forecast table of income tax

Unit: RMB10 thousand

Item	August to December						
	2021	2022	2023	2024	2025	2026	2027
Income tax	0.00	468.88	4,623.38	6,051.28	7,594.72	9,166.04	7,639.33
Item	2028	2029	2030	2031	2032	2033	2034
Income tax	8,400.29	9,127.88	9,790.85	10,198.91	10,804.39	11,144.35	2,521.84
Item	2035	2036	2037	2038	2039	2040	2041
Income tax	2,687.83	2,821.41	2,958.00	3,096.63	3,238.25	3,381.64	3,501.83
Item	2042	2043	2044	2045			
Income tax	3,622.05	3,743.76	3,866.71	3,965.41			

Depreciation and amortization

The fixed assets under this valuation mainly include property and structures, machinery and equipment, vehicles and electronic equipment, etc., which are valued at actual cost at the time of acquisition. Intangible assets include land use rights, software, etc. In accordance with the valuation target's amortization policy for intangible assets – land use rights and other intangible assets, the future depreciation and amortization were estimated based on the original book values of the fixed assets and intangible assets as at the benchmark date, asset inputs required for the company's future development plans, estimated useful lives and depreciation and amortization rates.

Forecasts of depreciation and amortization are shown in the following table:

Table of Depreciation and Amortization Forecasts

Unit: RMB10 thousand

Item	August to December						
	2021	2022	2023	2024	2025	2026	2027
Depreciation	2,230.17	3,152.42	3,152.42	3,152.42	3,152.42	2,752.42	2,752.42
Amortization	5,966.02	14,318.44	14,318.44	14,318.44	14,318.44	14,318.44	14,318.44
Total	8,196.19	17,470.86	17,470.86	17,470.86	17,470.86	17,070.86	17,070.86
Item	2028	2029	2030	2031	2032	2033	2034
Depreciation	2,752.42	2,752.42	2,752.42	3,552.08	3,552.08	3,552.08	1,538.52
Amortization	14,318.44	14,318.44	14,318.44	14,318.44	14,318.44	14,318.44	11,697.16
Total	17,070.86	17,070.86	17,070.86	17,870.52	17,870.52	17,870.52	13,235.68
Item	2035	2036	2037	2038	2039	2040	2041
Depreciation	1,538.52	1,538.52	1,538.52	1,538.52	1,538.52	1,538.52	1,538.52
Amortization	11,697.16	11,697.16	11,697.16	11,697.16	11,697.16	11,697.16	11,697.16
Total	13,235.68	13,235.68	13,235.68	13,235.68	13,235.68	13,235.68	13,235.68
Item	2042	2043	2044	2045			
Depreciation	1,538.52	1,538.52	1,538.52	1,538.52			
Amortization	11,697.16	11,697.16	11,697.16	11,697.16			
Total	13,235.68	13,235.68	13,235.68	13,235.68			

Forecasts of capital expenditure, working capital and assets to be recovered at the end of the period

1. Forecasts of capital expenditure

Capital expenditure represents the annual capital expenditure required by the enterprise to ensure the normal development of production and operation.

Based on the operating characteristics of Anqing Bridge Company, and taking into account the needs for medium and major repairs of Anqing Bridge Company's assets, and the assumptions and basis of this valuation, investment expenses for asset renewal required for production and operation in future years were forecast on the premise that revenue maintains growth.

Forecasts of capital expenditure of the valuation target in the future years are shown in the following table:

Table of Capital Expenditure Forecasts

Unit: RMB10 thousand

Item	August to	2022	2023	2024	2025	2026	2027
	December						
Capital expenditure	2021	473.56	1,136.55	1,411.79	3,068.55	3,570.15	2,484.39
Item	2028	2029	2030	2031	2032	2033	2034
Capital expenditure	1,136.55	1,041.50	3,883.20	852.97	830.80	26,819.71	819.71
Item	2035	2036	2037	2038	2039	2040	2041
Capital expenditure	819.71	819.71	819.71	819.71	819.71	819.71	573.79
Item	2042	2043	2044	2045			
Capital expenditure	286.90	86.07	28.69	0.00			

2. *Forecasts of additional working capital*

Additional working capital refers to the additional working capital required to maintain the enterprise's ability to continue as a going concern without changing its current principal business conditions, such as the basic capital required to be maintained for the enterprise's normal operations, including cash and cash equivalents, purchased products and inventory, advance of purchase payments on behalf of its customers (accounts receivable), and payables. The additional working capital as defined in the valuation report was:

Additional working capital = working capital for the period – working capital for the previous period

Wherein: working capital = cash and cash equivalents + accounts receivable + inventory – accounts payable

Accounts receivable = total revenue/turnover ratio of accounts receivable

Accounts receivable mainly include notes and accounts receivable, prepayments and other receivables related to operation.

Inventory = total cost of sales/inventory turnover ratio

Accounts payable = total cost of sales/turnover ratio of payables

Accounts payable mainly consist of notes and accounts payable, advances from customers and other payables related to operation.

Additional working capital for each year of the future operating period was forecasted in accordance with the statistical analysis of the historical assets and revenues, costs and expenses of the enterprise and the estimated income and costs for each year of the future operating period.

Forecasts of changes in working capital of the valuation target in the future years are shown in the following table:

Table of Working Capital Forecasts

Unit: RMB10 thousand

Item	August to December						
	2021	2022	2023	2024	2025	2026	2027
Working capital	-3,805.38	-4,197.72	-4,285.11	-4,414.82	-4,509.46	-4,505.04	-4,704.80
Changes in working capital	1,582.37	-392.35	-87.39	-129.71	-94.64	4.42	-199.75
Item	2028	2029	2030	2031	2032	2033	2034
Working capital	-4,830.27	-4,940.37	-5,024.79	-5,342.11	-5,431.21	-5,490.76	-3,914.50
Changes in working capital	-125.48	-110.10	-84.42	-317.32	-89.10	-59.55	1,576.26
Item	2035	2036	2037	2038	2039	2040	2041
Working capital	-3,930.32	-3,937.04	-3,944.25	-3,951.52	-3,959.29	-3,967.23	-3,976.22
Changes in working capital	-15.82	-6.72	-7.21	-7.26	-7.77	-7.95	-8.99
Item	2042	2043	2044	2045			
Working capital	-3,985.55	-3,995.37	-4,005.60	-4,016.86			
Changes in working capital	-9.33	-9.82	-10.24	-11.26			

3. Forecasts of assets to be recovered at the end of the period

If the toll period of an expressway expires, the assets related to the expressway will be transferred without compensation. Recovery value as at the end of the period specifically includes residual value of the fixed assets to be recovered and working capital to be recovered.

According to the provisions of the Measures for the Transfer of Toll Road Concession Rights (《收費公路權益轉讓辦法》): “Article 35: The transferee shall be entitled to the toll road concession rights during the transfer period in accordance with law, while the ownership of the road and ancillary facilities under the transfer shall belong to the State.” and “Article 36: Upon expiration of the transfer period stipulated in the contract of transfer of toll road concession rights, the road and ancillary facilities and service facilities under the transfer shall be in good technical condition and shall be recovered by the State without compensation and managed by the competent department of transportation.” Therefore, consideration was given to the recoverable working capital instead of the recovered value of the assets related to the toll road concession rights when a toll period expired in the forecast of working capital.

The discounted present value of the recoverable working capital was RMB-7,029,200.

DISCOUNT RATE

We adopted weighted average cost of capital as the discount rate. As free cash flow of a company represents its cash flow before deduction of capital flow related to any financing, and weighted average cost of capital is an index which reflects the costs of capital (liabilities and share capital) available to the company and their leverage effect on creditors and shareholders by different rates of return, weighted average cost of capital (WACC) is generally adopted as discount rate for the value of the valuation target.

(I) Weighted Average Cost of Capital

The weighted average cost capital method is an appropriate method generally used to calculate the overall rate of return of assets. The formula for calculation of WACC is:

$$WACC = \left(\frac{1}{1 + D/E} \right) \times Re + \left(\frac{1}{1 + E/D} \right) \times (1 - T) \times Rd$$

Wherein: E: value of target equity interest in the valuation target;

D: value of target debt capital of the valuation target;

Re: cost of shareholders' equity capital;

Rd: cost of debt capital;

T: corporate income tax rate applicable to the company.

(II) Cost of Equity Capital

Cost of equity capital was calculated using the Capital Assets Pricing Model (CAPM). The formula is as follows:

$$R_e = R_f + \beta_e (R_m - R_f) + \alpha$$

Wherein: R_f: risk-free rate of return;

β_e: risk coefficient of the enterprise;

R_m: expected return on the market;

α : enterprise-specific risk-adjusted coefficient.

1. Determination of risk-free rate of return (R_f)

Risk-free rate of return means the expected rate of return from investing in risk-free assets by investors. Generally, risk-free rate of return can be represented by the yield to maturity of treasury bonds. In this project, we used the yield to maturity of the treasury bonds with a remaining term of above ten years as at the Valuation Benchmark Date (i.e. 31 July 2021) as the risk-free rate of return. The R_f equaled 3.86%.

2. Determination of market risk premium (R_{pm})

Market risk premium, i.e. (R_m-R_f), means the expected excess return that an investor would request on an equity investment with risk that is the same as the overall market average risk, i.e. the compensation for risk over the risk-free interest rate.

Market investment rate of return is based on the closing price of CSI 300 Index from the Shanghai Stock Exchange and the Shenzhen Stock Exchange, which is used to calculate the average annualized yield. The market investment rate of return in 2021 is 10.80% as calculated.

On 31 July 2021, 3.86%, being the yield to maturity of treasury bonds which had a remaining life of more than ten years as at the Valuation Benchmark Date, was selected as the risk-free rate of return, accordingly, the market risk premium on 31 July 2021 was 6.94%.

3. Determination of risk coefficient β

(1) Determination of unlevered risk coefficient

Based on Beta of CSI300 listed companies obtained from Tonghuashun (同花順), choosing five CSI300 listed companies (including Chutian Expressway, Jiangsu Expressway, SZ Expressway, Guangdong Expressway A and China Merchants Expressway) which are relevant to the industry, we have analyzed and compared the risk coefficient and the risk coefficient (β_u) without financial leverage was 0.4748.

Beta of Comparable Listed Companies

No.	Stock Code	Stock Name	Principal Business	Average D/E (%)	Beta (u)
1	600035.SH	Chutian Expressway	Operation and management of Hanyi Expressway, Dawu-Suizhou section of the Mazhu Expressway, and Huangshi Daye and Xianning sections of the Wuhan City Ring Expressway	114.13	0.4136
2	600377.SH	Jiangsu Expressway	Investment, construction, operation and management of toll roads and bridges within the territory of Jiangsu province, and development of service area supporting operations along such highways	33.99	0.4374
3	600548.SH	SZ Expressway	Investment, construction and operation management of toll roads and large environmental protection business	92.28	0.4838
4	000429.SZ	Guangdong Expressway A	Toll collection and maintenance of the Guangfo Expressway and the Fokai Expressway, investment in the technology industry and provision of related consultation	47.16	0.493
5	001965.SZ	China Merchants Expressway	Highway-related operating toll road business and traffic technology business	55.14	0.5461
Average				68.54	0.4748

Note: BETA(u) is adjusted Beta coefficient with financial leverage having been removed; the beginning of the transaction dates for sampling is two years prior to the Valuation Benchmark Date (the beginning of transaction dates is 1 August 2019), the calculation cycle of the samples is based on “week”, the benchmark index is CSI300 Index.

The comparable listed companies were selected in accordance with the guidelines set out in the Asset Appraisal Expert Guide No. 12 - Estimation of Discounting Rate in Enterprise Valuation Using Income Method issued by the China Appraisal Society and Applicable Guidelines on Regulatory Rules - Appraisal Category No. 1 issued by the China Securities Regulatory Commission, taking into comprehensive consideration the comparability between the comparable companies and the appraised enterprises in terms of business type, enterprise size, profitability, growth, industry competitiveness, enterprise development stage and capital structure. The selection of comparable companies also took into account the A+H dual listing status of the Company in which its issued domestic class A ordinary shares accounted for a much higher proportion than H shares. Based on the foregoing, five listed companies, namely Chutian Expressway, Jiangsu Expressway, SZ Expressway, Guangdong Expressway A and China Merchants Expressway, were selected as comparable listed companies. We believe that the selection of comparable listed companies based on the aforementioned guidelines and criteria is fair and representative.

The β risk coefficient is considered to be an indicator measuring a company's relative risk. The β risk coefficients of the comparable listed companies are affected by their respective financial leverage. Under the conventional and common WACC calculations, the effect of the financial leverage is required to be removed and then converted into the Target's levered β based on the target capital structure of the Target.

(2) *Determination of levered β coefficient*

We have selected the average value of capital structure of comparable listed companies as the proportion of the target debt capital to equity capital of Anqing Bridge Company (D/E = 68.54%). Based on the following formula and the target capital structure of Anqing Bridge Company, unlevered β of the listed companies can be translated into levered β of Anqing Bridge Company:

The formula is as follow:

$$\begin{aligned}\beta &= (1+(1-T) \times D/E) \times \beta_u \\ &= (1+(1-25\%) \times 68.54\%) \times 0.4748 \\ &= 0.7189\end{aligned}$$

Wherein: β = levered β ;

β_u = unlevered β ;

D= Prevailing market value of interest-bearing debts ;

E= Prevailing market value of the entire shareholders' equity ;

T = EIT rate.

4. Determination of special risk premium α

Specific risk adjustment factor is the adjusted coefficient based on the difference in scale of enterprise, operation and management, risk resistance capacity and other factors between the appraised entity and the selected enterprises for comparison. The risk adjustment factor of 1.5% is selected based on the judgement of special risk of expressway industry.

5. Determination of cost of equity capital

Conclusion can be arrived at based on the above analysis and calculation:

$$\begin{aligned}Re &= R_f + \beta \times R_{pm} + \alpha \\ &= 3.86\% + 0.7189 \times 6.94\% + 1.5\% \\ &= 10.35\% \text{ (Rounded)}\end{aligned}$$

(III) Cost of debt capital(Rd)

For cost of borrowing capital, 4.65%, being LPR which was published by the National Inter-bank Funding Centre on the Valuation Benchmark Date for five year-term loan, was selected.

(IV) Discount rate (WACC)

Weighted average cost of capital is the overall return rate required by providers of debt capital and equity capital of the appraised entity.

We calculated the weighted average cost of capital based on above-mentioned capital structure, cost of equity capital and cost of interest-bearing debts, and the specific calculation formula is:

$$WACC = \left(\frac{1}{1 + D/E} \right) \times Re + \left(\frac{1}{1 + E/D} \right) \times (1 - T) \times Rd$$

$$= 7.56\%$$

DETERMINATION OF INTEREST-BEARING LIABILITIES

As at the Valuation Benchmark Date, interest-bearing liabilities of Anqing Bridge Company were approximately RMB3,257,432,200.

SURPLUS ASSETS, NON-OPERATING ASSETS AND NON-OPERATING LIABILITIES

As analyzed by the valuation professionals, as at the Valuation Benchmark Date, i.e. 31 July 2021, the audited values of certain assets as follows in the books of Anqing Bridge Company have not been considered in the estimation of net cash flow, and shall be separately estimated in the estimation of enterprise value.

Upon verification, surplus assets and non-operation assets and liabilities of Anqing Bridge Company as at the Valuation Benchmark Date were as follows:

Unit: RMB10 thousand

Account	Counterparty	Content	Book value	Appraised value
Non-operating assets				
Other receivables	Anhui Transportation Holding Group Co., Ltd.	Toll income	128,622.28	128,622.28
Deferred income tax assets			5,928.06	317.97
Subtotal			134,550.34	128,940.25
Non-operating liabilities				
Accounts payable	Anhui Gaolu Construction Co., Ltd.	Related party	751.88	751.88
Accounts payable	Anhui Transport Consulting and Design Institute Company Limited	Related party	84.07	84.07
Accounts payable	Anhui Zhongxing Construction Supervision Institute	Related party	11.57	11.57
Accounts payable	Anhui Expressway Experiment Research Centre	Related party	1.43	1.43
Accounts payable	Anhui Shengxuan Landscaping Company Limited (安徽省盛軒園林綠化工程有限公司)	Related party	0.49	0.49
Accounts payable	Gaojie Management Office of Anhui Expressway Company Limited	Related party	0.38	0.38
Accounts payable	Anhui Zhongxing Construction Supervision Company Limited	Related party	0.27	0.27
Accounts payable	China Railway Tunnel Group Sanchu Co., Ltd.	Quality guarantee deposit	0.00	0.00
Accounts payable	Jiangsu Huaning Construction Consulting & Supervision Co., Ltd. (江蘇華寧工程諮詢監理有限公司)	Quality guarantee deposit	0.63	0.63

Account	Counterparty	Content	Book value	Appraised value
Accounts payable	Jiangsu Huaning Construction Consulting & Supervision Co., Ltd. (江蘇華寧工程諮詢監理有限公司)	Quality guarantee deposit	3.91	3.91
Accounts payable	Anhui Jixi Lutong Road Materials Co., Ltd. (安徽省績溪縣路通公路物資有限公司)	Quality guarantee deposit	13.92	13.92
Accounts payable	China Chemical Engineering Second Construction Corporation	Quality guarantee deposit	14.47	14.47
Accounts payable	Anhui Tulip New Energy Technology Co., Ltd. (安徽鬱金香新能源科技有限公司)	Quality guarantee deposit	21.86	21.86
Accounts payable	Anhui Peiyuan Residential Supporting Construction Co., Ltd. (安徽沛遠住宅配套工程有限公司)	Quality guarantee deposit	1.70	1.70
Accounts payable	Hefei Xinkaichuang Stainless Steel Equipment Co., Ltd. (合肥市新開創不銹鋼設備有限公司)	Quality guarantee deposit	3.22	3.22
Accounts payable	Shandong Road Construction (Group) Co., Ltd. (山東省公路建設(集團)有限公司)	Quality guarantee deposit	167.56	167.56
Accounts payable	Maanshan Jiangxin Engineering Construction Co., Ltd. (馬鞍山市江心工程建設有限公司)	Quality guarantee deposit	9.89	9.89
Accounts payable	Guangxi Institute of Transportation Science (廣西交通科學研究院)	Quality guarantee deposit	26.87	26.87
Deferred income	People's Government of Yuexi County	Non-operating liabilities	1,973.50	0.00
Deferred income	Transportation Department of Anhui Province	Non-operating liabilities	2,981.77	0.00
Deferred income	Subsidy for removal of toll stations at provincial boundaries	Non-operating liabilities	645.78	0.00
Subtotal			6,715.14	1,114.09

VALUE OF THE ENTIRE SHAREHOLDERS' EQUITY

The entire shareholder's equity in the Target Company as at the Valuation Benchmark Date could be calculated by applying the free cash flow to equity, discount rate, values of surplus and non-operating assets in specific forecast periods, which had been calculated, to the formula. The present value of the free cash flow to equity is calculated as follows:

Unit: RMB10 thousand

Item	Forecast period												
	August to December 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
I. Revenue	20,194.87	50,801.71	53,984.43	58,245.38	63,343.09	68,034.66	60,623.46	62,529.82	64,500.28	66,536.94	68,303.75	70,113.35	71,251.17
II. Operating expense	16,125.27	36,363.07	35,493.06	34,042.57	32,966.73	31,373.23	30,068.57	28,931.14	27,991.35	27,376.18	27,510.85	26,898.58	26,676.61
Cost of sales	9,928.40	21,679.47	21,807.55	21,939.69	22,077.95	21,820.38	21,968.06	22,122.03	22,281.38	22,447.17	23,418.14	23,596.03	23,768.58
Taxes and surcharges	136.00	337.00	351.00	370.00	393.00	414.00	381.00	389.00	398.00	407.00	415.00	423.00	428.00
Administration cost	478.50	1,204.04	1,263.18	1,325.72	1,392.35	1,462.45	1,519.81	1,591.29	1,668.85	1,748.50	1,831.80	1,919.15	2,009.63
Finance cost	5,582.36	13,142.55	12,071.33	10,407.16	9,103.43	7,676.40	6,199.70	4,828.82	3,643.11	2,773.51	1,845.91	960.40	470.40
Including: interest expenses	5,582.36	13,142.55	12,071.33	10,407.16	9,103.43	7,676.40	6,199.70	4,828.82	3,643.11	2,773.51	1,845.91	960.40	470.40
III. Operating profit	4,069.59	14,438.64	18,491.36	24,202.81	30,376.36	36,661.43	30,554.90	33,598.68	36,508.94	39,160.75	40,792.91	43,214.77	44,574.56
IV. Total profit	4,069.59	14,438.64	18,491.36	24,202.81	30,376.36	36,661.43	30,554.90	33,598.68	36,508.94	39,160.75	40,792.91	43,214.77	44,574.56
Less: income tax expenses	-	468.88	4,623.38	6,051.28	7,594.72	9,166.04	7,639.33	8,400.29	9,127.88	9,790.85	10,198.91	10,804.39	11,144.35
V. Net profit	4,069.59	13,969.76	13,867.98	18,151.52	22,781.64	27,495.39	22,915.57	25,198.38	27,381.06	29,369.90	30,594.00	32,410.38	33,430.21
Add: interest expenses (excluding income tax effect)	5,582.36	9,856.91	9,053.50	7,805.37	6,827.57	5,757.30	4,649.77	3,621.61	2,732.33	2,080.13	1,384.43	720.30	352.80
VI. Net profit before interest and after tax	9,651.96	23,826.67	22,921.48	25,956.89	29,609.21	33,252.69	27,565.34	28,819.99	30,113.39	31,450.03	31,978.43	33,130.68	33,783.01
Add: depreciation and amortization	8,196.19	17,470.86	17,470.86	17,470.86	17,470.86	17,070.86	17,070.86	17,070.86	17,070.86	17,070.86	17,870.52	17,870.52	17,870.52
Less: capital expenditures	473.56	1,136.55	1,136.55	1,411.79	3,068.55	3,570.15	2,484.39	1,136.55	1,041.50	3,883.20	852.97	830.80	26,819.71
Changes in working capital	1,582.37	-392.35	-87.39	-129.71	-94.64	4.42	-199.75	-125.48	-110.10	-84.42	-317.32	-89.10	-59.55
VII. Free cash flow	15,792.21	40,553.33	39,343.17	42,145.67	44,106.16	46,748.98	42,351.56	44,879.78	46,252.84	44,722.11	49,313.30	50,259.50	24,893.37
VIII. Discount rate(cost of capital)	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%
Discount period	0.21	0.92	1.92	2.92	3.92	4.92	5.92	6.92	7.92	8.92	9.92	10.92	11.92
Discount coefficient	0.9849	0.9354	0.8696	0.8085	0.7517	0.6988	0.6497	0.6041	0.5616	0.5221	0.4854	0.4513	0.4196
Present value of free cash flow	15,554.25	37,932.66	34,214.12	34,075.18	33,153.82	32,670.50	27,517.07	27,110.20	25,975.84	23,350.85	23,938.32	22,682.82	10,445.08
IX. Sum of present value of free cash flow													

Continue

Item	Forecast period											
	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
I. Revenue	28,603.95	29,359.12	30,105.62	30,874.53	31,661.00	32,469.88	33,297.30	34,041.32	34,799.02	35,574.30	36,367.17	37,076.65
II. Operating expense	18,517.74	18,608.97	18,821.19	19,043.77	19,275.74	19,518.17	19,772.07	20,035.36	20,312.21	20,600.67	20,901.79	21,216.49
Cost of sales	16,125.85	16,226.80	16,331.05	16,440.63	16,553.58	16,671.95	16,794.78	16,922.10	17,054.97	17,193.42	17,337.51	17,487.29
Taxes and surcharges	231.00	234.00	238.00	241.00	244.00	248.00	252.00	255.00	258.00	262.00	265.00	269.00
Administration cost	2,048.19	2,148.17	2,252.14	2,362.14	2,478.16	2,598.21	2,725.29	2,858.26	2,999.24	3,145.25	3,299.28	3,460.20
Finance cost	112.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Including: interest expenses	112.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III. Operating profit	10,086.21	10,750.15	11,284.44	11,830.77	12,385.26	12,951.72	13,525.23	14,005.96	14,486.81	14,973.63	15,465.38	15,860.16
IV. Total profit	10,086.21	10,750.15	11,284.44	11,830.77	12,385.26	12,951.72	13,525.23	14,005.96	14,486.81	14,973.63	15,465.38	15,860.16
Less: income tax expenses	2,521.84	2,687.83	2,821.41	2,958.00	3,096.63	3,238.25	3,381.64	3,501.83	3,622.05	3,743.76	3,866.71	3,965.41
V. Net profit	7,564.37	8,062.32	8,463.03	8,872.77	9,288.63	9,713.46	10,143.59	10,504.13	10,864.76	11,229.87	11,598.67	11,894.75
Add: interest expenses (excluding income tax effect)	84.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VI. Net profit before interest and after tax	7,648.90	8,062.32	8,463.03	8,872.77	9,288.63	9,713.46	10,143.59	10,504.13	10,864.76	11,229.87	11,598.67	11,894.75
Add: depreciation and amortization	13,235.68	13,235.68	13,235.68	13,235.68	13,235.68	13,235.68	13,235.68	13,235.68	13,235.68	13,235.68	13,235.68	13,235.68
Less: capital expenditures	819.71	819.71	819.71	819.71	819.71	819.71	819.71	573.79	286.90	86.07	28.69	-
Changes in working capital	1,576.26	-15.82	-6.72	-7.21	-7.26	-7.77	-7.95	-8.99	-9.33	-9.82	-10.24	-11.26
VII. Free cash flow	18,488.62	20,494.12	20,885.73	21,295.96	21,711.87	22,137.21	22,567.52	23,175.01	23,822.88	24,389.30	24,815.90	25,141.70
VIII. Discount rate(cost of capital)	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%	7.56%
Discount period	12.92	13.92	14.92	15.92	16.92	17.92	18.92	19.92	20.92	21.92	22.92	23.92
IX. Discount coefficient	0.3901	0.3627	0.3372	0.3135	0.2915	0.2710	0.2519	0.2342	0.2178	0.2025	0.1882	0.1750
Present value of free cash flow	7,212.43	7,432.85	7,042.47	6,676.09	6,328.07	5,998.55	5,685.34	5,428.02	5,187.58	4,937.64	4,670.89	4,399.60
X. Sum of present value of free cash flow												419,620.24

Wherein: value of entire shareholders' equity= sum of present value of free cash flow + surplus assets + non-operating assets- non-operating liabilities- value of interest-bearing liabilities + present value of working capital to be recovered

Unit: RMB10 thousand

Item	Amount
Sum of present value of free cash flow	419,620.24
Add: present value of working capital to be recovered	-702.92
Add: non-operating assets	128,940.25
Less: non-operating liabilities	1,114.09
Less: interest-bearing liabilities	325,743.22
Value of entire shareholders' equity	221,000.00

The sum of present value of free cash flow of the enterprise during the forecast period is approximately RMB4.196 billion. The enterprise free cash flow refers to the cash flow attributable to all shareholders and creditors of interest-bearing debts, which is calculated as follows:

Enterprise free cash flow = net profit after tax + depreciation and amortization + interest expenses (after tax effect) – capital expenditures – net changes in working capital

As at the Valuation Benchmark Date, under the income approach, the appraised value of the entire shareholders' equity of Anqing Bridge Company was RMB2,210 million.

VALUATION CONCLUSION

The list of assets and liabilities of the valuation target involved has been provided by the client and the Target Company and confirmed with their signatures and chops, and certain analysis involved in valuation report has been conducted based on relevant financial information provided.

The valuation conclusion is based on recognized valuation procedures and their implementation, and reached through overall consideration of a number of assumed conditions and various factors related to the actual operation of Anqing Bridge Company. We have also considered the potential impact which various risks and uncertainties may have on the company. We have presumed that the premise and assumed conditions were true on the Valuation Benchmark Date. We will not assume the liabilities for different valuation results to be inferred due to the change of preconditions and assumed conditions in case of significant changes in the economic environment in the future.

In carrying out the assets valuation engagement, we adhered to the principles of independence, objectivity and fairness; based on the information we collected during our practice, the contents stated in the valuation report are objective, and we will take corresponding legal liabilities for the reasonableness of the valuation conclusion. However, the valuation conclusion shall not be deemed as guarantee for the realizable price of the valuation target.

As valuated, on the Valuation Benchmark Date, i.e. 31 July 2021, the entire shareholders' equity of Anqing Bridge Company was valued at RMB2,210 million, i.e. RMB TWO BILLION AND TWO HUNDRED AND TEN MILLION ONLY in words, which represented an appreciation of RMB1,048,832,700 over the book net assets (the owner's equity) of RMB1,161,167,300, or an appreciation rate of 90.33%.

For and on behalf of
Zhongshuizhiyuan Assets Appraisal Co., Ltd.
23 September 2021

ANNEX 1 – RESTRICTIONS ON USE OF VALUATION REPORT

The use of this valuation report is subject to the following limitations:

- (I) This valuation report shall only be used for the valuation purpose and use set forth herein, and shall not be used for other economic activities other than the valuation purpose stated herein.
- (II) Where the client or other valuation report users fail to use the valuation report within the scope as set forth herein in accordance with the laws and administrative regulations, the asset valuation institution and its asset appraisers shall take no responsibility.
- (III) Any other agencies and individuals, other than the client, other valuation report users as agreed in the commission contract for asset valuation, and the valuation report users as stipulated by laws and administrative regulations, shall not be the users of the valuation report.
- (IV) Valuation report users shall have a correct understanding of the valuation conclusion, which is not equivalent to the realisable price of the valuation target and shall not be deemed as a guarantee for the realisable price of the valuation target.
- (V) This report shall have legal effect and be officially used only after this report has been sealed by the asset valuation institution.
- (VI) None of this valuation report or any part hereof may be copied, quoted or disclosed in a public medium without the written approval of this asset valuation institution, unless otherwise provided in any law, regulation or as agreed between the parties.
- (VII) The validity of the valuation conclusion in this report shall be one year, commencing on the Valuation Benchmark Date, i.e. 31 July 2021, and ending on 30 July 2022. The valuation conclusion can serve as the reference basis for the purpose of this valuation only where the purpose of the valuation is realized within one year after the Valuation Benchmark Date, and revaluation of the assets shall be conducted after one year.

ANNEX 2 – STATEMENT OF VALUATION INSTITUTION

- I. The client or other users of the valuation report shall use the valuation report in accordance with laws, administrative rules and regulations and the scope of use set out in the valuation report. The asset valuation institution and its asset valuation professionals disclaim any liability arising from the use of the valuation report by the client or other users of the report in violation of the aforesaid requirements.
- II. The valuation report shall only be used by the client, other users of the valuation report specified in the asset valuation engagement contract, and users of the valuation report stipulated in laws, administrative rules and regulations. Save for the above, any other entity or individual shall not be a user of the valuation report.
- III. Valuation report users shall have a correct understanding and use of the valuation conclusion, which is not equivalent to the realisable price of the valuation target and shall not be deemed as a guarantee for the realisable price of the valuation target.
- IV. The asset valuation institution and its asset valuation professionals have complied with the laws, administrative rules and regulations on the principles of independence, objectivity and fairness, and are responsible, under the laws, for the valuation report issued by them.
- V. The list of assets and liabilities of the valuation target has been reported by the client and the valuated entity and confirmed with their signatures and chops or otherwise as permitted by laws; the truthfulness, completeness and legality of the information provided shall be the responsibility of the client and other relevant parties under the laws.
- VI. The asset valuation institution and the asset valuation professionals have no existing or expected relationship of interests with the valuation target set out in the valuation report or with the relevant parties, and have no prejudice against the relevant parties.
- VII. We have carried out on-site inspection on the valuation target and its assets as set out in the asset valuation report. We have given necessary attention to the legal ownership of the valuation target and the assets involved, verified the information on the legal ownership of the valuation target and the assets involved, made proper disclosure of issues identified, and requested the client and other relevant parties to perfect the title to meet the requirements for the issuance of a valuation report.
- VIII. The analysis, judgements and results in the valuation report issued by the asset valuation institution are subject to the assumptions and restrictions set out in this valuation report. Users of the valuation report shall take into full account the assumptions, restrictions and special notes stipulated in the valuation report and their impact on the conclusion of valuation.

ANNEX 3 – SENSITIVITY ANALYSIS

1. A sensitivity analysis was prepared to demonstrate the impact of the change of different discount rates (5%, 10%, 15%, respectively) on the value of the entire shareholders' equity, assuming there are no changes in the base value. The following table summarizes the resulting values:

Unit: RMB10 thousand

Item	Assumption	Valuation result	Variation of valuation results
Discount rate	-15%	256,400.00	16.02%
	-10%	244,100.00	10.45%
	-5%	232,300.00	5.11%
	0%	221,000.00	0.00%
	5%	210,200.00	-4.89%
	10%	199,900.00	-9.55%
	15%	190,100.00	-13.98%

2. A sensitivity analysis was prepared to demonstrate the impact of the change of different revenue (5%, 10%, 15%, respectively) as compared to the forecast revenue on the value of the entire shareholders' equity, presuming there are no changes in the base value. The following table summarizes the resulting values:

Unit: RMB10 thousand

Item	Assumption	Valuation result	Variation of valuation results
Revenue	-15%	130,500.00	-40.95%
	-10%	160,600.00	-27.33%
	-5%	190,800.00	-13.67%
	0%	221,000.00	0.00%
	5%	251,200.00	13.67%
	10%	281,400.00	27.33%
	15%	311,500.00	40.95%

3. A sensitivity analysis was prepared to demonstrate the impact of the change of different traffic volume growth (5%, 10%, 15%, respectively) on the value of the entire shareholders' equity, assuming there are no changes in the base value. The following table summarizes the resulting values:

Unit: RMB10 thousand

Item	Assumption	Valuation result	Variation of valuation results
Traffic volume growth	-15%	153,500.00	-30.54%
	-10%	178,100.00	-19.41%
	-5%	199,900.00	-9.55%
	0%	221,000.00	0.00%
	5%	243,600.00	10.23%
	10%	264,900.00	19.86%
	15%	288,900.00	30.72%

ANNEX 4 – SPECIAL NOTES

When using this valuation report, the users shall pay attention to the possible impact of the following special notes on the valuation conclusion, and give full consideration to that in making decisions based on this report.

- (I) The valuation institution and the asset valuation professionals disclaim any responsibility for defects existing in the enterprise that may affect the appraised value of the assets which were not explained specifically in the engagement and remained unknown to the asset valuation professionals even after conducting the valuation procedures.
- (II) Activity documents, business license, property ownership certificates, financial statements, accounting documents and other information relating to and necessary for the valuation provided by the client and the appraised entity form the basis for the preparation of this report. The client and the related parties shall be responsible for the truthfulness, legitimacy and completeness of the information provided.
- (III) The asset valuation professionals have carried out necessary verification on the property rights of the assets within the scope of the engagement, and fully disclosed the defects found in the asset property rights as much as possible. However, since the valuation report is a professional valuation opinion on the valuation target but not a legal certification of property rights, it cannot serve as a property ownership certificate.
- (IV) Reference to Report Conclusions Issued by Other Institutions
 - 1. For the audited carrying amounts as at the benchmark date in the balance sheet and the income statement set out in this valuation report, reference has been made to the audit report with unqualified opinion (Report Number: Pu Hua Te Shen Zi [2021] No. 3034) issued by PricewaterhouseCoopers Zhongtian LLP.
 - 2. In this asset valuation, reference has been made to the Traffic Study Report for the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway issued by CHELBI Engineering Consultants, INC. in August 2021, in which the conclusions were converted into the amount of toll (value-added tax exclusive) which serves as the estimated amount of toll income under the income approach. CHELBI Engineering Consultants, INC. is a consulting institution with a grade A credit certificate in expressway business. While the valuation target and the client have fully understood, demonstrated and reviewed the forecasting model and methodology and parameter selection, weighting policy, toll period, etc., the valuation institution made reference to part of the contents in the report.

Save for the above, no reference has been made to the contents of reports from other institutions.

(V) The total appraised value of the payables to and the receivables from Anhui Transportation Holding Group, being the related party, within the scope of this valuation are RMB3,257,467,288.43 and RMB1,286,222,845.84, respectively. For details, please refer to the Project of Market Value of Payables to and Receivables from Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company Involved in Proposed Transfer of Credit and Debt by Anhui Transportation Holding Group Co., Ltd. (Zhong Shui Zhi Yuan Ping Bao Zi [2021] No. 020500) (《安徽省交通控股集團有限公司擬轉讓債權債務所涉及對安徽安慶長江公路大橋有限責任公司應收款項及應付款項市場價值項目》(中水致遠評報字[2021]第020500號)) issued by Zhongshuizhiyuan Assets Appraisal Co., Ltd..

(VI) Remaining Toll Period of the Concession Rights

(1) According to the Reply on Approval of Toll Operation for Anqing Yangtze River Expressway Bridge and North Shore Connecting Line Section (Wan Zheng Mi [2005] No. 77) (《關於同意安慶長江公路大橋及北岸連接線段設站收費經營的批覆》(皖政秘[2005]77號)) issued by the People's Government of Anhui Province, the toll operation period of Anqing Yangtze River Expressway Bridge is 29 years, i.e., from 26 December 2004 to 25 December 2033. As at the Valuation Benchmark Date, the remaining toll period of Anqing Yangtze River Expressway Bridge was approximately 12.40 years (from 1 August 2021 to 25 December 2033).

(2) According to the Reply on Toll Operation Period of Two Expressways Including the Anhui Section of the Xuzhou-Guangming Expressway (Wan Zheng Mi [2020] No. 7) (《關於徐州至光明高速公路安徽段等2條高速公路收費經營期限的批覆》(皖政秘[2020] 7號)) issued by the People's Government of Anhui Province, the toll period of the Anhui Section of the Yuexi-Wuhan Expressway is 30 years, i.e., from 31 December 2015 to 30 December 2045. As at the Valuation Benchmark Date, the remaining toll period of the Anhui Section of the Yuewu Expressway was approximately 24.40 years (from 1 August 2021 to 30 December 2045).

(VII) Notes on Limitation on Valuation Procedures, Remedial Measures Taken by the Valuation Institution and Impact on the Valuation Conclusion

1. In this valuation, we have checked the external conditions of each appraised object, and carried out on-site survey and appraisal of buildings and constructions where the situation permits, but only with the use of general auxiliary tools and conventional means. We did not use sophisticated or professional instruments for the test or appraisal of the structures. Due to limited conditions, the valuer was unable to conduct survey and observation of hidden parts. No consideration was given to the impact of such factor on the appraised value in this valuation. User of the report are reminded to pay attention.

2. The valuer did not perform technical testing on the technical parameters and performance of various equipment on the Valuation Benchmark Date. The valuer conducted on-site survey on the valuation target on the assumption that the relevant technical information and operating records provided by the appraised entity were true and valid and without relying on any testing equipment, which was only general survey. Moreover, due to the limited conditions, the valuer was unable to conduct survey on the hidden works related to machinery and equipment.

(VIII) Asset Ownership Information and its Defects

1. As at the Valuation Benchmark Date, Anqing Bridge Company had buildings and constructions with a total construction area of 24,343.21 square meters (including: fixed assets such as buildings and constructions with a construction area of 22,415.21 square meters and investment property with a construction area of 1,928.00 square meters) within the scope of valuation which had no real estate ownership certificates. For buildings and constructions for which property ownership certificates had not yet been obtained, Anqing Bridge Company has warranted that it has ownership of all the buildings and constructions within the scope of valuation and there are no disputes over its property rights. The areas of buildings were reported by the enterprise based on relevant information and the area measured on site.

For the areas reported by the enterprise, the asset valuation professionals has conducted random checks and verifications before conducting appraisal. If such reported areas are inconsistent with the areas when the enterprise applies for relevant property right certificates in the future, the valuation results should be adjusted according to the areas stated in the property right certificates. No consideration was given to the possible impact of the above matters.

2. As at the Valuation Benchmark Date, Anqing Bridge Company had land use rights with an area of 5,408.50 square meters within the scope of valuation which had no real estate ownership certificates. For land use rights for which real estate ownership certificates had not yet been obtained, Anqing Bridge Company has warranted that it has ownership of all the land use rights within the scope of valuation and there are no disputes over its property rights. The area of the land use rights was reported by the enterprise based on relevant information and the measurement made on site.

For the areas reported by the enterprise, the asset valuation professionals has conducted random checks and verifications before conducting appraisal of the areas reported by the enterprise. If such reported areas are inconsistent with the areas when the enterprise applies for relevant property right certificates in the future, the valuation results should be adjusted according to the areas stated in the property right certificates. No consideration was given to the possible impact of the above matters, nor was consideration given to the impact of the property right defects on the valuation conclusions.

3. The vehicles of Anqing Bridge Company with license plate numbers of Anhui AGS646, Anhui AGS648, Anhui AJ890K, Anhui AL4555, Anhui AA9965, Anhui AB0489, Anhui AY970A, Anhui AA9425, and Anhui AA9589 were included in the valuation scope and registered under Anhui Transportation Holding Group's name. Anqing Bridge Company and Anhui Transportation Holding Group jointly issued a statement undertaking that the vehicles belong to Anqing Bridge Company. In this valuation, no consideration was given to the impact of the property right defects on the valuation conclusion.

(IX) As at the Valuation Benchmark Date, the major assets mortgage and pledge of Anqing Bridge Company are as follows:

On 30 June 2014, Anhui Expressway Holding Group Co., Ltd. (the predecessor of Anhui Transportation Holding Group) and China Development Bank Corporation entered into an Agreement for RMB-denominated Loan from China Development Bank Corporation (No. 3400542392014020005), which is mainly for the construction of the Yuexi-Wuhan Expressway Anhui Section Project, and also entered into a corresponding pledge agreement of the toll income receivables to provide guarantee for the loan agreement thereunder as the pledge target after the completion of the Yuexi-Wuhan Expressway Anhui Section.

In this valuation, no consideration was given to the impact of the mortgage on the value of the underlying assets.

(X) As at the Valuation Benchmark Date, there existed pending legal matters of Anqing Bridge

On 13 July 2021, the People's Court of Yixiu District, Anqing City, Anhui Province issued Civil Judgment (2021 Wan 0811 Min Chu No. 526). The judgment concluded the first instance trial of the dispute between the plaintiff, He Zhou, and the defendants Anhui Transportation Holding Group and Anqing Bridge Company over pension benefits, which held that Anqing Bridge Company should compensate the plaintiff He Zhou for his pension insurance loss of RMB58,975.86 within 5 days after the judgment became effective. Anqing Bridge Company filed an appeal. As of the date of this report, the civil dispute has not yet been adjudicated in the second instance. In this valuation, no consideration was given to the impact of such litigation on the conclusion of the valuation.

(XI) The toll income in the future profit forecast involved in this valuation was forecasted by adopting the forecast by CHELBI Engineering Consultants, INC. on the traffic flow and toll income of the Anqing Yangtze River Expressway Bridge and the Anhui section of Yuewu Expressway after the management of the clients and Anqing Bridge Company fully understood, justified and reviewed the forecast model, forecast method and selection of parameters in the above report, and understood the important circumstances such as weighting policy and toll period. On this basis, the management of Anqing Bridge Company has developed future earnings forecast, which have been confirmed by Anqing Bridge Company and the client. Anqing Bridge Company is responsible for the truthfulness,

scientificness and completeness of the information and data provided in connection with the future earnings forecast, and the reasonableness and realizability of the future earnings forecast. The asset valuer has conducted necessary investigation, analysis and judgment on the profit forecast made, and this valuation report is made on the basis of the forecast information provided by Anqing Bridge Company. The responsibility of the assets valuation professionals is to analyze, estimate and express professional opinions on the value of the valuation target for a specific purpose as at the Valuation Benchmark Date.

(XII) The valuation assumptions adopted in this income approach valuation are a reasonable projection of the future operations of the appraised objects under current conditions. If various unpredictable and unavoidable factors that may affect the realization of the assumed premises arise in the future, the extent to which the earnings projection can be realized will be affected. The asset valuation professionals hereby remind the clients and other relevant parties that we do not guarantee that the above assumptions will be realized nor do we undertake any obligation to realize or procure realization of the above assumptions.

(XIII) Due to the impact of the COVID-19 pandemic, the Joint Prevention and Control Mechanism of the State Council held a press conference, in which the Ministry of Transportation has made a reply on the difficulties and problems faced by highway operators amid the pandemic as follows: “As per the requirements of the State Council, the Ministry of Transportation, together with the National Development and Reform Commission, the Ministry of Finance, People’s Bank of China, State-owned Assets Supervision and Administration Commission, State Taxation Administration, China Banking and Insurance Regulatory Commission and China Securities Regulatory Commission, has studied and formulated relevant support and protection policies, including: during the toll free period, late payment of interest, extension of principal or loan renewal and other policies shall be provided to highway operators which face difficulties in payment of principal and interest of their financial debts. Preferential loans shall be offered to enterprises as working capital, and the toll period for toll road shall be extended to certain extent. Such policies will be implemented as soon as practicable once approved, so as to protect the legitimate rights and interests of the users, managers, investors and creditors of the toll roads.”. Anhui Province is also studying and formulating policies on compensation for toll road operators amid pandemic in respect of such 79-day compensation policy.

As of the date of the valuation report, no pandemic impact compensation policy mentioned above has been promulgated in Anhui Province, which has therefore not been taken into consideration in the valuation. Subject to the subsequent implementation of specific policies, the purchaser and seller shall address through negotiation as required under the policies and transaction documents, and ensure appreciation and maintenance of value of state owned assets.

(XIV) No change in taxation obligation resulting from the increase or decrease in the appraised value has been taken into consideration in the valuation conclusion, nor have relevant tax and fees resulting from this transaction activity been considered.

(XV) In this valuation, no premium or discount resulting from controlling interest and minority interest and other factors has been taken into consideration, nor has the impact on the value of equity due to its lack of liquidity been taken into consideration.

(XVI) Matters which may have impact on the valuation conclusion during the period between the Valuation Benchmark Date and the date of the valuation report

After the Valuation Benchmark Date, where the number of assets and pricing standards change and have impact on valuation conclusion which leads to the unavailability of direct use of this valuation conclusion, adjustment to valuation conclusion and revaluation shall be conducted. The asset valuation institution will not assume any liability for the changes in the assets, liabilities and market condition subsequent to the Valuation Benchmark Date, nor is it obligated to revise the valuation report for the matters or events occurring after the Valuation Benchmark Date.

The valuation conclusion has been issued by Zhongshuizhiyuan Assets Appraisal Co., Ltd., which is subject to the practicing level and competency of the asset valuation professionals of the institution.

The valuation report users shall pay attention to the impact of the special matters mentioned above on the valuation conclusion.

Set out below is the report on the traffic flow and toll of Anqing Yangtze River Expressway Bridge and the Anhui section of the Yuewu Expressway, which has been prepared for the purpose of inclusion in this circular.

**Anhui Transportation Holding Group
Anhui Expressway Company Limited
Final Report on the Forecast and Evaluation of
Traffic Volume and Toll Revenue of Anqing Yangtze
River Expressway Bridge and the Anhui Section of the Yuewu
Expressway**

August 2021

CHELBI Engineering Consultants, INC.

1. INTRODUCTION

1.1 Introduction on the Project Expressway

CHELBI Engineering Consultants, INC. (the “traffic consultant”) has been commissioned by Anhui Transportation Holding Group (“Anhui Transportation Holding Group”) and Anhui Expressway Company Limited (“Anhui Expressway”) to conduct independent research on traffic volume evaluation and toll revenue assessment for the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway. The traffic volume valuation and forecast period for the Anqing Yangtze River Expressway Bridge is from 1 August 2021 to 25 December 2033, and the traffic volume evaluation and forecast period for the Anhui Section of the Yuewu Expressway is from 1 August 2021 to 30 December 2045.

1.2 Anqing Yangtze River Expressway Bridge

The Anqing Yangtze River Expressway Bridge starts from the Dadukou interchange hub in the south, crossing the Yangtze River waterway and ends at Longmianshan South Road in the north. The total length of the line is 5,985.66 metres, and the main bridge is 1,040 metres long. The bridge is designed as a two-way four-lane highway and its design speed is 100 km/h, with the total project investment amounting to RMB1,196 million, and has been opened to traffic on 26 December 2004. The toll collection and operation period of the Anqing Yangtze River Expressway Bridge is 29 years, commencing on 26 December 2004 and ending on 25 December 2033.

The Anqing Yangtze River Expressway Bridge is one of the important projects listed in the Plan for Layout of Pathways Crossing the Mainline of Yangtze River (2020-2035) (《長江幹線過江通道佈局規劃(2020—2035年)》), and it connects Dongzhi County, Chizhou City and Yixiu District, Anqing City. It is located approximately 100 kilometers away from the downstream Tongling Yangtze River Bridge to the east, and approximately 164 kilometers away from the upstream Jiujiang Yangtze River Bridge to the west. The bridge starts from the Dadukou interchange hub in the south, crossing the Yangtze River waterway and ends at Longmianshan South Road in the north, borders Anqing-Dongzhi Expressway (S27 in the Anhui expressway network) to the south, Hefei-Anqing Expressway (G42 in the national expressway network) to the north; Shanghai-Chongqing Expressway (G50 in the national expressway network) passes through the bridge. The Anqing Yangtze River Expressway Bridge is vital to the improvement of the expressway network in Eastern China, the establishment of the Anqing region into a transportation hub, the creation of the eastward and southward accesses to the sea for the central region, the strengthening of the economic links between the southern Anhui region and the Bohai Rim Region, the Yangtze River Delta Region, southeast of Fujian and the Pearl River Delta Region, and also plays a positive role in the economic ties between Chizhou City and Anqing City.

1.3 The Anhui Section of the Yuewu Expressway

The Anhui Section of Yuewu Expressway is located at the hinterland of Dabie Mountain, starting from Lianyun Township, Yuexi County which is situated at Liuqian Expressway, ending at Dafengshu Mountain at the Anhui-Hubei boundary, and being connected to the Wuying Expressway in Hubei Province. It is an important part of the Lishui-Wuhan Expressway within the expressway network as planned by the state. The main line of the Anhui Section of Yuewu Expressway adopts the two-way four-lane expressway standard, with a design speed of 80km/h and a total length of 46.26 kilometres. It was completed and opened to traffic on 16 December 2015. For this project, three interchanges have been built, which are located in the north hub, Zhongguan Township (reserved) and Sikongshan Mountain in Yuexi County, and there is one service area, one maintenance work area, and one tunnel management station. In addition, along the whole line, there are 27 large-sized bridges, three medium-sized bridges, three separate style interchange bridges and 10 tunnels, with a mileage of bridge and tunnels to total mileage ratio of 57.2%. The toll concession period for the Anhui Section of the Yuexi-Wuhan Expressway is 30 years, from 31 December 2015 to 30 December 2045.

As one of the most convenient inter-provincial channels between Anhui Province and Hubei Province, the opening of the Anhui Section of the Yuewu Expressway shortened the driving time from Yuexi to Wuhan from over four hours in the past to two hours. At the same time, the road also interacts with the Liuqian and Liuwu Expressways to jointly build a high-speed artery linking the central region with the eastern region, which is of great significance in realising the contiguous poverty alleviation and development of the Dabie Mountain Old Revolutionary Base Areas.

1.4 Project Location

The location of the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway is shown in Figure 1.

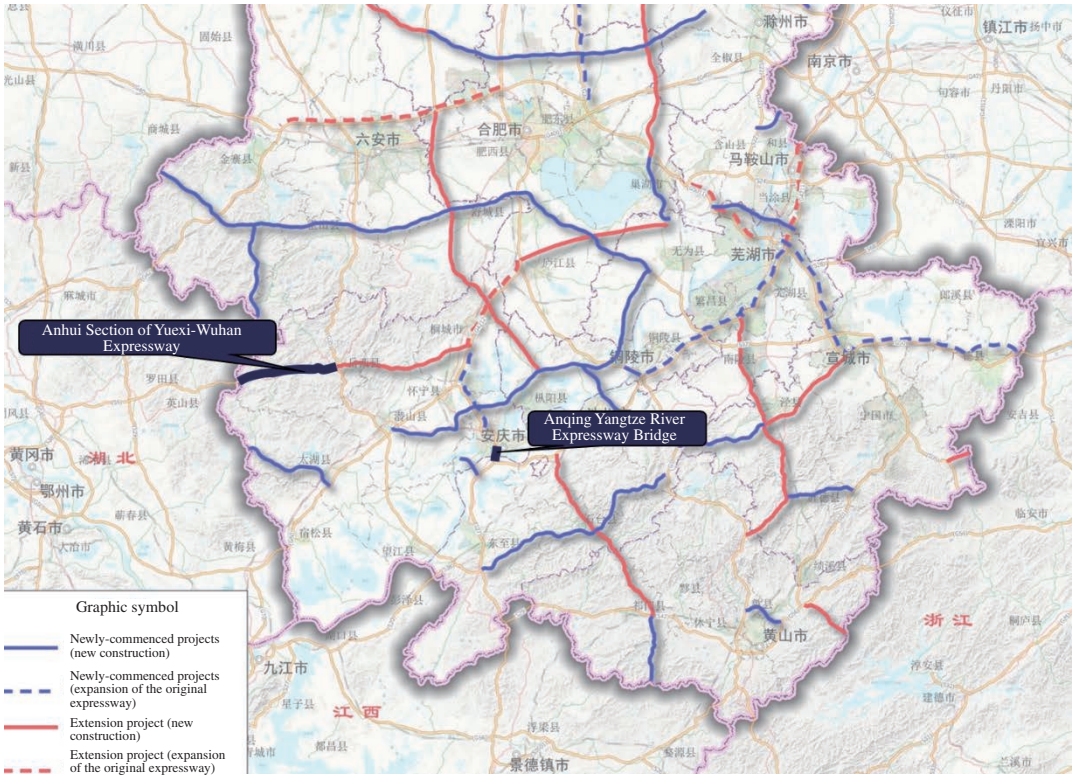


Figure 1 Location of the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway

1.5 Research Background

In order to accurately assess the investment benefits of the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway, and to fully evaluate the future traffic volume growth trend and toll revenue of the project, Anhui Transportation Holding Group and Anhui Expressway Company Limited jointly commissioned CHELBI Engineering Consultants, INC. to conduct a traffic volume assessment research and revenue forecast and calculation for the project.

2. RESEARCH CONTENTS AND THOUGHT PROCESS

According to the historical traffic flow data and other relevant information of the project, this report assesses and forecasts the traffic flow of the project from the perspective of investors, and estimates the vehicle toll revenue of the project based on the forecasted traffic volume, which provides reference for Anhui Expressway in respect of its investment and operation management decisions on the project.

The research of this report mainly includes the following two aspects:

- (1) Analysis and forecasts of traffic volume for the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway during the toll concession period;
- (2) Estimation of vehicle toll revenue for the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway.

Specific work scope covers:

- Research on regional economic development trends;
- Research on regional transportation development trends;
- The construction of traffic forecast models and traffic volume assessment;
- Vehicle toll revenue forecast and calculation.

3. FORECAST PERIOD

Taking into comprehensive consideration of the diverging impact on the traffic volume of the project after the completion of all planned expressways in the affected area and the operation period of the project, the forecast and valuation period of the Anhui Section of the Yuewu Expressway shall be considered from 2021 to 2045. The research focuses on the forecast of traffic volume in 2023, 2024, 2025, 2026, 2027, 2030, 2035, 2040 and 2045 of the Anhui Section of the Yuewu Expressway, with 2021 as a base year for the forecast.

The forecast and evaluation period of the Anqing Yangtze River Expressway Bridge shall be from 2021 to 2033. The research focuses on the forecast of traffic volume in 2023, 2024, 2025, 2026, 2027, 2030 and 2033 of the Anqing Yangtze River Expressway Bridge, with 2021 as a base year for the forecast.

4. BASIS OF PREPARATION

The basis of preparation for the valuation report of the project is as follows:

- The social and economic data as well as the economic and social planning data of the 14th Five-Year Plan for Anhui Province, Hefei City, Anqing City, Yuexi County, Chizhou City, Hubei Province and Wuhan City;
- The historical traffic data and traffic planning data of the 14th Five-Year Plan for Anhui Province, Hefei City, Anqing City, Yuexi County, Chizhou City, Hubei Province and Wuhan City;
- The historical section traffic volume data and historical income data of the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway;
- The OD data of traffic volume of the surrounding competitive expressways of the Anqing Yangtze River Expressway Bridge and the Anhui Section of the Yuewu Expressway;
- Approval in relation to the Establishment and Operation of Toll Stations along the Section Connected to the North Shore of the Anqing Yangtze River Expressway Bridge (Wan Zheng Mi [2005] No.77) (《關於同意安慶長江公路大橋及北岸連接線段設站收費經營的批覆》(皖政秘[2005]77號));
- Approval in relation to the Toll Operation Period of Two Expressways including Xuzhou-Mingguang Expressway Anhui Section (Wan Zheng Mi [2020] No.7) (《關於徐州至明光高速公路安徽段等2條高速公路收費經營期限的批覆》(皖政秘[2020]7號));
- The Notice on Printing and Distributing the Adjustment Scheme for Vehicle Toll Charge of Toll Roads in Anhui Province Released by the Department of Transportation, Development and Reform Commission and Department of Finance of Anhui Province (Wan Jiao Lu [2019] No.144) (《安徽省交通運輸廳、安徽省發展改革委及安徽省財政廳關於印發安徽省收費公路車輛通行費計費方式調整方案的通知》(皖交路[2019]144號)) ;

- Information on transportation planning and construction plan under the 14th Five-Year Plan of Anhui Province; and
- Relevant national policies.

5. CONCLUSIONS OF THE RESEARCH

5.1 The Forecast Approach of the Traffic Volume

A four-stage approach is adopted for the traffic volume forecast of the project. In accordance with the economic and social, traffic and transport data and OD distribution data of the area where the project is located obtained from the traffic survey and based on the analysis of the current economic and social, traffic and transport situation in the area, the economic and social development of the area is forecasted, so as to forecast the trend and induced traffic trips in each area in the future, and to obtain the OD table of the regional distribution of car trips in the future assignment years. The final results of the traffic volume forecast for the project is obtained through the traffic volume assignment. The workflow of the traffic volume forecast is shown in Figure 2.

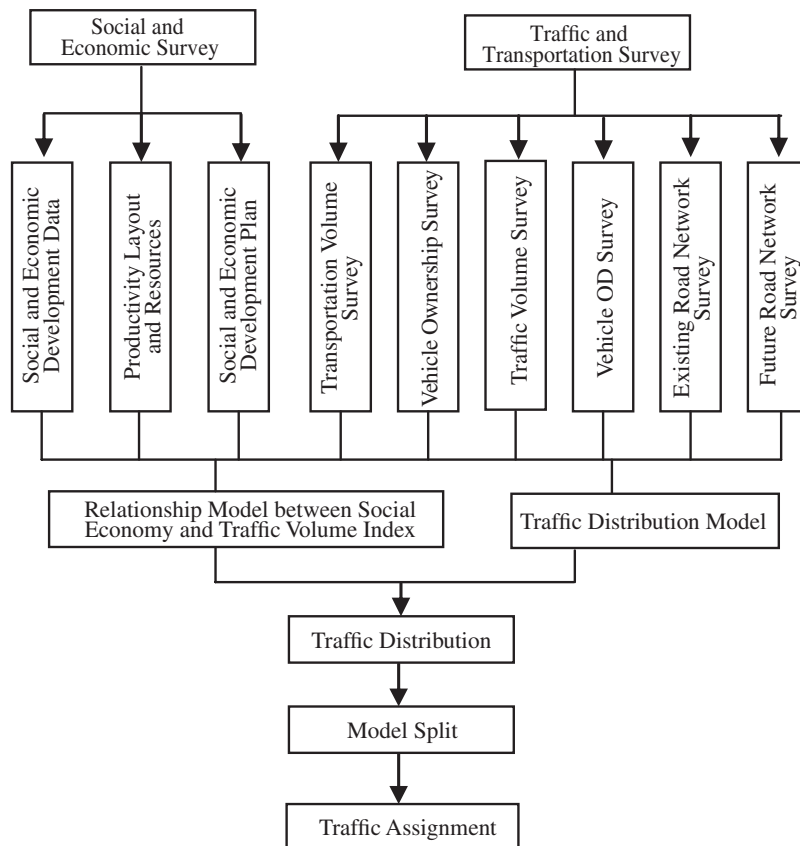


Figure 2 Workflow of the traffic volume forecast

5.2 The Forecast Results of the Traffic Volume and Revenue

(1) Average daily traffic volume of the Anqing Yangtze River Expressway Bridge (forecast and assessment period)

Year	Absolute Total (Vehicles/Day)	Growth Rate
2021	26,078	–
2022	27,610	5.9%
2023	29,238	5.9%
2024	29,597	1.2%
2025	31,156	5.3%
2026	32,877	5.5%
2027	28,426	-13.5%
2028	29,247	2.9%
2029	30,093	2.9%
2030	30,963	2.9%
2031	31,772	2.6%
2032	32,602	2.6%
2033	33,454	2.6%

(2) *Toll revenue over the years of the Anqing Yangtze River Expressway Bridge (forecast and assessment period)*

Year	Toll Revenue (RMB'000)	Growth Rate
January-July of 2021	19,771	
August-December of 2021	14,650	10.6%
2022	37,036	7.6%
2023	39,250	6.0%
2024	39,839	1.5%
2025	42,009	5.4%
2026	44,393	5.7%
2027	38,446	-13.4%
2028	39,579	2.9%
2029	40,747	2.9%
2030	41,949	3.0%
2031	43,068	2.7%
2032	44,218	2.7%
2033	44,654	1.0%

Notes: ① The actual toll revenue of the Anqing Yangtze River Expressway Bridge from 1 January 2021 to 31 July 2021 was RMB197,710,000, while the toll revenue for the period from 1 August to 31 December is an estimated figure and is estimated to be RMB146,500,000. The total amount of the toll revenue for 2021 is RMB344,210,000. ② The growth rate in 2021 is the average annual growth rate of the total toll revenue in 2021 relative to 2019. ③ In 2024, considering the possible diversion impact of the Wuwei-Yuexi section of the G4221 Shanghai-Wuhan Expressway on the traffic volume of the Anqing Yangtze River Expressway Bridge, the growth rate of toll revenue from the bridge will decrease. In 2027, the opening of the North Yanjiang Expressway, the Anqing-Haikou Yangtze River Bridge and the Chizhou Yangtze River Public Railway Bridge may have a substantial diversion impact on the traffic volume of the bridge, and may lead to a corresponding significant decrease in toll revenue. ④ In estimating the toll revenue, various special vehicle categories such as special use vehicles, general wagons and large trucks have been taken into consideration in the valuation report.

(3) *Average daily traffic volume of the Anhui Section of the Yuewu Expressway
(forecast and assessment period)*

Year	Absolute Total (Vehicles/Day)	Growth Rate
2021	7,364	–
2022	7,865	6.8%
2023	8,401	6.8%
2024	10,363	23.4%
2025	11,946	15.3%
2026	13,187	10.4%
2027	12,291	-6.8%
2028	12,717	3.5%
2029	13,157	3.5%
2030	13,614	3.5%
2031	13,969	2.6%
2032	14,334	2.6%
2033	14,709	2.6%
2034	15,093	2.6%
2035	15,488	2.6%
2036	15,881	2.5%
2037	16,284	2.5%
2038	16,698	2.5%
2039	17,122	2.5%
2040	17,557	2.5%
2041	17,945	2.2%
2042	18,342	2.2%
2043	18,749	2.2%
2044	19,164	2.2%
2045	19,589	2.2%

(4) *Toll revenue over the years of Anhui Section of the Yuewu Expressway (forecast and assessment period)*

Year	Toll Revenue <i>(RMB'000)</i>	Growth Rate
January-July of 2021	7,507	7.7%
August-December of 2021	5,932	
2022	15,061	12.0%
2023	16,123	7.1%
2024	19,922	23.6%
2025	23,000	15.5%
2026	25,450	10.7%
2027	23,758	-6.6%
2028	24,589	3.5%
2029	25,451	3.5%
2030	26,343	3.5%
2031	27,040	2.6%
2032	27,755	2.6%
2033	28,489	2.6%
2034	29,243	2.6%
2035	30,017	2.6%
2036	30,785	2.6%
2037	31,574	2.6%
2038	32,383	2.6%
2039	33,213	2.6%
2040	34,065	2.6%
2041	34,826	2.2%
2042	35,604	2.2%
2043	36,401	2.2%
2044	37,215	2.2%
2045	37,945	2.0%

Notes: ① The actual toll revenue of the Anhui Section of the Yuewu Expressway from 1 January 2021 to 31 July 2021 was RMB75,070,000., while the toll revenue for the period from 1 August to 31 December is an estimated figure and is estimated to be RMB59,320,000. The total amount of the toll revenue for 2021 is RMB134,390,000. ② The growth rate in 2021 is the average annual growth rate of toll revenue in 2021 relative to 2019. ③ The cross-boundary traffic volume during the Spring Festival has a substantial influence on the traffic volume of the Anhui section of the Yuewu Expressway. In 2021, due to “staying put for the Spring Festival” policy advocated in response to the Covid-19 pandemic, the traffic was adversely affected. It is estimated that the revenue for 2022 will increase significantly as compared to that for 2021. In addition, the opening of the Wuwei-Yuexi section of the G4221 Shanghai-Wuhan Expressway in 2024 may have a significant impact on the traffic volume of the Anhui section of the Yuewu Expressway which may continue for a period of time, and may lead to a rapid growth in revenue correspondingly. In 2027, revenue from the Anhui section of the Yuewu Expressway may decline more significantly due to competing channels such as the North Yanjiang Expressway, which may affect the diversion of the Anhui section of the Yuewu Expressway, and the opening of Wuhan-Anqing high-speed railway. ④ In estimating the toll revenue, various special vehicle categories such as special use vehicles, general wagons and large trucks have been taken into consideration in the valuation report.

5.3 Growth rate forecast of the traffic volume and revenue of the Target Expressways after 2027

As disclosed in section 5.2 of this report, it is expected that the traffic volume of the Target Expressways will be continuously and significantly influenced by the opening of new expressways. However, such impact on the Target Expressways will not continue infinitely and is expected to gradually diminish. The traffic volume of the Target Expressways is expected to grow at its own natural growth rate during their subsequent operation. Such growth rate is a combined one, taking into account the impact of the opening to traffic of the main passage.

The growth rate of the traffic volume of the Target Expressways was estimated by the PRC Traffic Consultant based on its experience accumulated in a number of past similar projects. In the valuation and forecast process, the natural growth rate is derived from the forecast of traffic volume based on its own project experience and historical project data, and the future economic development conditions and other factors.

CHELBI Engineering Consultants, INC.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the Latest Practicable Date, none of the Directors, Supervisors or senior management of the Company had or was deemed to have any interests or short positions in any shares, or underlying shares or debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests which he has or is deemed to have under such provisions of the Securities and Futures Ordinance); or which were required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange and be disclosed herein pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS DISCLOSABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SECURITIES AND FUTURES ORDINANCE

As at the Latest Practicable Date, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the persons (except directors, supervisors and chief executives of the Company) who, directly or indirectly, were interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of section 336 of Part XV of the Securities and Futures Ordinance are as follows:

Name of shareholder	Capacity	Number of shares	Type of shares	% of H shares
China Merchants Highway Network Technology Holding Company Limited	Interests in controlled corporation	92,396,000 (Long position)	H shares	18.74%
HSBC Holdings plc	Interests in controlled corporation	98,525,221 (Long position) 99,825,933 (Short position)	H shares	19.98% 20.25%

Name of shareholder	Capacity	Number of shares	Type of shares	% of A shares
Anhui Transportation Holding Group Company Limited	Beneficial owner	524,644,220	A shares	45.01%
China Merchants Highway Network Technology Holding Company Limited	Beneficial owner	404,191,501	A shares	34.68%

Save as disclosed above, as at the Latest Practicable Date, according to the register required to be stored under the provisions of section 336 of Part XV of the Securities and Futures Ordinance, the Company has not received any notice that the persons were interested or had short position in the shares or underlying shares of the Company on the Latest Practicable Date.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, the controlling shareholders of the Company and their respective close associates as defined under the Listing Rules had any interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group nor any conflicts of interest which has or may have with the Group.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any asset which has been acquired or disposed of by, or leased to, or which is proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

There was no contract or arrangement in which a Director is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular which are or may be material:

- (a) the Acquisition Agreement.

9. SERVICE CONTRACTS

Each of the Directors and supervisors of the Company has entered into a service contract with the Company. The details of such contracts, identical in all material aspects, are as follows:

- Each of the service contracts is of a term of three years commencing from 17 August 2020, except for the service contracts with Mr Tao Wensheng and Mr Chen Jiping respectively which are of a term commencing from 16 July 2021 until the expiry date of the term of office for the current session of the Board.
- For Directors who receive remuneration from the entities that are Shareholders of the Company, the Company will not determine and pay extra Director's remuneration to them.
- For Directors who hold management positions in the Company, the Company will not determine and pay extra Director's remuneration to them. Their remuneration to be paid by the Company, will be calculated, approved and paid in accordance with their specific positions in the Company and based on the remuneration and benefit policy of the Company.

- The remuneration for each PRC independent Director is RMB80,000 per annum.
- The remuneration for each overseas independent Director is RMB120,000 per annum.
- For supervisors who receive remuneration from the entities that are Shareholders of the Company, the Company will not determine and pay extra supervisor's remuneration to them.
- For the supervisor who represents the employees of, and holds a management position in, the Company, the Company will not determine and pay extra supervisor's remuneration to him. His remuneration to be paid by the Company, will be calculated, approved and paid in accordance with his specific position in the Company and based on the remuneration and benefit policy of the Company.

Save as the aforesaid, no service contract that cannot be terminated within one year without payment of compensation (other than general statutory compensation) has been or proposed to be entered into between the Company and the Directors or the supervisors.

10. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
BOCOM International (Asia) Limited	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
CHELBI Engineering Consultants, Inc* (華傑工程諮詢有限公司)	PRC qualified traffic consultant
PricewaterhouseCoopers	Certified Public Accountants
Zhongshuizhiyuan Assets Appraisal Limited Company* (中水致遠資產評估有限公司)	PRC qualified domestic valuer
Guoyuan Capital (Hong Kong) Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above experts:

- (a) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which it appears.

11. GENERAL

- (a) The Company Secretary of the Company is Xie Xinyu, a fellow of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute.
- (b) In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

12. DOCUMENTS ON DISPLAY

The following documents will be published on the website of the Stock Exchange and of the Company, for a period of 14 days from the date of this circular:

- (a) the material contracts referred to in the section headed “8. MATERIAL CONTRACTS” in this appendix;
- (b) the Letter from the Board, the text of which is set out on pages 1 to 40 of this circular;
- (c) the Independent Board Committee Letter, the text of which is set out on page 41 of this circular;
- (d) the accountant’s report on the Target, the text of which is set out in Appendix III to this circular;

- (e) the report on the Unaudited Pro Forma Financial Information on the Enlarged Group, the text of which is set out in Appendix IV to this circular;
- (f) the PRC Valuation Report, the text of which is set out in Appendix V to this circular;
- (g) the summary of the Traffic Study Report in relation to the Target Expressways prepared by CHELBI Engineering Consultants, Inc*, the text of which is set out in Appendix VI to this circular;
- (h) the written consents from the experts referred to in the section headed “10. EXPERTS AND CONSENTS” of this appendix;
- (i) the service contracts referred to in the section headed “9. SERVICE CONTRACTS” of this appendix;
- (j) the annual reports of the Company for each of the three financial years ended 31 December 2018, 2019 and 2020 respectively; and
- (k) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that extraordinary general meeting of Anhui Expressway Company Limited (the “**Company**”) will be held at 2:30 p.m. (Hong Kong time) on 20 December 2021 (Monday) at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the People's Republic of China (the “**EGM**”).

The following matters will be dealt with in the forthcoming EGM:

ORDINARY RESOLUTION

1. To consider and approve the resolution in relation to the Company's acquisition of 100% of the share capital in and related loan owed by Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company* (安徽安慶長江公路大橋有限責任公司) by cash payment:

“**THAT:**

- (a) the agreement dated 13 October 2021 and entered into between the Company and Anhui Transportation Holding Group, pursuant to which, among other things, the Company shall purchase and Anhui Transportation Holding Group shall sell (i) the Target Equity; and (ii) the Shareholder's Loan (a copy of the aforesaid agreement has been produced before the Meeting, marked “A” and initialled by the Chairman of the Meeting for the purpose of identification) and the transactions provided or contemplated thereunder be and are hereby approved, confirmed and ratified in all respects; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any one or more Directors be and are hereby authorised for and on behalf of the Company to sign, execute, perfect, perform and deliver all such other agreements, instruments, deeds and documents and do all such acts or things and take all such steps as he/they may in his/their absolute discretion consider to be necessary or expedient to implement or give effect to or otherwise in connection with or incidental to the agreement set out in paragraph (a) above and all the transactions contemplated thereunder and to agree to such variations, amendments or waivers as are, in his/their opinion, in the interests of the Company and its shareholders.”

SPECIAL RESOLUTION

2. to consider and approve the Shareholders’ Return Plan of the Company for the years 2021-2023.

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

Hefei, Anhui, the People’s Republic of China
30 November 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

I. ELIGIBILITY FOR ATTENDING THE MEETING

Persons who hold shares of the Company at the close of trading on 15 December 2021 (Wednesday) and whose names appeared on the register of the Company shall have the right to attend the meeting.

II. APPOINTMENT OF PROXY

1. Any shareholder who is eligible to attend the meeting and to vote thereat shall have the right to appoint in writing one or more persons (who may not be a shareholder) as his proxy to attend and to vote at the meeting. After filing in the form of proxy and returning the same to the Company, the proxy may attend and vote at the meeting.
2. The appointment of proxy shall be through a written instrument signed by the shareholder or by its authorized agent as authorized in writing. In the event such instrument is executed by the authorized agent of the assignor, such authorization or other authority that authorizes such signatory shall be notarized. To be valid, such notarized authorization or other authority together with the instrument shall be deposited at the Company 24 hours before the time for holding the meeting (i.e. before 2:30 p.m. (Hong Kong time) on 19 December 2021 (Sunday)).

III. It is expected that the meeting will last half a day. The shareholders and any proxy who attend the meeting may incur accommodation and traveling expenses at their own costs.

IV. The register of the holders of H shares of the Company will be closed from 15 December 2021 (Wednesday) to 20 December 2021 (Monday) (both days inclusive), during which period no transfer of H shares of the Company will be registered. In order for the holders of H shares to qualify for attending the meeting, all share certificates with completed transfer forms must be lodged with the Company's H share registrar, Hong Kong Registrars Limited, not later than 4:30 p.m. (Hong Kong time) on 14 December 2021 (Tuesday)).

The address of the H Share registrar in Hong Kong:
Hong Kong Registrars Limited
Shop 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

V. Business address of the Company: 520 Wangjiang West Road, Hefei, Anhui, the People's Republic of China (Post code: 230088)

Tel: 86-551-65338697, 63738923, 63738922, 63738989

Fax: 86-551-65338696

Contact person: Dong Huihui, Ding Yu

NOTICE OF EXTRAORDINARY GENERAL MEETING

VI. MATTERS OF CONCERN FOR VOTING

1. For the purpose of this general meeting, a vote may be cast by way of voting in the physical meeting (for holders of A shares and holders of H shares) or online voting (for holders of A shares only). The system of online voting, the beginning day and ending day, as well as the voting time, are as follows:

System for online voting: Shanghai Stock Exchange Online Voting System for Shareholders' General Meetings

The time at which the period for online voting begins and ends: from 20 December 2021 to 20 December 2021.

The Shanghai Stock Exchange Online Voting System is adopted. The time for voting on the voting platform of the exchange's system is the trading period, that is, 9:15–9:25, 9:30–11:30 and 13:00–15:00, of the day on which the shareholders' general meeting is convened. The time for voting on the Internet voting platform is 9:15–15:00 on the day on which the shareholders' general meeting is convened.

2. The voting procedure in relation to accounts in respect of margin trading and securities lending, refinancing, buy-back agreement business and investors of the Northbound Trading Link: Any vote in relation to accounts in respect of margin trading and securities lending, refinancing, buy-back agreement business and investors of the Northbound Trading Link shall be cast in accordance with the provisions of the Rules of Implementation of the Shanghai Stock Exchange Limited for Online Voting in Shareholders' General Meetings of Listed Companies etc.
3. Any holder of A shares of the Company who would like to cast his or her vote through the Shanghai Stock Exchange Online Voting System for Shareholders' General Meetings could either log in the voting platform of the exchange's system (through the terminus of any specified securities trading company) or the internet voting platform (URL: vote.sseinfo.com) to vote. Any investor who logs in the internet voting platform to vote for the first time is required to have his or her identity as a shareholder verified. For details, please refer to the instructions for the internet voting platform on the website.
4. Any holder of A shares of the Company under more than one shareholder's account may vote using any of the said accounts through the Shanghai Stock Exchange Online Voting System for Shareholders' General Meetings. After voting, such a shareholder is deemed to have cast his or her votes in the same way in respect of all the ordinary or preference shares of the same class held under his or her said accounts.
5. For holder of A shares, if the same vote is cast more than once by way of voting in the physical meeting, via Shanghai Stock Exchange Online Voting System or otherwise, the vote first in time prevails.
6. For online voting, submission can only be made after the shareholder has voted on all the resolutions.