THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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 – PROPOSED ACQUISITION
(2) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS
(3) APPLICATION FOR WHITEWASH WAIVER
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING
AND
(5) NOTICE OF H SHARES CLASS MEETING

Financial Adviser to the Company

交銀國際
BOCOM International

Independent Financial Adviser to the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders

申萬宏源香港
SHENWAN HONGYUAN

Capitalized terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 1 to 83 of this circular and the letter from the Independent Board Committee is set out on pages 84 to 85 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders is set out on page 86 to 127 of this circular.

A notice convening the EGM to be held at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC on Friday, 18 August 2023 at 2:30 p.m. is set out on pages EGM-1 to EGM-6 of this circular.

A notice convening the H Shares Class Meeting to be held at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC on Friday, 18 August 2023 at 2:30 p.m. or immediately after the conclusion of the EGM and (if applicable) the A Shares Class Meeting or any adjournment thereof is set out on pages HCM-1 to HCM-4 of this circular.

If you intend to appoint a proxy to attend the EGM and/or the H Shares Class Meeting, please complete the enclosed form(s) of proxy in accordance with the instructions printed thereon and return the same to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) not less than 24 hours before the time appointed for holding the EGM and/or the H Shares Class Meeting (that is, not later than 2:30 p.m. (for the EGM) or 2:30 p.m. (for the H Shares Class Meeting) on Thursday, 17 August 2023) or any adjournment thereof in person or by post. Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the EGM and/or the H Shares Class Meeting or any adjournment thereof if you so wish, but in such event the form(s) of proxy shall be deemed to be revoked.

* *For identification purpose only.*

26 July 2023

CONTENTS

CONTENTS

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

"A Share(s)"	the domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange in the PRC
"A Shareholder(s)"	holder(s) of A Share(s)
"A Shares Class Meeting"	the class meeting of the A Shareholders (if applicable) to be convened at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC on Friday, 18 August 2023 at 2:30 p.m. or immediately after the conclusion of the EGM or any adjournment of the EGM, or any adjournment thereof, to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; and (ii) the Proposed Non-public Issuance of A Shares
"Acquisition Agreement"	the agreement dated 17 April 2023 entered into between the Company and Anhui Transportation Holding Group in relation to the Proposed Acquisition
"acting in concert"	has the meaning as defined in the Takeovers Code
"Administrative Measures for Material Asset Restructuring"	Administrative Measures for the Material Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》) promulgated by the CSRC
"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 total issued share capital as at the Latest Practicable Date
"Agreement of Intent"	the agreement of intent dated 3 April 2023 entered into between the Company and Anhui Transportation Holding Group in relation to the Proposed Acquisition
"Agreement of Intent Announcement"	the announcement of the Company dated 3 April 2023 in relation to, among other things, the potential acquisition of the Target Assets

"Announcement"	the announcement of the Company dated 17 April 2023 in relation to, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; and (iii) the Whitewash Waiver
"Articles of Association"	the articles of association of the Company from time to time
"Asset Valuation Report"	the asset valuation report dated 20 June 2023 in respect of the Target Assets issued by China United, the full text of which are set out in Appendix V to this circular
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Average Trading Price"	the average trading price of the A Shares during the 20 trading days immediately preceding the Price Determination Date, which is calculated by dividing the total turnover of the A Shares by the total trading volume of the A Shares during the 20 trading days immediately preceding the Price Determination Date
"Board"	the board of directors of the Company
"China United" or "Valuer"	China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司), a qualified asset appraisal agency in the PRC
"Cash Consideration"	the cash consideration in the amount of 15% of the Total Consideration payable by the Company to Anhui Transportation Holding Group pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement and the Compensation Agreement) as part of the Total Consideration payable to Anhui Transportation Holding Group for the Proposed Acquisition, being RMB549,900,585
"Class Meetings"	the A Shares Class Meeting and the H Shares Class Meeting
"Company"	Anhui Expressway Company Limited* (安徽皖通高速公路股份有限公司), a joint stock company established in the PRC, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 995), and the A Shares of which are listed on the Shanghai Stock Exchange in the PRC (stock code: 600012)

"Compensation Agreement"	the performance compensation agreement dated 20 June 2023 entered into between the Company and Anhui Transportation Holding Group in relation to the performance guarantees and related compensation provided by Anhui Transportation Holding Group in respect of the Target Assets
"Compensation Share(s)"	the Consideration Share(s) to be returned by Anhui Transportation Holding Group to the Company under the Compensation Agreement
"Completion"	completion of the Proposed Acquisition
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration Share(s)"	the new A Share(s) to be allotted and issued by the Company to Anhui Transportation Holding Group pursuant to the Acquisition Agreement as part of the Total Consideration payable to Anhui Transportation Holding Group for the Proposed Acquisition
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Dilution of Immediate Returns Announcement"	the announcement on the dilution of immediate returns as a result of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares and the relevant remedial measures (關於本次交易攤薄即期回報及採取填補相關措施的公告) published on 20 June 2023 by the Company on the Shanghai Stock Exchange
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC on Friday, 18 August 2023 at 2:30 p.m. (or any adjournment thereof) to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; (iii) the Specific Mandates; and (iv) the Whitewash Waiver

"Enlarged Group"	the Group as enlarged by the Proposed Acquisition
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
"Financial Adviser"	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, being the financial adviser to the Company in respect of the Proposed Acquisition and the application of the Whitewash Waiver
"Floor Price"	the latest audited net asset per Share of the Company before the issuance of A Shares under the Proposed Non-public Issuance of A Shares, subject to adjustments due to ex-rights or ex-dividends event of the Company including distribution of cash dividend, bonus issue, rights issues, conversion of share premium into share capital or capitalisation issues during the period between the date in respect of which the last audited consolidated balance sheet of the Company was prepared and the Price Determination Date
"Group"	the Company and its subsidiaries
"H Share(s)"	the overseas listed foreign share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
"H Shareholder(s)"	holder(s) of H Share(s)
"H Shares Class Meeting"	the class meeting of the H Shareholders (if applicable) to be convened at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC on Friday, 18 August 2023 at 2:30 p.m. or immediately after the conclusion of the EGM and (if applicable) the A Shares Class Meeting or any adjournment of the EGM and (if applicable) the A Shares Class Meeting, or any adjournment thereof, to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; and (ii) the Proposed Non-public Issuance of A Shares
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors who have no direct or indirect interest in the Proposed Acquisition and the Whitewash Waiver, namely Mr. Liu Hao, Mr. Zhang Jianping and Ms. Fang Fang, established pursuant to the requirements of the Listing Rules and the Takeovers Code to advise the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders on the Proposed Acquisition (including, amongst others, the grant of the Proposed Acquisition Specific Mandate) and the Whitewash Waiver
"Independent Financial Adviser" or "Shenwan Hongyuan"	Shenwan Hongyuan Capital (H.K.) Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser, with the approval of the Independent Board Committee, to advise the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders in respect of the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver
"Last Trading Day"	17 April 2023, being the last trading day of the H Shares on the Hong Kong Stock Exchange prior to the Announcement
"Latest Practicable Date"	21 July 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Liuwu Expressway"	the Liuwu Expressway (六武高速公路) with its concession rights owned and operated by the Target Company

"Measures for the Administration of the Takeover of Listed Companies"	"Measures for the Administration of the Takeover of Listed Companies" (《上市公司收購管理辦法》) promulgated by the CSRC
"Non-public Issuance Benchmark Price"	(i) 80% of the Average Trading Price; or (ii) the Floor Price, whichever is higher
"Non-public Issuance Independent Shareholders"	Shareholders other than Shareholders who have indicated to participate in the Non-public Issuance of A Shares before the EGM and (if applicable) the Class Meetings and their close associates (as defined under the Listing Rules)
"Non-public Issuance Specific Mandate"	the specific mandate to be sought from the Non-public Issuance Independent Shareholders at the EGM and (if applicable) Class Meetings to issue the A Shares under the Proposed Non-public Issuance of A Shares
"Offering Period"	the period commencing the Proposed Non-public Issuance of A Shares as determined by the Company
"Performance Compensation Assets"	the Target Assets for which Anhui Transportation Holding Group undertakes to provide performance guarantees and related compensation under the Compensation Agreement
"Performance Compensation Period"	three financial years commencing from (and including) the year in which Completion takes place, being (i) 2023, 2024 and 2025 if the Proposed Acquisition is completed during the year ending 31 December 2023; or (ii) 2024, 2025 and 2026 if the Proposed Acquisition is completed during the year ending 31 December 2024
"PRC"	the People's Republic of China, and for the sole purpose of this circular, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"PRC Legal Advisers"	Grandall Law Firm (Hefei), the PRC legal advisers to the Company

"PRC Qualified Traffic Consultant"	CHELBI Engineering Consultants, Inc.* (華傑工程諮詢有限公司), a PRC qualified traffic consultant
"Price Determination Date"	the first day of the Offering Period of the Proposed Non-public Issuance of A Shares
"Pricing Benchmark Date"	the date of the announcement of the resolutions of the Board in respect of the Proposed Acquisition, being 18 April 2023
"Proposed Acquisition"	the proposed acquisition of the Target Assets from Anhui Transportation Holding Group pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement and the Compensation Agreement)
"Proposed Acquisition LR Independent Shareholders"	Shareholders, other than Anhui Transportation Holding Group and its associates, which do not have a material interest in the Proposed Acquisition and the Proposed Acquisition Specific Mandate under the Listing Rules and the relevant PRC laws and regulations
"Proposed Acquisition Specific Mandate"	the specific mandate to be sought at the EGM and (if applicable) the Class Meetings to issue the Consideration Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement and the Compensation Agreement)
"Proposed Non-public Issuance of A Shares"	the proposed non-public issuance of A Shares to not more than 35 specific target subscribers
"Proposed Overall Transaction"	the overall transaction proposal of the Company involving the Proposed Acquisition and the Proposed Non-public Issuance of A Shares
"Provisions on Material Asset Restructuring"	Provisions on Issues Concerning Regulating the Material Asset Restructuring of Listed Companies (《關於規範上市公司重大資產重組若干問題的規定》) promulgated by the CSRC
"Relevant Period"	the period commencing from 3 October 2022, being 6 months preceding the date of the Agreement of Intent Announcement, and ending on the Latest Practicable Date

"Report on the Proposed Acquisition and Proposed Non-public Issuance of A Shares and related transactions"	the Report on the Proposed Acquisition and Proposed Non-public Issuance of A Shares and related transactions (發行股份及支付現金購買資產並募集配套資金暨關聯交易報告書(草案)) published on 20 June 2023 by the Company on the Shanghai Stock Exchange
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Shanghai Listing Rules"	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (上海證券交易所股票上市規則)
"Share(s)"	A Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of Share(s)
"Specific Mandate(s)"	the Proposed Acquisition Specific Mandate and the Non-Public Issuance Specific Mandate
"Supplemental Agreement"	the supplemental agreement to the Acquisition Agreement dated 20 June 2023 entered into between the Company and Anhui Transportation Holding Group
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Takeovers Code Independent Shareholders"	Shareholders other than (i) Anhui Transportation Holding Group and parties acting in concert with it (including China Merchants Highway Network Technology Holding Company Limited, being a party presumed to be acting in concert with Anhui Transportation Holding Group); and (ii) those who are interested in or involved in the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver

"Target Assets"	100% of the equity interests in the Target Company
"Target Company"	Anhui Province Liuwu Expressway Co., Ltd.* (安徽省六武高速公路有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Anhui Transportation Holding Group as at the date of this circular
"Target Company Profit Forecasts"	has the meaning ascribed to it in the section headed "LETTER FROM THE BOARD – II. MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION – 3. Profit Forecasts" of this circular
"trading day(s)"	a day on which the Shanghai Stock Exchange is open for dealing or trading in securities
"Transitional Period"	the period commencing from the date immediately after the Valuation Benchmark Date to the month end date of the month in which Completion has taken place
"Update Announcement"	the announcement of the Company dated 20 June 2023 in relation to, among other things, the update on the Proposed Acquisition and the Proposed Non-public Issuance of A Shares
"US$"	United States dollar(s), the lawful currency of the United States of America
"Valuation Benchmark Date"	31 December 2022
"VAT"	value-added tax of the PRC
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Anhui Transportation Holding Group to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Anhui Transportation Holding Group and parties acting in concert with it which would otherwise arise as a result of the issue of the Consideration Shares under the Proposed Acquisition
"%"	per cent

* *For identification purpose 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)

Executive Directors
Xiang Xiaolong
Yang Xiaoguang
Tao Wensheng
Chen Jiping

Non-executive Directors
Yang Xudong
Du Jian

Independent non-executive Directors
Liu Hao
Zhang Jianping
Fang Fang

Registered Office
520 Wangjiang West Road,
Hefei, Anhui,
the PRC

Principal Place of Business in Hong Kong
5th Floor, Jardine House
1 Connaught Place, Central
Hong Kong

26 July 2023

To Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION
(2) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS
(3) APPLICATION FOR WHITEWASH WAIVER
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING
AND
(5) NOTICE OF H SHARES CLASS MEETING

I. INTRODUCTION

References are made to the announcements of the Company dated 3 April 2023, 17 April 2023, 28 April 2023, 5 May 2023, 16 May 2023 and 20 June 2023, in relation to, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; and (iii) the Whitewash Waiver.

As disclosed in the Announcement, on 17 April 2023, the Company and Anhui Transportation Holding Group entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase, and Anhui Transportation Holding Group has conditionally agreed to sell, the Target Assets, in consideration of (i) the allotment and issuance of the Consideration Shares and (ii) the payment of the Cash Consideration by the Company to Anhui Transportation Holding Group. In addition, as disclosed in the Update Announcement, on 20 June 2023, the Company and Anhui Transportation Holding Group further entered into the Supplemental Agreement and the Compensation Agreement in relation to the Proposed Acquisition.

In addition to the Proposed Acquisition, on 17 April 2023, the Board approved the Proposed Non-public Issuance of A Shares to raise ancillary funds after completion of the Proposed Acquisition and on 20 June 2023, the Board approved the additional terms of the Proposed Non-public Issuance of A Shares. The total amount of ancillary funds to be raised under the Proposed Non-public Issuance of A Shares shall be not more than RMB1,466,401,560 (being not exceeding 40% of the final Total Consideration for the Proposed Acquisition) and the number of A Shares to be issued shall not exceed 30% of the total issued share capital of the Company prior to completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares.

The purpose of this circular is to provide you with, among other things, further details of (i) the Proposed Acquisition, (ii) the Proposed Non-public Issuance of A Shares, (iii) the Specific Mandates, and (iv) the Whitewash Waiver, and the transactions contemplated thereunder, together with other information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM and (if applicable) the Class Meetings.

At the EGM and (if applicable) the Class Meetings, resolutions will be proposed to approve, among other things, (i) Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; (iii) the Specific Mandates; and (iv) the Whitewash Waiver, and the transactions contemplated thereunder.

II. MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION

1. Acquisition Agreement (as supplemented by the Supplemental Agreement)

The principal terms of the Acquisition Agreement (as supplemented by the Supplemental Agreement) are set out below:

Date: 17 April 2023 (as supplemented by the Supplemental Agreement on 20 June 2023)

Parties:

(1) the Company, as purchaser; and

(2) Anhui Transportation Holding Group, as vendor.

Subject matter: Pursuant to the Acquisition Agreement, the Company has conditionally agreed to purchase, and Anhui Transportation Holding Group has conditionally agreed to sell, the Target Assets, being 100% of the equity interests in the Target Company, at the Total Consideration.

Consideration: The parties have agreed to engage China United, a qualified asset appraisal agency in the PRC, to conduct a valuation on the Target Assets and issue the Asset Valuation Report with the Valuation Benchmark Date of 31 December 2022.

According to the Asset Valuation Report issued by China United, which have been approved by and filed with the authorised entity of the competent state-owned assets supervision and administrative authorities, the appraised value of the Target Assets as at the Valuation Benchmark Date, which were primarily determined based on the income approach, is RMB3,661,003,900. In appraising the value of the Target Assets, China United has also taken into consideration, among others, the traffic volume and toll fee rates of the Target Assets assessed by the PRC Qualified Traffic Consultant.

Upon arms' length negotiations between the parties taking into account the appraised value of the Target Assets under the Asset Valuation Report of RMB3,661,003,900 and the paid-up registered capital of the Target Company of RMB5,000,000 which was paid by Anhui Transportation Holding Group to the Target Company subsequent to the Valuation Benchmark Date, the parties have agreed that the final Total Consideration shall be RMB3,666,003,900.

The Total Consideration shall be settled: (i) 85% by the allotment and issuance of the Consideration Shares; and (ii) 15% by the payment of the Cash Consideration, by the Company to Anhui Transportation Holding Group. Accordingly, on the basis that the Total Consideration is RMB3,666,003,900, RMB3,116,103,315 shall be settled by way of allotment and issuance of the Consideration Shares while RMB549,900,585 shall be settled by way of payment of Cash Consideration.

Please refer to Appendix V to this circular for the full text of the Asset Valuation Report and Appendix VI for the letter of confirmation issued by China United. Pursuant to Rule 11.1(b) of the Takeovers Code, the Financial Adviser has confirmed that China United is suitably qualified and experienced to undertake the valuation of the Target Assets. Please refer to Appendix VII to this circular for the letter of confirmation issued by the Financial Adviser in this regard.

Issue of Consideration Shares:

In accordance with the relevant PRC laws and regulations and based on the negotiations between the parties, the issue price of the Consideration Shares was initially agreed to be RMB7.19 per Consideration Share (the "**Original Issue Price**") under the Acquisition Agreement, representing not less than 80% of the average trading prices of the A Shares for the 20, 60 or 120 trading days prior to the Pricing Benchmark Date of 18 April 2023 (rounded up to the nearest two decimal places).

During the period between the Pricing Benchmark Date and the date of issue of the Consideration Shares, in case of any ex-rights or ex-dividends events of the Company such as distribution of cash dividends, bonus issues, rights issues, allotment of shares, conversion of share premium into share capital or capitalisation issues, the issue price of the Consideration Shares will be adjusted in accordance with the relevant PRC laws and regulations. The formulae for the adjustments are set out below:

1. In the event of distribution of cash dividends:

$$P1 = P0 - D$$

2. In the event of bonus issues, capitalization issues or conversion of share premium into share capital:

$$P1 = P0 / (1 + N)$$

3. In the event of rights issues or allotment of shares:

$$P1 = (P0 + A \times K) / (1 + K)$$

4. In the event of simultaneous (i) bonus issues, capitalization issues or conversion of share premium into share capital; (ii) rights issues or allotment of shares; and (iii) distribution of cash dividends:

$$P1 = (P0 - D + A \times K) / (1 + N + K)$$

where,

(i) P0 is the issue price of the Consideration Shares before adjustment;

(ii) N is the number of bonus shares or shares to be issued upon capitalization issue or conversion of share premium into share capital per Share;

(iii) K is the number of new shares to be allotted per Share under rights issue or the allotment of shares;

(iv) A is the issue price per new share under rights issue or allotment of shares;

(v) D is the amount of cash dividend per Share; and

(vi) P1 is the issue price of the Consideration Shares after adjustment.

As the Company has declared its final dividend for the year ended 31 December 2022 on 31 March 2023 which has been approved by the Shareholders at the annual general meeting held on 9 June 2023, Anhui Transportation Holding Group and the Company have agreed that the issue price of the Consideration Shares shall be adjusted to RMB6.64 per Consideration Share (the "**Adjusted Issue Price**") in accordance with the formula for distribution of cash dividend set out above.

Accordingly, the number of Consideration Shares to be issued by the Company to Anhui Transportation Holding Group shall be calculated by dividing (i) the portion of the final Total Consideration to be settled by the issuance of Consideration Shares (being RMB3,116,103,315, 85% of the final Total Consideration) by (ii) the final issue price of the Consideration Shares (being the Adjusted Issue Price of RMB6.64 per Consideration Share, subject to any further adjustment in accordance with the formulae as set out in the Announcement). In the event of fractional shares, Anhui Transportation Holding Group shall waive such fractional shares.

On the basis that the portion of the final Total Consideration for the Proposed Acquisition to be settled by the Consideration Shares Issuance is RMB3,116,103,315 and assuming the final issue price of the Consideration Shares is the Adjusted Issue Price (being RMB6.64 per Consideration Share), the number of Consideration Shares to be issued by the Company to Anhui Transportation Holding Group is 469,292,667 A Shares.

The final number of Consideration Shares to be issued by the Company to Anhui Transportation Holding Group shall be subject to the approval by the Shanghai Stock Exchange and registration with the CSRC. Pursuant to the relevant PRC laws and regulations, such approval by Shanghai Stock Exchange and registration with CSRC will only be obtained after the approval of the Proposed Acquisition at the EGM and (if applicable) the Class Meetings. Where adjustment will be required by the Shanghai Stock Exchange and the CSRC, it is expected that there will be downward (but not upward) adjustment to the number of Consideration Shares to be issued by the Company to Anhui Transportation Holding Group and further announcement(s) will be made by the Company.

The Consideration Shares will be issued under the Proposed Acquisition Specific Mandate to be sought at the EGM and (if applicable) the Class Meetings.

The Consideration Shares will be listed and traded on the Shanghai Stock Exchange. Upon completion of the Proposed Acquisition, the existing Shareholders and the holder of the Consideration Shares to be issued under the Proposed Acquisition will be entitled to share the Company's accumulated and undistributed profits prior to completion of the Proposed Acquisition based on their respective proportion of shareholding and have the same right to distributions or dividends.

Lock-up period: Pursuant to the Acquisition Agreement, Anhui Transportation Holding Group has undertaken that it shall not transfer any of the Consideration Shares within 36 months from the date of issue of the Consideration Shares (save for any transfer between entities controlled by the same beneficial owner), provided that if Anhui Transportation Holding Group is required to return the Consideration Shares to the Company pursuant to any performance guarantee and compensation arrangements which may be agreed between Anhui Transportation Holding Group and the Company in connection with the Proposed Acquisition, and such return has not been completed within the aforesaid 36 months lock-up period, the lock-up period shall be extended to the date on which the return of Consideration Shares by Anhui Transportation Holding Group to the Company is completed.

In the event that (i) the closing prices of the A Shares for twenty (20) consecutive trading days within six months following the completion of the Consideration Share Issuance or (ii) the closing price of the A Shares as at the end of the six-month period following completion of the Consideration Share Issuance is below the issue price of the Consideration Shares, the lock-up period will be automatically extended for six months.

The Shares which are already held by Anhui Transportation Holding Group prior to completion of the Proposed Acquisition shall not be transferred in any manner (save for any transfer between entities controlled by the same beneficial owner) within eighteen (18) months from the date of completion of the Consideration Share Issuance.

The lock-up undertaking shall also be applicable to any additional A Shares received by Anhui Transportation Holding Group as a result of bonus issues, capitalization issues, conversion of share premium into share capital and/or allotment of Shares of the Company after completion of the Consideration Share Issuance.

The above lock-up undertaking shall not be applicable to any transfer or repurchase of Shares for the purposes of giving effect to any performance guarantee and compensation arrangements which may be agreed between Anhui Transportation Holding Group and the Company in connection with the Proposed Acquisition.

Anhui Transportation Holding Group shall not transfer its Shares in the Company in the event that the regulator initiates investigation as a result of any false statement or misleading statement or material omission made by Anhui Transportation Holding Group in connection with the Proposed Acquisition until the conclusion of the investigation. In the event that Anhui Transportation Holding Group is found to have breached any laws or regulations, Anhui Transportation Holding Group undertakes to utilise the Shares subject to the lock-up undertaking to compensate the Company or any relevant investors.

If any applicable regulatory authorities of the PRC require a lock-up period of different length to be imposed, the lockup period shall be the one as required by such regulatory authorities.

Conditions precedent to the effectiveness of the Acquisition Agreement and the Supplemental Agreement:

The effectiveness of the Acquisition Agreement is conditional upon the fulfilment of all the following conditions:

(i) the approval of the Acquisition Agreement and the Proposed Acquisition by the internal governing bodies of Anhui Transportation Holding Group;

(ii) the approval of the Acquisition Agreement and the Proposed Acquisition by the Board, the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders at the EGM and (if applicable and as the case may be) the Class Meetings;

(iii) the Asset Valuation Report having been filed with or confirmed by the competent state-owned assets supervision and administration authorities or its authorised entities;

(iv) the approval of the Proposed Acquisition by the state-owned assets supervision and administration authorities or its authorised entities;

(v) (if applicable) the obtaining of any necessary approval or decision not to review by the Anti-monopoly Bureau of the State Administration for Market Regulation on concentration of undertakings in respect of the Proposed Acquisition;

(vi) the approval of the Proposed Acquisition by the Shanghai Stock Exchange and registration of the Proposed Acquisition by the CSRC;

(vii) the obtaining of the Whitewash Waiver from the Executive;

(viii) the obtaining of the requisite approval by the Takeovers Code Independent Shareholders at the EGM in respect of the grant of the Whitewash Waiver;

(ix) the obtaining of the requisite approval by the Shareholders at the EGM in respect of the waiver of general offer obligation by Anhui Transportation Holding Group arising in connection with the Proposed Acquisition under the applicable PRC laws and regulations; and

(x) the obtaining of any other necessary approval and/or filings in respect of the Proposed Acquisition from any applicable regulatory authorities.

None of the above conditions may be waived by any party to the Acquisition Agreement. If any of the conditions is not fulfilled, the Acquisition Agreement will not become effective and according to the PRC Legal Advisers, the parties will not have any rights, obligations and liabilities under the Acquisition Agreement.

As at the Latest Practicable Date, the conditions precedent set out in paragraphs (i), (ii) (in respect of the approval by the Board only) and (iii) above have been fulfilled.

The condition set out in paragraph (iv) above in respect of the approval of the Proposed Acquisition by the competent state-owned assets supervision and administrative authorities or its authorised entities will be fulfilled prior to the EGM and (if applicable) the Class Meetings, while the condition in respect of the approval of the Acquisition Agreement and the Proposed Acquisition by the Shanghai Stock Exchange and the CSRC as set out in paragraph (vi) above will only be fulfilled after the EGM and (if applicable) the Class Meetings in accordance with the relevant PRC laws and regulations.

In respect of the condition set out in paragraph (v) above, as at the Latest Practicable Date, the Company has received preliminary feedback from the Shanghai Municipal Administration for Market Regulation indicating that no filing on concentration of undertakings in respect of the Proposed Acquisition shall be required. However, as at the Latest Practicable Date, the Shanghai Municipal Administration for Market Regulation has not yet issued its formal response to the Company in this regard. Further announcement(s) will be made if and when appropriate in respect of the condition set out in paragraph (v) above.

In respect of the condition set out in paragraph (x) above, as at the Latest Practicable Date, each of Anhui Transportation Holding Group and the Company is not aware of any other approval and/or filings which are required to be obtained by it in respect of the Proposed Acquisition.

There is no long stop date under the Acquisition Agreement in respect of the fulfilment and/or waiver of the conditions precedent. The parties will however endeavor to take necessary steps to procure the fulfillment of the conditions precedent and proceed with completion of the Proposed Acquisition.

The Supplemental Agreement shall become effective upon the Acquisition Agreement becoming effective.

Completion: The parties agreed that:

(a) within 15 business days after the notification by the Company to Anhui Transportation Holding Group of the fulfilment of the above conditions precedent, the parties shall execute all documents which are necessary for the transfer of the Target Assets to the Company. Completion of the Proposed Acquisition shall take place upon the completion of the change in industry and commerce registration in respect of 100% equity interests in the Target Company;

(b) within 30 business days after the completion of the Proposed Acquisition, the Company shall complete the issue and allotment of the Consideration Shares to Anhui Transportation Holding Group; and

(c) within 30 business days after the completion of the Proposed Acquisition, the Company shall pay the Cash Consideration to Anhui Transportation Holding Group.

Post-Completion Adjustment and other undertakings: The parties agree that within 60 business days after the completion of the Proposed Acquisition, an auditor will be appointed to review the net asset value of the Target Company as at the nearest month end to the date of the Completion. In the event that the consolidated net asset value of the Target Company as at the nearest month end to the date of Completion decreases when compared to the consolidated net asset value as at the Valuation Benchmark Date, Anhui Transportation Holding Group shall pay the shortfall to the Company in cash.

In addition, the Target Company shall not make any distribution during the period from the Valuation Benchmark Date up to (and including) to the date of completion of the Proposed Acquisition unless the prior written consent of the Company is obtained.

Termination: The Acquisition Agreement shall be terminated in the following circumstances:

(i) if the parties mutually agree to terminate the Acquisition Agreement in writing prior to the date of completion of the Proposed Acquisition;

(ii) if the Proposed Acquisition becomes unable to be implemented due to occurrence of force majeure events;

(iii) if any of the conditions precedent to the effectiveness of the Acquisition Agreement is not satisfied; or

(iv) upon notice by a non-defaulting party to a defaulting party, if the defaulting party commits a material breach of the terms of the Acquisition Agreement or applicable laws and/or regulations, which makes the performance and completion of the Acquisition Agreement impossible.

2. Compensation Agreement

On 20 June 2023, the Company and Anhui Transportation Holding Group entered into the Compensation Agreement, pursuant to which, Anhui Transportation Holding Group undertakes to provide performance guarantees and related compensation in respect of the Target Assets.

The compensation arrangement under the Compensation Agreement is made pursuant to the requirements of the Administrative Measures for Material Asset Restructuring and other relevant PRC laws and regulations, since the appraised values of the Target Assets in the Asset Valuation Report were determined based on the income approach.

The principal terms of the Compensation Agreement are as follows:

Date: 20 June 2023

Parties:

(1) the Company; and

(2) Anhui Transportation Holding Group.

Performance Compensation Assets: According to the Asset Valuation Report, the appraised values of the Target Assets, being the Performance Compensation Assets, were determined based on the income approach with reference to the discounted cash flow method which involves projection of future cash flow attributable to such Performance Compensation Assets from 1 January 2023 to 27 December 2039 (being the end date of the concession right of the Liuwu Expressway owned by the Target Company).

Pursuant to the requirements of the Administrative Measures for Material Asset Restructuring and other relevant PRC laws and regulations, Anhui Transportation Holding Group undertakes to provide performance guarantees and related compensation in respect of the Performance Compensation Assets based on the future estimated profit attributable to such Performance Compensation Assets in the Asset Valuation Report.

Performance Compensation Period: The Performance Compensation Period shall be three consecutive financial years commencing from (and including) the year in which the Completion takes place.

Accordingly, if the Proposed Acquisition is completed during the year ending 31 December 2023, the Performance Compensation Period shall be the years of 2023, 2024 and 2025. On the other hand, if the Proposed Acquisition is completed during the year ending 31 December 2024, the Performance Compensation Period shall be the years of 2024, 2025 and 2026.

Compensation arrangements:

Compensation for performance guarantees

Anhui Transportation Holding Group undertakes that the future realised net profit of Performance Compensation Assets during each year of the Performance Compensation Period shall not be lower than the respective estimated net profit for that relevant year as set out in the Asset Valuation Report, the details of which are set out below:

(i) if the Proposed Acquisition is completed during the year ending 31 December 2023, the net profit of the Target Company shall not be lower than RMB224,993,000 for the year of 2023, RMB212,843,300 for the year of 2024 and RMB222,480,400 for the year of 2025 respectively; and

(ii) if the Proposed Acquisition is completed during the year ending 31 December 2024, the net profit of the Target Company shall not be lower than RMB212,843,300 for the year of 2024, RMB222,480,400 for the year of 2025 and RMB226,196,600 for the year of 2026 respectively,

where "net profit" for such purposes shall be the lower of (i) audited net profit attributable to owners of the Target Company before deducting non-recurring gain or loss or (ii) audited net profit attributable to owners of the Target Company after deducting non-recurring gain or loss for the relevant year.

Upon the expiry of each financial year during the Performance Compensation Period, the Company shall select and engage a qualified accounting firm to conduct audit on the Target Company and issue a specific audit opinion.

If the aggregate audited net profit of the Performance Compensation Assets as of the end of a financial year is lower than the aggregate guaranteed amount as set out above as of the end of that financial year, Anhui Transportation Holding Group shall compensate the Company for an amount to be calculated in accordance with the formula below:

$$A = \frac{(B - C)}{D} \times E - F$$

where:

A = amount of performance compensation payable by Anhui Transportation Holding Group to the Company for such financial year

B = the aggregate guaranteed amount of net profit of the Target Company as of the end of such financial year

C = the aggregate amount of actual net profit of the Target Company realised as of the end of such financial year

D = total guaranteed amount of net profit of the Target Company for the Performance Compensation Period, being RMB660,316,700 (in the event that the Proposed Acquisition is completed during the year ending 31 December 2023) or RMB661,520,300 (in the event that the Proposed Acquisition is completed during the year ending 31 December 2024)

E = the Total Consideration

F = the aggregate amount of performance compensation previously paid by Anhui Transportation Holding Group to the Company (if any)

For the avoidance of doubt, where the amount of performance compensation payable by Anhui Transportation Holding Group for a financial year is a negative amount (i.e. A<0), no refund of the compensation previously paid by Anhui Transportation Holding Group to the Company (if any) will be made to Anhui Transportation Holding Group.

Compensation for impairment

Upon the expiry of the Performance Compensation Period, the Company shall select and engage a qualified accounting firm to carry out impairment test on the Performance Compensation Assets and issue a corresponding impairment test report.

If the amount of impairment of the Performance Compensation Assets as at the end of the Performance Compensation Period is larger than the total amount of performance compensation paid by Anhui Transportation Holding Group to the Company during the Performance Compensation Period (if any), Anhui Transportation Holding Group shall compensate the Company for an amount to be calculated in accordance with the formula below:

$$G = H - I$$

where:

G = amount of impairment compensation payable by Anhui Transportation Holding Group to the Company

H = the amount of impairment of the Performance Compensation Assets as at the end of the Performance Compensation Period, which shall be (i) the Total Consideration deducted by (ii) the appraised value of the Performance Compensation Assets as at the end of the Performance Compensation Period. The impact of any ex-rights or ex-dividends event of the Target Company (including but not limited to capital increase, capital reduction, the acceptance of gift, profit distribution, bonus issue or conversion of share premium into share capital) shall also be excluded in the calculation of the amount of impairment of the Performance Compensation Assets.

I = total amount of performance compensation paid by Anhui Transportation Holding Group to the Company during the Performance Compensation Period (if any)

For the avoidance of doubt, where the amount of impairment compensation payable by Anhui Transportation Holding Group is a negative amount (i.e. $G<0$), no refund of the compensation previously paid by Anhui Transportation Holding Group to the Company (if any) will be made to Anhui Transportation Holding Group.

Settlement of any compensation payable by Anhui Transportation Holding Group:

Compensation Shares

In the event that any performance compensation or impairment compensation is payable by Anhui Transportation Holding Group to the Company, such compensation payable shall first be settled by way of return of the Consideration Shares to the Company.

The number of Consideration Shares to be returned (the "**Compensation Shares**") shall be determined in accordance with the following formula:

$$J = \frac{K}{L}$$

where:

J = number of Compensation Shares, provided that any fractional share shall be rounded up to the nearest whole share

K = amount of performance compensation for the relevant financial year or impairment compensation (as the case may be) payable by Anhui Transportation Holding Group to the Company

L = the final issue price per Consideration Share

For the avoidance of doubt, where the number of Compensation Shares is a negative amount (i.e. $J<0$), no return of the Compensation Shares previously returned by Anhui Transportation Holding Group to the Company (if any) will be made to Anhui Transportation Holding Group.

In the event that during the Performance Compensation Period, the Company has conducted bonus issues or conversion of share premium into share capital, the number of Compensation Shares shall be adjusted in accordance with the formula below:

$$M = J \times (1 + N)$$

where:

M = the adjusted number of Compensation Shares

J = the number of Compensation Shares before taking into account such bonus issues or conversion of share premium into share capital, as determined under the formula set out above

N = the ratio of such bonus issues or conversion of share premium into share capital

In addition, Anhui Transportation Holding Group shall return to the Company any cash dividend made on the Compensation Shares during the relevant financial year in the Performance Compensation Period.

The aggregate amount of Compensation Shares to be returned by Anhui Transportation Holding Group under the Compensation Agreement shall not exceed the sum of (i) the amount of Consideration Shares allotted and issued to Anhui Transportation Holding Group and (ii) any bonus shares or share issued to Anhui Transportation Holding Group as a result of conversion of share premium into share capital by the Company in respect of the Consideration Shares.

The Compensation Shares to be returned to the Company shall be bought back by the Company at the consideration of RMB1.00 and cancelled thereafter. In the event of such buy-back and cancellation of the Compensation Shares by the Company, the Company shall comply with all relevant requirements under the Articles of Association and the applicable laws and regulations including the Listing Rules, the Takeovers Code, the Hong Kong Code on Share Buy-backs and the PRC laws and regulations.

Cash Compensation

In the event that the Consideration Shares is insufficient to settle the compensation payable to the Company under the Compensation Agreement, Anhui Transportation Holding Group shall pay such shortfall in cash. The cash amount to be paid to the Company shall be determined in accordance with the formula below:

$$O = P - (Q \times R)$$

where:

O = amount of cash compensation payable by Anhui Transportation Holding Group

P = amount of performance compensation for the relevant financial year or impairment compensation (as the case may be) payable by Anhui Transportation Holding Group to the Company

Q = the number of Compensation Shares to be returned in respect of the performance compensation for the relevant financial year or impairment compensation (as the case may be) payable by Anhui Transportation Holding Group to the Company

R = the final issue price per Consideration Share

Such cash compensation shall be paid by Anhui Transportation Holding Group to the Company within 30 business days after the date of approval by the Shareholders of the buy-back of the Compensation Shares in respect of the performance compensation for the relevant financial year or impairment compensation (as the case may be).

Maximum amount of compensation: The parties agree that the maximum amount of compensation to be made by Anhui Transportation Holding Group to the Company under the Compensation Agreement shall not exceed the Total Consideration of the Proposed Acquisition (being RMB3,666,003,900).

Other undertaking: In order to ensure that the compensation arrangements under the Compensation Agreement can be implemented, Anhui Transportation Holding Group has undertaken that, other than any arrangements to give effect to the lock-up undertakings given by it under the Acquisition Agreement, Anhui Transportation Holding Group shall not create any encumbrances, third party rights or other rights which may adversely affect the implementation of the compensation arrangement under the Compensation Agreement over the Consideration Shares (or any shares derived from the Consideration Shares as a result of bonus issue or conversion of share premium into share capital by the Company).

Effectiveness of the Compensation Agreement: The Compensation Agreement shall become effective upon the Acquisition Agreement becoming effective.

Amendment and termination of the Compensation Agreement: If any terms under the Acquisition Agreement which relates to the Compensation Agreement is amended, the terms of the Compensation Agreement shall be deemed to have been correspondingly amended.

The Compensation Agreement shall be automatically terminated if the Acquisition Agreement is terminated for any reason.

The Company will comply with the applicable disclosure requirements under Rule 14A.63 of the Listing Rules in the event that any performance guarantee as set out in the Compensation Agreement is not met.

Comparison of value of the Original Issue Price over the historical H Share prices

The Original Issue Price of RMB7.19 per Consideration Share represented:

(a) a premium of approximately 2.7% over the closing price of HK$7.91 per H Share as quoted on the Stock Exchange on 31 March 2023, being the last trading day prior to the Agreement of Intent Announcement;

(b) a premium of approximately 4.4% over the average closing price of HK$7.78 per H Share* based on the daily closing prices as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(c) a premium of approximately 8.9% over the average closing price of HK$7.46 per H Share* based on the daily closing prices as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;

(d) a premium of approximately 22.5% over the average closing price of HK$6.63 per H Share* based on the daily closing prices as quoted on the Stock Exchange for the 120 consecutive trading days immediately prior to and including the Last Trading Day; and

(e) a premium of approximately 13.2% over the closing price of HK$7.18 per H Share* as quoted on the Stock Exchange on the Latest Practicable Date.

* *Exchange rate of RMB: HK$ at 1.13, being the average exchange rate from 1 January 2023 to 30 June 2023 quoted from the People's Bank of China, was adopted in the calculation of the pricing comparison*

Comparison of value of the Original Issue Price over the historical A Share prices

The Original Issue Price of RMB7.19 per Consideration Share represented

(a) a discount of approximately 19.5% to the closing price of RMB8.93 per A Share as quoted on the Shanghai Stock Exchange on 31 March 2023, being the last trading day prior to the Agreement of Intent Announcement;

(b) a discount of approximately 19.0% to the average closing price of RMB8.88 per A Share^ based on the daily closing prices as quoted on the Shanghai Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(c) a discount of approximately 13.4% to the average closing price of RMB8.3 per A Share^ based on the daily closing prices as quoted on the Shanghai Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;

(d) a discount of approximately 6.1% to the average closing price of RMB7.66 per A Share^ based on the daily closing prices as quoted on the Shanghai Stock Exchange for the 120 consecutive trading days immediately prior to and including the Last Trading Day; and

(e) a discount of approximately 22.0% to the closing price of RMB9.22 per A Share as quoted on the Shanghai Stock Exchange on the Latest Practicable Date.

^ *Volume weighted average price as extracted from the announcement of the Company on the Shanghai Stock Exchange dated 18 April 2023 in relation to the Proposed Acquisition and the Proposed Non-Public Issuance of A Shares. Trading of the A Shares on the Shanghai Stock Exchange were suspended from 3 April 2023 to 17 April 2023 in connection with the Proposed Acquisition and the Proposed Non-Public Issuance of A Shares.*

Comparison of value of the Adjusted Issue Price over the historical H Share prices

The Adjusted Issue Price of RMB6.64 per Consideration Share represented:

(a) a discount of approximately 5.1% to the closing price of HK$7.91 per H Share* as quoted on the Stock Exchange on 31 March 2023, being the last trading day prior to the Agreement of Intent Announcement;

(b) a premium of approximately 2.8% over the closing price on an ex-dividend basis of HK$7.30 per H Share*# as quoted on the Stock Exchange on 31 March 2023, being the last trading day prior to the Agreement of Intent Announcement;

(c) a discount of approximately 3.6% to the average closing price of HK$7.78 per H Share* based on the daily closing prices as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(d) a premium of approximately 4.6% over the average closing price on an ex-dividend basis of HK$7.17 per H Share*# based on the daily closing prices as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(e) a premium of approximately 0.6% over the average closing price of HK$7.46 per H Share* based on the daily closing prices as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;

(f) a premium of approximately 9.4% over the average closing price on an ex-dividend basis of HK$6.86 per H Share*# based on the daily closing prices as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;

(g) a premium of approximately 13.2% over the average closing price of HK$6.63 per H Share* based on the daily closing prices as quoted on the Stock Exchange for the 120 consecutive trading days immediately prior to and including the Last Trading Day;

(h) a premium of approximately 24.6% over the average closing price on an ex-dividend basis of HK$6.02 per H Share*# based on the daily closing prices as quoted on the Stock Exchange for the 120 consecutive trading days immediately prior to and including the Last Trading Day;

(i) a premium of approximately 4.5% over the closing price of HK$7.18 per H Share* as quoted on the Stock Exchange on the Latest Practicable Date; and

(j) a premium of approximately 14.2% over the closing price of HK$6.57 per H Share*# on an ex-dividend basis as quoted on the Stock Exchange on the Latest Practicable Date.

* *Exchange rate of RMB: HK$ at 1.13, being the average exchange rate from 1 January 2023 to 30 June 2023 quoted from the People's Bank of China, was adopted in the calculation of the pricing comparison.*

\# *Presented on an ex-dividend basis by deducting the final dividend for the year ended 31 December 2022 of RMB0.55 per Share (equivalent to HK$0.6065 per share based on the average closing RMB/HK$ exchange rate of the People's Bank of China for the five business days prior to the date of declaration of payment of dividend) approved by the Shareholders.*

Comparison of value of the Adjusted Issue Price over historical A Share prices

The Adjusted Issue Price of RMB6.64 per Consideration Share represented:

(a) a discount of approximately 25.6% to the closing price of RMB8.93 per A Share as quoted on the Shanghai Stock Exchange on 31 March 2023, being the last trading day prior to the Agreement of Intent Announcement;

(b) a discount of approximately 20.8% to the closing price on an ex-dividend basis of RMB8.38 per A Share[#] as quoted on the Shanghai Stock Exchange on 31 March 2023, being the last trading day prior to the Agreement of Intent Announcement;

(c) a discount of approximately 25.2% to the average closing price of RMB8.88 per A Share^ based on the daily closing prices as quoted on the Shanghai Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(d) a discount of approximately 20.3% to the average closing price on an ex-dividend basis of RMB8.33 per A Share[^#] based on the daily closing prices as quoted on the Shanghai Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;

(e) a discount of approximately 20.0% to the average closing price of RMB8.3 per A Share^ based on the daily closing prices as quoted on the Shanghai Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;

(f) a discount of approximately 14.3% to the average closing price on an ex-dividend basis of RMB7.75 per A Share[^#] based on the daily closing prices as quoted on the Shanghai Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;

(g) a discount of approximately 13.3% to the average closing price of RMB7.66 per A Share^ based on the daily closing prices as quoted on the Shanghai Stock Exchange for the 120 consecutive trading days immediately prior to and including the Last Trading Day;

(h) a discount of approximately 6.6% to the average closing price on an ex-dividend basis of RMB7.11 per A Share[^#] based on the daily closing prices as quoted on the Shanghai Stock Exchange for the 120 consecutive trading days immediately prior to and including the Last Trading Day;

(i) a discount of approximately 28.0% to the closing price of RMB9.22 per A Share as quoted on the Shanghai Stock Exchange on the Latest Practicable Date; and

(j) a discount of approximately 23.4% to the closing price of RMB8.67 per A Share# on an ex-dividend basis as quoted on the Shanghai Stock Exchange on the Latest Practicable Date.

^ *Volume weighted average price as extracted from the announcement of the Company on the Shanghai Stock Exchange dated 18 April 2023 in relation to the Proposed Acquisition and the Proposed Non-Public Issuance of A Share. Trading of the A Shares on the Shanghai Stock Exchange were suspended from 3 April 2023 to 17 April 2023 in connection with the Proposed Acquisition and the Proposed Non-Public Issuance of A Shares.*

Presented on an ex-dividend basis by deducting the final dividend for the year ended 31 December 2022 of RMB0.55 per Share (equivalent to HK$0.6065 per share based on the average closing RMB/HK$ exchange rate of the People's Bank of China for the five business days prior to the date of declaration of payment of dividend) approved by the Shareholders.

3. Profit Forecasts

As set out in the Update Announcement, as the appraised values of the Target Assets were determined primarily based on the income approach, which involved the calculation of discounted future estimated cash flows, the aforementioned valuation of the Target Assets and the appraised value of the Target Assets based on the income approach constitute profit forecasts (the "**Target Company Profit Forecasts**") under Rule 14.61 of the Listing Rules and Rules 10 and 11.1(a) of the Takeovers Code, and the Company is required to comply with Rules 14.62 and 14A.68(7) of the Listing Rules and Rules 10 and 11 of the Takeovers Code.

For the purpose of complying with the requirements under Rules 14.62 and 14A.68(7) of the Listing Rules and Rules 10 and 11 of the Takeovers Code, the Target Company Profit Forecasts have been reported on in accordance with the Listing Rules and the Takeovers Code by BOCOM International (Asia) Limited, the Financial Adviser, confirming that the Target Company Profit Forecasts have been made by the Directors after due care and consideration, and Ernst & Young, the auditor of the Company, reviewing the calculations of the discounted future estimated cash flows used in connection with the Target Company Profit Forecasts. Such reports from the Financial Adviser and Ernst & Young in respect of the Target Company Profit Forecasts have been set out in the Update Announcement and reproduced in this circular under Appendices VII and VIII respectively.

The principal assumptions upon which the valuation of the Target Assets was based are set out below:

Basic assumptions

(a) Transaction assumption. The transaction assumption is that all assets to be appraised are already the subject of a transaction, and China United will make estimation based on a simulated market according to (among others) the transaction conditions of assets to be appraised. Transaction assumption is a fundamental premise for asset valuation to be carried out.

(b) Open market assumption. The open market assumption is that the parties to a transaction are on an equal footing with each other and have access to sufficient market information and time to make a rational judgment on the function and use of the assets and their transaction price. The open market assumption is based on the assumption that assets may be publicly traded in the market.

(c) Going concern assumption. The going-concern assumption refers to such an assumption that, the subject assets will continue to be used as per its current purpose and the manner, scale, frequency and environment of use, or continue to be used on the basis of certain change therein, and China United determines the method, parameters and basis for appraisal accordingly.

Specific assumptions

(a) There will be no significant changes in the current macro-economic situation and financial and industrial policies in the PRC.

(b) There are no significant changes in the socio-economic environment in which the Target Company operates, and there are no significant changes in the policies on taxation, tax rates, and adjustment of taxable income implemented in the future operation period.

(c) The management of the Target Company will perform its duty conscientiously in the future operating period and continue to maintain the existing business management model as at the Valuation Benchmark Date.

(d) In view of the frequent changes or significant changes in the production and operation process of the enterprise's monetary funds or its bank deposits, interest income generated from the deposits and other uncertain gains and losses (such as exchange gains or losses) were not considered in the valuation.

(e) This valuation assumes that the underlying information and financial information provided by the Company, Anhui Transportation Holding Group and the Target Company are true, accurate and complete.

(f) This valuation assumes that the operational assets and operational liabilities as set out in the financial information of the Target Company is complete, and the operating results as set out in the financial information of the Target Company is correct and accurate.

(g) The scope of the valuation is based on the valuation return provided by the Target Company. Contingent assets and contingent liabilities that may exist outside the list provided by the Target Company have not been considered.

(h) The parameters measured in this valuation have not taken into account the impact of inflation.

(i) There are no force majeure and unforeseen factors that would have a material adverse impact on the Target Company.

(j) It is assumed that the cash inflow from the income obtained by the Target Company subsequent to the Valuation Benchmark Date inflow evenly and cash outflow of the Target Company subsequent to the Valuation Benchmark Date outflow evenly.

(k) This valuation assumed that there are no material changes in the transportation industry policies, pricing principles and market conditions during the concession period of the Liuwu Expressway.

(l) This valuation assumed the discount policy for ETC users (which are provided by all expressways within the Anhui province) will continue.

(m) During the forecast period, the effective charging rate for passenger cars utilising the Liuwu Expressway is 95.5% and effective charging rate for trucks utilising the Liuwu Expressway is 91%.

(n) The office premises currently leased by the Liuwu Expressway are continuously leased for use.

(o) This valuation assumed that there is no unforeseen material expansion or reconstruction of the connecting highways of Liuwu Expressway during the concession period, and there are no factors leading to material diversion impact from the Liuwu Expressway (such as any unforeseen new construction of expressway outside of the current planning by the PRC government).

(p) This valuation assumed that there is no unforeseen material capital expenditure as a result of any material expansion or reconstruction.

China United has confirmed that nothing has come to its attention that the abovementioned assumptions will prove to be incorrect or invalid in respect of the Target Company. In addition, as the Valuation Benchmark Date is more than 3 months from the Latest Practicable Date, China United has issued a letter of confirmation confirming that there was no material change in the appraised value of the Target Assets as at 30 April 2023 as compared to that set out in the Asset Valuation Report. The letter of confirmation issued by China United is set out in Appendix VI of this circular. The letter from the Financial Adviser in respect of the qualification of China United is set out in Appendix VII to this circular.

In respect of the assumption as set out in paragraph (k) above, as at the Latest Practicable Date, the Company is not aware of any material change in the transportation industry policies and pricing principles that would affect the operations of the Target Company.

In respect of the assumption as set out in paragraph (m) above, pursuant to the "Notice on Promoting the Development and Application of Expressway ETC" (《關於大力推動高速公路 ETC 發展應用工作的通知》), with effect from 1 July 2019, vehicles using electronic payment cards will be entitled to 5% discount on toll on expressways within the Anhui province. Furthermore, pursuant to the "Implementation Plan of Preferential Toll Rate in Anhui Province" (《安徽省高速公路差異化收費實施方案》), trucks with Anhui electronic payment cards will be entitled to 15% discount on toll rate from 1 January 2021 to 31 December 2023. Therefore, the effective charging rate for passenger cars and trucks utilising the Liuwu Expressway will be affected by the percentage of users utilising electronic payment cards. Given the nationwide effort to promote the usage of electronic payment cards in the PRC since 2019, the usage of electronic payment cards have significantly increased. It is also expected that the usage of electronic payment cards will further increase in the future given the increase in functions of electronic payment cards, although at a less significant rate. Therefore, taking into account the expected rate of usage of electronic payment cards and assuming such discount policy for electronic payment cards will continue, the Board considers that the assumption as set out in paragraph (m) above is fair and reasonable.

4. Information on the Target Company

As at the Latest Practicable Date, the Target Company is a wholly-owned subsidiary of Anhui Transportation Holding Group. The audited total asset value and net asset value of the Target Company (i) as at 31 December 2022 prepared under the Hong Kong Financial Reporting Standards were RMB2,762.23 million and RMB2,737.51 million respectively; and (ii) as at 28 February 2023 prepared under the Hong Kong Financial Reporting Standards were RMB2,807.79 million and RMB2,785.27 million respectively.

Upon completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group.

The Target Company is a limited liability company established in the PRC on 15 December 2022. The Target Company is principally engaged in the investment, operation and management of the Liuwu Expressway in Anhui Province in the PRC. The assets and liabilities of Liuwu Expressway (including its toll collection rights, but excluding the service areas and the gas stations along the Liuwu Expressway) were transferred to the Target Company by the Anhui Transportation Holding Group pursuant to a gratuitous transfer ("**Business Transfer**"). Such gratuitous transfer was made with reference to a benchmark date of 30 September 2022, after which any profit or loss generated by the Liuwu Expressway shall be borne by the Target Company. As at the Latest Practicable Date, such gratuitous transfer from the Anhui Transportation Holding Group to the Target Company has been completed.

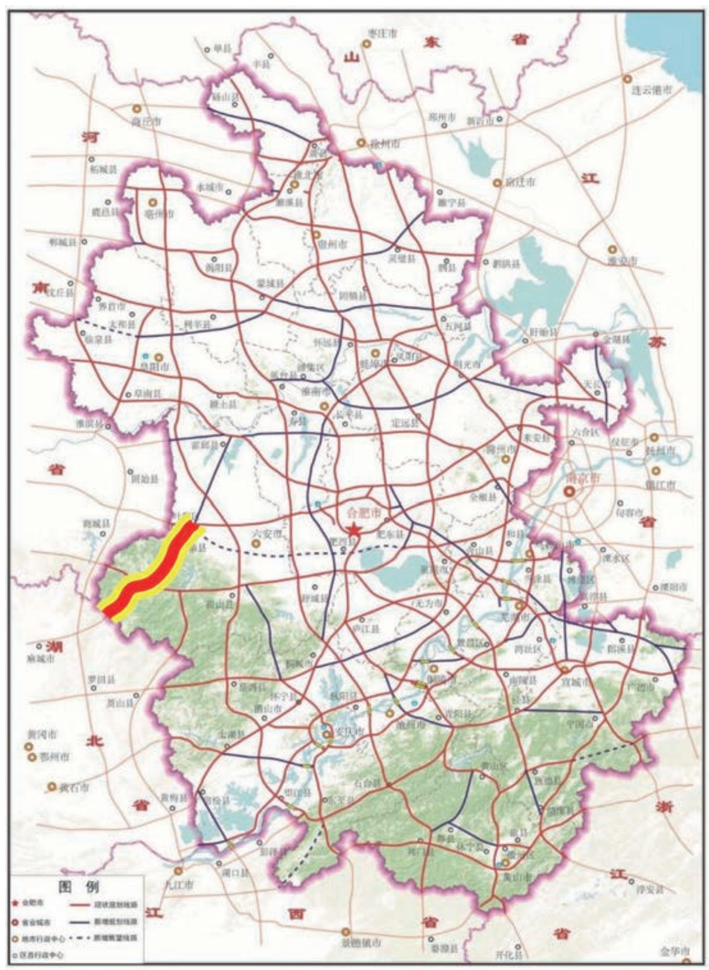
The audited financial information of the Target Company for the two financial years ended 31 December 2021 and 2022, prepared in accordance with the Hong Kong Financial Reporting Standards, were as follows:

	For the year ended 31 December 2021 (audited) *RMB million*	**For the year ended 31 December 2022 (audited)** *RMB million*
Net profit before taxation	344.83	289.76
Net profit after taxation	258.62	217.31

The Target Company currently owns the concession rights of the Liuwu Expressway. Liuwu Expressway opened on 28 December 2009. It starts from Dagudian (大顧店) of Yeji District, Liu'an City (六安市葉集區), joining the Heliuye Expressway (合六葉高速公路), passing through several towns of Yaoli Town (姚李鎮) in Yeji District, Liu'an City (六安市葉集區), as well as Baitafan (白塔畈), Meishan (梅山), Huaishuwan (槐樹灣), Gubei (古碑), Nanxi (南溪) and Banzhuyuan (斑竹園) in Jinzhai County (金寨縣) from northeast to southwest, and ending at Changling pass (長嶺關) at the junction of Anhui and Hubei provinces. The Liuwu Expressway connects to the Hubei section of the Liuan-Wuhan Expressway (六安至武漢高速公路湖北段). The total chargeable mileage of the Liuwu Expressway is 92.7 kilometers. Liuwu Expressway is designed as a two-way four-lane expressway.

The Liuwu Expressway is an important part of the Shanghai-Chengdu Expressway (滬蓉高速公路). The Shanghai-Chengdu Expressway connects the eastern part to the western part of China, starting from Shanghai and extending to Chengdu, Sichuan through the Jiangsu, Anhui, Hubei provinces and Chongqing, many of which are cities which are ranked top 10 in terms of GDP in China. The Liuwu Expressway, as an important part of the Shanghai-Chengdu Expressway, plays a pivotal role in the strengthening of the integration of the regional transportation, improvement and upgrading of the expansion of the neighbouring cities, and the improvement of the regional socio-economic development.

For reference, a map showing the location of the Liuwu Expressway is depicted below:



Further information of the Liuwu Expressway is set out below:

Total chargeable mileage: 92.7 kilometres

Design Speed: 100 kilometre/hour

Concession Period: 28 December 2009 to 27 December 2039

Toll Rates: please refer to the tables below.

Passenger vehicle

Category	Vehicle type	Authorised seat capacity	Toll rate *(RMB/kilometre)*
Category 1	Micro and small	9 or less	0.45
Category 2	Medium	10 to 19	0.80
	Passenger trailer	–	
Category 3	Large	39 or less	1.10
Category 4		40 or more	1.30

Goods vehicles and specialised vehicles

Category	Vehicle classification (JT/T489–2019)	Toll rate *(RMB/kilometre)*
Category 1	2 axles with vehicle length less than 6,000mm and maximum permissible gross vehicle mass less than 4,500kg	0.45
Category 2	2 axles, with vehicle length not less than 6,000 mm or maximum permissible gross vehicle mass not less than 4,500kg	0.90
Category 3	3 axles	1.35
Category 4	4 axles	1.70
Category 5	5 axles	1.85
Category 6	6 axles	2.20

For trucks with more than six axles: based on the charging standard for Category 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 toll rate shall be calculated in accordance with the toll rate for goods vehicle with 10 axles.

Additional toll rate for large bridges and tunnels

	Vehicle classification (JT/T489-2019)			
Category	**Private vehicle**	**Authorised seat capacity**	**Goods vehicle**	**Toll rate** *(RMB/vehicle)*
Category 1	Micro and small	9 or less	2 axles with vehicle length less than 6,000mm and maximum permissible gross mass less than 4,500kg	10
Category 2	Medium Passenger car	10 to 19 –	2 axles, with vehicle length not less than 6,000 mm or maximum permissible gross mass not less than 4,500kg	15
Category 3	Large	39 or less	3 axles	20
Category 4	–	40 or more	4 axles	25
Category 5	–	–	5 axles	30
Category 6	–	–	6 axles	30

For the toll rate for goods vehicle of category 5 or above, the additional toll rate shall be calculated in accordance with the toll rate for category 5 vehicles.

The toll rates of the Liuwu Expressway are subject to the approval of provincial people's government of the PRC. The toll rates of the Liuwu 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 goods vehicles).

Please refer to Appendix II to this circular for the accountants' report on the Target Company for the three financial years ended 31 December 2020, 2021 and 2022 and the two months ended 28 February 2023, and Appendix IX for a summary of the traffic study report in respect of the Liuwu Expressway issued by the PRC Qualified Traffic Consultant.

Qualification of the PRC Qualified Traffic Consultant

The PRC Qualified Traffic Consultant 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 across the PRC. The PRC Qualified Traffic Consultant 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.

The PRC Qualified Traffic Consultant has many years of experiences acting as traffic consultant, and is led by Mr. Pan Guoqing of the PRC Qualified Traffic Consultant 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. The PRC Qualified Traffic Consultant has also completed over 15 traffic consulting projects including experiences in traffic volume and toll revenue projection in the past three years.

Taking into account the above qualification and experiences of the PRC Qualified Traffic Consultant, the Directors believe that the PRC Qualified Traffic Consultant is suitable and competent for the purposes of preparing the traffic study report in respect of the Anhui section of the Liuwu Expressway.

Basis of preparation of the traffic study report

The Directors note that the traffic study report in respect of the Anhui section of the Liuwu Expressway is prepared by the PRC Qualified Traffic Consultant using the four-stage approach taking into account (amongst others) the historical traffic volume data in the region nearby to the Anhui section of the Liuwu Expressway, the projected socio-economic environment in the relevant region and the transportation infrastructure planning in the relevant region as announced by the relevant PRC local governments. In respect of the adoption of the four-stage approach, forecast approaches of traffic volume of expressway generally include quantitative approach, qualitative approach and a combination of quantitative and qualitative approach, and the four-stage approach is a combination of quantitative and qualitative approach. The Directors, having consulted with the PRC

Qualified Traffic Consultant, consider that the four-stage approach is an appropriate method for the preparation of the traffic volume forecast for the Liuwu Expressway as (i) the four-stage approach is commonly adopted for traffic volume forecasts within and outside of the PRC; (ii) the four-stage approach is a relatively well-developed forecast approach and is comprehensive in that both qualitative and quantitative factors will be taking into account in the preparation of the traffic volume forecast and (iii) the adoption of the four-stage approach is consistent with the guidance under the Codes for Compilation of Feasibility Study Report on Highway Construction Projects (Jiao Gui Hua Fa [2010] No. 178) of the PRC, which states that traffic volume forecasts of road assets should generally adopt a four-stage approach based on an origin-destination matrix. In addition, as advised by the PRC Qualified Traffic Consultant, similar bases and assumptions and the four-stage approach have been employed in traffic study report of similar nature within the PRC, and accordingly, the Directors are satisfied that the basis and assumptions used in the preparation of the traffic study report in respect of the Anhui section of the Liuwu Expressway are fair and reasonable.

5. Information on the parties to the Proposed Acquisition

Information on 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 Hong Kong Stock Exchange, and the A Shares of which are listed on the Shanghai Stock Exchange in the PRC. The Company is principally engaged in the holding, investment, construction, development, operation and management of toll expressways and highways within Anhui Province.

Information on 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 transportation, investment and asset management, as well as real estate and construction. Anhui Transportation Holding Group is owned as to 100% by the State-owned Assets Supervision and Administration Commission of Anhui Province.

III. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS

On 17 April 2023, the Board has approved the Proposed Non-public Issuance of A Shares to raise ancillary funds after completion of the Proposed Acquisition. On 20 June 2023, the Board has approved the additional terms of the Proposed Non-public Issuance of A Shares to raise ancillary funds after the determination of the final consideration for the Proposed Acquisition. The total amount of ancillary funds to be raised under the Proposed Non-public Issuance of A Shares shall be not more than RMB1,466,401,560, which does not exceed 40% of the final Total Consideration for the Proposed Acquisition, and the number of A Shares to be issued shall not exceed 30% of the total issued share capital of the Company prior to completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares.

The Proposed Non-public Issuance of A Shares is subject to the approval of the Shanghai Stock Exchange and registration by CSRC and completion of the Proposed Acquisition, but the Proposed Acquisition is not conditional on completion of the Proposed Non-public Issuance of A Shares.

1. Details of the Proposed Non-public Issuance of A Shares

The details of the Proposed Non-public Issuance of A Shares are set out below:

Class and par value of Shares to be issued: A Shares with a nominal value of RMB1.00 each.

Target subscribers: The Proposed Non-public Issuance of A Shares will be carried out by way of non-public issue of A Shares to not more than 35 specific target subscribers. Such specific target subscribers may include, but not limited to, any securities investment fund management company, securities firm, financial services company, asset management company, insurance company, other legal person or natural person investors in the PRC. Any securities investment fund management company, securities firm or qualified investors participating in the Proposed Non-public Issuance of A Shares through two or more portfolio funds will be regarded as one target subscriber.

As at the Latest Practicable Date, the Company has not entered into any agreement with any potential subscribers in respect of the Proposed Non-public Issuance of A Shares, nor has the Company received any persons' indication to participate in the Proposed Non-public Issuance of A Shares.

Number of A Shares to be issued and amount of funds to be raised:

The total amount of ancillary funds to be raised under the Proposed Non-public Issuance of A Shares shall be not more than RMB1,466,401,560, which does not exceed 40% of the final Total Consideration for the Proposed Acquisition, and the number of A Shares to be issued shall not exceed 30% of the total issued share capital of the Company prior to completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares.

The number of A Shares to be issued under the Proposed Non-public Issuance of A Shares will be:

(i) calculated by dividing the total amount of ancillary funds raised by the issue price to be determined according to the paragraph headed "Price Determination Date, pricing principles and issue price" (rounded down to the nearest share); and

(ii) adjusted if there occurs any ex-right or ex-dividend event (such as distribution of cash dividend, bonus issue, rights issues, allotment of shares, conversion of share premium into share capital or capitalisation issues) between the Price Determination Date and the date of issuance of the A Shares under the Proposed Non-public Issuance of A Shares in accordance with the applicable PRC laws and regulations.

Price Determination Date, pricing principles and issue price:

Subject to satisfaction of the conditions precedent of the Proposed Non-public Issuance of A Shares as further detailed below and after completion of the Proposed Acquisition, the Company shall determine to commence the Proposed Non-public Issuance of A Shares taking into account the proposal for use of proceeds and market conditions and the Offering Period of the Proposed Non-public Issuance of A Shares shall commence accordingly. The Proposed Non-public Issuance of A Shares will be conducted by way of a price inquiry process conducted in accordance with the requirements under the Administrative Measures for the Registration of Securities Issuance by Listed Companies (《上市公司證券發行註冊管理辦法》), which involves the issuance of invitation for subscription to eligible specific target subscribers after obtaining approval and registration documents from the Shanghai Stock Exchange and the CSRC. The Price Determination Date shall be the first date of the Offering Period.

The issue price shall not be lower than the Non-public Issuance Benchmark Price, being (i) 80% of the Average Trading Price; or (ii) the Floor Price (being the latest audited net asset value per Share of the Company before Price Determination Date, subject to adjustments due to ex-rights or ex-dividends event of the Company (such as distribution of cash dividend, bonus issue, rights issues, allotment of shares, conversion of share premium into share capital or capitalisation issues) during the period between the date in respect of which the last audited consolidated balance sheet of the Company was prepared and the Price Determination Date), whichever is higher.

According to the annual results announcement of the Company for the year ended 31 December 2022 published on the Shanghai Stock Exchange, the audited net asset per Share attributable to the Shareholders of the Company prepared in accordance with China Accounting Standards for Business Enterprises, the audited net asset per Share of the Company as at 31 December 2022 was approximately RMB6.6396 (after taking into account the final dividend for the year ended 31 December 2022 of RMB0.55 per Share approved by the Shareholders).

The final issue price will be determined by negotiations between the Board and its authorized person(s) with the authorization by the Shareholders at the EGM and the PRC independent financial adviser (the lead underwriter) based on the price inquiry results in accordance with the relevant PRC laws and regulations.

The specific time of issuance of the Proposed Non-public Issuance of A Shares shall be determined by the Company and the PRC independent financial adviser (the lead underwriter) taking into account the proposal for use of proceeds and market conditions.

The Non-public Issuance Benchmark Price will be adjusted if there occurs any ex-right or ex-dividend event (such as distribution of cash dividend, bonus issue, rights issues, allotment of shares, conversion of share premium into share capital or capitalisation issues) between the Price Determination Date and the date of issuance of the Proposed Non-public Issuance of A Shares in accordance with the applicable PRC laws and regulations.

All the target subscribers will subscribe for the A Shares under the Proposed Non-public Issuance of A Shares at the same issue price in cash.

Conditions precedent of the Proposed Non-public Issuance of A Shares:

The Proposed Non-public Issuance of A Shares is conditional upon:

(i) completion of the Proposed Acquisition;

(ii) the approval of the Proposed Non-public Issuance of A Shares by the Board and the Non-public Issuance Independent Shareholders at the EGM and (if applicable) the Class Meetings;

(iii) the approval of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares by the competent state-owned assets supervision and administrative authorities or its authorised entities;

(iv) the approval of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares by the Shanghai Stock Exchange and the registration of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares by the CSRC; and

(v) the obtaining of any other necessary approval and/or filings in respect of the Proposed Non-public Issuance of A Shares from any applicable regulatory authorities.

None of the conditions above may be waived by any party to the Proposed Non-public Issuance of A Shares and therefore, if any of the conditions above is not satisfied, the Company will not proceed with the Proposed Non-public Issuance of A Shares.

The condition precedent set out in paragraph (ii) (in respect of approval by the Board only) above has been fulfilled as at the Latest Practicable Date.

In respect of the condition set out in paragraph (v) above, as at the Latest Practicable Date, the Company is not aware of any other approval and/or filings which are required to be obtained by it in respect of the Proposed Non-public Issuance of A Shares.

Lock-up period: All target subscribers shall not transfer the A Shares subscribed under the Proposed Non-public Issuance of A Shares within six months from the date of completion of the Proposed Non-public Issuance of A Shares, provided that if any applicable regulatory authorities of the PRC require a lock-up period of different length to be imposed, the lock-up period shall be the one as required by such regulatory authorities.

The lock-up undertaking shall also be applicable to any additional A Shares received by the target subscribers in respect of the relevant A Shares subscribed under the Proposed Non-public Issuance of A Shares as a result of bonus issues, conversion of share premium into share capital, capitalization issues and/or rights issue of the Company after completion of the Proposed Non-public Issuance of A Shares.

Place of listing of the A Shares to be issued: The A Shares to be issued under the Proposed Non-public Issuance of A Shares will be listed and traded on the Shanghai Stock Exchange.

Use of proceeds: The gross proceeds to be raised from the Proposed Non-public Issuance of A Shares will be not more than RMB1,466,401,560 and are intended to be used in the following manner:

Use of proceeds	**Intended allocation of proceeds** *(RMB)*	**Intended percentage of net proceeds from the Proposed Non-public Issuance of A Shares allocated for such purposes** *(%)*
Refinance the Cash Consideration for the Proposed Acquisition	549,900,585	37.50
Replenish the working capital of the Group and repay the debts of the Group *(Note)*	916,500,975	62.50
Total	1,466,401,560	100.00

Note: among the 62.50% proceeds allocated for this purpose, the Company currently intends that not more than 10% of the proceeds from the Proposed Non-public Issuance of A Shares will be used for replenishing working capital of the Group.

The Proposed Acquisition is not conditional upon completion of the Proposed Non-public Issuance of A Shares. The result of the Proposed Non-public Issuance of A Shares shall not affect completion of the Proposed Acquisition.

If the Proposed Non-public Issuance of A Shares does not proceed or the actual proceeds to be raised from the Proposed Non-public Issuance of A Shares are less than the proposed use of proceeds, the Company will make up for the shortfall by utilizing its internal resources or other means of financing. The Company may make appropriate adjustments as to the order of priority, allocation amount and methods in respect of the proposed use of proceeds based on the net proceeds actually raised.

Specific mandate to issue A Shares: The Company will issue the A Shares under the Proposed Non-public Issuance of A Shares pursuant to the Non-public Issuance Specific Mandate to be sought from the Non-public Issuance Independent Shareholders at the EGM and (if applicable) the Class Meetings.

Distribution of profit: Upon completion of the Proposed Non-public Issuance of A Shares, the existing Shareholders and the holders of the new A Shares to be issued under the Proposed Non-public Issuance of A Shares will be entitled to share the Company's cumulative undistributed profits prior to completion of the Proposed Non-public Issuance of A Shares based on their respective proportion of shareholding and have the same right to distributions or dividends.

Rights of the A Shares to be issued: The A Shares to be issued under the Proposed Non-public Issuance of A Shares, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the A Shares in issue at the time of the issuance of such A Shares.

The Company will adjust the terms and conditions of the Proposed Non-public Issuance of A Shares in accordance with the latest requirements under the applicable PRC laws and regulations in the event of any inconsistency.

V. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the total issued share capital of the Company is 1,658,610,000 Shares, which comprises 1,165,600,000 A Shares and 493,010,000 H Shares.

For illustration purpose, set out below is the shareholding structure of the Company:

(i) as at the Latest Practicable Date;

(ii) immediately after completion of the Proposed Acquisition (on the basis that the Total Consideration to be settled by way of issuance of Consideration Shares is RMB3,116,103,315, and assuming that (a) there will not be any further adjustments to the issue price of the Consideration Shares of RMB6.64 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement)); and

(iii) immediately after completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares (assuming that (a) the total amount of ancillary funds to be raised under the Proposed Non-public Issuance of A Shares is RMB1,466,401,560; (b) there will not be any further adjustments to the issue price of the Consideration Shares of RMB6.64 per Consideration Share; (c) the issue price of the Proposed Non-public Issuance of A Shares is the same as the issue price of the Consideration Shares; (d) the subscribers of the Proposed Non-public Issuance of A Shares are and remain as public Shareholders of the Company; and (e) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement) and under the Proposed Non-public Issuance of A Shares):

		Shareholding as at the Latest Practicable Date			Shareholding immediately after completion of the Proposed Acquisition			Shareholding immediately after completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares		
Name of Shareholder	Class of Shares	Number of Shares	Approximate percentage of the issued Share capital of the relevant class	Approximate percentage of the total issued share capital	Number of Shares	Approximate percentage of the issued Share capital of the relevant class	Approximate percentage of the total issued share capital	Number of Shares	Approximate percentage of the issued Share capital of the relevant class	Approximate percentage of the total issued share capital
			(%)	*(%)*		*(%)*	*(%)*		*(%)*	*(%)*
Anhui Transportation Holding Group	A	524,644,220	45.01	31.63	993,936,887	60.80	46.71	993,936,887	53.56	42.32
China Merchants Highway Network Technology Holding Company Limited *(Note 1)*	A	404,191,501	34.68	24.37	404,191,501	24.72	18.99	404,191,501	21.78	17.21
	H	92,396,000	18.74	5.57	92,396,000	18.74	4.34	92,396,000	18.74	3.93

		Shareholding as at the Latest Practicable Date			Shareholding immediately after completion of the Proposed Acquisition			Shareholding immediately after completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares		
Name of Shareholder	Class of Shares	Number of Shares	Approximate percentage of the issued Share capital of the relevant class (%)	Approximate percentage of the total issued share capital (%)	Number of Shares	Approximate percentage of the issued Share capital of the relevant class (%)	Approximate percentage of the total issued share capital (%)	Number of Shares	Approximate percentage of the issued Share capital of the relevant class (%)	Approximate percentage of the total issued share capital (%)
Anhui Transportation Holding Group and its concert parties	**A**	**928,835,721**	**79.69**	**56.00**	**1,398,128,388**	**85.52**	**65.70**	**1,398,128,388**	**75.34**	**59.53**
	H	**92,396,000**	**18.74**	**5.57**	**92,396,000**	**18.74**	**4.34**	**92,396,000**	**18.74**	**3.93**
	Total A and H	**1,021,231,721**	**-**	**61.57**	**1,490,524,388**	**-**	**70.05**	**1,490,524,388**	**-**	**63.46**
Public A Shareholders	A	236,764,279	20.31	14.27	236,764,279	14.48	11.13	457,607,887	24.66	19.48
Public H Shareholders	H	400,614,000	81.26	24.15	400,614,000	81.26	18.83	400,614,000	81.26	17.06
Total		**1,658,610,000**	**100.00**	**100.00**	**2,127,902,667**	**100.00**	**100.00**	**2,348,746,275**	**100.00**	**100.00**

Notes:

1. China Merchants Highway Network Technology Holding Company Limited is presumed to be acting in concert with Anhui Transportation Holding Group in respect of the Company under class (1) of the definition of "acting in concert" under the Takeovers Code.

2. The approximate percentage figures are rounded to the nearest two decimal places and therefore, may not add up to 100% due to rounding.

The Company will ensure the compliance with the applicable public float requirement under the Listing Rules upon the completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, and will scale down the number of A Shares to be issued under the Proposed Non-public Issuance of A Shares as appropriate, if and to the extent such issuance will result in non-compliance of the applicable public float requirement under the Listing Rules.

VI. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising exercises during the 12 months immediately preceding the Latest Practicable Date.

VII. FINANCIAL EFFECTS OF PROPOSED ACQUISITION

Upon completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the results and assets and liabilities of the Target Company will be consolidated to the financial statements of the Group.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, for illustration purpose only:

(i) the total assets of the Group as at 31 December 2022 would have increased by approximately RMB2,257,973,000, from approximately RMB21,345,566,000 to approximately RMB23,603,539,000, assuming Completion had taken place on 31 December 2022; and

(ii) the total liabilities of the Group as at 31 December 2022 would have increased by approximately RMB38,567,000, from approximately RMB7,808,394,000 to approximately RMB7,846,961,000, assuming Completion had taken place on 31 December 2022.

For further details of the financial effects of the Proposed Acquisition as described above, please refer to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular.

VIII. REASONS FOR AND BENEFITS OF PROPOSED ACQUISITION AND PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

Proposed Acquisition

Through the Proposed Acquisition, the Company will acquire Liuwu Expressway as part of the assets of the Target Company, which will increase the Company's holding in highway projects. As at 31 December 2022, the chargeable mileage of the operating highway owned by the Company amounted to approximately 609 kilometres, with decreasing toll collection period remaining on these road assets. Upon the completion of the Proposed Acquisition, the chargeable mileage of the Company's road asset will further increase by 92.71 kilometres. In addition, Liuwu Expressway has a remaining toll collection period of approximately 16.75 years. The Proposed Acquisition will therefore extend the chargeable mileage of operating highway owned by the Company and the average toll collection period of the Company's road assets, and further expand the portfolio of the Company's assets.

As the existing road assets of the Company gradually reach their maturity, it is important for the Company to actively identify and acquire high quality road assets to expand the Company's portfolio of road assets. The Proposed Acquisition will help the Company to further strengthen and expand its main business by forming an extended network of roads, optimizing the provincial allocation of the existing road property portfolio, increasing the Company's ability and competitiveness in optimizing its asset structure. In particular, given that the Company's road assets are situated in the Anhui Province, the acquisition of Liuwu Expressway in the Anhui Province will allow the Company to integrate an additional high quality road asset within the Anhui Province, and in turn facilitate the Company to realise economies of scale and synergies between its existing road assets. The Proposed Acquisition also indicates the support from Anhui Transportation Holding Group for the Company's long term and sustainable development. Therefore, the Proposed Acquisition is of strategic importance in enhancing the overall competitiveness, operational capability and dividend distribution capability of the Company and in strengthening its capability in sustainable development.

As of 31 March 2023, the remaining concession periods and its revenue contribution for the year ended 31 December 2022 of the expressways operated by the Company are set out as follows:

	Remaining concession period *(years)*	**Toll income** *(Note 1)*	**Toll income contribution** *(%)*
Hening Expressway	8.38	1,197,057	31.6%
Gaojie Expressway	6.51	926,406	24.5%
Xuanguang Expressway	5.32	544,333	14.4%
Lianhuo Expressway	9.26	254,062	6.7%
Guangci Expressway	6.31	117,258	3.1%
Ninghuai Expressway – Tianchang Section	9.22	113,021	3.0%
New Tianchang Section of National Trunk 205	3.76	71,583	1.9%
Anqing Yangtze River Expressway Bridge	10.75	336,807	8.9%
Yuewu Expressway	22.77	133,370	3.5%
Ningxuanhang Expressway *(Note 2)*	Ranges from 20.45 to 24.76	94,124	2.5%
Total	**–**	**3,788,021**	**100.0%**

Note 1: As extracted from the Company's annual report for the year ended 31 December 2022

Note 2: Ningxuanhang Expressway (Anhui Section) is made up of three sections namely: Xuancheng to Ningguo section, Ningguo to Qianqiuguan section and Liqiao to Xuancheng section with approximately 20.45 years, 22.73 years and 24.76 years of remaining operation term, respectively

Note 3: Certain percentage figures included in this table have been subject to rounding adjustments. Figures shown as total may not be an arithmetic aggregation of the figures preceding them.

For the year ended 31 December 2022, approximately 85.2% of the Group's toll income are derived from the expressways with less than 10 years remaining concession period including Hening Expressway, Gaojie Expressway, Xuanguang Expressway and Lianhuo Expressway. The Proposed Acquisition of Liuwu Expressway with remaining concession period of approximately 16.75 years (i.e. until 27 December 2039) will extend the average toll collection period of the toll road assets operated by the Company, create a road network effect and effectively enhance the Company's sustainable development capabilities and the profit generation abilities.

The Original Issue Price is determined with reference to and in compliance with Article 45 of the Measures for the Administration of Material Asset Restructuring of Listed Companies (《上市公司重大資產重組辦法》), which requires that the issue price shall not be lower than 80% of the average trading prices of the A Shares for the 20, 60 or 120 trading days prior to the Pricing Benchmark Date (being RMB7.10, RMB6.64 and RMB6.13 respectively). Taking into account (i) the reasons and benefit for the Company in entering into the Proposed Acquisition as outlined above; (ii) the minimal dilution impact to the Shareholders in terms of the net assets value per Share considering the Original Issue Price of RMB7.19 to be at par with the net assets value per Share of the Company attributable to the Shareholders of approximately RMB7.2097 as at 31 December 2022 (under Hong Kong Financial Reporting Standards) and approximately RMB7.1896 (under Generally Accepted Accounting Principles of the PRC); (iii) the issue of Consideration Shares would reduce the cash outflow of the Group as a result of the Proposed Acquisition and to allow the Group to maintain sufficient cash resources to enhance the capabilities of future dividend distribution to the Shareholders; (iv) the Consideration Shares issued to Anhui Transportation Holding Group will be subject to lock-up restrictions as outlined in the paragraph "1. Acquisition Agreement (as supplemented by the Supplemental Agreement) – Lock-up period" above; and (v) the Proposed Acquisition indicates the support of Anhui Transportation Holding Group in the long-term development of the Group and improvement of the Group's operational capability and the issue of Consideration Shares would further align Anhui Transportation Holding Group's interests with the performance of the Group, the Directors are of the view that the issue price of the Consideration Shares are in the interests of the Shareholders.

With respect to the H Shareholders, the Original Issue Price represented a premium of approximately 4.4%, 8.9% and 22.5% over the average closing prices of the 20, 60 and 120 consecutive trading days of the H Share up to and including the Last Trading Day, respectively.

On the other hand, the Adjusted Issue Price is determined in accordance with the adjustment formula in the event of distribution of cash dividends as set out in the paragraph headed "II. Major and Connected Transaction – Proposed Acquisition – Issue of Consideration Shares" above, taking into account the final dividend of RMB0.55 per Share for the year ended 31 December 2022. The adjustment to the Original Issue Price is made to reflect the reduction to the trading price of the Share as a result of the dividend payment being made. The Adjusted Issue Price is at par with the net assets value per Share of the Company attributable to the Shareholders as at 31 December 2022 after deducting the final dividend for the year ended 31 December 2022 of RMB0.55 per Share, being approximately RMB6.6597 (based on the net assets value per Share of the Company attributable to the Shareholders as at 31 December 2022 under Hong Kong Financial Reporting Standards of approximately RMB7.2097) or approximately RMB6.6396 (based on the net assets value per Share of the Company attributable to the Shareholders as at 31 December 2022 of approximately RMB7.1896 under Generally Accepted Accounting Principles of the PRC).

With respect to the H Shareholders, on an ex-dividend basis, the Adjusted Issue Price represented a premium of approximately 4.6%, 9.4% and 24.6% over the average closing prices of the 20, 60 and 120 consecutive trading days of the H Share up to and including the Last Trading Day, respectively.

In light of the aforesaid minimal dilution impact and the premium of Original Issue Price over the historical H Share prices, and the premium of the Adjusted Issue Price over the historical H Share prices on an ex-dividend basis, the Directors are of the view that the issuance of the Consideration Shares is in the interest of the H Shareholders.

The Directors (including the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular) are of the view that the settlement of the Total Consideration (i) as to 85% by allotment of issuance of the Consideration Shares and (ii) as to 15% by the payment of the Cash Consideration will preserve the cash flow of the Group and is therefore fair and reasonable. Based on the Company's first quarterly report for the three months ended 31 March 2023, the Company has cash and cash equivalents of approximately RMB2.96 billion (under the Generally Accepted Accounting Principles of the PRC) as at 31 March 2023. Taking into account the amount of Total Consideration exceeds the above cash and cash equivalent balance of the Group and given the need for the Group to preserve its cash flow to maintain the operations of the expressways operated by the Group and the capital-intensive nature of expressway operations, the Directors believe it would not be appropriate to utilise all or a major part of its existing cash balance for the purpose of the Proposed Acquisition. The Company has also considered other options of financing the Proposed Acquisition, including but not limited to debt financing or other means of equity financing. Among the possible alternatives available to the Company, the Company is of the view that the issuance of Consideration Shares to the Anhui Transportation Holding Group and the Proposed Non-public Issuance of A Shares to refinance the Cash Consideration of the Proposed Acquisition are appropriate and cost effective fundraising means to the Company, taking into account: (i) the high financing cost for debt financing; and (ii) the potential optimisation of the Company's equity structure, as the issuance of Consideration Shares will help further aligning Anhui Transportation Holding Group's interest with the performance of the Group while the issuance of new A Shares under the Proposed Non-public Issuance of A Shares will potentially allow new equity investor to be introduced into the Group subject to the bookbuilding process thereunder. In addition, the Company had also taken into account the issuance cost to both the Company and its Shareholders and the trading price difference between the Company's A Shares and H Shares, if other means of equity financing were to be utilised. As such, taking into account the above, Company therefore considers that the current settlement mechanism of the Total Consideration (i.e. 85% by allotment and issuance of Consideration Shares and 15% by payment of Cash Consideration) is fair and reasonable.

The terms of the Acquisition Agreement, the Supplemental Agreement and the Compensation Agreement and the transactions contemplated thereunder were agreed after arm's length negotiations between the parties thereto. The Directors (including the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular) consider that the Acquisition Agreement, the Supplemental Agreement and the Compensation Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Intention of Anhui Transportation Holding Group regarding the Company

As at the Latest Practicable Date, Anhui Transportation Holding Group intends for the Group to continue its existing businesses and had no intention to introduce any major changes in the business of the Company, including any redeployment of fixed assets of the Company, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

Risk Factors

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

Traffic volume may be affected by competing roads and other forms of transportation

Revenue generated from Liuwu 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 but not limited to the availability, quality, proximity and toll rate differentials of alternative expressways, roads or bridges, the existence of other forms of transportation, including rail, aviation and waterway, fuel prices, taxation and environmental regulations.

There can be no assurance that such other expressways, roads, bridges or forms of transportation will not significantly improve their services and reduce their charges, that there will be no new construction of expressways outside of the current planning by the PRC government, or that will not be any unforeseen material expansion or reconstruction of the connecting roads of Liuwu Expressway, In the event there are changes to passenger and transportation patterns, resulting in a decrease in the overall traffic volumes on Liuwu Expressway, the revenue, results of operations and financial condition of the Target Company may be adversely affected.

Shareholders and potential investors should note that the forecasts on revenue and traffic volume contained in the Traffic Study Report and are based on the assumptions as set out in the summary of the Traffic Study Report set out in Appendix IX to this circular, there can be no assurance that the assumptions used will prove to be accurate. Should these assumptions prove to be incorrect, the actual traffic volume of Liuwu Expressway and hence the revenue, results of operations and financial condition of the Target Company may be adversely affected.

Operations of the Target Company may be materially and adversely affected by catastrophic events, particularly in Anhui province.

Operations of the Target Company may be materially and adversely affected by catastrophic events such as severe weather conditions, natural disasters and epidemics, which may result in lane closures, impact on road conditions or restrictions in travelling of vehicles and negatively affect the operations of the Target Company. If the condition or operation of Liuwu Expressway were to be seriously affected as a result of such events, particularly in Anhui province, the revenue, results of operations and financial condition of the Target Company may be adversely affected.

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

The toll rates for Liuwu Expressway 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 Company

The Target Company'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 appraised value of the Target Assets in the Asset Valuation Report was made on the assumptions as set out in Appendix V of this circular, including but not limited to the assumption that there are no material changes in the transportation industry policies, pricing principles and market conditions during the concession period of the Liuwu Expressway. Should the assumptions of the valuation of the Target Assets prove to be incorrect, the appraised value of the Target Assets may be adversely affected.

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

The expressway operations of the Target Company 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 Company

Liuwu Expressway is located in Anhui Province, its business and performance are closely related 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 Liuwu Expressway, and the financial performance of the Target may be adversely affected.

Unexpected expansion or reconstruction of connecting highways may adversely affect the traffic volume of Liuwu Expressway

The traffic volume of Liuwu Expressways is also affected by the operation status of its connecting highways. The temporary closure of the connecting highways may result in the selection of alternative routes by the drivers and lead to diversion impact of Liuwu Expressway.

Unforeseen material expansion or reconstruction of the connecting highways of Liuwu Expressway during the concession period may lead to material diversion impact from the Liuwu Expressway (such as any unforeseen new construction of expressway outside of the current planning by the PRC government).

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 Company may be adversely affected. Accordingly, Shareholders and potential investors should not place undue reliance on these statements.

Proposed Non-public Issuance of A Shares

The proceeds to be raised from the Proposed Non-public Issuance of A Shares are proposed to be used for replenishing the working capital of the Group, repaying the debts of the Group and refinancing the Cash Consideration for the Proposed Acquisition, which would improve the overall financial position and facilitate the future development of the Group.

The issue price under the Proposed Non-public Issuance of A Shares shall not be lower than the Non-public Issuance Benchmark Price, being (i) 80% of the Average Trading Price; or (ii) the Floor Price (being the latest audited net asset value per Share of the Company before Price Determination Date, subject to adjustments due to ex-rights or ex-dividends event of the Company (such as distribution of cash dividend, bonus issue, rights issues, allotment of shares, conversion of share premium into share capital or capitalisation issues) during the period between the date in respect of which the last audited consolidated balance sheet of the Company was prepared and the Price Determination Date), whichever is higher. The Non-public Issuance Benchmark Price has been determined with reference to and in compliance with Article 56 of the Administrative Measures for the Registration of Securities Issuance by Listed Companies (《上市公司證券發行註冊管理辦法》). Taking into account (i) the reasons and benefit for conducting the Proposed Non-public Issuance of A Shares as outlined above; (ii) the subscribers under the Proposed Non-public Issuance of A Shares will be subject to lock-up restrictions as outlined in the paragraph headed "1. Details of the Proposed Non-public Issuance of A Shares – Lock-up Period" above; (iii) the final issue price will be determined based on the result of price inquiry process to be conducted in accordance with the PRC laws and regulations; and (iv) the final issue price will be determined with reference to the trading prices preceding the Price Determination Date and the Floor Price, and will reflect the recent performance of the A Shares of the Company and the net asset value per Share of the Company preceding the commencement of the Proposed Non-public Issuance of A Shares, the Directors are of the view that the issue price under the Proposed Non-public Issuance of A Shares of not lower than the Non-public Issuance Benchmark Price, is in the interests of the Shareholders.

With respect to the H Shareholders, the A Share price of the Company had been consistently trading at a premium over its H Shares (the "**A Share Price Premium**"). For the 20, 60 and 120 consecutive trading days immediately prior to and including the Last Trading Day, the average A Share closing prices had a premium of approximately 29.0%, 25.7% and 30.5% over the average H Share closing price respectively. As at the Latest Practicable Date, the A Share Price Premium was over 30%. In view of the substantial price premium of A Shares over the H Shares, the issuance price of A Share under the Proposed Non-Public of A Shares is not expected to be with a material discount to the H Share price at the time of the completion of the Proposed Non-public Issuance of A Shares and is not expected to result in a dilution impact to the Shareholders in term of the net asset value per Share considering the mechanism of Floor Price (i.e. being the latest audited net assets value per Share) is in place.

Proposed amendment of Shareholders' return policy for 2023 to 2025 upon the completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares

As mentioned above, it is expected that the completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares would enhance the overall competitiveness and financial position of the Group.

According to the existing shareholders' return policy of the Company for 2021 to 2023 which will expire in 2023, subject to the fulfilment of the conditions for distributing cash dividends, the Company shall make distributions in cash in an amount not less than 60% of the net profit attributable to owner of the parent company as set out in the Company's consolidated financial statements in each of 2021 to 2023.

As set out in the paragraph headed "Implications under the Shanghai Listing Rules – (ii) Resolution regarding the special arrangements for the adjustment of future cash dividend of the Company" below, in order to establish a sustainable and stable shareholders' return policy and to further safeguard the interests of the minority Shareholders, the Board originally resolved that in the event that the Proposed Overall Transaction is completed, the Board will propose shareholders' return policy for 2023 to 2025, such that subject to the fulfilment of the conditions for distributing cash dividends, the Company shall make distributions in cash in an amount not less than 70% of the net profit attributable to owner of the parent company as set out in the Company's consolidated financial statements in each of the next three years (i.e. 2023 to 2025).

In order to further effectively extend the medium to long term investment returns of investors, to increase the dividend per Share to be made to the Shareholders after the completion of the Proposed Overall Transaction and to safeguard the interests of the minority Shareholders, the Board has resolved to further adjust the shareholders' return policy for 2023 to 2025 such that under such shareholders' return policy, in the event that the Proposed Overall Transaction is completed, subject to the fulfilment of the conditions for distributing cash dividends, the Company shall make distributions in cash in an amount not less than 75% (instead of 70% which was originally proposed) of the net profit attributable to owner of the parent company as set out in the Company's consolidated financial statements in each of the next three years (i.e. 2023 to 2025).

IX. IMPLICATIONS UNDER THE LISTING RULES

Proposed Acquisition

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition in accordance with the Listing Rules exceed 25% but are less than 100%, the Proposed Acquisition constitutes a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Anhui Transportation Holding Group directly holds 524,644,220 A Shares, representing approximately 31.63% of the total issued share capital of the Company, and is the controlling shareholder of the Company. Accordingly, Anhui Transportation Holding Group is a connected person of the Company. Therefore, the Proposed Acquisition constitutes a connected transaction of the Company which is subject to the reporting, announcement and Proposed Acquisition LR Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The completion of the Proposed Acquisition will not result in a change in control of the Company and Anhui Transportation Holding Group is expected to remain as the controlling shareholder of the Company upon the completion of the Proposed Acquisition.

As Mr. Xiang Xiaolong, Mr. Yang Xiaoguang, Mr. Tao Wensheng and Mr. Chen Jiping (each an executive Director) were considered to have material interest in the Proposed Acquisition and the Proposed Acquisition Specific Mandate and the Whitewash Waiver, they have abstained from voting on the relevant board resolutions of the Company. Save as disclosed above, no other Directors had a material interest in the Proposed Acquisition and the Proposed Acquisition Specific Mandate and the Whitewash Waiver and no other Director has abstained from voting on the relevant board resolutions of the Company.

Proposed Non-public Issuance of A Shares

In the event that after the book building process for the Proposed Non-public Issuance of A Shares, any connected person(s) of the Company becomes a target subscriber which shall participate in the Proposed Non-public Issuance of A Shares, such participation in the Proposed Non-public Issuance of A Shares will constitute a connected transaction of the Company, which is subject to the report, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

Since participation by any connected person(s) in the Proposed Non-public Issuance of A Shares can only be determined after the book building process, it is currently envisaged that upon completion of the book building process, if any connected person does participate in the Proposed Non-public Issuance of A Shares, the Company will comply with the connected transaction requirements.

In the event the requisite independent shareholders' approval for any connected person(s) participating in the Proposed Non-public Issuance of A Shares is not successfully obtained, it is envisaged that such connected person(s) will not participate in the Proposed Non-public Issuance of A Shares.

X. IMPLICATIONS UNDER THE TAKEOVERS CODE

Application for Whitewash Waiver

As at the Latest Practicable Date,

(i) Anhui Transportation Holding Group holds 524,644,220 A Shares, representing approximately 31.63% of the total issued share capital of the Company; and

(ii) Anhui Transportation Holding Group and parties acting in concert with it hold in aggregate 1,021,231,721 Shares (comprising 928,835,721 A Shares and 92,396,000 H Shares), representing approximately 61.57% of the total issued share capital of the Company.

Immediately following completion of the Proposed Acquisition, on the basis that the Total Consideration to be settled by way of issuance of Consideration Shares is RMB3,116,103,315, and assuming that (i) the issue price is the Adjusted Issue Price and there will not be any further adjustments to the issue price of the Consideration Shares of RMB6.64 per Consideration Share; and (ii) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the A Shares pursuant to the Acquisition Agreement,

(i) the shareholding of Anhui Transportation Holding Group in the Company will increase to approximately 46.71%; and

(ii) the aggregate shareholding of Anhui Transportation Holding Group and parties acting in concert with it in the Company will increase to approximately 70.05%.

Accordingly, upon completion of the Proposed Acquisition, pursuant to Rule 26.1 of the Takeovers Code, Anhui Transportation Holding Group will be required to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Anhui Transportation Holding Group and parties acting in concert with it, unless the Whitewash Waiver from strict compliance with Rule 26.1 of the Takeovers Code is obtained from the Executive.

As such, completion of the Proposed Acquisition is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Takeovers Code Independent Shareholders. An application has been made by Anhui Transportation Holding Group (on behalf of itself and parties acting in concert with it) to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by Takeovers Code Independent Shareholders either in person or by proxy at the EGM; and (ii) the approval of the Proposed Acquisition by more than 50% of the votes cast by Takeovers Code Independent Shareholders either in person or by proxy at the EGM as required under the Takeovers Code. As at the Latest Practicable Date, the Executive has indicated that it is minded to grant the Whitewash Waiver. The Proposed Acquisition will not proceed if the Whitewash Waiver is not obtained or if the Whitewash Waiver is not approved by the Takeovers Code Independent Shareholders.

As at the Latest Practicable Date, the Company does not believe that the Proposed Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Proposed Acquisition does not comply with other applicable rules and regulations.

The proposal in relation to the Whitewash Waiver will be submitted, by way of special resolution, for the Takeovers Code Independent Shareholders' consideration and approval at the EGM, and shall be passed by at least 75% of the votes cast by the Takeovers Code Independent Shareholders by way of poll at the EGM.

XI. IMPLICATIONS UNDER THE SHANGHAI LISTING RULES

Pursuant to the relevant requirements under the Shanghai Listing Rules and the PRC laws and regulations, the following proposals will be submitted for the eligible Shareholders' consideration and approval at the EGM and/or (if applicable) the Class Meetings.

If the requisite Shareholders' approvals for the Proposed Acquisition and/or the Proposed Non-public Issuance of A Shares are not obtained, the Company will not be in position to submit the application to the Shanghai Stock Exchange for its approval and the CSRC for its registration of the Proposed Acquisition and/or the Proposed Non-public Issuance of A Shares (as the case may be) in accordance with the relevant requirements under the PRC laws and regulations. Accordingly, in such circumstances, the approval by the Shanghai Stock Exchange or registration by the CSRC of the Proposed Acquisition, which is a condition for the effectiveness of the Acquisition Agreement (as further set out in the section headed "Letter from the Board – II. MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION – 1. Acquisition Agreement (as supplemented by the Supplemental Agreement) – Effectiveness of the Acquisition Agreement and the Supplemental Agreement"), and/or the approval by Shanghai Stock Exchange and the registration by the CSRC of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, which is a condition precedent of the Proposed Non-public Issuance of A Shares (as further set out in the section headed "Letter from the Board – III. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES – 1. Details of the Proposed Non-public Issuance of A Shares – Conditions precedent of the Proposed Non-public Issuance of A Shares") (as the case may be), will not be obtained and therefore, the corresponding condition for the effectiveness of the Acquisition Agreement and/or the corresponding condition precedent of the Proposed Non-public Issuance of A Shares (as the case may be) will not be fulfilled, the Proposed Acquisition and/or the Proposed Non-public Issuance of A Shares will not proceed.

(i) Resolutions in relation to the Proposed Acquisition and the Proposed Non-public Issuance of A Shares

Each of the following resolutions in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares will be submitted for the eligible Shareholders' consideration and approval at the EGM and (if applicable) the Class Meetings:

1. To consider and approve the resolution regarding the special arrangements for the adjustment of future cash dividend of the Company;

2. To consider and approve the resolution regarding the satisfaction of the conditions for the Proposed Acquisition, the Proposed Non-public Issuance of A Shares and the related party transactions by the Company;

3. To consider and approve the resolution regarding the plan on the Proposed Acquisition and the related party transactions of the Company:

    3.01 Counterparty;

    3.02 Asset to be acquired;

3.03 Total Consideration and basis for determining the Total Consideration;

3.04 Settlement mechanism of the Total Consideration;

3.05 Types of shares to be issued and par value;

3.06 Target subscriber for the Consideration Shares and the method of issuance;

3.07 Pricing Benchmark Date and the issue price of the Consideration Shares;

3.08 Number of Consideration Shares to be issued;

3.09 Location of listing of the Consideration Shares;

3.10 Lock-up arrangements;

3.11 Payment of Cash Consideration;

3.12 Profit and loss attribution during the transitional period;

3.13 Arrangements on the accumulated and undistributed profit of the Company;

3.14 Validity period of the resolutions in connection with the Proposed Acquisition and the related party transactions;

4. To consider and approve the resolution regarding the Proposed Acquisition and Proposed Non-public Issuance of A Shares constituting a related party transaction;

5. To consider and approve the resolution regarding the Proposed Acquisition and Proposed Non-public Issuance of A Shares not constituting a material asset restructuring and new listing;

6. To consider and approve the resolution regarding the entering into of the Acquisition Agreement with the counterparty with conditions to its effectiveness;

7. To consider and approve the resolution regarding the entering into of the Supplemental Agreement with the counterparty with conditions to its effectiveness;

8. To consider and approve the resolution regarding the entered into of the Compensation Agreement with the counterparty with conditions to its effectiveness;

9. To consider and approve the resolution regarding the Report on the Proposed Acquisition, Proposed Non-public Issuance of A Shares and related party transactions (Draft) and its summary;

10. To consider and approve the resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 4 of Guidelines for the Supervision of Listed Companies No. 9 – Regulatory Requirements for Listed Companies Planning and Implementing Major Asset Reorganizations of the PRC;

11. To consider and approve the resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 11 of the Administrative Measures for Major Asset Restructuring of Listed Companies of the PRC;

12. To consider and approve the resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 43 of the Administrative Measures for Major Asset Restructuring of Listed Companies of the PRC;

13. To consider and approve the resolution regarding the non-existence of the relevant circumstances prohibiting participation in material asset restructuring of listed companies as stated under Article 12 of the Guidelines for the Supervision of Listed Companies No. 7 – Supervision of Abnormal Stock Transactions Related to Major Asset Restructurings of Listed Companies of the PRC in respect of the relevant entities under the Proposed Acquisition and the Proposed Non-public Issuance of A Shares;

14. To consider and approve the resolution regarding the explanation on the completeness and legality of the statutory procedures and the effectiveness of the relevant legal documents submitted in respect of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares;

15. To consider and approve the resolution regarding the independence of the Valuer, the reasonableness of the assumptions used in the asset valuation, the relevance of the methodology and the purpose of the asset valuation and the fairness of the appraised value of the Target Assets;

16. To consider and approve the resolution regarding the fluctuation of the Company's share trading price in the 20 trading days prior to the announcement of the Proposed Acquisition and Proposed Non-public Issuance of A Shares;

17. To consider and approve the resolution regarding the approval of the accountants' report, pro forma financial information review report and asset valuation report in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares;

18. To consider and approve the resolution regarding the authorisation by the shareholders' meeting for the Board and its authorised persons to implement related matters in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares;

19. To consider and approve the resolution regarding the dilution of immediate returns and remedial measures in connection with the Proposed Acquisition and Proposed Non-public Issuance of A Shares;

20. To consider and approve the resolution regarding the approval of the Proposed Acquisition in accordance with the Takeovers Code;

21. To consider and approve the resolution regarding the approval of the Whitewash Waiver in accordance with the Takeovers Code;

22. To consider and approve the resolution regarding the waiver for Anhui Transportation Holding Group from making an offer in connection with the Proposed Acquisition pursuant to the PRC laws and regulations; and

23. To consider and approve the resolution regarding the plan on the Proposed Non-public Issuance of A Shares:

    23.01 Types of shares to be issued and par value;

    23.02 Target subscribers and method of issuance;

    23.03 Pricing Benchmark Date and the issue price of the shares to be issued;

    23.04 Number of shares to be issued and amount of ancillary funds to be raised;

    23.05 Location of listing of the shares;

    23.06 Lock-up arrangements;

    23.07 Use of proceeds for the ancillary funds raised;

    23.08 Validity period of the resolutions in connection with the Proposed Non-public Issuance of A Shares.

(ii) Resolution regarding the special arrangements for the adjustment of future cash dividend of the Company

On 17 April 2023, the Company convened the 30th meeting of the 9th session of the Board and the 22nd meeting of the 9th session of the supervisory board and approved the following resolutions:

"It is expected that the completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares would enhance the overall competitiveness and financial position of the Group. In the event that the Proposed Acquisition and the Proposed Non-public Issuance of A Shares are completed, the Board will propose shareholders' return policy for 2023 to 2025, such that subject to the fulfilment of the conditions for distributing cash dividends, the Company shall make distributions in cash in an amount not less than 70% of the net profit attributable to owner of the parent company as set out in the Company's consolidated financial statements in each of the next three years (i.e. 2023 to 2025)."

According to the existing shareholders' return policy of the Company for 2021 to 2023, subject to the fulfilment of the conditions for distributing cash dividends, the Company shall make distributions in cash in an amount not less than 60% of the net profit attributable to owner of the parent company as set out in the Company's consolidated financial statements in each of 2021 to 2023.

As the current shareholders' return policy will expire in 2023, to minimise the uncertainty on the profit distribution policy, to effectively extend the medium to long term investment returns of investors, to enhance the dividend per Share to be made to the Shareholders after the completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, and to safeguard the interests of minority Shareholders, it is proposed that the following adjustments will be made to the shareholders' return policy:

"It is expected that the completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares would enhance the overall competitiveness and financial position of the Group. In the event that the Proposed Acquisition and the Proposed Non-public Issuance of A Shares are completed, the Board will propose shareholders' return policy for 2023 to 2025, such that subject to the fulfilment of the conditions for distributing cash dividends, the Company shall make distributions in cash in an amount not less than 75% of the net profit attributable to owner of the parent company as set out in the Company's consolidated financial statements in each of the next three years (i.e. 2023 to 2025)."

The resolution regarding the special arrangements for the adjustment of future cash dividend of the Company will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(iii) Resolution regarding the satisfaction of the conditions for the Proposed Acquisition, the Proposed Non-public Issuance of A Shares and the related party transactions by the Company

In accordance with the provisions of the Company Law, the Securities Law, the Administrative Measures for Major Assets Restructuring of Listed Companies, the Administrative Measures for the Registration of Securities Issuance by Listed Companies and other laws, regulations, departmental rules and regulatory documents, and taking into account the actual operational circumstances of the Company and upon self-verification and discussion of the matters relating to the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, the Proposed Acquisition and the Proposed Non-public Issuance of A Shares and the related party transactions of the Company is in compliance with the relevant requirements and conditions under the laws, regulations, departmental rules and regulatory documents.

The resolution regarding the satisfaction of the conditions for the Proposed Acquisition, the Proposed Non-public Issuance of A Shares and the related party transactions by the Company will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(iv) Resolution regarding the Proposed Acquisition and Proposed Non-public Issuance of A Shares constituting a related party transaction

As the counterparty of the Proposed Acquisition is Anhui Transportation Holding Group, the Proposed Acquisition constitutes a related party transaction in accordance with the Shanghai Listing Rules.

The resolution regarding the Proposed Acquisition and Proposed Non-public Issuance of A Shares constituting a related party transaction will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(v) Resolution regarding the Proposed Acquisition and Proposed Non-public Issuance of A Shares not constituting a material asset restructuring and new listing

According to the Asset Valuation Report issued by China United and filed with authorised entity of the competent state-owned assets supervision and administrative authorities, the appraised value of the Target Assets as at the Valuation Benchmark Date (i.e. 31 December 2022) was RMB3,661,003,900. Based on such appraised value and taking into account the paid-up registered capital of the Target Company of RMB5,000,000 which was paid by Anhui Transportation Holding Group to the Target Company subsequent to the Valuation Benchmark Date, Anhui Transportation Holding Group and the Company agreed that the Total Consideration of the Proposed Acquisition shall be RMB3,666,003,900.

According to the audited financial data of the Company and the Target Company in 2022, each of the higher of the total assets of the Target Company and the Total Consideration, the higher of the net assets of the Target Company and the Total Consideration, and the ratio of operating revenue of the Target Company as compared with the relevant financial figures of the Company as at the end of the year ended 31 December 2022 (being the latest year for which audited financial statements have been prepared) is below 50%. The Proposed Acquisition and the Proposed Non-public Issuance of A Shares do not constitute a material asset restructuring as stipulated in Article 12 of the Administrative Measures for the Material Asset Restructurings of Listed Companies, and do not constitute a material asset restructuring of the Company. However, as part of the Total Consideration will be settled by the issuance of the Consideration Shares, the Proposed Acquisition will be subject to the review and approval by the Shanghai Stock Exchange and the registration by the CSRC.

There has been no change in the actual controller of the Company in the last 36 months. Prior to and after the completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, there has been and will be no change in the controlling shareholder and actual controller of the Company, and the Proposed Acquisition and the Proposed Non-public Issuance of A Shares will not result in any fundamental change of the principal business of the Company. Therefore, the Proposed Acquisition and the Proposed Non-public Issuance of A Shares do not constitute the circumstances as stipulated in Article 13 of the Administrative Measures for the Material Asset Restructurings of Listed Companies, and do not constitute a new listing.

The resolution regarding the Proposed Acquisition and Proposed Non-public Issuance of A Shares not constituting a material asset restructuring and new listing will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(vi) Resolutions regarding the Acquisition Agreement, the Supplemental Agreement and the Compensation Agreement

Resolutions regarding each of the Acquisition Agreement, the Supplemental Agreement and the Compensation Agreement will be submitted for the eligible Shareholders' consideration and approval at the EGM and (if applicable) the Class Meetings.

(vii) Resolution regarding the Report on the Proposed Acquisition, Proposed Non-public Issuance of A Shares and related party transactions (Draft) and its summary

In order to complete the Proposed Acquisition, the Company has previously prepared the Report on the Proposed Acquisition, Proposed Non-public Issuance of A Shares and related party transactions (《安徽皖通高速公路股份有限公司發行股份及支付現金購買資產並募集配套資金暨關聯交易預案》) and its summary. The Company has further supplemented the Report on the Proposed Acquisition, Proposed Non-public Issuance of A Shares and related party transactions based on the audit and asset valuation results and prepared the Report on the Proposed Acquisition, Proposed Non-public Issuance of A Shares and related party transactions (Draft) (《安徽皖通高速公路股份有限公司發行股份及支付現金購買資產並募集配套資金暨關聯交易預案(草案)》) and its summary. Please refer to the overseas regulatory announcement of the Company dated 20 June 2023 for the aforementioned report and summary.

The resolution regarding the Report on the Proposed Acquisition, Proposed Non-public Issuance of A Shares and related party transactions (Draft) and its summary will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(viii) Resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 4 of Guidelines for the Supervision of Listed Companies No. 9 – Regulatory Requirements for Listed Companies Planning and Implementing Major Asset Reorganizations of the PRC

Upon careful consideration, the Proposed Acquisition and the Proposed Non-public Issuance of A Shares complies with the relevant requirements under Article 4 of Guidelines for the Supervision of Listed Companies No. 9 – Regulatory Requirements for Listed Companies Planning and Implementing Major Asset Reorganizations of the PRC:

(1) the target asset of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares involve the 100% of the equity interest in the Target Company, which is not subject to filing or approval requirements in relation to project initiation, environmental protection, industry access, use of land, planning, construction or other relevant matters. The relevant filing or approval requirements have been disclosed in detail in the Report on the Proposed Acquisition, Proposed Non-public Issuance of A Shares and related party transactions (Draft) (《安徽皖通高速公路股份有限公司發行股份及支付現金購買資產並募集配套資金暨關聯交易預案(草案)》), and specific reminders have been included in respect of the risks of not obtaining the requisite approvals or registrations;

(2) the target asset of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares involve the 100% of the equity interest in the Target Company, there is no untruthful capital contribution or circumstances affecting the legal subsistence of the Target Company. The counterparty has obtained full legal ownership of the Target Assets, with no restrictions or prohibitions on transfer. Upon the completion of the Proposed Acquisition, the Company will hold 100% of the equity interests in the Target Company and actually control the Target Company;

(3) the Proposed Overall Transaction is conducive to improving the completeness of the Company's assets, upon completion of the Restructuring, which in turn strengthens the independence of the Company in terms of personnel, stock purchase, production, sales and intellectual property;

(4) the Proposed Overall Transaction will help to improve the financial condition and the operational sustainability of the Company, and is conducive to highlighting its principal businesses and enhancing its risk resistance ability, thereby strengthening the independence of the Company, reducing related party transactions and avoiding horizontal competition.

The resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 4 of Guidelines for the Supervision of Listed Companies No. 9 – Regulatory Requirements for Listed Companies Planning and Implementing Major Asset Reorganizations of the PRC will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(ix) Resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 11 of the Administrative Measures for Major Asset Restructuring of Listed Companies of the PRC

Upon careful consideration, the Proposed Acquisition and the Proposed Non-public Issuance of A Shares comply with the relevant requirements under Article 11 of the Administrative Measures for Major Asset Restructuring of Listed Companies of the PRC:

(1) the Proposed Acquisition and the Proposed Non-public Issuance of A Shares are in compliance with state industry policies and the requirements under PRC laws and regulations, including PRC laws and regulations in relation to environmental protection, land management, anti-monopoly and foreign investment and outbound investments;

(2) the Proposed Acquisition and the Proposed Non-public Issuance of A Shares will not result in non-fulfilment by the Company of the conditions of listing of the Shares;

(3) the pricing basis for the Target Assets of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares is fair and does not prejudice the legitimate rights of the Company and the Shareholders;

(4) there are distinct ownership rights over the Target Assets involved in the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, there are no legal obstacles for the assets transfer, and the treatment for relevant creditors' rights and debts is lawful;

(5) the Proposed Acquisition and the Proposed Non-public Issuance of A Shares are conducive to the operational sustainability of the Company, and there are no circumstances resulting in cash becoming the major assets of the Company or the Company having no specific business operations upon completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares;

(6) the Proposed Acquisition and the Proposed Non-public Issuance of A Shares are conducive to the preservation of the independence of the Company with its actual controller and its associates in terms of business, assets, finances, personnel and institution and comply with the relevant independence requirement for listed companies of the CSRC; and

(7) the Proposed Acquisition and the Proposed Non-public Issuance of A Shares is conducive to the maintenance of a sound and effective governance structure of the Company.

The resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 11 of the Administrative Measures for Major Asset Restructuring of Listed Companies of the PRC will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(x) Resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 43 of the Administrative Measures for Major Asset Restructuring of Listed Companies of the PRC

Upon careful consideration, the Proposed Acquisition and the Proposed Non-public Issuance of A Shares comply with Article 43 of the Administrative Measures for Major Asset Restructuring of Listed Companies of the PRC:

(1) the Proposed Acquisition and the Proposed Non-public Issuance of A Shares will help to improve the asset quality, financial condition and operational sustainability of the Company, and is conducive to reducing related party transactions, avoiding horizontal competition and strengthening the independence of the Company;

(2) the reporting accountants of the Company has issued an unqualified audit report for the financial statements of the Company for the latest year;

(3) the Company, its current Directors and senior management are not subject to investigation by legal authorities due to suspected criminal offence or investigation by the CSRC due to suspected violation of laws or regulations; and

(4) the Target Assets are operating assets with clear title and the procedures for the transfer of title can be completed within the designated period.

The resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 43 of the Administrative Measures for Major Asset Restructuring of Listed Companies of the PRC will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(xi) Resolution regarding the non-existence of the relevant circumstances prohibiting participation in material asset restructuring of listed companies as stated under Article 12 of the Guidelines for the Supervision of Listed Companies No. 7 – Supervision of Abnormal Stock Transactions Related to Major Asset Restructurings of Listed Companies of the PRC in respect of the relevant entities under the Proposed Acquisition and the Proposed Non-public Issuance of A Shares

There does not exist any relevant circumstances prohibiting participation in material asset restructuring of listed companies as stated under Article 12 of the Guidelines for the Supervision of Listed Companies No. 7 – Supervision of Abnormal Stock Transactions Related to Major Asset Restructurings of Listed Companies of the PRC in respect of the relevant entities under the Proposed Acquisition and the Proposed Non-public Issuance of A Shares as stipulated under Article 6 of the Guidelines for the Supervision of Listed Companies No. 7 – Supervision of Abnormal Stock Transactions Related to Major Asset Restructurings of Listed Companies of the PRC.

The resolution regarding the non-existence of the relevant circumstances prohibiting participation in material asset restructuring of listed companies as stated under Article 12 of the Guidelines for the Supervision of Listed Companies No. 7 – Supervision of Abnormal Stock Transactions Related to Major Asset Restructurings of Listed Companies of the PRC in respect of the relevant entities under the Proposed Acquisition and the Proposed Non-public Issuance of A Shares will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(xii) Resolution regarding the explanation on the completeness and legality of the statutory procedures and the effectiveness of the relevant legal documents submitted in respect of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares

The Company has conducted the necessary legal procedures in respect of the Proposed Acquisition and the Proposed Non-public Issuance at current stage in accordance with relevant laws, regulations and regulatory documents such as the Company Law of the PRC, the Securities Laws of the PRC, the Administrative Measures for Material Asset Restructuring, and the Provisions on Material Asset Restructuring, the Administrative Measures for the Information Disclosure of Listed Companies (《上市公司信息披露管理辦法》) and the Shanghai Listing Rules, as well as the articles of association of the Company. The legal procedures conducted by the Company in relation to the Proposed Acquisition and the Proposed Non-public Issuance are complete, lawful and effective and in compliance with the relevant laws and regulations and the articles of association of the Company. The legal documents submitted in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares to the regulatory authorities such as the Shanghai Stock Exchange are lawful and effective. In addition, in accordance with the Administrative Measures for Material Asset Restructuring and Guidance No. 26 on the Format and Content of the Information Disclosure by Listed Companies – Material Asset Restructuring (《公開發行證券的公司資訊披露內容與格式準則第26號––上市公司重大資產重組》), in respect of the relevant legal documents to be submitted in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, the Board of the Company and the Directors have warranted and represented as follows:

There does not exist any false record, misleading representations or material omission in the legal documents submitted by the Company in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, the Board of the Company and the Directors take corresponding legal liability in respect of the correctness, accuracy and completeness of such documents.

The resolution regarding the explanation on the completeness and legality of the statutory procedures and the effectiveness of the relevant legal documents submitted in respect of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(xiii) Resolution regarding the independence of the Valuer, the reasonableness of the assumptions used in the asset valuation, the relevance of the methodology and the purpose of the asset valuation and the fairness of the appraised value of the Target Assets

The Company has engaged China United as the Valuer in respect of the Target Assets under the Proposed Acquisition. In accordance with the Administrative Measures for Material Asset Restructuring and Guidance No. 26 on the Format and Content of the Information Disclosure by Listed Companies – Material Asset Restructuring (《公開發行證券的公司資訊披露內容與格式準則第26號—上市公司重大資產重組》), the Board is of the view that:

(1) China United possesses the relevant business qualification and the professional competence. The selection process of the Valuer is in compliance with the regulations, China United and the relevant valuers have no other related relationship with the Company and the counterparty save for business relationships, there is no actual or potential interest or conflict which may affect the Valuer's provision of services. China United is independent;

(2) the assumptions and limitations adopted in the Valuation Report are implemented in accordance with relevant PRC laws and regulations and in compliance with market standards and norms and the actual circumstances of the Target Assets. The valuation assumptions are reasonable;

(3) the purpose of the valuation is to determine the market value of the Target Assets as at the Valuation Benchmark Date in order to provide valuation reference for the Proposed Acquisition. The asset valuation work was conducted in compliance with the requirements of relevant PRC laws and regulations and industry norms, the scope of assets actually appraised is in accordance wit the scope under its engagement, in accordance with the principles of independence, impartiality, fairness and science, implementing necessary valuation procedures in accordance with recognised asset valuation method, to appraise the market value of the Target Assets as at the Valuation Benchmark Date. The asset valuation method adopted was reasonable and correlates with the valuation purpose; and

(4) the valuation was prepared using asset valuation methods which are in compliance with the regulations and the actual circumstances of the Target Assets, the important valuation metrics such as discount rate have been reasonably set, the appraised value is fair. The Total Consideration was determined based on the valuation results as set out in the Asset Valuation Report which has been filed with the competent state-owned asset supervision and administrative authorities, and is fair and reasonable.

The resolution regarding the independence of the Valuer, the reasonableness of the assumptions used in the asset valuation, the relevance of the methodology and the purpose of the asset valuation and the fairness of the appraised value of the Target Assets will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(xiv) Resolution regarding the fluctuation of the Company's share trading price in the 20 trading days prior to the announcement of the Proposed Acquisition and Proposed Non-public Issuance of A Shares

In accordance with the requirements under the relevant laws and regulations, the Company has conduct self-inspection on the circumstances on the fluctuation of the Company's share trading price prior to the announcement of price-sensitive material information. The cumulative increase or decrease in share trading price of the Company in the 20 trading days prior to the trading suspension of the Company's shares (after elimination of the general market circumstances and industry circumstances) do not exceed 20% and do not constitute an abnormal fluctuation.

The resolution regarding the fluctuation of the Company's share trading price in the 20 trading days prior to the announcement of the Proposed Acquisition and Proposed Non-public Issuance of A Shares will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(xv) Resolution regarding the approval of the accountants' report, pro forma financial information review report and asset valuation report in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares

For the purposes of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, the Company has engaged Ernst & Young Hua Ming LLP to audit the financial statements of the Target Company for the years of 2021 and 2022 and January to February 2023, and issued the relevant auditors' report. The Company has also engaged Ernst & Young Hua Ming LLP to prepare a review report on the pro forma consolidated financial information of the Group.

For the purposes of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, the Company has engaged China United to prepare a valuation of the Target Assets as at the Valuation Benchmark Date and issued the Asset Valuation Report.

The Board has reviewed and approved the aforementioned auditors' report, review report on the pro forma consolidated financial information of the Group and the Asset Valuation Report.

The resolution regarding the approval of the accountants' report, pro forma financial information review report and asset valuation report in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(xvi) Resolution regarding the authorisation by the shareholders' meeting for the Board and its authorised persons to implement related matters in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares

In order to better implement the works in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, the Board proposes to seek approval from the Shareholders at the EGM and (if applicable) the Class Meetings for authorization to the Board and its authorized persons to handle all matters in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares in accordance with applicable laws and regulations, including but not limited to the following:

(1) determine and implement the specific plan of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares in accordance with the provisions of laws, regulations and regulatory documents and the resolutions of the shareholders' meetings, and to be responsible for handling and determining specific issues of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares based on the approval of the Shareholders at the relevant shareholders' meetings, the approval by the Shanghai Stock Exchange, the registration by the CSRC and the market conditions;

(2) determine and engage intermediaries such as independent financial adviser, and to prepare, revise, supplement, execute and implement all agreements and documents relating to the Proposed Acquisition and the Proposed Non-public Issuance of A Shares;

(3) arrange for review, registration, filing or registration with or by the relevant governmental authorities and regulatory authorities for the application, issuance or listing matters in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares;

(4) supplement, revise and adjust the relevant documents in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares in accordance with the policy changes and the review opinion of the relevant regulatory authorities;

(5) in accordance with the actual implementation circumstances of the plan in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, the market conditions, policy changes and the opinion of the regulatory authorities, and to the extent permitted under the PRC laws and regulations, the regulatory documents, the articles of association of the Company and the approval of the Shareholders at the relevant shareholders' meetings, terminate or adjust the plan in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares and proceed with the implementation of the relevant matters in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares after the adjustment;

(6) arrange for listing, registration and lock-up and other related matters with the Shanghai Stock Exchange and China Securities Depositary and Clearing Corporation Limited in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares upon their completion;

(7) arrange for relevant changes in the registered capital of the Company, relevant amendments to Articles of Association and relevant industry and commerce registrations based on the issuance results of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares; and

(8) authorize the Board to take all necessary actions to determine and handle other matters relating to the Proposed Acquisition and the Proposed Non-public Issuance of A Shares.

The aforementioned authorisation and the resolutions in relation to the Proposed Acquisition and/or the Proposed Non-public Issuance of A Shares shall be valid for 12 months from the date of the approval by the Shareholders. If the registration by the CSRC in respect of the Proposed Overall Transaction is obtained during the aforementioned 12-months period, the validity period shall be automatically extended until completion of the abovementioned matters in connection with the Proposed Overall Transaction. As advised by the Company's PRC legal adviser and based on currently available information, it is expected that the registration by the CSRC in respect of the Proposed Overall Transaction will be valid for 12 months after the date of such registration. Upon expiry of the validity period of such registration by the CSRC, the Company is expected to be required to either terminate the Proposed Acquisition and/or the Proposed Non-public Issuance of A Shares or re-apply for the approval by the Shanghai Stock Exchange and the registration by the CSRC, for which the Company is expected to be required to further seek shareholders' approval in respect of the relevant transaction(s) as required and as appropriate. The Company therefore believes that the automatic extension of the 12-months validity period as outlined above would be in the interest of the Proposed Acquisition LR Independent Shareholders and Takeovers Code Independent Shareholders as (i) this would avoid the need for the Company to convene further shareholders' meeting to refresh the shareholders' approval shortly after the obtaining of the CSRC registration, which may result in undue delay and unnecessary extra costs in the completion of the Proposed Acquisition and/or the Proposed Non-public Issuance of A Shares; (ii) such automatic extension arrangement has been disclosed in this circular and (iii) the Company is expected to be required to complete the Proposed Overall Transaction within the 12-months validity period of the CSRC registration as outlined above.

On the other hand, if the registration by the CSRC in respect of the Proposed Overall Transaction is not obtained during the aforementioned 12-months period, the Company will seek further shareholders' approval for the extension of the validity period of the relevant authorisation as appropriate.

The resolution regarding the authorisation by the shareholders' meeting for the Board and its authorised persons to implement related matters in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM and (if applicable) the Class Meetings.

The 12-months validity period of the aforementioned authorisation above is determined with reference to Application Guidance for the Regulatory Rules – Equity Issuance No. 6 (監管規則適用指引– 發行類第6號) published by the Shanghai Stock Exchange. Based on the information currently available to the Company, assuming the EGM and (if applicable) the Class Meetings are convened in or around mid-August 2023 and the requisite approvals are obtained at the EGM and (if applicable) the Class Meetings, and subject to the processing time required for obtaining other requisite approvals for the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, it is currently expected that the completion of the Proposed Acquisition will take place in or around first quarter of 2024 while the completion of the Proposed Non-public Issuance of A Shares will take place in or around second quarter of 2024.

(xvii) Resolution regarding the dilution of immediate returns and remedial measures in connection with the Proposed Acquisition and Proposed Non-public Issuance of A Shares

Pursuant to the requirements set out in the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Markets (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》), the Several Opinions of the State Council on Further Facilitating the Healthy Development of the Capital Market (《國務院關於進一步促進資本市場健康發展的若干意見》), and the Guidance Opinion on Matters Pertaining to Dilution of Return for the Current Period Resulting from Initial Offering and Refinancing or Material Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), in order to protect the interests of the investors, the Company has proposed specific remedial measures on the returns and to improve the continuous operational ability in respect of the risk of dilution on immediate returns. The controlling shareholder of the Company, the Directors and the senior management of Company has issued undertakings in connection with the remedial measures for the dilution on immediate returns in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares.

The resolutions regarding the dilution of immediate returns and remedial measures in connection with the Proposed Acquisition and Proposed Non-public Issuance of A Shares will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

(xviii) Resolution regarding the waiver for Anhui Transportation Holding Group from making an offer in connection with the Proposed Acquisition pursuant to the PRC laws and regulations

Prior to the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, Anhui Transportation Holdings Group holds 524,644,220 Shares, representing approximately 31.63% of the total issued Shares of the Company. The completion of the Proposed Acquisition will result in increase in shareholding of the Company by Anhui Transportation Holding Group; upon the completion of the Proposed Acquisition and without taking into account the impact of the Proposed Non-public Issuance of A Shares on the shareholding structure of the Company, Anhui Transportation Holding Group will hold 993,936,887 Shares and its shareholding percentage in the Company will increase to 46.71%.

As Anhui Transportation Holding Group has undertaken that it shall not transfer any of the Consideration Shares within 36 months from the date of issue of the Consideration Shares (save for any transfer between entities controlled by the same beneficial owner), provided that if Anhui Transportation Holding Group is required to return the Consideration Shares to the Company pursuant to any performance guarantee and compensation arrangements which may be agreed between Anhui Transportation Holding Group and the Company in connection with the Proposed Acquisition, and such return has not been completed within the aforesaid 36 months lock-up period, the lock-up period shall be extended to the date on which the return of Consideration Shares by Anhui Transportation Holding Group to the Company is completed, subject to the obtaining of the approval at the EGM, Anhui Transportation Holding Group's obligation to make a general offer can be waived pursuant to the Administration of the Takeover of Listed Companies. The Board therefore proposes for the Shareholders to consider and approve such waiver of general offer obligation of Anhui Transportation Holding Group.

The resolution regarding the waiver for Anhui Transportation Holding Group from making an offer in connection with the Proposed Acquisition pursuant to the PRC laws and regulations will be submitted by way of a special resolution for the eligible Shareholders' consideration and approval at the EGM.

XII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Proposed Acquisition and the Whitewash Waiver, namely Mr. Liu Hao, Mr. Zhang Jianping and Ms. Fang Fang) has been formed in accordance with Chapter 14A of the Listing Rules and Rule 2.8 of the Takeovers Code to advise the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders on, among other things, the Proposed Acquisition (including, amongst others, the grant of the Proposed Acquisition Specific Mandate) and the Whitewash Waiver. As each of Mr. Yang Xudong and Mr. Du Jian (each a non-executive Director) holds certain position in China Merchants Highway Network Technology Holding Company Limited (being a party presumed to be acting in concert with Anhui Transportation Holding Group), each of Mr. Yang Xudong and Mr. Du Jian is not considered as independent for the purposes of giving advice or recommendations to the Takeovers Code Independent Shareholders under the Takeovers Code.

In this connection, Shenwan Hongyuan has been appointed as the Independent Financial Adviser to advise the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders in respect of the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver and the transactions contemplated thereunder. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

XIII. EGM AND (IF APPLICABLE) CLASS MEETINGS

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; (iii) the Specific Mandates; and (iv) the Whitewash Waiver.

If applicable, the A Shares Class Meeting will be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; and (iii) the Specific Mandates.

If applicable, the H Shares Class Meeting will be convened to consider and, if thought fit, approve, among other things, (i) the Proposed Acquisition; (ii) the Proposed Non-public Issuance of A Shares; and (iii) the Specific Mandates.

The voting in relation to the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the Specific Mandates and the Whitewash Waiver at the EGM and/or the H Shares Class Meeting will be conducted by way of poll.

In respect of the Proposed Acquisition, (i) with respect to the approvals required under the Listing Rules, Anhui Transportation Holding Group and its associates and any Shareholders which have a material interest in the Proposed Acquisition and the Proposed Acquisition Specific Mandate will be required to abstain from voting on the relevant resolutions to be proposed at the EGM (and if applicable, the A Shares Class Meeting and/or the H Shares Class Meeting); and (ii) with respect to the approvals required under the Takeovers Code, Anhui Transportation Holding Group and parties acting in concert with it (including China Merchants Highway Network Technology Holding Company Limited (being a party presumed to be acting in concert with Anhui Transportation Holding Group)) and those who are involved in or interested in the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver will be required to abstain from voting on the relevant resolutions to be proposed at the EGM. As at the Latest Practicable Date, other than Anhui Transportation Holding Group, no Shareholders are involved in or interested in the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver. Accordingly, as at the Latest Practicable Date, other than Anhui Transportation Holding Group and parties acting in concert with it (including China Merchants Highway Network Technology Holding Company Limited (being a party presumed to be acting in concert with Anhui Transportation Holding Group)), no other Shareholders are required to abstain from voting with respect to the approvals required under the Takeovers Code.

In respect of the Proposed Non-public Issuance of A Shares, in the event that a Shareholder has indicated to participate in the Proposed Non-public Issuance of A Shares before the EGM and (if applicable) Class Meetings, such Shareholder and his/her/its close associates (as defined under the Listing Rules) will be required to abstain from voting on the relevant resolutions to be proposed at the EGM (and if applicable, the A Shares Class Meeting and/or the H Shares Class Meeting). As at the Latest Practicable Date, as no Shareholder has indicated to participate in the Proposed Non-public Issuance of A Shares, no Shareholder is required to abstain from voting on the relevant resolutions in respect of the Proposed Non-public Issuance of A Shares to be proposed at the EGM (and if applicable, the A Shares Class Meeting and/or the H Shares Class Meeting).

Save as aforementioned, no other Shareholder has a material interest in the Proposed Acquisition, the Proposed Non-public Issuance of A Shares, the Specific Mandates and the Whitewash Waiver and therefore no other Shareholder is required to abstain from voting at the EGM and/or (if applicable) the Class Meetings.

Pursuant to the "Decision of the State Council to Repeal Certain Administrative Regulations and Documents" (《國務院關於廢止部分行政法規和文件的決定(中華人民共和國國務院令第758號)》) issued by the State Council of the PRC on 14 February 2023 and the "Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies" (《境內企業境外發行證券和上市管理試行辦法》) and related guidelines issued by the CSRC on 17 February 2023, the Company is required to conform its articles of association to a new set of standard. In the event that the Hong Kong Stock Exchange has effected the required amendments to the Listing Rules and the articles of association of the Company has been amended in accordance with the changes in the PRC laws and regulations and/or the applicable listing rules prior to the holding of the EGM and (if applicable) Class Meetings, it is expected that the Class Meetings will no longer be required for the purposes of considering and approving the Proposed Acquisition, the Specific Mandates, the Whitewash Waiver and/or the Proposed Non-public Issuance of A Shares. The Company will update its Shareholders and potential investors once the amendment is effective as and when appropriate.

If you intend to appoint a proxy to attend the EGM and (if applicable) the Class Meetings, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. The form of proxy must be delivered to Hong Kong Registrars Limited not less than 24 hours before the time for holding the EGM and (if applicable) the Class Meetings or any adjourned meeting thereof in order for such document to be valid.

For the H Shareholders, the form of proxy should be returned to Hong Kong Registrars Limited, the H Share registrar of the Company, by hand or by post not less than 24 hours before the time appointed for holding the EGM and (if applicable) the Class Meetings or any adjourned meeting thereof.

Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM and (if applicable) the Class Meetings or at any adjourned meeting thereof should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

XIV. RECOMMENDATIONS

Shenwan Hongyuan has been appointed as the Independent Financial Adviser to advise the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders in respect of the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver and the transactions contemplated thereunder. Your attention is drawn to the letter of advice from the Independent Financial Adviser to the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders set out on pages 86 to 127 of this circular in connection with the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver and the transactions contemplated thereunder, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having considered the terms of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares and the advice of the Independent Financial Adviser, is of the view that while the Proposed Acquisition is not conducted in the ordinary and usual course of business of the Group, (i) the Proposed Acquisition is on normal commercial terms; and (ii) the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders are concerned and in the interests of the Company, the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM and (if applicable) the Class Meetings to approve the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver.

The Board recommends the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM and (if applicable) the Class Meetings to approve the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver.

In addition, the Board considers that all the resolutions proposed at the EGM and (if applicable) the Class Meetings are in the interests of the Company and its Shareholders as a whole. As such, the Board recommends the Shareholders to vote in favour of all the resolutions proposed at the EGM and (if applicable) the Class Meetings.

XV. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 84 to 85 of this circular, containing its recommendation in respect of the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders set out on pages 86 to 127 of this circular, containing its recommendation in respect of the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver; and (iii) the additional information set out in the appendices to this circular.

The Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolutions approving, among other things, the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver.

By order of the Board
Anhui Expressway Company Limited
Secretary to the Board
Wu Changming

* *For identification purpose 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)

26 July 2023

To the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION
(2) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES TO RAISE ANCILLARY FUNDS
(3) APPLICATION FOR WHITEWASH WAIVER
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING AND
(5) NOTICE OF H SHARES CLASS MEETING

We refer to the circular of the Company dated 26 July 2023 (the "**Circular**"), of which this letter forms part. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders in respect of the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver, details of which are set out in the "Letter from the Board" in the Circular. Shenwan Hongyuan has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders with the approval of the Independent Board Committee in this regard.

We wish to draw your attention to the "Letter from the Board" set out on pages 1 to 83 of the Circular, the "Letter from the Independent Financial Adviser" set out on pages 86 to 127 of the Circular and the additional information set out in the appendices thereto.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the "Letter from the Independent Financial Adviser" in the Circular, we concur with the view of the Independent Financial Adviser and consider that while the Proposed Acquisition is not conducted in the ordinary and usual course of business of the Group, (i) the Proposed Acquisition is on normal commercial terms; and (ii) the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders are concerned and in the interests of the Company, the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders as a whole.

Accordingly, we recommend the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders to vote in favour of the resolutions in relation to the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver to be proposed at the EGM and (if applicable) the Class Meetings.

Yours faithfully,
Independent Board Committee
Mr. Liu Hao **Mr. Zhang Jianping** **Ms. Fang Fang**
Independent non-executive Directors

* *For identification purpose only.*

Shenwan Hongyuan Capital (H.K.) Limited
Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

26 July 2023

To: Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders

Dear Sirs

(1) MAJOR AND CONNECTED TRANSACTION – PROPOSED ACQUISITION (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders in respect of the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 26 July 2023 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.

References are made to the announcements of the Company dated 3 April 2023, 17 April 2023, 28 April 2023, 5 May 2023, 16 May 2023 and 20 June 2023, in relation to, among other things, (i) the Proposed Acquisition; and (ii) the Whitewash Waiver.

On 17 April 2023, the Company and Anhui Transportation Holding Group entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase, and Anhui Transportation Holding Group has conditionally agreed to sell, the Target Assets, in consideration of (i) the allotment and issuance of the Consideration Shares and (ii) the payment of the Cash Consideration by the Company to Anhui Transportation Holding Group. In addition, as disclosed in the Update Announcement, on 20 June 2023, the Company and Anhui Transportation Holding Group further entered into the Supplemental Agreement and the Compensation Agreement in relation to the Proposed Acquisition.

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition in accordance with the Listing Rules exceed 25% but are less than 100%, the Proposed Acquisition constitutes a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, Anhui Transportation Holding Group directly holds 524,644,220 A Shares, representing approximately 31.63% of the total issued share capital of the Company, and is the controlling shareholder of the Company. Accordingly, Anhui Transportation Holding Group is a connected person of the Company. Therefore, the Proposed Acquisition constitutes a connected transaction of the Company which is subject to the reporting, announcement and Proposed Acquisition LR Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date,

(i) Anhui Transportation Holding Group holds 524,644,220 A Shares, representing approximately 31.63% of the total issued share capital of the Company; and

(ii) Anhui Transportation Holding Group and parties acting in concert with it hold in aggregate 1,021,231,721 Shares (comprising 928,835,721 A Shares and 92,396,000 H Shares), representing approximately 61.57% of the total issued share capital of the Company.

Immediately following completion of the Proposed Acquisition, on the basis that the Total Consideration to be settled by way of issuance of Consideration Shares is RMB3,116,103,315, and assuming that (i) the issue price is the Adjusted Issue Price and there will not be any further adjustments to the issue price of the Consideration Shares of RMB6.64 per Consideration Share; and (ii) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the A Shares pursuant to the Acquisition Agreement,

(i) the shareholding of Anhui Transportation Holding Group in the Company will increase to approximately 46.71%; and

(ii) the aggregate shareholding of Anhui Transportation Holding Group and parties acting in concert with it in the Company will increase to approximately 70.05%.

Accordingly, upon completion of the Proposed Acquisition, pursuant to Rule 26.1 of the Takeovers Code, Anhui Transportation Holding Group will be required to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Anhui Transportation Holding Group and parties acting in concert with it, unless the Whitewash Waiver from strict compliance with Rule 26.1 of the Takeovers Code is obtained from the Executive.

The Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Proposed Acquisition and the Whitewash Waiver, namely Mr. Liu Hao, Mr. Zhang Jianping and Ms. Fang Fang) has been formed in accordance with Chapter 14A of the Listing Rules and Rule 2.8 of the Takeovers Code to advise the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders on, among other things, on the Proposed Acquisition (including, amongst others, the grant of the Proposed Acquisition Specific Mandate) and the Whitewash Waiver. As each of Mr. Yang Xudong and Mr. Du Jian (each a non-executive Director) holds certain position in China Merchants Highway Network Technology Holding Company Limited (being a party presumed to be acting in concert with Anhui Transportation Holding Group), each of Mr. Yang Xudong and Mr. Du Jian is not considered as independent for the purposes of giving advice or recommendations to the Takeovers Code Independent Shareholders under the Takeovers Code.

We have been appointed, and approved by the Independent Board Committee, as the Independent Financial Adviser. As at the Latest Practicable Date, we are not connected with the Directors, chief executive, the supervisors or substantial shareholders of the Company or any of their respective associates and concert parties and are therefore considered suitable to give independent advice to the Independent Board Committee and the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders. We were not aware of any relationships or interest between us and the Company, Anhui Transportation Holding Group nor any other parties within the past two years that could be reasonably be regarded as a hindrance to our independence to act as the Independent Financial Adviser to the Independent Board Committee, the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders in respect of the Proposed Acquisition (including the grant of the Proposed Acquisition Specific Mandate and the approval of the Acquisition Agreement (as supplemented by the Supplemental Agreement and the Compensation Agreement)), and the Whitewash Waiver.

There was no other engagement between us and the Company or Anhui Transportation Holding Group during the two years preceding the date hereof. Apart from normal professional fees payable to us by the Company in connection with the current appointment of us as independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive, the supervisors or substantial shareholders of the Company or any of their respective associates and concert parties, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Proposed Acquisition (including the grant of the Proposed Acquisition Specific Mandate and the approval of the Acquisition Agreement (as supplemented by the Supplemental Agreement and the Compensation Agreement)), and the Whitewash Waiver.

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such statements, information, opinions, representations and/or any change to the content of this letter as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong 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 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 therein or the document misleading.

The Circular also includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. All the Directors jointly and severally accept full responsibility for the accuracy of the information in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any of the statements in this Circular misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver.

This letter is issued for the information of the Independent Board Committee, the Takeovers Code Independent Shareholders and the Proposed Acquisition LR Independent Shareholders solely in connection with their consideration of the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Acquisition and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Background of the Proposed Acquisition

1.1 Background information on the Group

On 15 August 1996, the Company was established as a joint stock company in Anhui province, the PRC. The Company's H Shares are listed on the Main Board of the Stock Exchange, while its domestic ordinary shares are listed on the Shanghai Stock Exchange. It was the first highway company to be listed in Hong Kong and the only listed highway company in Anhui province.

The Group is principally engaged in investment, construction, operation, and management of toll expressways located within Anhui province. The Group obtains toll expressway assets through investment and construction, acquisition, or cooperative operation. The Group provides toll services for vehicles, charges vehicles toll fees according to the charging standard, and maintains, repairs, and conducts safety maintenance for toll expressways.

Financial performance of the Group

Set out below is a summary of financial information of the Group for the three years ended 31 December 2020, 2021 and 2022 as extracted from the Company's annual reports (which were prepared in accordance with Hong Kong Financial Reporting Standards) and for the three months ended 31 March 2022 and 2023 as extracted from the Company's 2023 first quarterly report (which was prepared in accordance with China Accounting Standards for Business Enterprises):

	For the year ended 31 December			**For the three months ended 31 March**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	3,015,554	4,029,476	5,206,366	966,251	1,145,087
Gross profit	1,380,501	2,306,988	2,222,171	721,494	530,104
Profit for the year/period	815,255	1,543,113	1,415,624	404,834	478,671

As set out in the table above, the Group's revenue increased significantly from RMB3,015.6 million for the year ended 31 December 2020 ("**FY2020**") to RMB4,029.5 million for the year ended 31 December 2021 ("**FY2021**"). In terms of profit, the Group's net profit also surged from RMB815.3 million for FY2020 to RMB1,543.1 million for FY2021, representing a growth of 89.3%. We note from the Company's last three annual reports, and understand from the management of the Company that the growth in the Group's revenue and profit in FY2021 was mainly due to the (i) increase in traffic volume of four of the main expressways of the Group, namely Hening Expressway, Gaojie Expressway, Xuanguang Expressway and Anqing Yangtze River Expressway Bridge; and (ii) toll exemption period of around 3 months during 17 February to 6 May 2020 implemented as required according to the Ministry of Transport of the PRC in assisting the epidemic prevention and control work under the COVID-19 outbreak which caused a significant drop in the Group revenue and profit during FY2020.

The Group's revenue further increased from RMB4,029.5 million for FY2021 to RMB5,206.4 million for the year ended 31 December 2022 ("**FY2022**"), mainly due to the combined net effect of:

(i) an increase in revenue of RMB1,309.0 million from the construction or upgrade work under service concessions as a result of the construction progress of Public-Private-Partnership project of Xuanguang Expressway reconstruction and expansion; and

(ii) a decrease in toll income of RMB154.7 million mainly because of the decrease in traffic volume of Xuanguang Expressway, which was under reconstruction and expansion work during FY2022.

The profit for the year of the Group dropped from RMB1,543.1 million for FY2021 to RMB1,415.6 million for FY2022 primarily because of (i) the decrease of gross profit generated from expressway business which is in line with the decrease in toll revenue; and (ii) no gross profit generated from construction or upgrade work under service concessions.

The revenue of Group increased from RMB966.3 million for the three months ended 31 March 2022 ("**3M2022**") to RMB1,145.1 million for the three months ended 31 March 2023 ("**3M2023**") mainly due to the overall increase in traffic volume of the expressways operated by the Group during the first quarter of 2023 because of the relaxation of epidemic prevention policy. Net profit of the Group increased from RMB404.8 million for 3M2022 to RMB478.7 million for 3M2023, represents an increase of 18.3%, which is in line with the increase in revenue for the same period.

Existing toll roads and bridges

Set out below is a summary of details of existing toll roads and bridges as extracted from the Board Letter and the corresponding revenue contribution in FY2022 as extracted from the Company's annual report for FY2022:

		Interests	Remaining operating term[1]	Length	Revenue for the year ended 31 December 2022	% to total toll income
		%	*years*	*kilometers*	*RMB'000*	*%*
1.	Hening Expressway	100.0	8.38	134	1,197,057	31.6
2.	New Tianchang Section of National Trunk 205	100.0	3.76	30	71,583	1.9
3.	Gaojie Expressway	100.0	6.51	110	926,406	24.5
4.	Xuanguang Expressway	55.5	5.32	84	544,333	14.4
5.	Lianhuo Expressway Anhui Section	100.0	9.26	54	254,062	6.7
6.	Ninghuai Expressway Tianchang Section	100.0	9.22	14	113,021	3.0
7.	Guangci Expressway	55.5	6.31	14	117,258	3.1
8.	Ningxuanhang Expressway	51.0	*Note 2*	113	94,124	2.5
9.	Anqing Yangtze River Expressway Bridge	100.0	10.75	6	336,807	8.9
10.	Yuewu Expressway Anhui section	100.0	22.77	46	133,370	3.5

Notes:

1. The remaining operating terms are calculated as of 31 March 2023 as set out in the Board Letter.

2. Ningxuanhang Expressway (Anhui Section) is made up of three sections namely: Xuancheng to Ningguo section, Ningguo to Qianqiuguan section and Liqiao to Xuancheng section with approximately 20.45 years, 22.73 years and 24.76 years of remaining operation term, respectively.

As at 31 December 2022, the Group had been operating a total of ten expressways (i.e. the toll roads and bridges as set out above). Among the expressways operated by the Group, Hening Expressway, Xuanguang Expressway and Gaojie Expressway together accounted for approximately 70.5% of the toll revenue for the year ended 31 December 2022 from these ten expressways, with an average remaining concession period of approximately 6.74 years. The average remaining concession period of all the ten expressways operated by the Group is approximately 10.49 years, whereas the weighted average remaining concession period weighted by the length of the expressways is 11.22 years.

1.2 Anhui Transportation Holding Group

Anhui Transportation Holding Group is a state-owned enterprise established in the PRC and is the controlling shareholder and a connected person 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. Anhui Transportation Holding Group owns the entire equity interest in the Target and is, in turn, directly under the ownership of SASAC of Anhui Province as at the Latest Practicable Date.

Target Company

The Target Company is a limited liability company established in the PRC on 15 December 2022. The Target Company is principally engaged in the investment, operation and management of the Liuwu Expressway in Anhui Province in the PRC.

The Target Company currently owns the concession rights of the Liuwu Expressway. Liuwu Expressway opened to traffic on 28 December 2009. It starts from Dagudian (大顧店) of Yeji District, Lu'an City (六安市葉集區), joining the Heliuye Expressway (合六葉高速公路), passing through several towns of Yaoli Town (姚李鎮) in Yeji District, Liu'an City (六安市葉集區), as well as Baitafan (白塔畈), Meishan (梅山), Huaishuwan (槐樹灣), Gubei (古碑), Nanxi (南溪) and Banzhuyuan (斑竹園) in Jinzhai County (金寨縣) from northeast to southwest, and ending at Changling pass (長嶺關) at the junction of Anhui and Hubei provinces. The Liuwu Expressway connects to the Hubei section of the Lu'an-Wuhan Expressway (六安至武漢高速公路湖北段). The total chargeable mileage of the Liuwu Expressway is 92.7 kilometers. Liuwu Expressway is designed as a two-way four-lane expressway.

The financial information of the Target Company for the two financial years ended 31 December 2021 and 2022, and for the two months ended 28 February 2022 and 2023, prepared in accordance with Hong Kong Financial Reporting Standard was as follows:

	For the year ended 31 December		**For the two months ended 28 February**	
	2021	**2022**	**2022**	**2023**
	RMB million *(audited)*	*RMB million* *(audited)*	*RMB million* *(unaudited)*	*RMB million* *(audited)*
Net profit before taxation	344.8	289.8	54.4	57.0
Net profit after taxation	258.6	217.3	40.8	42.8

The audited net asset value of the Target Company attributable to the owner of the equity as at 31 December 2022 and 28 February 2023 were RMB2,737.5 million and RMB2,785.3 million, respectively. Upon completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group.

2. Reasons for and benefits of the Proposed Acquisition

The Group is principally engaged in investment, construction, operation, and management of toll expressways located within Anhui province. The Group obtains toll expressway assets through investment and construction, acquisition, or cooperative operation.

As discussed in section 1.1 "Background information on the Group" of this letter, the average remaining concession period of the toll expressways operated by the Group is approximately 10.49 years. The toll revenue generated from the top three expressways, namely Hening Expressway, Gaojie Expressway and Xuanguang Expressway, accounted for approximately 70.5% of the revenue generated from the ten expressways held by the Group in FY2022. The average remaining concession period of these top three revenue generating expressways is approximately 6.74 years. Liuwu Expressway has a remaining concession period of 16.75 years (as of 31 March 2023), and hence by acquiring the Target Company to the expressways portfolio managed by the Group, the average concession period of the Group's portfolio will be extended upon completion of the Proposed Acquisition. The Proposed Acquisition will allow the Group to maintain a pool of healthy expressway assets and to expand its scale of operation in the Anhui Province, which in turn facilitate the Group to enjoy the benefit from economies of scale and synergies amongst its existing expressway assets. The Proposed Acquisition is expected to increase the total toll mileage of the expressways operated by the Group by approximately 15.3%, from approximately 609 km to 702 km, and enhance the Group's profitability accordingly.

The Directors believe that the Group can generate additional toll revenues from the Proposed Acquisition by continue utilising its existing management team, equipment, and machinery for maintenance. The Proposed Acquisition not only aligns with the Company's development strategy, but also facilitate synergy and better utilisation of its toll operation experience and advantages to complement its existing network of expressways.

Shareholders are advised to refer to the section headed "Reasons for and benefits of Proposed Acquisition and Proposed Non-public Issuance of A Shares" in the Board Letter set out in the Circular for further details.

3. Principal terms of the Acquisition Agreement and Supplemental Agreement

On 17 April 2023, the Company and Anhui Transportation Holding Group entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase and Anhui Transportation Holding Group has conditionally agreed to sell, the Target Assets, in consideration of (i) the allotment and issuance of the Consideration Shares and (ii) the payment of the Cash Consideration by the Company to Anhui Transportation Holding Group. On 20 June 2023, the Company and Anhui Transportation Holding Group further entered into (i) the Supplemental Agreement, pursuant to which, among other things, the final consideration for the Proposed Acquisition and the number of the Consideration Shares proposed to be issued have been negotiated and determined by the relevant parties; and (ii) the Compensation Agreement, pursuant to which, Anhui Transportation Holding Group undertakes to provide performance guarantees and related compensation in respect of the Target Assets.

Set out below is a summary of the key terms of the Acquisition Agreement, the Supplemental Agreement and the Compensation Agreement. For more details, please refer to the Board Letter.

The Acquisition Agreement (as supplemented by the Supplemental Agreement)

Date:	17 April 2023 (as supplemented by the Supplemental Agreement on 20 June 2023)
Parties:	(1) the Company, as purchaser; and (2) Anhui Transportation Holding Group, as vendor
Subject matter:	Pursuant to the Acquisition Agreement, the Company has conditionally agreed to purchase and Anhui Transportation Holding Group has conditionally agreed to sell, the Target Assets, being 100% of the equity interests in the Target Company, at the Total Consideration, of which (i) 85% shall be settled by the allotment and issuance of the Consideration Shares and (ii) 15% shall be settled by the payment of the Cash Consideration by the Company to Anhui Transportation Holding Group.
Consideration:	According to the Asset Valuation Report issued by China United, which have been approved by and filed with the authorised entity of the competent state-owned assets supervision and administrative authorities, the appraised value of the Target Assets as at the Valuation Benchmark Date, which were primarily determined based on the income approach, is RMB3,661,003,900.

Upon arms' length negotiations between the parties taking into account the appraised value of the Target Assets under the Asset Valuation Report of RMB3,661,003,900 and the paid-up registered capital of the Target Company of RMB5,000,000 which was paid by Anhui Transportation Holding Group to the Target Company subsequent to the Valuation Benchmark Date, the parties have agreed that the final Total Consideration shall be RMB3,666,003,900.

The Total Consideration shall be settled: (i) 85% by the allotment and issuance of the Consideration Shares; and (ii) 15% by the payment of the Cash Consideration, by the Company to Anhui Transportation Holding Group. Accordingly, on the basis that the Total Consideration is RMB3,666,003,900, RMB3,116,103,315 shall be settled by way of allotment and issuance of the Consideration Shares while RMB549,900,585 shall be settled by way of payment of Cash Consideration.

Issue of Consideration Shares:

The final consideration of the Proposed Acquisition will be settled partially by the allotment and issuance of the Consideration Shares by the Company to Anhui Transportation Holding Group. The Original Issue Price of the Consideration Shares shall be RMB7.19 per Consideration Share, representing not less than 80% of the average trading prices of the A Shares for the 20, 60 or 120 trading days prior to the Pricing Benchmark Date of 18 April 2023 (rounded up to the nearest two decimal places).

During the period between the Pricing Benchmark Date and the date of issue of the Consideration Shares, in case of any ex-rights or ex-dividends events of the Company such as distribution of cash dividends, bonus issues, rights issues, allotment of shares, conversion of share premium into share capital or capitalisation issues, the issue price of the Consideration Shares will be adjusted in accordance with the relevant PRC laws and regulations.

The Company has declared its final dividend for the year ended 31 December 2022 on 31 March 2023, which was approved by the shareholders at the annual general meeting of the Company on 9 June 2023. Anhui Transportation Holding Group and the Company have agreed that the issue price of the Consideration Shares is adjusted to RMB6.64 per Consideration Share (the "**Adjusted Issue Price**") in accordance with the formula for distribution of cash dividend.

On the basis that the portion of the final Total Consideration for the Proposed Acquisition to be settled by the Consideration Shares Issuance is RMB3,116,103,315 and assuming the final issue price of the Consideration Shares is the Adjusted Issue Price (being RMB6.64 per Consideration Share), the number of Consideration Shares to be issued by the Company to Anhui Transportation Holding Group is 469,292,667 A Shares.

The final number of Consideration Shares to be issued by the Company to Anhui Transportation Holding Group shall be subject to the approval by the Shanghai Stock Exchange and registration with the CSRC. Pursuant to the relevant PRC laws and regulations, such approval by Shanghai Stock Exchange and registration with CSRC will only be obtained after the approval of the Proposed Acquisition at the EGM and (if applicable) the Class Meetings. Where adjustment will be required by the Shanghai Stock Exchange and the CSRC, it is expected that there will be downward (but not upward) adjustment to the number of Consideration Shares to be issued by the Company to Anhui Transportation Holding Group and further announcement(s) will be made by the Company.

Lock-up period: Anhui Transportation Holding Group has undertaken that it shall not transfer any of the Consideration Shares within 36 months from the date of issue of the Consideration Shares (save for any transfer between entities controlled by the same beneficial owner), provided that if Anhui Transportation Holding Group is required to return the Consideration Shares to the Company pursuant to any performance guarantee and compensation arrangements which may be agreed between Anhui Transportation Holding Group and the Company in connection with the Proposed Acquisition, and such return has not been completed within the aforesaid 36 months lock-up period, the lock-up period shall be extended to the date on which the return of Consideration Shares by Anhui Transportation Holding Group to the Company is completed.

In the event that (i) the closing prices of the A Shares for twenty (20) consecutive trading days within six months following the completion of the Consideration Share Issuance or (ii) the closing price of the A Shares as at the end of the six-month period following completion of the Consideration Share Issuance is below the issue price of the Consideration Shares, the lock-up period will be automatically extended for six months.

The Compensation Agreement

Date:	20 June 2023
Parties:	(1) the Company; and (2) Anhui Transportation Holding Group
Performance Compensation Assets:	According to the Asset Valuation Report, the appraised values of the Target Assets, being the Performance Compensation Assets, were determined based on the income approach with reference to the discounted cash flow method which involves projection of future cash flow attributable to such Performance Compensation Assets from 1 January 2023 to 27 December 2039 (being the end date of the concession right of the Liuwu Expressway owned by the Target Company). Pursuant to the requirements of the Administrative Measures for Material Asset Restructuring and other relevant PRC laws and regulations, Anhui Transportation Holding Group undertakes to provide performance guarantees and related compensation in respect of the Performance Compensation Assets based on the future estimated profit attributable to such Performance Compensation Assets in the Asset Valuation Report.
Performance Compensation Period:	The Performance Compensation Period shall be three consecutive financial years commencing from (and including) the year in which the Completion takes place.
Compensation arrangements:	*Compensation for performance guarantees* Anhui Transportation Holding Group undertakes that the future realised net profit of Performance Compensation Assets during each year of the Performance Compensation Period shall not be lower than the respective estimated net profit for that relevant year as set out in the Asset Valuation Report.

Upon the expiry of each financial year during the Performance Compensation Period, the Company shall select and engage a qualified accounting firm to conduct audit on the Target Company and issue a specific audit opinion. If the audited net profit of the Performance Compensation Assets is lower than the corresponding guaranteed amount as set out for the financial year, Anhui Transportation Holding Group shall compensate the Company for an amount to (calculated in accordance with the formula as detailed in the Board Letter) through return of the Consideration Shares, being the Compensation Shares.

Compensation for impairment

Upon the expiry of the Performance Compensation Period, the Company shall select and engage a qualified accounting firm to carry out impairment test on the Performance Compensation Assets and issue a corresponding impairment test report.

If the amount of impairment of the Performance Compensation Assets as at the end of the Performance Compensation Period is larger than the total amount of performance compensation paid by Anhui Transportation Holding Group to the Company during the Performance Compensation Period (if any), Anhui Transportation Holding Group shall compensate the Company for an amount (calculated in accordance with the formula as detailed in the Board Letter) through return of the Consideration Shares, being the Compensation Shares.

Cash Compensation

In the event that the Consideration Shares is insufficient to settle the compensation payable to the Company under the Compensation Agreement, Anhui Transportation Holding Group shall pay such shortfall in cash. The cash amount to be paid to the Company shall be determined in accordance with the formula below:

Maximum amount of compensation: The parties agree that the maximum amount of compensation to be made by Anhui Transportation Holding Group to the Company under the Compensation Agreement shall not exceed the Total Consideration of the Proposed Acquisition (being RMB3,666,003,900).

3.1 Final consideration of the Proposed Acquisition

As stated in the Acquisition Agreement, the final consideration for the Proposed Acquisition will be determined after arm's length negotiations between the parties with reference to the appraised value of the Target Assets set out in the Asset Valuation Report, subject to the report being filed with or confirmed by the competent state-owned assets supervision and administrative authorities, and will be confirmed by way of entering into the Supplemental Agreement.

On 20 June 2023, the Company and Anhui Transportation Holding Group entered into the Supplemental Agreement, pursuant to which, among other things, the final consideration for the Proposed Acquisition and the number of the Consideration Shares proposed to be issued have been determined by the parties. The parties have agreed that the consideration for transfer of 100% equity interest in each of the Target Company shall be equivalent to the appraised value of the Target Company as set out in the Asset Valuation Report, plus the paid-up registered capital of the Target Company of RMB5,000,000 which was paid by Anhui Transportation Holding Group to the Target Company subsequent to the Valuation Benchmark Date, the final consideration for the Proposed Acquisition shall be RMB3,666,003,900.

3.2 Our assessment of fairness and reasonableness of the consideration

To evaluate the fairness and reasonableness of the consideration to be made according to the Acquisition Agreement (as supplemented by the Supplemental Agreement), we have considered the Target Assets' valuation information provided in the Asset Valuation Report and the traffic study report provided by the PRC Qualified Traffic Consultant, and our analysis, which are set out below:

1. Asset Valuation Report

Qualification and experience of China United

We have reviewed and enquired the qualification and experience of China United who conducted the valuation of the Target Company. We have (i) reviewed their engagement mandate as well as the terms of engagement (including their scope of work); (ii) reviewed and enquired the qualification and experience of China United; (iii) conducted an interview with China United in relation to its expertise and inquiry regarding any current or prior relationships with the Group, Anhui Transportation Holding Group, and core connected persons of either the Group or Anhui Transportation Holding Group; and (iv) reviewed and discussed with China United in relation to its past and similar experience on toll road valuation. According to our work performed as mentioned above, we understand that (a) China United is an established appraisal firm with over 28 years of experiences in acting as an asset appraisal valuer. The valuation project is managed by Mr. Yue Fuqiang of China United, the responsible person of the valuation project, who possessed over 20 years of experience in asset appraisal industry and participated or lead asset appraisal projects toll road project valuation and had participated in relevant valuations in the PRC before; (b) China United had extensive experience in undertaking appraisals and has completed over five toll road valuation projects in the past three years; (c) China United is recognized by the SASAC as a qualified asset appraisal company in the PRC according to our checking of the website of the SASAC and (d) China United is a third party independent of the Company and Anhui Transportation Holding Group 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. China United also confirms that they are not aware of any limitations on the relevant scope of work. Further, as advised by China United, the Company and the parties to the Proposed Acquisition have not made formal or informal representation to them that contravenes with their understanding on the information, to a material extent, as set out in the Asset Valuation Report. Thus, we consider that China United is qualified and possesses sufficient relevant experience in conducting the valuation of the Target Company.

Valuation methodology adopted by China United

We have obtained and reviewed the Asset Valuation Report, which are outlined in Appendix V to the Circular. As discussed with China United, we understand that the Asset Valuation Report were prepared in accordance with the PRC valuation standard and the Asset Valuation Report has a validity period of one year from the Valuation Benchmark Date. In respect of the valuation methodology, China United considered three widely-used approaches: the asset-based approach, income approach, and market approach, in accordance with the PRC valuation standard. China United advised that the market approach was not appropriate for valuing the Target Company, given that (i) there is no listed companies matching the unique characteristics of the Target Company (including but not limited to operation model, asset scale, operating results and concession terms and geographical location of the expressways being operated); and (ii) the limited access to information for transaction of expressways with similar characteristics in PRC, and it is difficult to reasonably quantify the impact of the above factors on the valuation. Therefore, the market approach was not adopted for the valuations. The income approach, which appraises the enterprise value through capitalising or discounting the expected free cash flow of the valuation target in the future, was used because the Target Company is profitable and future financial performance can be projected reasonably as Liuwu Expressway has an operation track record of over 13 years, as advised by China United. Thus, the income approach was used in the valuations. China United also advised that the asset-based approach, which reasonably evaluates the values of each identifiable asset and liability item to determine the value of the appraised entity, was also considered in the valuations, as advised by China United.

We have obtained and reviewed the Asset Valuation Report and we note that China United has considered both asset-based approach and the income approach in the valuations. We understand that the result derived by using the income approach is adopted by China United as the final valuation conclusions. Regarding the income approach, we noted that it is commonly adopted in the business valuation for valuation subject with supportable operating profit and cash flow forecasts such as mining companies, investment properties with long term foreseeable rental agreements, as well as expressway companies or other public utilities with reasonable operating contractual arrangements. We have further enquired with China United on the rationale and we are given to understand that as a future stable growth from operation is expected for of the Target Company, and income approach is able to directly capture and incorporate such information about the future economic benefits contributed by the business operation of the Liuwu Expressway, the valuation as derived from the income approach is more comprehensive and accurate. As such, we concur with the view of China United that the adoption of income approach for the valuation of the Target Company is fair and reasonable.

Valuation bases and assumptions

We further discussed with China United in respect of the Asset Valuation Report to understand the major valuation parameters and assumptions (including toll traffic volume and revenue, cost of services, discount rate, etc.) and China United's work-done in arriving at the valuation.

A. Toll traffic volume and revenue

To determine the valuation of the Target Assets, China United relied on the traffic study report, which includes projections for toll traffic volume and revenue for the Liuwu Expressway during its remaining concession period as of 31 December 2022, which is from 1 January 2023 to 27 December 2039. To understand the relevant assumptions used in the valuation, we (i) discussed the major projection items provided by the PRC Qualified Traffic Consultant with China United and reviewed them, including but not limited to the forecast of toll traffic volume, toll revenue and toll road policy; (ii) reviewed the forecast projection adapted by China United, which is prepared by the management of the Company; (iii) reviewed the Target Company's historical financial information for the three years ended 31 December 2022, and the two months ended 28 February 2023; and (iv) reviewed the underlying documents showing the concession period of the Liuwu Expressway. We cross-checked and compared the forecast toll revenue (before value-added tax and business tax) used in the valuation against the traffic study report and found no variance. Based on the above work performed, we are not aware of any factors that would cause us to doubt the fairness and reasonableness of the assumptions of the toll traffic volume and revenue projection adopted by China United.

B. Cost of sales

According to the Valuation Report, cost of sales comprises mainly depreciation and amortisation, overhaul cost, staff costs and repair and maintenance fee. We noted that depreciation and amortisation attribute to the majority of the cost of sales and mainly represent depreciation of the land and building of the expressway calculated based on the historical construction costs using straight-line deprecation method. Such amounts are excluded from the projected cash flow for discounting under the income method as they are non-cash expenses. We have also reviewed the estimation of overhaul cost, which is another key component of the cost of sales. Based on our discussion with the management, we noted that it is based on the historical overhaul cost which was generally in a growth trend and a growth rate of approximately 5% was adopted based on the historical compound annual growth rate of the overhaul cost in the past five years of 4.8%, which we consider to be reasonable as it averages out the fluctuations and is comparable to the historical growth rate.

C. Discount rate

We discussed with China United regarding the estimation of discounted future free cash flow to the equity ("**FCFE**") that the Target Company will generate. We noted that discounted FCFE is used for the estimation of the equity value of the Target Assets as the Target Company is interest bearing debt-free. The discount rate used to calculate the present value of the FCFE is the required rate of return on equity for the Target Company, which is determined by using the Capital Asset Pricing Model ("**CAPM**"). We understood that the CAPM technique is widely accepted for the purpose of estimating required rate of return on equity. To arrive at the required rate of return on equity for the Target Company, China United has taken into account the following factors: (i) the risk-free rate, (ii) the market risk premium, (iii) the beta and (iv) the asset specific risk premium.

China United adopted 2.84% as risk free rate, which was determined with reference to yield of 10-year China Government Bond according to the data published by China Central Depository & Clearing Co., Ltd as at the valuation date of 31 December 2022. We performed checking on the data published on the website of the People's Bank of China for the yield rates of 10-year China Government Bond and it is consistent with the rate adopted by China United. Therefore, we consider the risk free rate of 2.84%, which China United adopted, to be justifiable.

We noted from "Country Risk Premiums" updated by Aswath Damodaran, Ph.D (being a professor of finance at New York University Stern School of Business and an authoritative source of country risk premium as per our understanding) in January 2023, market risk premium of the PRC was 7.16% (calculated based on relevant sovereign credit rating) or 7.05% (calculated based on spread of relevant credit default swaps). We have also checked another European source for corporate finance valuation (http://www.market-risk-premia.com/cn.html) published by the Fenebris Expert Circle, which are formed by experienced European experts in the field of corporate finance and business valuation advisory; and, as per our understanding, is one of the commonly used sources by business valuation professionals, and their market risk premium for PRC is approximately 5.61% for December 2022. Alternatively, we considered the direct calculation method of the market risk premium in the CAPM model, which is the difference between the equity market return and the risk free rate. Based on the 10-year average market return of Shanghai Securities Composite Index of 6.93% as at the valuation date of 31 December 2022 and the risk free rate of 2.84% as mentioned above, the implied market risk premium is 4.09%. Given the market risk premium of 6.73% adopted by China United in the Asset Valuation Report is (i) higher than the market risk premium calculated by the above direct calculation method; (ii) higher than the market risk premium from the European source; and (iii) comparable to the estimated equity market risk premium from Dr. Damodaran's source, we are of the view that the market risk premium adopted in the Asset Valuation Report is reasonable.

In arriving at the beta, based on our review of the list of comparable companies as stated in the Asset Valuation Report, and as ascertained by China United, we noted that China United has identified 6 companies which are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange; and are principally engaged in expressway operation in the PRC (the "**Beta Reference Companies**"). In the course of our discussion with China United, we were given to understand that the Beta Reference Companies are selected, based on the financial information in their respective annual reports for FY2022 and company information as at 31 December 2022 (i.e. the Valuation Benchmark Date), using the following criteria: (i) are located in the PRC and listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange for more than 5 years with proper operational record; (ii) are principally engaged in expressway operation in the PRC with more than 60% of total revenue generated from expressway operation business; and (iii) operate in a comparable scale as the Target Company. Apart from discussing with China United as detailed above, we have, on a best effort basis, conducted an independent background check on the Beta Reference Companies, and noted that the Beta Reference Companies represent an exhaustive list based on the aforementioned selection criteria adopted by China United in the Asset Valuation Report. We also consider that the selection criteria of the Beta Reference Companies are reasonable and appropriate for the calculation of the beta based on the fact that (i) the Target Company operates in PRC which is the same as the Beta Reference Companies; (ii) the Beta Reference Companies (i.e. with more than 60% of their total revenue generated from expressway operation) were of similar business operation as the Target Company, which generated revenue solely from expressway operation from FY2020 to FY2022. As referred to in the Asset Valuation Report, the beta adapted in deriving the discount rate of the Target Company is 0.6929, which is the average unlevered beta of the Beta Reference Companies (i.e. after taking out the effect of financial leverage of each the companies) as the Target Company is interest bearing debt-free.

Regarding the asset specific risk premium, 1.5% was used by China United after taken into account of the relative size of the Target Company, stability of future profitability, and other qualitative attributes of the Target Company in order to account for non-systematic risk inherent to the Target Company. In assessing the reasonableness of the asset specific risk premium used, we have, among other things, (i) reviewed the evaluation of aforementioned qualitative attributes of the Target Company prepared by China United; (ii) discussed with China United on the key factors considered and understood that the asset specific risk premium was set at 1.5%, according to their experience and judgement, after primarily considered that (i) the Target Company operated in a relatively smaller scale compared to the Beta Reference Companies; and (ii) the Target Company's forecast is relatively robust and stable, and we considered the asset specific risk premium adopted by China United to be reasonable.

Based on the above and information and documents in respect of the Asset Valuation Report provided to us by China United and having considered China United's qualification and experience, we did not identify any major factors which had caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the Asset Valuation Report.

Having also considered (i) our due diligence work on China United in respect of the Asset Valuation Report; (ii) the Rule 14.62 of Listing Rules requirement; (iii) that the Company's financial adviser is of the opinion that the discounted cash flow forecast, for which the Directors are solely responsible, has been made after due and careful enquiry, we consider that the principal bases and assumptions adopted for the Asset Valuation Report are fair and reasonable.

2. Traffic study report

We are given to understand that the traffic study report was prepared and provided in support of the valuation of the appraised value of the Target Assets, to serve as a reference for the projection of the traffic volume and toll revenue of the Liuwu Expressway for the period from 1 January 2023 to 27 December 2039. CHELBI Engineering Consultants, Inc.* (華傑工程諮詢有限公司), the PRC Qualified Traffic Consultant, has been engaged by the Company to conduct an independent research and prepare the aforesaid traffic study report.

Qualification and experience of the PRC Qualified Traffic Consultant

In order to assess the expertise and independence of the PRC Qualified Traffic Consultant, we have (i) reviewed the engagement letter between the PRC Qualified Traffic Consultant and the Company for the terms of engagement (including scope of work) of the traffic study of the Liuwu Expressway; (ii) conducted an interview with the PRC Qualified Traffic Consultant to understand its experience, its relationship with the Company and the projection methodologies; (iii) discussed with the PRC Qualified Traffic Consultant about its previous experiences on traffic consulting projects; and (iv) reviewed the qualification of the PRC Qualified Traffic Consultant. Based on our work performed as mentioned above, we understand that (a) the PRC Qualified Traffic Consultant is an experienced consultant in the traffic study for the PRC's infrastructure with more than 38 years of professional experience and the team prepared the traffic study report has completed 29 traffic consulting projects including experience in traffic volume and toll revenue projection in the past three years; (b) the PRC Qualified Traffic Consultant has confirmed that it is an independent third party of the Company, Anhui Transportation Holding Group, and their core connected persons; (c) the scope of work of their engagement is appropriate and suitable for the preparation of the traffic study report; and (d) the PRC Qualified Traffic Consultant has Engineering Consulting Qualification Class A (工程諮詢單位甲級資信) qualification issued by the Institute of Engineering Consulting of China* (中國工程諮詢協會). As such, we are not aware of any matters that could cause us to have doubts on the expertise and independence of the PRC Qualified Traffic Consultant.

Methodologies and assumptions

We have reviewed and discussed with the PRC Qualified Traffic Consultant about the traffic study report on the bases, assumptions and methodologies adopted to estimate the traffic volume and toll revenue of the Liuwu Expressway for the period from 1 January 2023 to 27 December 2039. We note that the PRC Qualified Traffic Consultant has (i) collected economic data (primarily gross domestic product data from year 2013 to 2022) of Anhui and Hubei Province, and Liuan and Macheng City, which are the two cities located at the end of the Liuwu Expressway and researched the future development plan in the above provinces and cities; (ii) obtained historical traffic data (for example, traffic volume, types of vehicles, toll revenue) of the Liuwu Expressway; (iii) analysed the data in (i) and (ii) above; and (iv) built a traffic model to estimate the future expected traffic volume and toll revenue of the Liuwu Expressway, which based on our understanding, historical trends of economic data and traffic data were both considered by the PRC Qualified Traffic Consultant in formulating the projection and we consider that it is reasonable and consistent with the industry practice as per referencing disclosure of transactions of similar nature.

In estimating the traffic volume and toll revenue of the Liuwu Expressway, we noted that the PRC Qualified Traffic Consultant has considered (i) the existing traffic flow patterns; (ii) the historical traffic data for the period from 2010 to 2022 of the Liuwu Expressway; (iii) the toll rate of each type of vehicle is based on the official toll rate issued by the Anhui Government on 30 December 2019; and (iv) the future development plan and outlook of the surrounding transportation network. In addition, we understand from the PRC Qualified Traffic Consultant that they have also considered the potential competition factors in relation to the future development of transportation network (including expressways and railways) surrounding the Liuwu Expressway and the government toll policies in the future traffic projection of the Liuwu Expressway. As stated in the traffic study report, the PRC Qualified Traffic Consultant adopted the "four-stage method" in estimating the traffic volume and toll revenue. Based on our independent research, we noted that "four-stage method" is the most common methodology adopted in traffic reports and consider the usage of this approach reasonable. We further noted that year 2021 is used as the base year for making the projection. This is because the PRC Qualified Traffic Consultant is of the view that the traffic data for year 2022 was distorted due to the implementation of stringent COVID-19 pandemic control measures in different areas of Anhui Province.

As such, traffic data from this "one-off" reduction in traffic volume in 2022 is not suitable for the estimation of future traffic volume. Instead, the PRC Qualified Traffic Consultant used the traffic data for year 2021 as the base year for the estimation of traffic volume and toll revenue for 2023 to 2039. Based on our review of the historical traffic volume of Liuwu Expressway, as (i) the increase in traffic volume in 2021 compared to 2019 followed the overall increasing trend of traffic volume of Liuwu Expressway from 2010 to 2019; and (ii) year 2021 is a more recent and reliable data source for the projection given year 2022 is statistically considered an "outlier" from an economic assessment perspective, we consider that year 2021 is suitable to be used as a base year for the projections.

With regards to the toll rates, fixed toll rates at prevailing level with a toll discount for electronic toll collection ("**ETC**") users at an effective rate based on historical data are assumed over the forecast period without taking account into inflation, etc. We have (i) discussed with the PRC Qualified Traffic Consultant the determining factors to use fixed toll rates with a toll discount over the forecast period, such as historical toll rate policy and ETC discount policy in Anhui; and (ii) reviewed the historical toll rate changes of the Target Expressway. We are also aware of the fact that pursuant to the "Implementation Plan of Preferential Toll Rate in Anhui Province"* (《安徽省高速公路差異化收費實施方案》), trucks with Anhui electronic payment cards will be entitled to a 15% discount on toll rate from 1 January 2021 to 31 December 2023. Despite the uncertainty as to whether the abovementioned preferential toll fee policies would be continued throughout the Concession Period, China United had assumed the continuation of existing preferential policies for the sake of prudence in assessing the Valuation, which the Directors considered to be fair and reasonable. We are of the view that the inclusion of the above assumption provides a more prudent view on the valuation of the Target Assets, which is in the interests of the Company and the Shareholders as a whole. In view of the uncertainty on toll rate policy and ETC discount 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 the PRC Qualified Traffic Consultant that the abovementioned assumptions are reasonable.

The PRC Qualified Traffic Consultant has advised that the underlying assumptions and the forecast procedures adopted in the traffic study report are commonly used in its previous relevant traffic projects in the PRC.

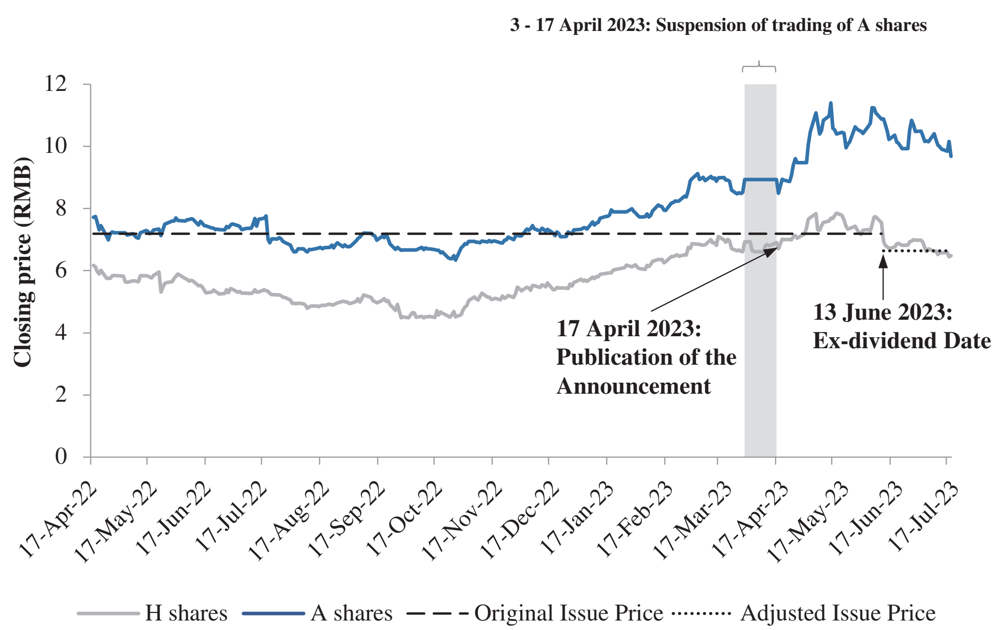
Based on our interview with the PRC Qualified Traffic Consultant and our review of the traffic study report, we have not identified any major issues that would cause us to doubt the fairness and reasonableness of the bases, assumptions, and methodologies applied in the traffic study report. As such, we are of the opinion that the traffic study report provides a fair and reasonable basis for the preparation of the Asset Valuation Report.

3.3 Assessment on the fairness and reasonableness on the issue price of the Consideration Shares

The final consideration of the Proposed Acquisition will be settled (i) 85% by the allotment and issuance of the Consideration Shares; and (ii) 15% by the payment of the Cash Consideration. As stated in the Board Letter, the Original Issue Price of the Consideration Shares shall be RMB7.19 per Consideration Share. According to the Acquisition Agreement (as supplemented by the Supplemental Agreement), during the period between the Pricing Benchmark Date and the date of issue of the Consideration Shares, in case of any ex-rights or ex-dividends events of the Company such as distribution of cash dividends, bonus issues, rights issues, allotment of shares, conversion of share premium into share capital or capitalisation issues, the issue price of the Consideration Shares will be adjusted in accordance with the relevant PRC laws and regulations. As set out in the Announcement, the Company declared its final dividend for the year ended 31 December 2022 on 31 March 2023, which was then subject to shareholders' approval at the upcoming annual general meeting of the Company. Given that such dividend declaration has been approved by the Shareholders as at the date of this circular, Anhui Transportation Holding Group and the Company has agreed that the issue price of the Consideration Shares shall be adjusted to the Adjusted Issue Price (i.e. RMB6.64 per Consideration Share) in accordance with the relevant PRC laws and regulations based on the formula for distribution of cash dividend as set out in the Announcement.

Pursuant to the stipulations in the Administrative Measures for Material Asset Restructuring, the price at which a listed company issues new shares shall not be lower than 80% of the market reference price. The market reference price is made reference to one of the average trading prices of the company's stocks on the 20 trading days, 60 trading days, or 120 trading days immediately before the announcement of the board of directors' resolution for the issuance of shares to the acquisition of assets, which can be the lowest among the above three average trading prices. We noted that the Original Issue Price is higher than 80% of the average trading price of the A Shares of the Company of 20 trading days, 60 trading days, and 120 trading days prior to the Pricing Benchmark Date, which are RMB7.10, RMB6.64 and RMB6.13 per Consideration Share, respectively. The issue price of the Consideration Shares is therefore in compliance with the Administrative Measures for Material Asset Restructuring.

To assess the fairness and reasonableness of the issue price of the Consideration Shares, we have compared the Original Issue Price and the Adjusted Issue Price with reference to the historical closing prices of the A Shares. We have reviewed the share price performance from 17 April 2022, being the 12-month period prior to the Last Trading Day, and up to 21 July 2023, being the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period is adequate to illustrate the Share price performance for conducting a reasonable comparison between the closing price of the Shares, the Original Issue Price of the Consideration Shares and the Adjusted Issue Price. The chart below illustrates (i) the daily closing price per A Share; (ii) the daily closing price per H Share; (iii) the Original Issue Price for the Consideration Shares from 17 April 2022 to 12 June 2023 (i.e. the day before ex-dividend date of final dividend for the year ended 31 December 2022 (the "**Ex-dividend Date**")); and (iv) the Adjusted Issue Price from 13 June 2023 (i.e. the Ex-dividend Date) to the Latest Practicable Date.



For illustrative purposes, the Original Issue Price represents:

(i) a premium of approximately 3.8% to the closing price of the H Shares of HK$7.90 per H Share for the last trading day immediately prior to the Pricing Benchmark Date;

(ii) a premium of approximately 5.1% to the average closing price of approximately HK$7.81 per H Share for the last five consecutive trading days immediately prior to the Pricing Benchmark Date;

(iii) a premium of approximately 5.4% to the average closing price of approximately RMB7.78 per H Share for the last 30 consecutive trading days immediately prior to the Pricing Benchmark Date;

(iv) a discount of approximately 19.5% to the closing price of the A Shares of RMB8.93 per A Share for the last trading day immediately prior to the Pricing Benchmark Date;

(v) a discount of approximately 16.2% to the average closing price of approximately RMB8.58 per A Share for the last five consecutive trading days immediately prior to the Pricing Benchmark Date;

(vi) a discount of approximately 17.5% to the average closing price of approximately RMB8.71 per A Share for the last 30 consecutive trading days immediately prior to the Pricing Benchmark Date;

For illustrative purposes, the Adjusted Issue Price represents:

(i) a premium of approximately 5.5% to the closing price of HK$7.18 per H Share on the Latest Practicable Date.

(ii) a premium of approximately 6.4% to the average closing price of approximately HK$7.12 per H Share for the last five consecutive trading days immediately prior to and including the Latest Practicable Date;

(iii) a premium of approximately 1.5% to the average closing price of approximately HK$7.46 per H Share for the last 30 consecutive trading days immediately prior to and including the Latest Practicable Date;

(iv) a discount of approximately 28.0% to the closing price of RMB9.22 per A Share on the Latest Practicable Date.

(v) a discount of approximately 31.1% to the average closing price of approximately RMB9.64 per A Share for the last five consecutive trading days immediately prior to and including the Latest Practicable Date;

(vi) a discount of approximately 35.2% to the average closing price of approximately RMB10.24 per A Share for the last 30 consecutive trading days immediately prior to and including the Latest Practicable Date;

Note: As Original Issue Price is determined before taking into account of the effect of payment of final dividend for FY2022, Original Issue Price and closing prices after ex-dividend date are not comparable and are not presented in the above illustration. Comparison between Adjusted Issue Price and closing prices before ex-dividend date are not presented in the above by the same reason.

Since the commencement of the Review Period up to the day of the publication of the Announcement, the Original Issue Price (i.e. RMB7.19 per Consideration Share) and the Adjusted Issue Price (i.e. RMB6.64 per Consideration Share) of the Consideration Shares of is in the range of the closing price of A Share, which fluctuated between RMB6.34 per A Share and RMB9.13 per A Share with an average of RMB7.38 per A Share. Besides, during the same period, closing prices of H Shares of the Company fluctuated between HK$4.93 and HK$8.07 (equivalent to RMB4.48 and RMB7.10 per H Share, with an average closing price of approximately HK$6.36 (equivalent to RMB5.56) per H Share. After the publication of the Announcement, the closing prices of A Share and H Share both surged and reached as high as RMB11.40 per A Share and HK$8.89 (equivalent to RMB7.83) per H Share in May 2023, respectively. We also noted that the Original Issue Price is approximately the same as the net assets per share attributable to the Shareholders ("**NAV per Share**") prepared in accordance with China Accounting Standards for Business Enterprises ("**CAS**") of approximately RMB7.19 per Share based on the latest audited results of the Company as at 31 December 2022 and represents a discount of approximately 0.3% over the NAV per Share prepared in accordance with of Hong Kong Financial Reporting Standards of approximately RMB7.21 per Share based on the latest audited results of the Company as at 31 December 2022. After taking into account the final dividend for the year ended 31 December 2022 of RMB0.55 per Share approved by the Shareholders, the Adjusted Issue Price is also approximately the same as the NAV per Share prepared under CAS of approximately RMB6.64 based on the latest audited results of the Company as at 31 December 2022.

We noted that the Adjusted Issue Price represents a large discount of 28.0% to 35.2% to the closing price and average closing price per A Shares on the Latest Practicable Date, for the last five consecutive trading days and for the last 30 consecutive trading days immediately prior to and including the Latest Practicable Date (the "**Latest Practicable Date Discounts**"). To assess the fairness and reasonableness of the Adjusted Issue Price in view of the aforementioned discounts, we attempted to identify transactions regarding (i) issuance of A shares to specific targets by companies listed on the main board of Shanghai Stock Exchange; (ii) issuance with issue price of the A shares were determined in advance to the shareholders' approval, which are of similar nature to the issuance of the Consideration Shares (i.e. issuance of shares with price determined by way of a price inquiry process conducted after the shareholders' approval are excluded) and (iii) the issuance with completion date from 1 January 2023 up to and including the Last Trading Day (the "**Adjusted Issue Price Review Period**"), for comparison purpose. We identified 11 transactions (the "**Comparable Transactions**") which represent an exhaustive list under the above selection criteria and we consider are sufficient, and we are therefore of the view that the Adjusted Issue Price Review Period is fair and reasonable for selecting the Comparable Transactions. Despite that the businesses, operations and prospects of the Group are not exactly the same as the listed companies involving in the Comparable Transactions, the Comparable Transactions are adequate and appropriate to demonstrate the market practices regarding issuance of A shares to specific targets by companies listed on main board of Shanghai Stock Exchange.

Company name (A-share stock code)	Completion date of A share issuance	Premium/(discount) of issue price compared to close price on the trading day immediately before shareholders' meeting for the approval of the issuance
China Yangtze Power Co., Ltd. – 中國長江電力股份有限公司(600900.SH)	10 January 2023	(30.0%)
Hoshine Silicon Industry Co., Ltd. – 合盛矽業股份有限公司(603260.SH)	12 January 2023	(36.0%)
Xinjiang Qingsong Building Materials and Chemicals (Group) Co, Ltd. – 新疆青松建材化工(集團)股份有限公司(600425.SH)	17 January 2023	(29.2%)
Guangxi Huaxi Nonferrous Metal Co., Ltd – 南寧化工股份有限公司(600301.SH)	31 January 2023	(61.4%)
Zhuzhou Smelter Group Co., Ltd. – 株洲冶煉集團股份有限公司(600961.SH)	11 February 2023	16.8%
Sinoma International Engineering Co., Ltd – 中國中材國際工程股份有限公司(600970.SH)	13 February 2023	(8.0%)
Wuxi Zhenhua Auto Parts Co., Ltd. – 無錫市振華汽車部件股份有限公司(605319.SH)	15 February 2023	1.2%
Sunstone Development Co., Ltd. – 索通發展股份有限公司(603612.SH)	14 March 2023	(42.6%)
China Avionics Systems Co., Ltd. – 中航航空電子系統股份有限公司(600372.SH)	16 March 2023	(0.8%)
Jiajiayue Group Co., Ltd. – 家家悅集團股份有限公司(603708.SH)	24 March 2023	(22.2%)
FESCO Group Co., Ltd. – 北京城鄉商業(集團)股份有限公司(600861.SH)	3 April 2023	(9.9%)
	Minimum	**(61.4%)**
	Maximum	**16.8%**
	Average	**(20.2%)**
Discount of Adjusted Issue Price compared to closing price of A share on the Latest Practicable Date		**(28.0%)**

According to the above table, the issue prices of the Comparable Transactions ranged from a discount of approximately 61.4% to a premium of approximately 16.8%, with average discount of approximately 20.2% to the respective closing prices of the shares on the trading day immediately before shareholders' meeting for the approval of the issuance. The Latest Practicable Date Discounts fall within the range of the above range. The large discounts exhibited in some of the Comparable Transactions and the Proposed Acquisition are due to the surge in share price after the determination of the issue price and announcement of the transaction, which may in turn due to various factors, including but not limited to positive reaction from investors in view of the potential transactions. Based on the above, we are of the view that the Latest Practicable Date Discounts are fair and reasonable.

Having considered the above and in particular that the Original Issue Price and Adjusted Issue Price of the Consideration Shares (i) is in compliance with applicable PRC rules and regulations, (ii) are within the range of the A Share closing price during the Review Period; (iii) represents approximately the same as the NAV per Share prepared in accordance with CAS (after taking into account for final dividend of 2022), we are of the view that the Original Issue Price and Adjusted Issue Price of the Consideration Shares is fair and reasonable.

3.4 Assessment of the fairness and reasonableness of other terms of the Acquisition Agreement and the Supplemental Agreement

The lock-up period

Pursuant to the stipulations in the Administrative Measures for Material Asset Restructuring, where the subscriber is the controlling shareholder, de facto controller or related person controlled by a listed company, the shares of a listed company subscribed through asset acquisition shall not be transferred within 36 months from the date of issue of shares. If the closing price of the share of a listed company is lower than the issue price for 20 consecutive trading days within six months after the completion of the transaction, or the closing price at the end of the six-month period after the transaction is completed is lower than the issue price, the lock-up period for the company's shares shall automatically extend for at least six months.

Pursuant to the Acquisition Agreement and the Supplemental Agreement, Anhui Transportation Holding Group has undertaken that (i) it shall not transfer any of the Consideration Shares within 36 months from the date of issue of the Consideration Shares; and (ii) the lock-up period will be automatically extended according to the price conditions within six months from the date of issue of the Consideration Shares (with conditions detailed in the Board Letter), which are in compliance to the Administrative Measures for Material Asset Restructuring.

Long stop date

We noted that there is no long stop date under the Acquisition Agreement in respect of the fulfilment and/or waiver of the conditions precedent set out in the Acquisition Agreement. As stated in the Board Letter, authorisation to the Board and its authorised persons to handle all matters in connection with the Proposed Overall Transaction (which includes the Proposed Acquisition) from the Shareholders shall be valid for 12 months from the date of the approval by the Shareholders. If the approval of registration by the CSRC in respect of the Proposed Overall Transaction is obtained during the aforementioned 12-month period, the validity period shall be automatically extended until completion of the abovementioned matters in connection with the Proposed Overall Transaction. However, if the registration by the CSRC in respect of the Proposed Overall Transaction is not obtained during the aforementioned 12-month period, the Company will seek further shareholders' approval for the extension of the validity period of the relevant authorisation as appropriate. We are of the view that the 12 months authorisation period could ensure the Proposed Overall Transaction to be completed in reasonable period of time, which is in the interests of the Company and its Shareholders. In regard of the automatic extension of validity period upon approval of registration by the CSRC, based on our discussion with the management of the Company, the extension is to avoid the need for the Company to convene another shareholders' meeting to refresh the shareholders' approval shortly after the obtaining of the CSRC registration and ultimately leading to undue delay and unnecessary extra costs in the completion of the Proposed Acquisition, which we consider reasonable and in the interests of the Company and its Shareholders. With the validity period of authorisation to safeguard the interest of the Shareholders as discussed above, we are of the view that having no long stop date to the Acquisition Agreement in respect of the fulfilment and/or waiver of the conditions precedent for the Proposed Acquisition is fair and reasonable and in the interests of the Company, the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders as a whole.

Possible adjustment to number of Consideration Shares to be issued

The final number of Consideration Shares to be issued by the Company to Anhui Transportation Holding Group shall be subject to the approval by the Shanghai Stock Exchange and registration with the CSRC. Where adjustment will be required by the Shanghai Stock Exchange and the CSRC, it is expected that there will be downward (but not upward) adjustment to the number of Consideration Shares to be issued by the Company to Anhui Transportation Holding Group. Based on our understanding and discussion with the Company, the Shanghai Stock Exchange and the CSRC will review the reasonableness of the Total Consideration in determining whether to approve the issue of Consideration Shares and register such Consideration Shares. As there will only be a downward adjustment, if any, to the Total Consideration (which will result in a downward adjustment of the number of Consideration Shares required to be issued), the Company will be able to acquire the Target Assets at a lower cost. Based on the above, we consider that the adjustment mechanism, together with the potential impact to the amount of consideration and number of Consideration Shares issued, are in the interests of the Company and Shareholders as a whole and is fair and reasonable.

The Compensation Agreement

The Company and Anhui Transportation Holding Group had also entered into the Compensation Agreement as part of the Proposed Acquisition. Under the Compensation Agreement, Anhui Transportation Holding Group undertakes that the future realised net profit of Performance Compensation Assets during each year of the Performance Compensation Period shall not be lower than the respective estimated net profit for that relevant year as set out in the Asset Valuation Report. The compensation arrangement under the Compensation Agreement is made pursuant to the requirements of the Administrative Measures for Material Asset Restructuring and other relevant PRC laws and regulations, since the appraised values of the Target Assets in the Asset Valuation Report were determined based on the income approach. The valuation of the Target Assets involves the projection of future income to be generated from toll revenue of Liuwu Expressway which is subject to uncertainties and variations. The compensation arrangement is therefore considered as an additional assurance to the Company in the case that the future actual income derived from the Performance Compensation Assets is lower than the respective future estimated income attributable to the Performance Compensation Assets as set out in the Asset Valuation Report. Having considered the above, in particular (i) the consideration of the Proposed Acquisition is fair and reasonable as discussed in sections "3.2 Assessment on the fairness and reasonableness of the consideration" and "3.3 Assessment on the fairness and reasonableness on the issue price of the Consideration Shares"; and (ii) the other key terms of the Acquisition Agreement, the Supplemental Agreement and the Compensation Agreement are determined in accordance to the relevant applicable PRC laws and regulations, we are of the view that the terms of the Acquisition Agreement (as supplemented by the Supplemental Agreement) and the Compensation Agreement are on normal commercial terms and are fair and reasonable.

4. Financing Alternatives of the Company

With reference to the Board Letter, the Company did not conduct any equity fund raising activities exercises during the 12 months immediately preceding the Latest Practicable Date.

Upon our enquiry with the Directors, we understand that the Directors have considered various fund raising methods such as internal resources, debt financing and equity financing (such as rights issue, public issuance and non-public issuance of A Shares and H Shares) for the Group in Hong Kong capital market and/or the PRC capital market.

In relation to internal resources, under the Acquisition Agreement (as supplemented by the Supplemental Agreement), the Group will settle part of the Total Consideration using cash by the payment of the Cash Consideration, which is expected to be refinanced by the part of the proceeds from the Non-public Issuance of A Shares. As advised by the Directors, they have considered using internal resources to settle a larger portion of the consideration payable on top of the Cash Consideration. However, we are given to understand that it is important to maintain sufficient cash resources for its day-to-day business of the Group. We also noted that the cash to total assets ratio of the Group as at 31 December 2022 (i.e. approximately 13.6%) is slightly lower than the average cash to total assets ratio (i.e. approximately 14.2%) of the previous five years (from 2018 to 2022). As set out in the unaudited pro forma financial information of the Enlarged Group as included in Appendix III to the Circular (the "**Pro Forma Financial Information**"), the unaudited pro forma cash and cash equivalents and total assets of the Enlarged Group would be RMB2.36 billion and RMB23.60 billion, respectively, which result in an unaudited pro forma cash to total assets ratio of 10.0%. The lower unaudited pro forma cash to total assets ratio compared to that as at 31 December 2022 is mainly due to the cash outflow arising from the payment of Cash Consideration of RMB549.9 million. While the Company plans to use part of the proceeds from the Non-public Issuance of A Shares to refinance the Cash Consideration, it should also be noted that the Proposed Acquisition is not conditional on the completion of the Proposed Non-public Issuance of A Shares. If the Proposed Non-public Issuance of A Shares is not completed while the Proposed Acquisition is completed, the amount of Cash Consideration will be funded by the internal resources or other means of financing of the Group. Based on the above, we concur with the Directors' view that the current size of Cash Consideration is fair and reasonable.

In relation to debt financing, the Directors consider that the debt financing may further increase the gearing ratio of the Group and possibly increase the cost of obtaining new financing in future. According to the annual report of the Group for FY2022, the Group has a target to maintain its gearing ratio below 30% and a good credit rating. The gearing ratio (i.e. net debt over the sum of net debt and shareholders' equity) of the Group increased from 14.96% as at 31 December 2021 to 22.08% as at 31 December 2022, which was mainly due to the significant increase in the balance of external borrowings used for, among others, the acquisition of Anqing Bridge Company which was completed in FY2021. Although the Group was able to keep the gearing ratio below its target, the Group does not prefer to further increase its gearing level and create additional debt liabilities to the Group, especially in light of the prevailing interest rate environment. Therefore, debt financing is considered to be less preferable for the Group at present.

In relation to equity financing:

- the rights issue is targeted at the Company's existing Shareholders and shall be implemented to the holders of A Shares and H Shares simultaneously at the same price. The average closing price of A Shares during the period of 12 months prior to 21 July 2023, being the Latest Practicable Date represented a premium of 37.1% over the average closing price of H Shares during the same period. Given the significant premium of the price of A Shares over the price of H Shares during the period of 12 months prior to the Latest Practicable Date and the capital market environments of Hong Kong and the PRC are starkly different, it is not practical to determine a price suitable for both classes of Shares, and thus the Company did not consider rights issue as an appropriate fund raising method for the Group in the current market.

- Referring to the chart as set out in section headed "3.3 Assessment on the fairness and reasonableness on the issue price of the Consideration Shares" of this letter, there is a significant premium of the price of A Shares over the price of H Shares. If the Company were to conduct a fund-raising exercise by issuance of new H Shares with a proceed of the amount equals to the amount to be settled by the Consideration Shares, and assuming that an equivalent pricing basis is adopted to determine the benchmark price for the H Shares issuance, the number of H Shares to be issued will be substantially more than that required for the Consideration Shares. This would lead to a greater dilution effect on the shareholding of the existing Shareholders and would not be in the interests of the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent as a whole.

Having considered that (i) equity financing can improve the gearing ratio of the Group as compared to debt financing; (ii) the recent price of the issued H Share capital of the Company is significantly lower than that of the issued A Share capital of the Company; and (iii) the greater dilution effect to the shareholding of the existing Shareholders if the Company satisfy part of the Total Consideration payable by issuance of new H Shares in Hong Kong with the same pricing basis as the Proposed Acquisition, we concur with the Directors' view that it is in the interests of the Company, the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders as a whole to settle part of the consideration payable under the Acquisition Agreement (as supplemented by the Supplemental Agreement) by the issue of Consideration Shares.

5. Possible Effects of the Proposed Acquisition

5.1 Possible dilution to the shareholding of the existing Shareholders

As at the Latest Practicable Date, the total issued share capital of the Company is 1,658,610,000 Shares, which comprises 1,165,600,000 A Shares and 493,010,000 H Shares.

For illustration purpose, set out below is the shareholding structure of the Company:

(i) as at the Latest Practicable Date; and

(ii) immediately after completion of the Proposed Acquisition (on the basis that the Total Consideration to be settled by way of issuance of Consideration Shares is RMB3,116,103,315, and assuming that (a) there will not be any further adjustments to the issue price of the Consideration Shares of RMB6.64 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement)).

Name of Shareholder	Class of Shares	Shareholding as at the Latest Practicable Date			Shareholding immediately after completion of the Proposed Acquisition		
		Number of Shares	Approximate percentage of the issued Share capital of the relevant class *(%)*	Approximate percentage of the total issued share capital *(%)*	Number of Shares	Approximate percentage of the issued Share capital of the relevant class *(%)*	Approximate percentage of the total issued share capital *(%)*
Anhui Transportation Holding Group	A	524,644,220	45.01	31.63	993,936,887	60.80	46.71
China Merchants Highway Network Technology Holding Company Limited *(Note 1)*	A	404,191,501	34.68	24.37	404,191,501	24.72	18.99
	H	92,396,000	18.74	5.57	92,396,000	18.74	4.34
Anhui Transportation Holding Group and its concert parties	**A**	**928,835,721**	**79.69**	**56.00**	**1,398,128,388**	**85.52**	**65.70**
	H	**92,396,000**	**18.74**	**5.57**	**92,396,000**	**18.74**	**4.34**
	Total A and H	**1,021,231,721**	**–**	**61.57**	**1,490,524,388**	**–**	**70.05**
Public A Shareholders	A	236,764,279	20.31	14.27	236,764,279	14.48	11.13
Public H Shareholders	H	400,614,000	81.26	24.15	400,614,000	81.26	18.83
Total		**1,658,610,000**	**100.00**	**100.00**	**2,127,902,667**	**100.00**	**100.00**

Notes:

1. China Merchants Highway Network Technology Holding Company Limited is presumed to be acting in concert with Anhui Transportation Holding Group in respect of the Company under class (1) of the definition of "acting in concert" under the Takeovers Code.

2. The approximate percentage figures are rounded to the nearest two decimal places and therefore, may not add up to 100% due to rounding.

Based on the above, immediately after completion of the Proposed Acquisition, (i) the shareholding of the public A Shareholders will be decreased from approximately 14.27% to approximately 11.13%; and (ii) the shareholding of the public H Shareholders will be decreased from approximately 24.15% to approximately 18.83%. Although there will be a dilution to the shareholding interest of existing public shareholders of A Shares and H Shares as a result of the Proposed Acquisition, we have, however, taken into account (i) the reasons for and benefits of the Proposed Acquisition as set out in the sections headed "2. Reasons for and benefits of the Proposed Acquisition"; (ii) the alternative fund-raising methods available to the Company as set out in the section headed "4. Financing alternatives of the Company"; (iii) the fairness and reasonableness of the basis of determining the consideration payable under the Acquisition Agreement (as supplemented by the Supplemental Agreement) as set out in the sections headed "3.2 Assessment on the fairness and reasonableness of the consideration"; and (iv) the fairness and reasonableness on the issue price of the Consideration Shares as set out in the sections headed "3.3 Assessment on the fairness and reasonableness on the issue price of the Consideration Shares", we consider that the issuance of the Consideration Shares is an acceptable means for the settlement of part of the Total Consideration payable and the shareholding dilution effects upon completion of the Proposed Acquisition is acceptable.

5.2 Financial effects to the Group

As disclosed in the Board Letter, upon completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group. The Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on their judgements, estimation and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Proposed Acquisition.

(i) Earnings

According to the accountants' report on the Target Company as set out in Appendix II to the Circular, the Target Company was profit-making for the year ended 31 December 2022 and the two months ended 28 February 2023 with an audited net profit of RMB217.3 million and an audited net profit of RMB42.8 million, respectively. If the Target Company is able to maintain its profitability, it is expected that the consolidation of the Target Company's financial results will provide a positive impact to the Group's earnings. The actual effect on earnings or losses of the Group will depend on the future financial performance of the Target Company.

It should be noted that although there will be aforesaid potential positive impacts in the longer term to the Group's earnings after the completion of the Proposed Acquisition, there is a risk that the earnings per share of the Company may be diluted with the issuance of the Consideration Shares in the short run. In light of this, the Company proposes, after the completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares, to amend its current shareholders' return policy (subject to the fulfilment of the conditions for distributing cash dividends under the current shareholders' return policy), such that the Company shall make distributions in cash in an amount not less than 75% of the net profit attributable to owner of the company as set out in the Company's consolidated financial statements in each of the next three years (i.e. 2023 to 2025) as one of the remedial measures.

(ii) Net assets value

As set out in the Pro Forma Financial Information, the unaudited pro forma net assets value of the Enlarged Group would be approximately RMB15.8 billion, representing an increase of approximately RMB2.3 billion when compared to the audited consolidated net assets value of the Group as at 31 December 2022 of approximately RMB13.5 billion. As noted above, it is expected to have a positive effect on the net assets value of the Group immediately following the Proposed Acquisition. We note that the audited net assets value per Share attributable to the Shareholders (and excluding holders of other equity instruments) as at 31 December 2022 amounted to approximately RMB8.16 per Share (calculated based on 1,658,610,000 Shares in issue as at the Latest Practicable Date). Upon completion of the Proposed Acquisition, the number of Share in issue will increase to 2,127,902,667 (assuming that there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement)). On such basis, the unaudited pro forma net assets value per Share attributable to the Shareholders (and excluding holders of other equity instruments) will be approximately RMB7.40 per Share as at 31 December 2022.

(iii) Effect of working capital

As at 31 December 2022, the Group had cash and cash equivalent of approximately RMB2,903.8 million and net current assets of approximately RMB3,835.8 million. Based on the Pro Forma Financial Information, the cash and cash equivalent of the Enlarged Group would be approximately RMB2,358.9 million as at 31 December 2022, representing a decrease of approximately 18.8% as compared to that of the Group as at 31 December 2022; and the net current assets of the Enlarged Group would be approximately RMB3,386.1 million as at 31 December 2022, representing a decrease of approximately 11.7% as compared to that of the Group as at 31 December 2022.

As stated in the Board Letter, the consideration of the Proposed Acquisition will be settled (i) 85% by the issuance and allotment of Consideration Shares by the Company to the vendor; and (ii) 15% by the payment of the Cash Consideration. As stated in the Board Letter, the total amount of ancillary funds to be raised under the Proposed Non-public Issuance of A Share shall not be more than RMB1,466,401,560 and it is intended that 36.5% and not more than 10% of the proceeds will be used to help refinance the Cash Consideration for the Proposed Acquisition and replenish the working capital of the Group, respectively. It should be noted that the Proposed Acquisition is not conditional on the completion of the Proposed Non-public Issuance of A Shares. If the Proposed Non-public Issuance of A Shares is not completed while the Proposed Acquisition is completed, the amount of Cash Consideration will be funded by the internal resources or other means of financing of the Group.

We note from the Pro Forma Financial Information, the Enlarged Group would have cash and cash equivalent balance of approximately RMB2.36 billion as at 31 December 2022 and as set out in the section headed "4. WORKING CAPITAL" in the Appendix I to the Circular, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements for the next 12 months from the date of this Circular taking into account the financial resources available to the Enlarged Group, including internally generated funds and available banking facilities.

(iv) Gearing

Based on the Pro Forma Financial Information, the gearing ratio (i.e. net debt over the sum of net debt and shareholders' equity) was 21.76% as compared to the gearing ratio of the Group of 22.08% as at 31 December 2022. The slight decrease in gearing ratio was mainly attributable to an increase total capital (i.e. sum of net debt and shareholders' equity) value by RMB2.76 billion, which was partially offset by the effect of the decrease in cash and cash equivalents of RMB544.9 million mainly due to payment of the Cash Consideration.

Based on the above, we concur with the Directors' view that the Proposed Acquisition would have a positive effect on the overall financial position of the Group. It should be noted that the aforementioned analysis is for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Proposed Acquisition.

6. The Whitewash Waiver

As at the Latest Practicable Date, (i) Anhui Transportation Holding Group holds 524,644,220 A Shares, representing approximately 31.63% of the total issued share capital of the Company; and (ii) Anhui Transportation Holding Group and parties acting in concert with it hold in aggregate 1,021,231,721 Shares (comprising 928,835,721 A Shares and 92,396,000 H Shares), representing approximately 61.57% of the total issued share capital of the Company. As illustrated in the sections headed "5.1 Possible dilution to the shareholding of the existing Shareholders" of this letter, upon completion of the Proposed Acquisition, (i) the shareholding percentage of Anhui Transportation Holding Group in the Company will increase to approximately 46.71%; and (ii) the aggregate shareholding of Anhui Transportation Holding Group and parties acting in concert with it in the Company will increase to approximately 70.05%. In the absence of the Whitewash Waiver from the Executive, the Proposed Acquisition will give rise to an obligation on the part of Anhui Transportation Holding Group to make a mandatory general offer for all of the shares in issue of the Company other than those already owned or agreed to be acquired by it and parties acting in concert with it under Rule 26.1 of the Takeovers Code.

Anhui Transportation Holding Group (on behalf of itself and parties acting in concert with it) has applied to the Executive for the Whitewash Waiver from strict compliance with Rule 26.1 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by Takeovers Code Independent Shareholders either in person or by proxy at the EGM; and (ii) the approval of the Proposed Acquisition by more than 50% of the votes cast by Takeovers Code Independent Shareholders either in person or by proxy at the EGM as required under the Takeovers Code. The Proposed Acquisition will not proceed if the Whitewash Waiver is not granted by the Executive or not approved by the Takeovers Code Independent Shareholders at the EGM.

The Proposed Acquisition is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval of the Proposed Acquisition and the Whitewash Waiver by the Takeovers Code Independent Shareholders at the EGM. Such condition precedent cannot be waived under the terms of the Acquisition Agreement (as supplemented by the Supplemental Agreement). If the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver is not approved by the Takeovers Code Independent Shareholders, the Acquisition Agreement will lapse and the Proposed Acquisition will not proceed. The approval of the Whitewash Waiver by the Takeovers Code Independent Shareholders will be therefore necessary for the Group to proceed to the completion of the Proposed Acquisition.

Given the possible benefits of the Proposed Acquisition mentioned in the section headed "2. Reasons for and benefits of the Proposed Acquisition" above in this letter and the terms of the Proposed Acquisition being fair and reasonable so far as the Takeovers Code Independent Shareholders are concerned, we are of the opinion that the approval for the Whitewash Waiver, which is a prerequisite of the Proposed Acquisition, is in the interests of the Company, the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Proposed Acquisition.

OPINION AND RECOMMENDATION

Having taken into consideration the factors and reasons as stated in section headed "Principal Factors and Reasons Considered" in this letter above, we are of the opinion that while the Proposed Acquisition is not conducted in the ordinary and usual course of business of the Group, the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Waiver are in the interests of the Company, the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders as a whole, and the terms of the Acquisition Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms, and are fair and reasonable so far as the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders are concerned. Accordingly, we recommend the Proposed Acquisition to the LR Independent Shareholders and the Takeovers Code Independent Shareholders, as well as the Independent Board Committee to recommend the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders, to vote in favour of the Proposed Acquisition, the Proposed Acquisition Specific Mandate and the Whitewash Wavier to be proposed at the EGM and the Class Meetings.

Yours faithfully
For and on behalf of
Shenwan Hongyuan Capital (H.K.) Limited
Donald Leung
Executive Director
Corporate Finance

Note: Mr. Leung is a licensed person registered with the Securities and Futures Commission and a responsible officer of Shenwan Hongyuan Capital (H.K.) Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has more than 17 years of experience in corporate finance advisory industry.

1. FINANCIAL INFORMATION OF THE GROUP

Summary of financial results

The Group

The following is a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2020, 31 December 2021 and 31 December 2022, as extracted from the annual reports of the Company for each of the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 and which were prepared in accordance with Hong Kong Financial Reporting Standards.

The auditors' reports issued by the auditors of the Company, PricewaterhouseCoopers, in respect of the audited consolidated financial statements of the Group for each of the two years ended 31 December 2020 and 31 December 2021, and Ernst & Young, in respect of the audited consolidated financial statements of the Group for each of the year ended 31 December 2022 does not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Save as disclosed below, there was no item of any income or expense which was material in respect of the consolidated financial results of the Group for each of the three years ended 31 December 2020, 31 December 2021 and 31 December 2022.

Summary of consolidated financial results of the Group for each of the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 which were prepared in accordance with Hong Kong Financial Reporting Standards

	For the year ended 31 December		
	2022	**2021**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited) (Restated)
Revenue	5,206,366	4,029,476	3,015,554
Cost of sales	(2,984,195)	(1,722,488)	(1,635,053)
Gross profit	2,222,171	2,306,988	1,380,501
Other income and gains – net	134,869	200,162	165,405
Administrative expenses	(162,308)	(137,292)	(110,965)
Net impairment (losses)/reversal of impairment losses on financial assets	(126)	1,230	(1,737)
Operating profit	2,194,606	2,371,088	1,433,204
Finance costs	(226,521)	(254,808)	(250,580)
Share of gain/(loss) of associates	9,733	(90)	(1,560)
Profit before income tax	1,977,818	2,116,190	1,181,064
Income tax expenses	(562,194)	(573,077)	(365,809)
Profit for the year	1,415,624	1,543,113	815,255
Attributable to:			
Owners of the Company	1,445,457	1,511,965	867,549
Non-controlling interests	(29,833)	31,148	(52,294)
	1,415,624	1,543,113	815,255

	For the year ended 31 December		
	2022	**2021**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited) (Restated)
Basic and diluted earnings per share (expressed in RMB per share)	0.8715	0.9116	0.5231
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss			
Change in value of financial assets at fair value through other comprehensive income ("**FVOCI**"), net of tax	278	(2,391)	1,534
Total comprehensive income for the year	1,415,902	1,540,722	816,789
Attributable to:			
Owners of the Company	1,445,735	1,509,574	869,083
Non-controlling interests	(29,833)	31,148	(52,294)
	1,415,902	1,540,722	816,789
Dividends	912,236	912,236	381,480
Dividends per share (expressed in RMB per share)	0.55	0.55	0.23

Note: the financial information for the year ended 31 December 2020 has been restated as a result of the acquisition by the Company of 100% of the equity interest in Anhui Anqing Yangtze River Expressway Bridge Limited Liability Company* ("**AQDQ**", 安徽安慶長江公路大橋有限責任公司) in December 2021. As stated in the annual report of the Company for the year ended 31 December 2021, for this business combination under common control, the financial information of the Company and that of AQDQ have been combined, by using the pooling of interests method, as if the Company had acquired AQDQ from the beginning of the earliest financial period presented. The net assets of the Company and AQDQ are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the Company's interest in the net fair value of AQDQ's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consolidation and book value of AQDQ at the time of common control combination is taken to the reserves of the Company.

Summary of unaudited consolidated financial results of the Group for the three months ended 31 March 2023 which were prepared in accordance with the Generally Accepted Accounting Principles of the PRC

In addition, the following is a summary of the unaudited consolidated financial results of the Group for the three months ended 31 March 2023 which were prepared in accordance with the Generally Accepted Accounting Principles of the PRC.

Save as disclosed below, there was no item of any income or expense which was material in respect of the consolidated financial results of the Group for the three months ended 31 March 2023.

	For the three months ended 31 March 2023 *RMB'000* (unaudited)
Revenue	1,145,087
Cost of sales	(423,593)
Profit before income tax	649,216
Income tax expenses	(170,545)
Profit for the year	478,671
Attributable to:	
Owners of the Company	459,463
Non-controlling interests	19,208
Basic and diluted earnings per share (expressed in RMB per share)	0.2770
Total comprehensive income for the year	475,106
Attributable to:	
Owners of the Company	455,898
Non-controlling interests	19,208
Dividends	–
Dividends per share (expressed in RMB per share)	–

Consolidated financial statements for the years ended 31 December 2020, 31 December 2021 and 31 December 2022

The Company is required to set out or refer to in this circular the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group for the year ended 31 December 2020 (as restated) (the "**2020 Financial Statements**"), the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "**2021 Financial Statements**"), the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "**2022 Financial Statements**"), together with the significant accounting policies and the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements and the 2021 Financial Statements are set out from pages 142 to 239 in the annual report of the Company for the year ended 31 December 2021 (the "**2021 Annual Report**"), which was published on 29 April 2022. The 2021 Annual Report is posted on the website of the Company (www.anhui-expressway.net) and the Hong Kong Stock Exchange (www.hkexnews.hk) and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042903160.pdf

The 2022 Financial Statements are set out from pages 144 to 241 in the annual report of the Company for the year ended 31 December 2022 (the "**2022 Annual Report**"), which was published on 26 April 2023. The 2022 Annual Report is posted on the website of the Company (www.anhui-expressway.net) and the Hong Kong Stock Exchange (www.hkexnews.hk) and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042602625.pdf

The 2021 Financial Statements and 2022 Financial Statements (but not any other parts of the 2021 Annual Report or 2022 Annual Report in which they respectively appear) are incorporated by reference into this circular and form part of this circular.

Unaudited consolidated financial statements for the quarter ended 31 March 2023

The Company is required to set out or refer to in this circular the unaudited consolidated balance sheet and consolidated income statement as shown in the unaudited consolidated financial statements of the Company for the three months ended 31 March 2023 (which were prepared in accordance with the General Accepted Accounting Principles of the PRC) (the "**2023 Q1 Financial Statements**"), together with the significant accounting policies and the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2023 Q1 Financial Statements are set out from pages 14 to 20 in the 2023 first quarterly report of the Company for the quarter ended 31 March 2023, which was published on 27 April 2023 (the "**2023 First Quarterly Report**"). The 2023 First Quarterly Report is posted on the website of the Company (www.anhui-expressway.net) and the Hong Kong Stock Exchange (www.hkexnews.hk) and is accessible via the following hyperlink:

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042705376.pdf

The 2023 Q1 Financial Statements (but not any other parts of the 2023 First Quarterly Report in which it appears) are incorporated by reference into this circular and form part of this circular.

2. STATEMENT OF INDEBTEDNESS

Borrowings and long-term payables

As at the close of business on 31 May 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the total borrowings and long-term payables of the Enlarged Group was RMB6,728.8 million, comprising of guaranteed and unsecured borrowings from banks of RMB3,200.0 million, pledged borrowings from banks and financial institutions of RMB3,451.2 million, and long-term payables from Anhui Transportation Holding Group of RMB77.6 million.

Contingent liabilities

As at the close of business on 31 May 2023, the Enlarged Group did not have any significant 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 31 May 2023, 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 GROUP

For the financial year ended 31 December 2022, the Group recorded an audited revenue of approximately RMB5,206 million, representing an increase of approximately 29.2% compared to approximately RMB4,029 million for the financial year ended 31 December 2021. The audited profit before income tax of approximately RMB1,978 million for the year ended 31 December 2022, representing a decrease of approximately 6.54% as compared to approximately RMB2,116 million for the financial year ended 31 December 2021. With the continued fiscal and monetary policy to stabilize PRC economy growth continues to take effect, the PRC economy is expected to recover steadily in 2023. The recovery of the PRC economic activities resulting from the uplift of travel restriction is also expected to bring positive impact to the overall traffic volume and toll revenue of toll road operated by the Group for the year ending 31 December 2023.

Toll road operation is the principal business and generates majority revenue of the Group. As the toll road assets operating by the Group gradually reach their maturity, the growth rate of the Group's toll revenue is expected to slow down. Renovation and expansion of the Group's existing roads will affect its traffic volume and toll income in the short term, while new roads generally face a long period of cultivation in order to promote traffic volume and to boost the toll income. Whereas, the Proposed Acquisition will allow the Group to integrate an additional high quality toll road asset within the Anhui Province, increasing its chargeable mileage and extending the average toll collection period of the Group.

After the completion of the Proposed Acquisition, the Enlarged Group will continue with the existing principal business in investment in, operation and management of expressways and bridges in Anhui Province. It is expected that the Proposed Acquisition will facilitate the Enlarge Group to realise economies of scale and achieve stronger synergies, thereby enhancing its revenue and asset base, improving its competitiveness and business prospects.

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.

5. MATERIAL CHANGE

Save for the fair value loss of approximately RMB16.8 million as disclosed in the first quarterly results of the Company for the period ended 31 March 2023 with respect to the Company's investment in the CICC Anhui Transportation Holding Expressway Closed-end Infrastructure Securities Investment Fund being measured at fair value at each of the reporting period end and is expected to continue to fluctuate and linger, the Directors confirmed that:

(a) there was no material change in the financial or trading position or outlook of the Group since 31 December 2022 (being the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date; and

(b) there was no material change in the financial or trading position or outlook of the Target Company since 28 February 2023 (being the date to which the latest audited financial statements of the Target Company were made up) and up to and including the Latest Practicable Date.

The following is the text of a report on the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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

Introduction

We report on the historical financial information of Anhui Province Liuwu Expressway Company Limited (the "**Target Company**") set out on pages II-4 to II-66, which comprises the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Target Company for each of the years ended 31 December 2020, 2021 and 2022, and the two months ended 28 February 2023 (the "**Relevant Periods**"), and the balance sheet of the Target Company as at 31 December 2020, 2021 and 2022 and 28 February 2023, and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-66 forms an integral part of this report, which has been prepared for inclusion in the circular of Anhui Expressway Company Limited (the "**Company**") dated 26 July 2023 (the "**Circular**") in connection with the proposed acquisition of the Target Company.

Directors' responsibility for the Historical Financial Information

The director of the Target Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the director determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' 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 Hong Kong Institute of Certified Public Accountants ("**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 accountants' 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 accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 accountants' report, a true and fair view of the balance sheet of the Target Company as at 31 December 2020, 2021 and 2022 and 28 February 2023 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the two months ended 28 February 2022 and other explanatory information (the "**Interim Comparative Financial Information**"). The director of the Target Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim 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 Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 18 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
26 July 2023

I HISTORICAL FINANCIAL INFORMATION

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

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Two months ended 28 February	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	*5*	401,726	559,982	524,152	92,697	95,407
Cost of sales		(206,846)	(205,588)	(225,197)	(37,378)	(37,171)
Gross profit		194,880	354,394	298,955	55,319	58,236
Other income and gains – net	*5*	(3,214)	–	(4)	–	–
Administrative expenses		(8,990)	(9,563)	(9,192)	(956)	(1,227)
PROFIT BEFORE INCOME TAX	*6*	182,676	344,831	289,759	54,363	57,009
Income tax expenses	*9*	(45,669)	(86,208)	(72,440)	(13,591)	(14,252)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		137,007	258,623	217,319	40,772	42,757

BALANCE SHEET

		As at 31 December			As at 28 February
	Notes	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
NON-CURRENT ASSETS					
Concession intangible assets	*10*	2,670,658	2,529,478	2,388,298	2,364,768
Property, plant and equipment	*11*	71,480	116,288	208,528	205,686
Intangible assets	*12*	553	–	–	–
Deferred income tax assets	*13*	111,095	105,347	99,598	98,640
Total non-current assets		2,853,786	2,751,113	2,696,424	2,669,094
CURRENT ASSETS					
Inventories	*14*	–	–	130	68
Receivables and prepayments	*15*	10,258	11,573	65,673	133,713
Cash and cash equivalents	*16*	–	–	–	4,999
Total current assets		10,258	11,573	65,803	138,780
TOTAL ASSETS		2,864,044	2,762,686	2,762,227	2,807,874
EQUITY AND LIABILITIES					
Paid-in capital	*17*	–	–	–	5,000
Reserves		2,841,326	2,718,268	2,737,508	2,780,265
Total equity		2,841,326	2,718,268	2,737,508	2,785,265
CURRENT LIABILITIES					
Trade and other payables	*19*	13,251	35,003	17,074	8,185
Current income tax liabilities		9,071	8,775	5,736	7,654
Provisions	*20*	396	640	1,909	6,770
Total current liabilities		22,718	44,418	24,719	22,609
Total liabilities		22,718	44,418	24,719	22,609
TOTAL EQUITY AND LIABILITIES		2,864,044	2,762,686	2,762,227	2,807,874

STATEMENTS OF CHANGES IN EQUITY

			Reserves			
	Note	**Paid-in capital**	**Reserves before the Business Transfer** *(Note2.1)*	**Capital surplus**	**Accumulated earnings**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020		–	2,996,064	–	–	2,996,064
Profit for the year		–	137,007	–	–	137,007
Distributions to ATHC *(Note 2.1)*	*18*	–	(291,745)	–	–	(291,745)
As at 31 December 2020 and 1 January 2021		–	2,841,326	–	–	2,841,326
Profit for the year		–	258,623	–	–	258,623
Distributions to ATHC *(Note 2.1)*	*18*	–	(381,681)	–	–	(381,681)
As at 31 December 2021 and 1 January 2022		–	2,718,268	–	–	2,718,268
Profit for the year		–	167,785	–	49,534	217,319
Distributions to ATHC *(Note 2.1)*	*18*	–	(198,079)	–	–	(198,079)
Transfer business to the Target Company *(Note 2.1)*		–	(2,687,974)	2,687,974	–	–
As at 31 December 2022 and 1 January 2023		–	–	2,687,974	49,534	2,737,508

	Note	Paid-in capital	Reserves before the Business Transfer (Note2.1)	Capital surplus	Accumulated earnings	Total
			Reserves			
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021 and 1 January 2022		–	2,718,268	–	–	2,718,268
Profit for the period (unaudited)		–	40,772	–	–	40,772
Distributions to ATHC *(Note 2.1)* (unaudited)	*18*	–	(46,673)	–	–	(46,673)
As at 28 February 2022 (unaudited)		–	2,712,367	–	–	2,712,367
As at 31 December 2022 and 1 January 2023		–	–	2,687,974	49,534	2,737,508
Capital injection by ATHC		5,000	–	–	–	5,000
Profit for the period		–	–	–	42,757	42,757
Distributions to ATHC	*18*	–	–	–	–	–
As at 28 February 2023		5,000	–	2,687,974	92,291	2,785,265

STATEMENTS OF CASH FLOWS

		Year ended 31 December			Two months ended 28 February	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities						
Cash generated from operations	*21*	332,299	513,664	427,945	64,451	73,741
Income tax paid		(39,743)	(80,756)	(69,730)	(17,778)	(11,376)
Net cash generated from operating activities		292,556	432,908	358,215	46,673	62,365
Cash flows from investing activities						
Purchases of property, plant and equipment		(1,113)	(51,227)	(101,631)	–	–
Proceeds from disposal of property, plant and equipment		302	–	26	–	–
Net cash used in investing activities		(811)	(51,227)	(101,605)	–	–
Cash flows from financing activities						
Capital injection by the owner	*17*	–	–	–	–	5,000
Distributions paid to the owner *(Note 2.1)*	*18*	(291,745)	(381,681)	(198,079)	(46,673)	–
Increase of amounts due from ATHC *(Note 2.1)*		–	–	(58,531)	–	(62,366)
Net cash used in financing activities		(291,745)	(381,681)	(256,610)	(46,673)	(57,366)
Net increase in cash and cash equivalents		–	–	–	–	4,999
Cash and cash equivalents at beginning of the year/period		–	–	–	–	–
Cash and cash equivalents at end of the year/period	*16*	–	–	–	–	4,999

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Anhui Province Liuwu Expressway Company Limited (the "**Target Company**") was incorporated in the People's Republic of China (the "**PRC**") in December 2022 as a limited liability company, by Anhui Transportation Holding Group Company Limited ("**安徽省交通控股集團有限公司**", "**ATHC**"). The registered office of the Target Company is located at the north of the township of Jin'an District, Lu'an City, Anhui Province. Registered capital is RMB5,000 thousand. The Target Company is principally engaged in the construction, operation, management and development of the toll roads and associated service sections in the Anhui Province.

As at 31 December 2020, 2021 and 2022 and 28 February 2023, the Target Company's toll roads and concession periods granted are shown as follows:

Toll road	Total Chargeable mileage *(kilometres)*	Concession periods granted
Anhui section of Liuwu Expressway ("**Liuwu Expressway**")	92.7	From 28 December 2009 to 27 December 2039

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 PRESENTATION

Pursuant to the Business Transfer, as more fully explained in the section headed "4. Information on the Target Company" in the circular of Anhui Expressway Company Limited (the "**Company**") dated 26 July 2023, before ATHC transferring the relevant assets, liabilities and employees of Liuwu Expressway business to the Target Company with Nil consideration on 15 December 2022 (the date of establishment of the Target Company), the Liuwu Expressway business was operated by ATHC, and was accounted for as a business unit of ATHC. As the Business Transfer mainly involved transferring the business of Liuwu to the Target Company and has not resulted in any change of economic substance, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the Target Company as if the Business Transfer had been completed at the beginning of the Relevant Periods.

Before 15 December 2022 (the date of establishment of the Target Company), the Liuwu Expressway did not hold any business unit specific bank accounts and all of its cash and cash equivalents were centrally controlled and managed by ATHC, through ATHC's bank accounts, together with those cash and cash equivalents generated from other business units of ATHC. Pursuant to the Transfer Agreement corresponding to the Business Transfer, the Target Company is entitled to the profit or loss of Liuwu Expressway business on or after 30 September 2022, and the relevant assets transferred to the Target Company during the Business Transfer did not include any cash and cash equivalents. Consequently, when preparing the Historical Financial Information, (i) net cash and cash equivalents generated by Liuwu Expressway business before 30 September 2022 have been treated as distributions appropriated and paid to ATHC (the "**Distributions**"), so that nil cash and cash equivalents were reported at each balance sheet date before 30 September 2022, and (ii) ATHC received and paid cash and cash equivalents generated from the Liuwu Expressway business on behalf of the Target Company from 30 September to 15 December 2022.

For the purpose of presenting the Historical Financial information, the net assets of Liuwu Expressway business unit before the Business Transfer were presented as "Reserves before the Business Transfer" in the statements of changes in equity of the relevant periods and such balance as of the Business Transfer completion date was accounted for as capital surplus of the Target Company pursuant to the Transfer Agreement.

Before 15 December 2022 (the date of establishment of the Target Company), an income tax rate of 25% has been adopted for the calculation of income tax expenses in the Historical Financial Information, which was the applicable income tax rate of ATHC during the periods.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with basis of presentation set out in Note 2.1, significant accounting policies set out in Note 2.4 and significant accounting judgements and estimates set out in Note 3. These accounting policies and accounting estimates are in conformity with those of Anhui Expressway Company Limited, and in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention. These financial statements are represented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[1, 3]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1]

[1] Effective for annual periods beginning on or after 1 January 2024

[2] No mandatory effective date yet determined but available for adoption

[3] As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

The management of the Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the management of the Target Company considers that these new and revised HKFRSs may result in changes in accounting policies and are not expected to have a significant impact on the Target Company's balance sheet and financial performance.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Target Company measures its financial assets at fair value through profit or loss at fair value at the end of each Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or paid to transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life as follows:

Buildings	17 to 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 to 9 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Service concession arrangements

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

The Target Company account for revenue and costs relating to construction or upgrade work and operation services under the Service Concessions in accordance with HKFRS 15. Please refer to Note 2.4 revenue recognition for details.

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 (Note 1).

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.

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

The pricing right of above toll roads is owned by the Grantor.

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

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 years.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Company initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's balance sheet) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each Relevant Periods, the Target Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company compares the risk of a default occurring on the financial instrument as at the Relevant Periods with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Target Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the Relevant Periods (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Target Company applies the practical expedient of not adjusting the effect of a significant financing component, the Target Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each Relevant Periods. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade and other payables, borrowings and long-term payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, borrowings and long-term payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises purchase cost, processing cost and other cost. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash of generally within three months, are subject to an insignificant risk of changes in value and have a short maturity when acquired and form an integral part of the Target Company's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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.

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 payables 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.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

As part of its obligations under the respective service concession arrangements, the Target Company assumes responsibility for the maintenance and resurfacing of the toll roads it operates during the concession periods. Provisions for maintenance and resurfacing are recognised when the Target Company has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

Provision for maintenance and resurfacing obligations is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, if any, are taken into account as a whole in reaching the best estimate of the provision.

The carrying amount of provisions is reviewed at the end of each Relevant Periods and adjusted to reflect the current best estimate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Company and the customer at contract inception. When the contract contains a financing component which provides the Target Company with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Toll income from toll road operation

Toll income from toll road operation is recognised when the vehicles is passing through and the Target Company receives the payment or has the right to receive payment.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Target Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Defined contribution pension schemes

Each company of the Target Company contributes on a monthly basis to defined contribution pension schemes in the PRC based on a percentage of the relevant employee's monthly salaries. The Target Company's contributions to defined contributions pension schemes are charged to profit or loss as they become payable to the schemes. The Target Company 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 periods.

As stipulated by the laws and regulations in the PRC, the Target Company contributes to the state-sponsored retirement schemes for its employee in the PRC (i.e., pension insurance). The Target Company's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries and bonuses), and the Target Company contributes 16% of such relevant income since May 2019, subject to certain ceiling. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

In addition to the government-sponsored defined contribution pension schemes, the Target Company operates an additional employee pension scheme. All employees are entitled to an additional pension each year aggregating to 8% of the previous year's salaries.

Housing fund

According to the relevant rules and regulations of the Anhui Province, the Target Company and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the prior year, to a housing fund. Contributions to a housing fund administered by the Public Accumulation Funds Administration Centre are charged to profit or loss as incurred.

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

Foreign currencies

The Historical Financial Information are presented in RMB, which is the Target Company's functional currency. Foreign currency transactions recorded by the Target Company are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each Relevant Period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Target Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Target Company determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Company's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of amortisation periods of concession intangible assets

The Target Company amortises the concession intangible assets using the straight-line method over the concession periods granted (Note 1). The concession periods are approved by the Grantor therefore the Target Company does not have renewal or termination option for the concession periods.

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.

4. OPERATING SEGMENT INFORMATION

Management reviews profit or loss of the Target Company as a whole to make decision about performance assessment and resource allocation. The operation of the Target Company constitutes one single operating segment under HKFRS8 "Operating Segments" and accordingly, no separate segment information is prepared. No segment assets and liabilities are presented as management does not regularly review segment assets and liabilities.

Geographical information

All of the Target Company's revenue is generated in the PRC and all of its assets are located in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No revenue amounted to 10% or more of the Target Company' revenue was derived from sales to a single customer or a group of customers under common control in the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Two months ended 28 February	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Toll income from toll roads operation	401,726	559,982	524,152	92,697	95,407

	Year ended 31 December			Two months ended 28 February	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Other income and gains – net					
Net losses from disposal of property, plant and equipment *(Note 6)*	(3,214)	–	(4)	–	–
Other income and gains	(3,214)	–	(4)	–	–

6. PROFIT BEFORE TAX

The Target Company's profit before tax is arrived at after charging:

		Year ended 31 December			Two months ended 28 February	
	Notes	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Taxes and surcharges		1,960	2,498	2,509	419	396
Employee benefit expense (including director's and chief executive's remuneration):						
Wages, salaries and allowances, social security and benefits		11,550	10,785	12,067	2,535	1,964
Defined contribution pension schemes		452	1,551	2,172	343	311
		12,002	12,336	14,239	2,878	2,275
Depreciation in respect of:						
– property, plant and equipment	*11*	6,945	6,419	9,361	1,058	2,842
Amortisation in respect of:						
– concession intangible assets	*10*	141,180	141,180	141,180	23,530	23,530
– intangible assets	*12*	604	553	–	–	–
Net losses from disposal of property, plant and equipment	*5*	3,214	–	4	–	–

7. DIRECTOR'S AND SUPERVISOR'S REMUNERATION

	Year ended 31 December			Two months ended 28 February	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	–	–	–	–	–
Defined contribution pension schemes	–	–	–	–	–
	–	–	–	–	–

For each of the years ended 31 December 2020, 2021 and 2022 and the two months ended 28 February 2022 and 2023, the remuneration of the above director and supervisor are Nil. Those director and supervisor who did not receive any remuneration from the Target Company during the years ended 31 December 2020, 2021 and 2022 and the two months ended 28 February 2022 and 2023 have positions in the Target Company's parent company (ATHC) that borne all of their remuneration. Save as disclosed above, there was no arrangement under which a director or supervisor has waived or agreed to waive any emoluments.

8. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration for each of the years ended 31 December 2020, 2021 and 2022, and the two months ended 28 February 2022 and 2023 of the five highest paid employees who are neither a director nor chief executive of the Target Company, respectively, are as follows:

	Year ended 31 December			Two months ended 28 February	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowances and benefits in kind	506	557	598	99	100
Defined contribution pension schemes	34	112	117	20	22
	540	669	715	119	122

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Two months ended 28 February	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Nil to HKD1,000,000	5	5	5	5	5

9. INCOME TAX

The amount of taxation charged to the income statement represents:

	Year ended 31 December			Two months ended 28 February	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current taxation – CIT	39,921	80,460	66,691	12,634	13,294
Deferred taxation charged to the consolidated income statement *(Note 13)*	5,748	5,748	5,749	957	958
	45,669	86,208	72,440	13,591	14,252

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Target Company is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Two months ended 28 February	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	182,676	344,831	289,759	54,363	57,009
Tax at the statutory tax rate at 25%	45,669	86,208	72,440	13,591	14,252
Tax charge at the Target Company's effective tax rate	45,669	86,208	72,440	13,591	14,252

10. CONCESSION INTANGIBLE ASSETS

	As at 31 December			As at 28 February	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cost	4,235,405	4,235,405	4,235,405	4,235,405	4,235,405
Accumulated amortisation	(1,564,747)	(1,705,927)	(1,847,107)	(1,729,457)	(1,870,637)
Net book amount	2,670,658	2,529,478	2,388,298	2,505,948	2,364,768
Opening net book amount	2,811,838	2,670,658	2,529,478	2,529,478	2,388,298
Amortisation charges *(Note 6)*	(141,180)	(141,180)	(141,180)	(23,530)	(23,530)
Closing net book amount	2,670,658	2,529,478	2,388,298	2,505,948	2,364,768

No borrowing costs have been capitalised in the years ended 31 December 2020, 2021, 2022 and the two months ended 28 February 2022 and 2023.

As at 31 December 2020, 2021 and 2022, and 28 February 2022 and 2023, the land use rights certificate for Xianhua toll station has not yet been obtained. The land use right for Dagudian toll station has been transferred to the Target Company, however, due to historical reasons during the construction period, the land use rights certificate for Dagudian toll station is in the same certificate for other expressway mainline land of Anhui Transportation Holding Group, and the certificate holder is Anhui Transportation Holding Group.

As at 31 December 2020, 2021 and 2022, and 28 February 2022 and 2023, there was no indication of impairment of the Target Company's intangible assets and no provision for impairment of intangible assets was required.

11. 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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020							
At 1 January 2020:							
Cost	68,755	153,945	16,455	3,843	93,422	7,062	343,482
Accumulated depreciation	(21,439)	(143,179)	(14,496)	(1,427)	(82,113)	–	(262,654)
Impairment	–	–	–	–	–	–	–
Net carrying amount	47,316	10,766	1,959	2,416	11,309	7,062	80,828
At 1 January 2020, net of accumulated depreciation and impairment	47,316	10,766	1,959	2,416	11,309	7,062	80,828
Additions	–	117	–	–	996	–	1,113
Disposals	(704)	(1,903)	(675)	(4)	(230)	–	(3,516)
Depreciation provided during the year *(Note 6)*	(2,198)	(1,543)	(397)	(412)	(2,395)	–	(6,945)
Transfers	–	1,084	–	–	5,978	(7,062)	–
At 31 December 2020, net of accumulated depreciation and impairment	44,414	8,521	887	2,000	15,658	–	71,480
At 31 December 2020:							
Cost	67,730	136,208	3,357	3,805	92,932	–	304,032
Accumulated depreciation	(23,316)	(127,687)	(2,470)	(1,805)	(77,274)	–	(232,552)
Impairment	–	–	–	–	–	–	–
Net carrying amount	44,414	8,521	887	2,000	15,658	–	71,480

	Buildings	Safety, communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021							
At 1 January 2021:							
Cost	67,730	136,208	3,357	3,805	92,932	–	304,032
Accumulated depreciation	(23,316)	(127,687)	(2,470)	(1,805)	(77,274)	–	(232,552)
Impairment	–	–	–	–	–	–	–
Net carrying amount	44,414	8,521	887	2,000	15,658	–	71,480
At 1 January 2021, net of accumulated depreciation and impairment	44,414	8,521	887	2,000	15,658	–	71,480
Additions	–	–	–	401	–	50,826	51,227
Depreciation provided during the year *(Note 6)*	(2,190)	(737)	(173)	(409)	(2,910)	–	(6,419)
At 31 December 2021, net of accumulated depreciation and impairment	42,224	7,784	714	1,992	12,748	50,826	116,288
At 31 December 2021:							
Cost	67,730	136,208	3,357	4,206	92,932	50,826	355,259
Accumulated depreciation	(25,506)	(128,424)	(2,643)	(2,214)	(80,184)	–	(238,971)
Impairment	–	–	–	–	–	–	–
Net carrying amount	42,224	7,784	714	1,992	12,748	50,826	116,288

	Buildings	Safety, communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	67,730	136,208	3,357	4,206	92,932	50,826	355,259
Accumulated depreciation	(25,506)	(128,424)	(2,643)	(2,214)	(80,184)	–	(238,971)
Impairment	–	–	–	–	–	–	–
Net carrying amount	42,224	7,784	714	1,992	12,748	50,826	116,288
At 1 January 2022, net of accumulated depreciation and impairment	42,224	7,784	714	1,992	12,748	50,826	116,288
Additions	–	4,040	1,205	793	4,473	91,120	101,631
Disposals	–	–	–	(30)	–	–	(30)
Depreciation provided during the year *(Note 6)*	(3,873)	(1,402)	(532)	(406)	(3,148)	–	(9,361)
Transfers	119,130	10,091	8,702	–	4,023	(141,946)	–
At 31 December 2022, net of accumulated depreciation and impairment	157,481	20,513	10,089	2,349	18,096	–	208,528
At 31 December 2022:							
Cost	186,860	150,339	13,264	4,012	101,428	–	455,903
Accumulated depreciation	(29,379)	(129,826)	(3,175)	(1,663)	(83,332)	–	(247,375)
Impairment	–	–	–	–	–	–	–
Net carrying amount	157,481	20,513	10,089	2,349	18,096	–	208,528

	Buildings	Safety, communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
28 February 2022 (unaudited)							
At 1 January 2022:							
Cost	67,730	136,208	3,357	4,206	92,932	50,826	355,259
Accumulated depreciation	(25,506)	(128,424)	(2,643)	(2,214)	(80,184)	–	(238,971)
Impairment	–	–	–	–	–	–	–
Net carrying amount	42,224	7,784	714	1,992	12,748	50,826	116,288
At 1 January 2022, net of accumulated depreciation and impairment	42,224	7,784	714	1,992	12,748	50,826	116,288
Depreciation provided during the period (unaudited) *(Note 6)*	(366)	(123)	(27)	(75)	(467)	–	(1,058)
At 28 February 2022, net of accumulated depreciation and impairment (unaudited)	41,858	7,661	687	1,917	12,281	50,826	115,230
At 28 February 2022: (unaudited)							
Cost	67,730	136,208	3,357	4,206	92,932	50,826	355,259
Accumulated depreciation	(25,872)	(128,547)	(2,670)	(2,289)	(80,651)	–	(240,029)
Impairment	–	–	–	–	–	–	–
Net carrying amount	41,858	7,661	687	1,917	12,281	50,826	115,230

	Buildings	Safety, communication and signalling equipment	Toll stations and ancillary equipment	Motor vehicles	Other machinery and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
28 February 2023							
At 1 January 2023:							
Cost	186,860	150,339	13,264	4,012	101,428	–	455,903
Accumulated depreciation	(29,379)	(129,826)	(3,175)	(1,663)	(83,332)	–	(247,375)
Impairment	–	–	–	–	–	–	–
Net carrying amount	157,481	20,513	10,089	2,349	18,096	–	208,528
At 1 January 2023, net of accumulated depreciation and impairment	157,481	20,513	10,089	2,349	18,096	–	208,528
Depreciation provided during the period *(Note 6)*	(1,488)	(341)	(254)	(72)	(687)	–	(2,842)
At 28 February 2023, net of accumulated depreciation and impairment	155,993	20,172	9,835	2,277	17,409	–	205,686
At 28 February 2023:							
Cost	186,860	150,339	13,264	4,012	101,428	–	455,903
Accumulated depreciation	(30,867)	(130,167)	(3,429)	(1,735)	(84,019)	–	(250,217)
Impairment	–	–	–	–	–	–	–
Net carrying amount	155,993	20,172	9,835	2,277	17,409	–	205,686

12. INTANGIBLE ASSETS

	Acquired computer software licences *RMB'000*
31 December 2020	
Cost at 1 January 2020, net of accumulated amortisation	1,157
Amortisation provided during the year *(Note 6)*	(604)
At 31 December 2020	553
At 31 December 2020:	
Cost	1,357
Accumulated amortisation and impairment	(804)
Net carrying amount	553

	Acquired computer software licences *RMB'000*
31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	553
Amortisation provided during the year *(Note 6)*	(553)
At 31 December 2021	–
At 31 December 2021:	
Cost	1,357
Accumulated amortisation and impairment	(1,357)
Net carrying amount	–

	Acquired computer software licences *RMB'000*
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	–
Amortisation provided during the year *(Note 6)*	–
At 31 December 2022	–
At 31 December 2022:	
Cost	1,357
Accumulated amortisation and impairment	(1,357)
Net carrying amount	–

	Acquired computer software licences *RMB'000*
28 February 2022 (unaudited)	
Cost at 1 January 2022, net of accumulated amortisation	–
Amortisation provided during the period (unaudited) *(Note 6)*	–
At 28 February 2022 (unaudited)	–
At 28 February 2022 (unaudited)	
Cost	1,357
Accumulated amortisation and impairment	(1,357)
Net carrying amount	–

	Acquired computer software licences
	RMB'000
28 February 2023	
Cost at 1 January 2023, net of accumulated amortisation	–
Amortisation provided during the period *(Note 6)*	–
At 28 February 2023	–
At 28 February 2023:	
Cost	1,357
Accumulated amortisation and impairment	(1,357)
Net carrying amount	–

13. DEFERRED TAX

The movements in deferred tax assets during the periods are as follows:

Deferred tax assets

	Amortisation difference between accounting and tax regulations
	RMB'000
Gross deferred tax assets at 1 January 2020	116,843
Deferred tax charged to the income statement *(Note 9)*	(5,748)
Gross deferred tax assets at 31 December 2020 and 1 January 2021	111,095
Deferred tax charged to the income statement *(Note 9)*	(5,748)
Gross deferred tax assets at 31 December 2021 and 1 January 2022	105,347
Deferred tax charged to the income statement *(Note 9)*	(5,749)
Gross deferred tax assets at 31 December 2022 and 1 January 2023	99,598
Gross deferred tax assets at 31 December 2021 and 1 January 2022	105,347
Deferred tax charged to the income statement (unaudited) *(Note 9)*	(957)
Gross deferred tax assets at 28 February 2022 (unaudited)	(104,390)
Gross deferred tax assets at 31 December 2022 and 1 January 2023	99,598
Deferred tax charged to the income statement *(Note 9)*	(958)
Gross deferred tax assets at 28 February 2023	98,640

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. As at 31 December 2020, 2021 and 2022, and 28 February 2022 and 2023, the offset amount was nil.

As at 31 December 2020, 2021 and 2022, and 28 February 2022 and 2023, the Company had no deductible temporary differences and deductible losses for unrecognized deferred income tax assets.

14. INVENTORIES

	As at 31 December			As at 28 February
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Materials and spare parts	–	–	130	68
Less: Provision of write-down	–	–	–	–
	–	–	130	68

15. RECEIVABLES AND PREPAYMENTS

	As at 31 December			As at 28 February
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables:				
Toll road income receivable	10,258	11,573	7,142	12,816
Receivables from related parties	–	–	58,531	120,897
Less: Provision for impairment	–	–	–	–
	10,258	11,573	65,673	133,713

The ageing analysis of the receivables is as follows:

	As at 31 December			As at 28 February
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	10,258	11,573	65,673	133,713

Receivables and prepayments are collected by ATHG on behalf of the Target Company (Note 24).

16. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 28 February
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	–	–	–	4,999

As at 31 December 2020, 2021 and 2022 and 28 February 2023, cash and bank balances were denominated in RMB.

17. PAID-IN CAPITAL

	As at 31 December			As at 28 February
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	–	–	–	5,000

18. DISTRIBUTIONS TO ATHC

	Year ended 31 December			Two months ended 28 February	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Distributions to ATHC	291,745	381,681	198,079	46,673	–

19. TRADE AND OTHER PAYABLES

	As at 31 December			As at 28 February
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits for construction projects	250	355	305	300
Staff salaries and welfare	–	–	–	793
Other taxation payables	1,987	1,896	1,602	1,700
Service fee payable for collection of toll roads income	2,638	870	699	550
Service fee payable for repair and maintenance	8,376	31,882	14,468	4,842
	13,251	35,003	17,074	8,185

As at 31 December 2020, 2021 and 2022 and 28 February 2023, trade and other payables of RMB3,229 thousand, RMB3,215 thousand, RMB2,314 thousand and RMB2,409 thousand were aged over one year.

As at 31 December 2020, 2021 and 2022 and 28 February 2023, the fair values of trade and other payables, except for staff salaries and welfare and other taxation payables, approximated their carrying amounts.

Trade and other payables are paid by ATHG on behalf of the Target Company (Note 24).

20. PROVISION

31 December 2020

	Total
	RMB'000
At 1 January 2020	–
Additional provision	33,107
Amounts utilised during the year	(32,711)
At 31 December 2020	396

31 December 2021

	Total
	RMB'000
At 1 January 2021	396
Additional provision	33,121
Amounts utilised during the year	(32,877)
At 31 December 2021	640

31 December 2022

	Total
	RMB'000
At 1 January 2022	640
Additional provision	45,666
Amounts utilised during the year	(44,397)
At 31 December 2022	1,909

28 February 2023

	Total
	RMB'000
At 1 January 2023	1,909
Additional provision	6,117
Amounts utilised during the period	(1,256)
At 28 February 2023	6,770

Provisions are paid by ATHG on behalf of the Target Company (Note 24).

21. NOTES TO THE STATEMENT OF CASH FLOWS

Cash generated from operating activities

	Notes	**Year ended 31 December**			**Two months ended 28 February**	
		2020	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
PROFIT BEFORE INCOME TAX		182,676	344,831	289,759	54,363	57,009
ADJUSTMENTS FOR:						
Amortisation of concession intangible assets	*10*	141,180	141,180	141,180	23,530	23,530
Depreciation of property, plant and equipment	*11*	6,945	6,419	9,361	1,058	2,842
Amortisation of intangible assets	*12*	604	553	–	–	–
Net loss on disposal of property, plant and equipment	*5*	3,214	–	4	–	–
		334,619	492,983	440,304	78,951	83,381
(Increase)/decrease in inventories		–	–	(130)	–	62
Decrease/(increase) in receivables and prepayments		14,458	(1,315)	4,431	5,750	(5,674)
(Decrease)/increase in other operating liabilities		(17,174)	21,752	(17,929)	(28,635)	(8,889)
Increase in provision	*20*	396	244	1,269	8,385	4,861
Cash generated from operating activities		332,299	513,664	427,945	64,451	73,741

Before 15 December 2022 (the date of establishment of the Target Company), the Liuwu Expressway did not hold any business unit specific bank accounts and all of its cash and cash equivalents were centrally controlled and managed by ATHC, through ATHC's bank accounts, together with those cash and cash equivalents generated from other business units of ATHC. Pursuant to the Transfer Agreement corresponding to the Business Transfer, the Target Company is entitled to the profit or loss of Liuwu Expressway business on or after 30 September 2022, and the relevant assets transferred to the Target Company during the Business Transfer did not include any cash and cash equivalents. Consequently, when preparing the Historical Financial Information, (i) net cash and cash equivalents generated by Liuwu Expressway business before 30 September 2022 have been treated as distributions appropriated and paid to ATHC (the "**Distributions**"), so that nil cash and cash equivalents were reported at each balance sheet date before 30 September 2022, and (ii) ATHC received and paid cash and cash equivalents generated from the Liuwu Expressway business on behalf of the Target Company from 30 September to 15 December 2022.

22. CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022 and 28 February 2023, the Target Company did not have any significant contingent liabilities.

23. COMMITMENTS

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

	As at 31 December			As at 28 February
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for				
– Property, plant and equipment	–	18,055	–	–

24. RELATED PARTY TRANSACTIONS

The Target Company'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 Company. On that basis, related parties include ATHC and its subsidiaries (other than the Target Company), other government-related entities and their subsidiaries, other entities and corporations in which the Target Company is able to control or exercise significant influence and key management personnel of the Target Company and ATHC as well as their close family members. The Target Company believes that these transactions are carried out on terms that are similarly and consistently applied to all other customers or suppliers. However, due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Target Company. As a result, these transactions with other government-related entities and their subsidiaries are exempted from the related party transaction disclosure requirements as set out in HKAS 24 (Revised).

The Target Company's director believes that information in respect of related party transactions has been adequately disclosed in the Historical Financial Information and are of the view that the following companies are related parties that had material transactions or balances with the Target Company during the periods.

(a) Information about related parties

Name	Relationships with the Target Company
ATHC	Parent company
Anhui Transport Consulting & Design Institute Co., Ltd. (“安徽省交通規劃設計研究總院股份有限公司”, “**ATCD**”)	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 Expressway Network Operation Co., Ltd (“安徽省高速公路聯網運營有限公司”, “**AENO**”)	Subsidiary of ATHC
Anhui Transportation Engineering Group Co., Ltd. (formerly named Anhui Gaolu Construction Co., Ltd.) (“安徽交控工程集團有限公司”, 原名“安徽省高路建設有限公司”, “**ATEGC**”)	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 Transportation United Card Holding Co., Ltd. (“安徽交通一卡通控股有限公司”, “**ATUCC**”)	Subsidiary of ATHC
Anhui Transportation Information Industry Co., Ltd. (“安徽交控信息產業有限公司”, “**ATII**”)	Subsidiary of ATHC
Anhui Huanyu Highway Construction Development Co., Ltd. (“安徽交控材料科技有限公司”, 原名“安徽省環宇公路建設開發有限責任公司”, “**AHHCD**”)	Subsidiary of ATHC
Anhui Jinggong Construction General Co., Ltd. (“安徽省經工建設集團有限公司”, “**AJCG**”)	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 Jiaoyun Group Automobile Sales Co., Ltd (“安徽交運集團汽車銷售有限公司”, “**AJASC**”)	Subsidiary of ATHC
Anhui Shengxuan Municipal Garden Engineering Co., Ltd. (“安徽省盛軒市政園林工程有限公司”, “**ASGEC**”)	Subsidiary of ATHC

(b) In addition to the transactions detailed elsewhere in these financial statements, the Target Company had the following transactions with related parties during the year/period:

	Year ended 31 December			Two months ended 28 February	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Service fee for management of toll roads:					
ATHC	8,990	9,563	9,192	956	1,227
Purchases, construction, maintenance and testing services: (ii)					
ATEGC	4,935	11,107	62,676	–	355
AERC	115	210	156	–	–
AJCG	–	256	17,555	–	–
AQPT	1,855	263	3,033	–	–
ATCD	59	–	2,127	–	–
ATII	–	–	334	–	–
AZPMC	–	–	437	–	–
AJASC	–	412	793	–	–
	6,964	12,248	87,111	–	355

	Year ended 31 December			Two months ended 28 February	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Service fees for the collection of toll road income:					
ATUCC	–	1,903	1,781	306	324
AENO	6,353	1,326	1,242	213	226
	6,353	3,229	3,023	519	550

	Year ended 31 December			Two months ended 28 February	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Toll road income received on behalf of the Target Company (iii)					
AENO	401,726	559,982	524,152	92,697	95,407

	Year ended 31 December			Two months ended 28 February	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Collection on behalf of the Target Company (iv)					
ATHC	422,790	575,466	544,333	101,227	92,595
Payment on behalf of the Target Company (iv)					
ATHC	(131,045)	(193,785)	(287,724)	(54,554)	(30,229)

Notes:

(i) During the relevant periods, the transactions were carried out in accordance with the terms and conditions similar to those offered by third parties in the ordinary course of business.

(ii) It mainly represented payable to these related parties for the purchases, construction, maintenance and testing services in connection with expressway.

(iii) During the years ends 31 December 2020, 2021 and 2022 and the two months ended 28 February 2022 and 2023, the net amounts collected by related parties were RMB401,726 thousand, RMB559,982 thousand, RMB524,152 thousand, RMB92,697 thousand and RMB95,407 thousand, respectively.

(iv) During the years ends 31 December 2020, 2021 and 2022 and the two months ended 28 February 2022 and 2023, ATHC collects and pays on behalf of the Target Company (Note 2.1).

(c) Outstanding balances with related parties

	As at 31 December			As at 28 February
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
ATEGC	232	9,747	2,552	1,377
ATII	–	–	11	11
AJASC	–	–	24	24
AERC	115	210	156	–
AHHCD	646	646	–	–
ATCD	415	387	440	440
AJCG	363	429	499	499
AQPT	1,855	263	–	–
ASGEC	538	–	–	–
	4,164	11,682	3,682	2,351
Other payables				
ATUCC	–	513	412	324
AENO	2,638	357	287	226
AHHCD	50	50	–	–
	2,688	920	699	550

(d) Receivables

	As at 31 December 2020		As at 31 December 2021		As at 31 December 2022		As at 28 February 2023	
	Book value	Provision for impairment	Book value	Provision for impairment	Book value	Provision for impairment	Book value	Provision for impairment
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ATHC	–	–	–	–	58,531	–	120,897	–
AENO	10,258	–	11,573	–	7,142	–	12,816	–
	10,258	–	11,573	–	65,673	–	133,713	–

25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Periods are as follows:

As at 31 December 2020

Financial assets

	Financial assets at amortised cost
	RMB'000
Receivables	10,258

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and other payables (exclude Staff salaries and welfare and Other taxation payables)	11,264

As at 31 December 2021

Financial assets

	Financial assets at amortised cost
	RMB'000
Receivables	11,573

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and other payables (exclude Staff salaries and welfare and Other taxation payables)	33,107

As at 31 December 2022

Financial assets

	Financial assets at amortised cost
	RMB'000
Receivables	65,673

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and other payables (exclude Staff salaries and welfare and Other taxation payables)	15,472

As at 28 February 2023

Financial assets

	Financial assets at amortised cost
	RMB'000
Receivables	133,713
Cash and cash equivalents	4,999
	138,712

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and other payables (exclude Staff salaries and welfare and Other taxation payables)	5,692

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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 Company for similar financial instruments.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The director reviews and agrees policies for managing each of these risks and they are summarised below.

The Target Company's activities do not expose it to significant interest rate risk because it has no long-term debt obligations with a floating interest rate.

The Target Company'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 Company operates.

Credit risk

The Target Company's credit risk mainly arises from cash and other financial assets. The carrying amounts of financial assets represented the Target Company's maximum exposure in relation to financial assets.

The Target Company's cash are mainly bank deposits deposited with reputable state-owned banks and other large and medium-sized listed banks with high credit ratings, which the Target Company believes does not have significant credit risk and will hardly incur significant losses due to bank defaults.

Other financial assets at amortised cost include receivables. Receivables are mainly due from related parties and the government, 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. Please refer to Note 15 for details.

Except for the cash and receivables as mentioned above, the Target Company does not have any significant concentration of credit risk exposure associated with a particular single counterparty or a particular group of counterparties having similar characteristics.

Liquidity risk

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

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

	As at 31 December 2020				
	Within 1 year	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables, excluding other taxation payables, staff salaries and welfare	11,264	–	–	–	11,264

	As at 31 December 2021				
	Within 1 year	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables, excluding other taxation payables, staff salaries and welfare	33,107	–	–	–	33,107

	As at 31 December 2022				
	Within 1 year	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables, excluding other taxation payables, staff salaries and welfare	15,472	–	–	–	15,472

	As at 28 February 2023				
	Within 1 year	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables, excluding other taxation payables, staff salaries and welfare	5,692	–	–	–	5,692

Capital management

The Target Company's objectives for managing capital are to safeguard the Target Company's ability to continue as a going concern to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Similar to the others in the industry, the Target Company monitors capital using the Assets-liabilities ratio. This ratio is calculated as total liabilities divided by total assets.

The assets-liabilities ratio as at the end of the Relevant Periods were as follows:

	As at 31 December			As at 28 February
	2020	**2021**	**2022**	**2023**
Assets-liabilities ratio	0.79%	1.61%	0.89%	0.81%

28. SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, the Target Company has no material subsequent events in respect of any period subsequent to 28 February 2023 and up to the date of this report.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 28 February 2023 and up to the date of this report.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF 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**"), as enlarged after completion of the acquisition of 100% of the entire equity interests in Anhui Province Liuwu Company Limited (the "**Target Company**") from Anhui Transportation Holding Group Company Limited ("**ATHC**") (the "**Acquisition**") (the "**Enlarged Group**") (the "**Unaudited Pro Forma Financial Information**"), which has been prepared on the basis of the notes set forth below for the purpose of illustrating the effects of the Acquisition, as if the Acquisition had been completed on 31 December 2022.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed on 31 December 2022 or any future date.

The Unaudited Pro Forma Financial Information has been prepared based on the consolidated balance sheet of the Group as at 31 December 2022 included in the published 2022 annual report of the Company and the balance sheet of the Target Company as at 28 February 2023 as set out in the accountants' report of the Target Company in Appendix II to the circular of the Company dated 26 July 2023, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this Circular.

	The Group as at 31 December 2022	**The Target Company as at 28 February 2023**	**Pro forma adjustments**		**Unaudited pro forma total for the Enlarged Group as at 31 December 2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
ASSETS					
NON-CURRENT ASSETS					
Concession intangible assets	13,497,875	2,364,768	–	–	15,862,643
Right-of-use assets	6,045	–	–	–	6,045
Property, plant and equipment	1,216,473	205,686	–	–	1,422,159
Investment properties	352,289	–	–	–	352,289
Intangible assets	5,679	–	–	–	5,679
Investment in associates	146,625	–	–	–	146,625
Deferred income tax assets	79,512	98,640	–	–	178,152
Financial assets at fair value through profit or loss ("FVPL")	711,599	–	–	–	711,599
Financial assets at fair value through other comprehensive	115,509	–	–	–	115,509
Total non-current assets	16,131,606	2,669,094	–	–	18,800,700

	The Group as at 31 December 2022	The Target Company as at 28 February 2023	Pro forma adjustments		Unaudited pro forma total for the Enlarged Group as at 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Current assets					
Inventories	4,706	68	–	–	4,774
Receivables and prepayments	537,733	133,713	–	–	671,446
Time deposits with original maturity over three months	1,767,673	–	–	–	1,767,673
Cash and cash equivalents	2,903,848	4,999	(549,901)	–	2,358,946
Total current assets	5,213,960	138,780	(549,901)	–	4,802,839
TOTAL ASSETS	21,345,566	2,807,874	(549,901)	–	23,603,539
LIABILITIES					
NON-CURRENT LIABILITIES					
Long-term payables	77,560	–	–	–	77,560
Borrowings	6,201,986	–	–	–	6,201,986
Deferred income tax liabilities	36,798	–	–	–	36,798
Deferred income	113,853	–	–	–	113,853
Total non-current liabilities	6,430,197	–	–	–	6,430,197

	The Group as at 31 December 2022	The Target Company as at 28 February 2023	Pro forma adjustments		Unaudited pro forma total for the Enlarged Group as at 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
CURRENT LIABILITIES					
Trade and other payables	835,269	8,185	–	15,958	859,412
Current income tax liabilities	30,160	7,654	–	–	37,814
Provisions	71,005	6,770	–	–	77,775
Borrowings	441,763	–	–	–	441,763
Total current liabilities	1,378,197	22,609	–	15,958	1,416,764
TOTAL LIABILITIES	7,808,394	22,609	–	15,958	7,846,961
NET ASSETS	13,537,172	2,785,265	(549,901)	(15,958)	15,756,578

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The balances are extracted from the consolidated balance sheet of the Group as at 31 December 2022 as set out in the published annual report of the Company for the year ended 31 December 2022.

2. The balances are extracted from the balance sheet of the Target Company as at 28 February 2023 as set out in the accountants' report of the Target Company in Appendix II to this Circular.

3. On 17 April 2023, the Group entered into the acquisition agreement with ATHC, the ultimate controlling shareholder of the Company, and pursuant to which the Group has conditionally agreed to acquire 100% of the entire equity interests in the Target Company. On 20 June 2023, the Group entered into the supplemental agreement to the acquisition agreement with ATHC, pursuant to which, among other things, the final consideration for the Acquisition and the number of the consideration shares proposed to be issued have been determined by the parties. The total consideration shall be settled: (i) 85% by the allotment and issuance of the consideration shares; and (ii) 15% by the payment of the cash consideration, by the Group to ATHC. Accordingly, on the basis that the total consideration is RMB3,666,003,900, RMB3,116,103,315 shall be settled by way of allotment and issuance of the consideration shares while RMB549,900,585 shall be settled by way of payment of cash consideration.

   As the Group and the Target Company are under common control by ATHC and the control is not transitionary, the 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 Acquisition.

   For the purpose of this pro forma financial information, the total consideration is assumed to be RMB3,666,003,900, among which the cash consideration is assumed to be RMB549,900,585, as if the acquisition of equity interests in the Target Company had been completed as at 31 December 2022. The pro forma adjustment represents decreases in cash and cash equivalents balances by RMB549,900,585.

4. For the purpose of the Unaudited Pro Forma Financial Information, the transaction expenses, such as professional services fees, that are directly attributable to the Acquisition are estimated to be RMB15,958,000.

5. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022 and of the Target Company entered into subsequent to 28 February 2023.

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

The following is the text of a report on the unaudited pro forma information of the Enlarged Group received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purposes of incorporation into this circular.

EY 安永

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INDEPENDENT REPORTING ACCOUNTANTS' 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 (hereinafter collectively referred to as the "**Group**") 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 31 December 2022 and related notes as set out in Appendix III to the circular dated 26 July 2023 (the "**Circular**"), issued by the Company (the "**Unaudited Pro Forma Financial Information**"), in connection with the acquisition of 100% of the entire equity interests in Anhui Province Liuwu Company Limited (the "**Target Company**") from Anhui Transportation Holding Group Company Limited (the "**Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the unaudited Pro Forma Financial Information are described in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of Acquisition on the Group's assets and liabilities as at 31 December 2022 as if the Acquisition had taken place on 31 December 2022. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the consolidated balance sheet of the Group as at 31 December 2022 as set out in the published annual report of the Company for the year ended 31 December 2022. Information about assets and liabilities of the Target Company has been extracted by the Directors from financial information of the Target Company as at 28 February 2023, on which an accountants' report has been published in Appendix II to the Circular.

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 ("**AG**") 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality management

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 behavior.

Our firm applies Hong Kong Standard on Quality Management 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' 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 accountants plan and perform 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 the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition 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 Acquisition 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 Acquisition, 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 accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition 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 on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants

Hong Kong
26 July 2023

1. THE TARGET COMPANY

Set out below is the management discussion and analysis of the operation results and the business review of the Target Company for the three years ended 31 December 2020, 2021 and 2022 and the two months ended 28 February 2023 (the "**Track Record Period**").

Business Overview

The Target Company is a limited liability company established in the PRC on 15 December 2022. Immediately prior to the Completion, the Target Company was a wholly-owned subsidiary of Anhui Transportation Holding Group. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group.

The Target Company is principally engaged in the investment, operation and management of the Liuwu Expressway in Anhui Province in the PRC. The Liuwu Expressway commenced its operation on 28 December 2009, it is designed as a two-way four-lane expressway with total chargeable mileage of 92.7 kilometers. The Target Company currently owns the concession rights of the Liuwu Expresssway, which will expire on 27 December 2039.

Please refer to the paragraph headed "4. Information on the Target Company" of the Letter from the Board for more information on the Target Company and its assets.

Financial Overview

Set below is the statement of profit or loss and other comprehensive income of the Target Company for the periods indicated as extracted from the accountants' report of the Target Company set out in Appendix II to this circular:

	Year ended 31 December			Two months ended 28 February	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	401,726	559,982	524,152	92,697	95,407
Cost of sales	(206,846)	(205,588)	(225,197)	(37,378)	(37,171)
Gross profit	194,880	354,394	298,955	55,319)	58,236
Other income and gains – net	(3,214)	–	(4)	–	–
Administrative expenses	(8,990)	(9,563)	(9,192)	(956)	(1,227)
Profit before income tax	182,676	344,831	289,759	54,363	57,009
Income tax expenses	(45,669)	(86,208)	(72,440)	(13,591)	(14,252)
Profit and total comprehensive income for the year/period	137,007	258,623	217,319	40,772	42,757

Revenue

During the Track Record Period, all of the Target Company's revenue represent the toll income from toll roads operation of the Liuwu Expressway.

The Target Company's toll income from toll roads operation increased by 39.4% from approximately RMB401.7 million for the year ended 31 December 2020 to approximately RMB560.0 million for the year ended 31 December 2021. The increase in toll income was primarily attributable to (i) imposition of travel restrictions during 2020 in the PRC amidst the COVID-19 pandemic, which led to lower traffic volume recorded in 2020; and (ii) the expiration of the 79 days toll-free policy for all vehicles using the toll highways implemented by the Ministry of Transport in 2020.

The Target Company's toll income from toll roads operation decreased by 6.4% from approximately RMB560.0 million for the year ended 31 December 2021 to approximately RMB524.2 million for the year ended 31 December 2022. The slight decrease in toll income was primarily attributable to (i) the decrease in traffic volume especially the trucks traffic in 2022 due to the COVID-19 pandemic situation; and (ii) preferential policies to reduce toll fee by 10% for trucks implemented in the fourth quarter of 2022.

The Target Company's toll income from toll roads operation maintained relatively stable at RMB95.4 million for the two months ended 28 February 2023 as compared to RMB92.7 million for the two months ended 28 February 2022.

Cost of sales

During the Track Record Period, the Target Company's cost of sales primarily consisted of (i) amortisation of concession intangible assets; (ii) depreciation of property, plant and equipment; (iii) repair and maintenance expenses; (iv) employee benefit expenses; and (v) service fee for the collection of toll roads income.

The Target Company's cost of sales maintained relatively stable at approximately RMB206.8 million and RMB205.6 million for the year ended 31 December 2020 and 2021, respectively, and increased by 9.5% to approximately RMB225.2 million for the year ended 31 December 2022. The increase in cost of sales for the year ended 31 December 2022 was primarily attributable to (i) the increase in repair and maintenance expenses due to extra maintenance work in response to the special campaign to improve road environment launched in Anhui province in 2022; and (ii) the increase in depreciation charge of property, plant and equipment in 2022 mainly resulted from the transfer of construction in progress.

The Target Company's cost of sales maintained relatively stable at RMB37.2 million for the two months ended 28 February 2023 as compared to RMB37.4 million for the two months ended 28 February 2022.

Other income and gains – net

The Target Company recorded other losses of approximately RMB3.2 million and RMBfour thousand for the year ended 31 December 2020 and 2022, respectively, which represent net losses from disposal of property, plant and equipment during the year.

Construction in progress

During 2021 and 2022, the Target Company additionally commenced the construction of the Xianhua Interchange (仙花互通) on the relevant sections of the Liuwu Expressway, which resulted in an increase of construction-in-progress amounted to RMB50.83 million and RMB91.12 million for the year ended 31 December 2021 and 2022 respectively. The construction of Xianhua Interchange has been completed in September 2022 and the Xianhua Interchange has commenced operations in 2022.

Receivables from Anhui Transportation Holding Group

As at 28 February 2023, the receivables of the Target Company from Anhui Transportation Holding Group amounted to RMB120.9 million.

As stated in the paragraph headed "4. Information on the Target Company" in the Letter from the Board, the assets and liabilities of Liuwu Expressway were transferred by Anhui Transportation Holding Group to the Target Company by way of gratuitous transfer with reference to a transfer benchmark date of 30 September 2022 (after which any profit or loss generated by the Liuwu Expressway shall be borne by the Target Company). Given the time required to complete the incorporation of the Target Company and the transfer of the relevant assets, liabilities, employees and business in relation to the Liuwu Expressway to the Target Company (which continued after the date of incorporation of the Target Company, being 15 December 2022), it was agreed that Anhui Transportation Holding Group will collect any income generated by, and settle any costs attributable to, the Liuwu Expressway subsequent to 30 September 2022 but prior to the completion of the gratuitous transfer on behalf of the Target Company as a temporary transitional arrangement. Accordingly, the receivables of the Target Company from Anhui Transportation Holding Group during the reporting period of the accountants' report of Target Company (including but not limited to the receivables during the two months ended 28 February 2023) as set out under Appendix II represented the balance of such income generated by the Liuwu Expressway (after netting off the relevant costs attributable to the Liuwu Expressway) collected by Anhui Transportation Holding Group on behalf of the Target Company during such period. The gratuitous transfer of the assets and liabilities of Liuwu Expressway from Anhui Transportation Holding Group to the Target Company has been completed as at 31 March 2023 and the transitional arrangement under which Anhui Transportation Holding Group will collect any income generated by, and settle any costs attributable to, the Liuwu Expressway, has also ended as at 31 March 2023.

As at the Latest Practicable Date, such receivables have been fully settled by Anhui Transportation Holding Group to the Target Company.

Related party transactions

As with the other expressways operated by the Company, Liuwu Expressway utilises the network toll collection settlement system operated by Anhui Expressway Network Operations Company Limited * (安徽省高速公路聯網運營有限公司, a subsidiary of Anhui Transportation Holding Group, "**AENO**") in accordance with the Toll Model of Anhui Province Toll Collection Road Network Operation Service Fee* (《安徽省聯網收費路網運行服務費收費模式》), under which AENO will collect toll income of the Liuwu Expressway on behalf of the Target Company in return for the payment of service fees by the Target Company to AENO. It is expected that such arrangements will continue upon completion of the Proposed Acquisition, and the Company will comply with the applicable compliance requirements under the Listing Rules if and when appropriate.

Administrative expenses

The Target Company's administrative expenses mainly consisted of road asset management fee and employee benefit expenses for managerial staff. The Target Company's administrative expenses maintained relatively stable at RMB9.0 million, RMB9.6 million and RMB9.2 million for the year ended 31 December 2020, 2021 and 2022, respectively, and RMB1.0 million and RMB1.2 million for the two months ended 28 February 2022 and 2023, respectively.

Profit and total comprehensive income for the year/period

The Target Company's profit and total comprehensive income for the year increased by 88.8% from approximately RMB137.0 million for the year ended 31 December 2020 to approximately RMB258.6 million for the year ended 31 December 2021. The increase in net profit was primarily attributable to the increase in revenue for the year ended 31 December 2021, in turn due to the lift of travel restrictions and toll-free policy implemented in 2020, which led to increase in traffic volume and toll income from toll roads operation.

The Target Company's profit and total comprehensive income for the year decreased by 16.0% from approximately RMB258.6 million for the year ended 31 December 2021 to approximately RMB217.3 million for the year ended 31 December 2022. The decrease in net profit was primarily attributable to combined effect of (i) reduced traffic volume due to the COVID-19 pandemic and implementation of preferential policies for trucks in the fourth quarter of 2022, which led to decrease in revenue; and (ii) increase in repair and maintenance expenses due to extra maintenance work with regards to the special campaign to improve road environment launched in Anhui province in 2022.

The Target Company's profit and total comprehensive income maintained relatively stable at RMB42.8 million for the two months ended 28 February 2023 as compared to RMB40.8 million for the two months ended 28 February 2022.

Capital structure, liquidity and financial resources

During the Track Record Period, the operations and working capital requirements of Liuwu Expressway was primarily financed by the cash flow from operation.

Before 15 December 2022 (the date of establishment of the Target Company), the Liuwu Expressway did not hold any business unit specific bank accounts and all of its cash and cash equivalents were centrally controlled and managed by ATHC, through ATHC's bank accounts, together with those cash and cash equivalents generated from other business units of ATHC. As a result, nil cash and cash equivalents were recorded as at 31 December 2020, 2021, 2022

Net cash and cash equivalents generated by Liuwu Expressway before 30 September 2022 have been treated as distributions appropriated and paid to Anhui Transportation Holding Group, please refer to page 54 of the Appendix II of this circular for details. As at 28 February 2023, the Target Company had cash and cash equivalents of approximately RMB5.0 million, which were all denominated in RMB.

Gearing Ratio

The Target Company did not have any interest-bearing borrowings as at 31 December 2020, 2021 and 2022 and 28 February 2023, the gearing ratio of the Target Company (total interest-bearing borrowings as a percentage of total equity) was not applicable.

Significant Investments

There was no significant investment held by the Target Company during the three years and two months ended 28 February 2023.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

There was no other material acquisitions and disposals of subsidiaries, associates and joint ventures made by the Target Company during the three years and two months ended 28 February 2023.

Employee and remuneration policies

The Target Company's employee benefit expenses including wages, salaries and allowances, social security and benefits, defined contribution pension schemes remained relatively stable at approximately RMB12.0 million, RMB12.3 million and RMB14.2 million for the year ended 31 December 2020, 2021 and 2022, respectively. The Target Company's employee benefit expenses decreased by 21.0% from approximately RMB2.9 million for the two months ended 28 February 2022 to approximately RMB2.3 million for the two months ended 28 February 2023, primarily due to decrease in managerial staff resulted from the outsourcing of certain business function.

As at 31 March 2023, the Target Company had 72 employees based in the PRC. The Target Company will recruit, employ, promote and remunerate its employees based on their qualifications, experiences, competency, performances and contributions.

Charge on assets

As at 31 December 2020, 2021 and 2022 and 28 February 2023, there was no charge over any asset of the Target Company.

Foreign currency and hedging

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

Contingent liabilities

As at 31 December 2020, 2021 and 2022 and 28 February 2023 the Target Company did not have any contingent liabilities.

Future plans for material investments or capital assets

As at the Latest Practicable Date, the Target Company did not plan to launch new business or make material investments or capital assets.

2. OUTLOOK AND FUTURE PROSPECTS OF THE TARGET COMPANY

The Liuwu Expressway is located in Anhui province and forms an important part of the Shanghai-Chengdu Expressway that connects the eastern part to the western part of the PRC, it serves a pivotal role in the strengthening of the integration of the regional transportation, improvement and upgrading of the expansion of the neighbouring cities, and the improvement of the regional socio-economic development.

The economy of Anhui Province continued its growing trend in recent years. The GDP of Anhui province increased by 3.5% from approximately RMB4,295.9 billion in 2021 to approximately RMB4,504.5 billion in 2022, ranking 10th among all 31 provincial regions of the PRC in 2022.

Having considered the geographical strategic location of the Liuwu Expressway, along with the positive economic environment of Anhui province under the continuing optimization of the economic structure and regional integration development in the Yangtze River Delta, the outlook and future prospects of the Target Company's operation is expected to be positive in the remainder of the year ending 31 December 2023.

The Asset Valuation Report is originally prepared by China United in Chinese and the English translation is prepared for reference only. In the event of any inconsistencies, the Chinese version of the Asset Valuation Report shall prevail.

This Asset Valuation Report is prepared in accordance with
the Asset Valuation Standards of the PRC

VALUATION OF THE ENTIRE SHAREHOLDERS' EQUITY INTERESTS OF THE TARGET COMPANY IN RELATION TO THE PROPOSED ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANY BY ANHUI EXPRESSWAY COMPANY LIMITED IN CONSIDERATION OF ISSUANCE OF CONSIDERATION SHARES AND PAYMENT OF CASH CONSIDERATION

ASSET VALUATION REPORT

Zhong Lian Ping Bao Zi [2023] No. 1418

China United Assets Appraisal Group Co., Ltd.

20 June 2023

STATEMENT

I. This Asset Valuation Report is prepared in accordance with the Basic Standards for Asset Valuation (資產評估基本準則)issued by the Ministry of Finance of the PRC and the Practicing Standards for Asset Valuation and the Code of Ethics for Asset Valuation (資產評估執業準則和職業道德準則) issued by the China Appraisal Society (the "**Asset Valuation Standards**").

II. The client or other users of the Asset Valuation Report shall use the Asset Valuation Report in accordance with the provisions of laws and administrative regulations as well as the scope of use indicated herein. Where the client or other users of the Asset Valuation Report use the Asset Valuation Report in violation of the preceding provisions, the asset valuation agency and asset valuers shall bear no liability thereof.

This Asset Valuation Report shall be used only by the client, any other users of the Asset Valuation Report as agreed in the asset valuation engagement and any users of the Asset Valuation Report as prescribed by laws and administrative regulations. Save for the above, any other agencies or individuals shall not become the users of the Asset Valuation Report.

The asset valuation agency and asset valuers remind the users of the Asset Valuation Report to correctly understand and use the valuation conclusion, which does not equal to the realizable price of the Target Assets. The valuation conclusion shall not be considered as a guarantee for the realizable price of the Target Assets.

III. The valuation conclusion is premised upon the authenticity, legality and completeness of the information provided by the client and other parties concerned. The list of assets and liabilities included in the scope of valuation, as well as the forward-looking financial information, ownership certificates and other materials required for the valuation, have been provided by and confirmed with seals or other ways by the client and the Target Company.

IV. The asset valuation agency and asset valuers do not have any existing or potential interests in the Target Assets involved in the Asset Valuation Report, not interested, either presently or expectedly, in relevant concerned parties, and not biased against relevant concerned parties.

V. The asset valuation valuers have carried out on-site inspection on the Target Assets and its assets involved in the Asset Valuation Report, attended to the legal titles of the Target Assets and its assets involved as necessary, verified the information related to the legal titles of the Target Assets and its assets involved, and truthfully disclosed the issues identified in the process, and requested the client and other parties concerned to perfect their ownership so as to meet the requirements for issuing an Asset Valuation Report.

VI. The analysis, judgment and conclusion in the Asset Valuation Report issued by the asset valuation agency are subject to the assumptions and limitations set out in the Asset Valuation Report. The users of the Asset Valuation Report shall give due consideration to the assumptions, limitations, explanation on special issues and their impact on the valuation conclusions set out herein.

VII. The asset valuation agency and asset valuation valuers shall abide by the laws, administrative regulations and the Asset Valuation Standards, adhere to the principles of independence, objectivity and impartiality, and bear the liability for this Asset Valuation Report in accordance with the laws and regulations.

VALUATION OF THE ENTIRE SHAREHOLDERS' EQUITY INTERESTS OF THE TARGET COMPANY IN RELATION TO THE PROPOSED ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANY BY ANHUI EXPRESSWAY COMPANY LIMITED IN CONSIDERATION OF ISSUANCE OF CONSIDERATION SHARES AND PAYMENT OF CASH CONSIDERATION ASSET VALUATION REPORT

Zhong Lian Ping Bao Zi [2023] No. 1418

SUMMARY

China United Assets Appraisal Group Co., Ltd. accepted the engagement of Anhui Transportation Holding Group Company Limited and Anhui Expressway Company Limited to assess the market value of the entire shareholders' equity interests of Anhui Province Liuwu Expressway Co., Ltd. as at the Valuation Benchmark Date (i.e. 31 December 2022) in relation to the Proposed Acquisition of 100% equity interests in the Target Company in consideration of the issuance of Consideration Shares and the payment of Cash Consideration.

The Target Assets is the value of entire shareholders' equity interests of the Target Company, and the scope of valuation covers audited assets and liabilities corresponding to the pro forma statements of the Target Company, including current assets, non-current assets and corresponding liabilities.

The Valuation Benchmark Date is 31 December 2022.

The type of value under the valuation is market value.

The valuation is conducted on the premise of continued use and open market. Taking into account the applicable premise of the valuation approaches and the need to satisfy the valuation purpose, taking into account the actual conditions of the Target Assets and comprehensively considering various influencing factors, we conducted an overall evaluation of Target Assets using the asset-based approach and the income approach.

Based on the estimated traffic volume and revenue projections of the Anhui section of the Target Company by CHELBI Engineering Consultants, Inc., the PRC Traffic Consultant, and the future operation plans of the Target Company and the management of the enterprise, the market value of the entire shareholders' equity interests of the Target Company on the Valuation Benchmark Date of 31 December 2022 amounts to RMB3,661.0039 million, representing an increase of RMB923.4952 million with an appreciation rate of 33.73%.

The valuation conclusion has been drawn based on the income approach.

When using the valuation conclusion, the users of this report are hereby reminded to pay attention to the special notes and material subsequent events set out herein.

According to the laws and regulations related to asset valuation, asset valuation reports involving valuation of business for legal compliance purposes shall only be used upon the client has performed the supervisory and administrative procedures regarding asset valuation as required by law and regulations. The valuation conclusions shall be effective from Valuation Benchmark Date, i.e. 31 December 2022, to 30 December 2023 for a term of one year.

The above content is extracted from the full text of the Asset Valuation Report. For details of the valuation and correct understanding of the valuation conclusion, please read the full text of the Asset Valuation Report.

VALUATION OF THE ENTIRE SHAREHOLDERS' EQUITY INTERESTS OF THE TARGET COMPANY IN RELATION TO THE PROPOSED ACQUISITION OF EQUITY INTERESTS IN THE TARGET COMPANY BY ANHUI EXPRESSWAY COMPANY LIMITED IN CONSIDERATION OF ISSUANCE OF CONSIDERATION SHARES AND PAYMENT OF CASH CONSIDERATION ASSET VALUATION REPORT

Zhong Lian Ping Bao Zi [2023] No. 1418

Anhui Transportation Holding Group Company Limited,

Anhui Expressway Company Limited,

China United Assets Appraisal Group Co., Ltd. accepted the engagement of both parties, adhered to the principles of independence, objectivity and impartiality in accordance with the laws, administrative regulations and Asset Valuation Standards, adopted the asset-based approach and the income approach, and followed the necessary valuation procedures to assess the market value of the entire shareholders' equity interests of Anhui Province Liuwu Expressway Co., Ltd. as at the Valuation Benchmark Date (i.e. 31 December 2022) in relation to the Proposed Acquisition of 100% equity interests in the Target Company in consideration of issuance of Consideration Shares and Cash Consideration. The Asset Valuation Report is presented as follows:

I. CLIENT, APPRAISED ENTITY AND OTHER USERS OF ASSET VALUATION REPORT AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT

The clients of the asset valuation are Anhui Transportation Holding Group Company Limited ("**Anhui Transportation Holding Group**") and Anhui Expressway Company Limited (the "**Company**") (each a "**Client**", collectively the "**Clients**") while the Target Company is Anhui Province Liuwu Expressway Co., Ltd. (the "**Target Company**").

(I) **Client I – Anhui Transportation Holding Group**

Company name:	Anhui Transportation Holding Group Company Limited
Company domicile:	No. 1666, Xizang Road, Baohe District, Hefei, Anhui Province
Legal representative:	Xiang Xiaolong
Registered capital:	RMB16,000 million
Company type:	limited liability company (wholly state-owned)
Date of establishment:	27 April 1993
Unified social credit code:	91340000MA2MT9QA0T
Scope of business:	General projects: business management; investment activities with own funds; asset management services for investment with own funds; engineering management services; maintenance of transportation facilities; automobile trailers, rescue, obstacle clearance services; housing leasing; non-residential real estate leasing. Licensed projects: road management and maintenance.

(II) **Client II – The Company**

Company name:	Anhui Expressway Company Limited
Company domicile:	520 Wangjiang West Road, Hefei City, Anhui Province Legal representative: Xiang Xiaolong
Registered capital:	RMB1,658.61 million
Company type:	limited liability company (Taiwan, Hong Kong or Macau and domestic joint stock company and listed)
Date of establishment:	15 August 1996
Unified social credit code:	91340000148973087E
Scope of business:	design, construction, supervision, toll collection, maintenance, emergency repairing, management of road assets and road right of high grade highways; storage; consultation services of expressway construction and operation, housing leasing, development, production and sales of automobiles and spare parts as well as high-tech products.

(III) Overview of the Target Company

1. Basic Company Information

Company name:	Anhui Province Liuwu Expressway Co., Ltd.
Company domicile:	Liuan North Expressway Management Center, North 20th Shop, Chengbei Township, Jin'an District, Liuan City, Anhui Province
Legal representative:	Liu Jun
Registered capital:	RMB5 million
Company type:	limited liability company (solely owned by legal person invested or controlled by a non-natural person)
Date of establishment:	15 December 2022
Unified social credit code:	91341500MA8PU3NK68
Scope of business:	licensing items: highway management and maintenance.
General items:	engineering management services; maintenance of transportation facilities.

2. Historical Development

The Target Company was established in December 2022 with a registered capital of RMB5 million, which has not been fully paid yet. Anhui Transportation Holding Group holds a 100% equity interests in the Target Company. In December 2022, the Anhui Transportation Holding Group transferred its assets of the Liuan-Wuhan Expressway Anhui section project (including the highway toll rights, highway assets and liabilities involved in the project, but excluding service areas and gas stations) to the Target Company for nil consideration.

3. Principal Business Operations

The Target Company is managing the property of the Anhui Section of the Liuan-Wuhan Expressway ("**Anhui Section**"), and is mainly responsible for the daily operation and management of the Anhui section of the Target Company.

(1) Project description

The Anhui section of the Target Company commenced construction in February 2006 and was opened to traffic on 28 December 2009. It starts from Dagudian (大顧店) of Yeji District, Liu'an City (六安市葉集區), joining the Heliuye Expressway (合六葉高速公路), passing through several towns of Yaoli Town (姚李鎮) in Yeji District, Liu'an City (六安市葉集區), as well as Baitafan (白塔畈), Meishan (梅山), Huaishuwan (槐樹灣), Gubei (古碑), Nanxi (南溪) and Banzhuyuan (斑竹園) in Jinzhai County (金寨縣) from northeast to southwest, and ending at Changling pass (長嶺關) at the junction of Anhui and Hubei provinces. The Liuwu Expressway connects to the Hubei section of the Liuan-Wuhan Expressway (六安至武漢高速公路湖北段). The total chargeable mileage of the Liuwu Expressway is 92.7 kilometers. There are two-way four lanes with a designated speed of 100km/h. There are two extra-large bridges, 86 large bridges, seven medium and small bridges, two pedestrian overpasses, 22 overpasses, and eight tunnels (up and down).

(2) Concession period

On 4 December 2012, the People's Government of Anhui Province issued the "Reply of the People's Government of Anhui Province on the Toll Operation Period of the Anhui Section of the Liuan-Wuhan Expressway" (Anhui Zheng Mi [2012] No. 545), approving that the toll operation period of the Anhui Section of the Liuan-Wuhan Expressway shall be 30 years, i.e. from 28 December 2009 to 27 December 2039.

(3) Toll rates

According to the toll standard prescribed under the "Notices on Adjusting the Toll Rates Method of Toll Road in Anhui Province" (Anhui 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 were 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.

Table 1 Toll rates for passenger vehicles for the Anhui section of the Target Company

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

Table 2 Toll rates for goods vehicles for the Anhui section of the Target Company

Class of Vehicle	JT/T489-2019 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	2.2

For goods vehicles with more than six axles: based on the charging standard for Class 6 goods vehicles, for each additional axle, the charging standard is determined by a factor of 1.1. For goods vehicles with 10 axles and above, the toll rate shall be the same with the toll rate for goods vehicle with 10 axles.

Based on the actual toll approvals for the Liuwu Expressway, there is no additional toll fee for extra-large bridge and tunnel in the project.

(4) Location

4. Major Operating Conditions of the Target Company in Recent Years

According to the audited pro forma financial statements (prepared in accordance with the Generally Accepted Accounting Principles of the PRC), as of the Valuation Benchmark Date, the carrying amount of total assets of Target Company was approximately RMB2,762,227,000, the carrying amount of total liabilities was approximately RMB24,718,300 and the carrying amount of net assets was approximately RMB2,737,508,700. The Target Company achieved an operating revenue of approximately RMB524,151,600 and a net profit of approximately RMB216,852,700 in 2022.

Financial position and results of operations

Unit: RMB'0,000

Item	31 December 2022	31 December 2021
Total assets	276,222.70	276,268.56
Liabilities	2,471.83	4,441.76
Net assets	273,750.87	271,826.80

Item	2022	2021
Operating income	52,415.16	55,998.19
Operating profit	28,929.24	34,483.07
Total profit	28,929.24	34,483.07
Net profit	21,685.27	25,862.30

The above data from the financial statements for the years 2021 and 2022 have been audited by the Shanghai branch of Ernst & Young Hua Ming LLP, who has issued an audit report with unqualified opinion (Ernst & Young Hua Ming (2023) Zhuan Zi No. 60904999_B04) (the "**Pro Forma Financial Statements**").

5. Significant Accounting Policies Adopted by the Target Company

The Accounting Standards for Business Enterprises – General Standards and 38 concrete accounting standards, and the subsequent application guides to the accounting standards for enterprises, interpretations of the accounting standards for enterprises and other provisions issued by the Ministry of Finance on 15 February 2006 (together, the "**Accounting Standards**") are adopted by the Target Company.

The Pro Forma Financial Statements of the Target Company have been prepared in accordance with the relevant provisions of the Administrative Measures for the Significant Asset Restructurings of Listed Companies, Rules No. 26 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities – Significant Asset Restructuring of Listed Companies (Revised on 17 February 2023) (the "**Rules No. 26 on Format**") of the CSRC.

For details, please refer to the audit report issued by the Shanghai branch of Ernst & Young Hua Ming LLP.

(IV) Relationship between the Clients and the Target Company

Anhui Transportation Holding Group, the Client of this engagement, is the controlling shareholder of the Company, and the Target Company, being the appraised entity, is a wholly-owned subsidiary of Anhui Transportation Holding Group. The Company intends to acquire 100% equity interests in the Target Company held by Anhui Transportation Holding Group in consideration of the issuance of Consideration Shares and the payment of Cash Consideration.

(V) The Clients, the Target Company and other users of the Asset Valuation Report as agreed in the asset valuation engagement contract

The users of this valuation report are the Clients. Unless otherwise stipulated by the laws and regulations of the PRC, no organization or individual shall be an user of the valuation report by mere possession of this Asset Valuation Report unless they are confirmed as such by the valuation firm and the Clients.

II. PURPOSE OF VALUATION

The Company intends to acquire 100% equity interests in the Target Company in consideration of the issuance of Consideration Shares and the payment of Cash Consideration to Anhui Transportation Holding Group, which requires an appraisal of the market value of the entire shareholders' equity interests of the Target Company to provide valuation reference for the Proposed Acquisition.

The Proposed Acquisition for which this valuation was prepared has been approved by the resolution on Consideration and Approval of Securitization of Expressway Assets Proposal (《研究審議高速公路資產證券化事宜》) (Issue 4 in 2023) at the Board meeting of Anhui Transportation Holding Group.

III. TARGET AND SCOPE OF VALUATION

The Target Assets is the entire shareholders' equity interests of the Target Company. The scope of valuation covers the assets and liabilities in the Pro Forma Financial Statements of Target Company. As at the Valuation Benchmark Date, i.e. 31 December 2022, the carrying amount of total assets of Target Company was RMB2,762.2270 million, the carrying amount of total liabilities was RMB24.7183 million and the carrying amount of net assets was RMB2,737.5087 million.

Data from the financial statements is set out as follows:

Unit: RMB'0,000

Items	**Carrying Amounts**
Total current assets	6,580.26
Total non-current assets	269,642.44
Fixed assets	20,852.83
Intangible assets	238,829.80
Deferred income tax assets	9,959.81
Total assets	276,222.70
Total current liabilities	2,471.83
Total liabilities	2,471.83
Owners' equity (Net assets)	273,750.87

The data regarding the abovementioned assets and liabilities was extracted from the balance sheet of the Target Company as at 31 December 2022 audited by the Shanghai branch of Ernst & Young Hua Ming LLP, based on which the valuation was conducted. The Shanghai branch of Ernst & Young Hua Ming LLP has issued an audit report with unqualified opinion (Ernst & Young Hua Ming (2023) Zhuan Zi No. 60904999_B04) on the Target Company.

The basis for the preparation of the pro forma financial statements has the following specific assumptions: (1) The controlling shareholder of the Company is Anhui Transportation Holding Group. Prior to 15 December 2022 (the date of establishment of the Target Company), the date on which Anhui Transportation Holding Group. transferred the assets, liabilities, business and personnel of the Anhui Section to the Target Company at nil consideration, the Anhui Section was controlled by Anhui Transportation Holding Group. In preparing the Pro Forma Financial Statements, the Target Company has assumed that the transfer described above was completed at the beginning of the earliest reporting period presented in the Pro Forma Financial Statements (i.e. 1 January 2021). The Pro Forma Financial Statements was prepared on the basis of the historical accounting records of Anhui Transportation Holding Group for the businesses of the Anhui section of the Target Company transferred prior to 15 December 2022 (the date of establishment of the Target Company), during which period the Target Company was not established and the differences between the assets and liabilities of the businesses are shown as owners' equity; Since 15 December 2022, the Target Company has prepared the Pro Forma Financial Statements in accordance with the Target Company's accounting records. (2) Prior to 15 December 2022 (the date of establishment of the Target Company), Anhui Transportation Holding Group managed and calculated the cash and cash equivalents of each road section it operates in a unified manner, and did not set up a separate bank account for the businesses of the Anhui Section of the Liuwu Expressway. Anhui Transportation Holding Group transferred the assets, liabilities, businesses and personnel related to the Anhui section of the Liuwu Expressway to the Target Company at nil consideration, with 30 September 2022 as the benchmark date of the transfer. The assets transferred at nil consideration do not include any cash and cash equivalents and it is agreed that the profit or loss related to the businesses of the Anhui Section of the Liuwu Expressway from 30 September 2022 (the benchmark date of the transfer) shall belong and be borne by the Target Company. Based on the above, in preparing the Pro Forma Financial Statements, the Company assumed that all cash funds generated from operations less net cash and cash equivalents paid for operations prior to 30 September 2022 have been paid to Anhui Transportation Holding Group as if they were distributions to owners, and cash and cash equivalents are accordingly presented in zero; and it is assumed that all cash funds generated and paid for operations from 30 September 2022 (the benchmark date of the transfer) to 15 December 2022 (the date of establishment of the Target Company) are collected and paid by Anhui Transportation Holding Group, and measured accordingly as related party transactions with Anhui Transportation Holding Group; it is assumed that the amount for distributions to owners was RMB381,681,033.20 and RMB198,078,666.90 in 2021 and 2022, respectively. In addition, due to the immateriality of the interest income yielded from the aforementioned cash funds, the interest income was not considered in preparing the Pro Forma Financial Statements for the use of the Pro Forma Financial Statements. (3) The applicable income tax rate of the Target Company is 25%. Prior to 15 December 2022 (the date of establishment of the Target Company), the income tax expense in the Pro Forma Financial Statements was calculated at an income tax rate of 25% based on the operating results data in the Pro Forma Financial Statements.

The Target Company and the Target Assets which we are engaged to appraise are that of the Proposed Acquisition.

(I) Information of major assets entrusted for valuation

The major assets included in the scope of valuation are fixed assets and intangible assets with a total carrying amount of RMB2,596,826,200, accounting for 94.01% of the carrying amounts of the total assets. Fixed assets mainly include building (structure) assets, equipment assets; intangible assets mainly include land within the expressway and at each toll station, as well as road assets such as bridges and tunnels.

1. Fixed assets – building (structure) assets

The building (structure) assets included in the scope of this valuation include buildings and structures.

The buildings are mainly the toll stations of the Anhui Section of the Liuan – Wuhan Expressway and the supporting facilities of Jinzhai Maintenance Center, with a total construction area of 22,736.55 square meters, all of which have not obtained property ownership certificates. All of them are well maintained and are able to meet the requirements of normal use based on on-site inspection.

The structures are mainly the toll stations of the Anhui Section of the Liuan – Wuhan Expressway and the supporting auxiliary facilities of Jinzhai Maintenance Center, as well as the road assets of Xianhua Station, which are well maintained and could be used normally based on on-site inspection.

2. Fixed assets – equipment assets

The equipment assets included in the scope of this valuation include machinery and equipments, vehicles and electronic equipments.

Machinery and equipments are mainly communication and monitoring facilities, toll facilities, power supply and distribution lighting facilities used on the highway; vehicles are mainly wreckers, snow removal vehicles, pallet trucks and office vehicles; electronic equipments are mainly office computers, air conditioners, projectors and furniture, etc. Among them: 5 units/sets of machinery and equipment and 54 units/sets of electronic equipments are to be scrapped, and other equipments are well maintained and can meet the requirements for normal use.

3. *Intangible assets*

The intangible assets included in the scope of this valuation – concession intangible assets, are mainly land use rights within the expressway and of the toll stations, as well as road assets such as bridges and tunnels, all of which are subject to transfer upon expiration of the tolls.

The land use rights within the expressway and of the toll stations are as follows:

Series No.	Certificate No.	Name of land parcel	Location	Nature of land use	Land usage	Actual area *(m²)*	Area set out in certificate *(m²)*
1	Anhui (2023) Yeji District Real Estate Proprietorship No. 0004281	Land within the expressway (Yeji District)	Yaoli Town, Yeji District	Allocation	Highway land	162,195.00	162,195.00
2	Anhui (2023) Jinzhai County Real Estate Proprietorship No. 0007733, Anhui (2023) Jinzhai County Real Estate Proprietorship No. 0010803, Anhui (2023) Jinzhai County Real Estate Proprietorship No. 0010802	Land of Jinzhai Management Center	Baitafan Town, Meishan Town, Huaishuwan Village, Gubei Town, Nanxi Town, and Banzhuyuan Town of Jinzhai County	Allocation	Highway land	4,608,369.48	4,608,369.48
3		Land within the expressway (Jinzhai)		Allocation	Highway land		
4		Land of Jinzhai toll station		Allocation	Highway land		

Series No.	Certificate No.	Name of land parcel	Location	Nature of land use	Land usage	Actual area (m²)	Area set out in certificate (m²)
5		Land of Gubei toll station		Allocation	Highway land		
6		Land of Dingbu toll station		Allocation	Highway land		
7		Land of Banzhuyuan toll station		Allocation	Highway land		
8		Land of Changlingguan toll station		Allocation	Highway land		
9	Huo Tu Guo Yong (2011) No. 97	Land of Dagudian	Yaoli Town, Yeji District	Allocation	Highway land	102,487.18	102,487.18
10	Yet to obtain proprietorship certificate	Land of Xianhua toll station	Jinzhai County	Allocation	Highway land	232,921.16	
		Total				**5,105,972.82**	**4,873,051.66**

Road assets include: subgrade earthworks, asphalt pavements, bridges, tunnels, drainage culverts, protection projects, greening of median strips (including interchange area) and other assets, which are well maintained and are able to satisfy normal use.

Other intangible assets included in the scope of this valuation are four purchased software, the carrying amounts of which have been amortized and two of which are no longer in use.

(II) Types and quantities of off-balance sheet assets declared by the Target Company

No off-balance sheet assets were declared by the Target Company.

(III) Type, quantity and carrying amount (or valuation amount) of assets involved in making reference to the conclusions of reports issued by other institutions

The book values of various assets and liabilities on the benchmark date in this Asset Valuation Report are the audit results of the Shanghai branch of Ernst & Young Hua Ming LLP.

The future traffic flow income in this Asset Valuation Report refers to the results of the "Traffic Flow Evaluation and Income Calculation Report for the Anhui Section of the Target Company" issued by CHELBI Engineering Consultants, Inc. regarding the estimated traffic volume and revenue projections for the Anhui Section of the Target Company.

In addition, there is no reference to the conclusions of reports issued by other institutions.

IV. TYPE OF VALUE

Based on the purpose of this valuation, the value type of this valuation is defined as market value.

Market value refers to the estimated amount of the value of normal and fair transactions of the Target Assets on the Valuation Benchmark Date when the willing buyer and willing seller act rationally without any coercion.

V. VALUATION BENCHMARK DATE

The Valuation Benchmark Date for this Asset Valuation Report is 31 December 2022.

This Valuation Benchmark Date is determined by the Clients taking into consideration the amount of assets, workload, estimated time required, compliance and other factors of the Target Company.

VI. BASIS FOR VALUATION

The basis of valuation mainly includes the laws and regulations, the Asset Valuation Standards, the asset ownership, as well as the pricing determination basis used in the valuation and other reference information, as follows:

(I) Basis of the transaction

1. the Board Resolution on Consideration and Approval of Securitization of Expressway Assets Proposal (Issue 4 in 2023) of Anhui Transportation Holding Group.

(II) Basis of laws and regulations

1. The Asset Appraisal Law of the People's Republic of China (passed at the 21st session of the 12th Standing Committee of the National People's Congress on 2 July 2016);

2. The Company Law of the People's Republic of China (revision passed at the 6th session of the 13th Standing Committee of the National People's Congress on 26 October 2018);

3. The Securities Law of the People's Republic of China (amended for the second time at the 15th session of the 13th Standing Committee of the National People's Congress on 28 December 2019);

4. The Civil Code of the People's Republic of China (passed at the 3rd session of the 13th Standing Committee of the National People's Congress on 28 May 2020);

5. The Enterprise Income Tax Law of the People's Republic of China (amended at the 7th session of the 13th Standing Committee of the National People's Congress on 29 December 2018);

6. The Law of the People's Republic of China on the State-Owned Assets of Enterprises (passed at the 5th session of the 11th Standing Committee of the National People's Congress on 28 October 2008);

7. The Land Administration Law of the People's Republic of China (passed at the 12th session of the 13th Standing Committee of the National People's Congress on 26 August 2019);

8. The Highway Law of the People's Republic of China (amended at the 30th session of the 12th Standing Committee of the National People's Congress on 4 November 2017);

9. Administrative Measures for Major Assets Restructuring of Listed Companies (as amended in 2020);

10. Measures for Financial Supervision and Administration of the Assets Valuation Industry (Decree No. 86 of the Ministry of Finance);

11. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council, 1991);

12. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the SASAC, 25 August 2005);

13. Notice on Issues Relating to Strengthening the Administration of Enterprise State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274);

14. Measures for the Supervision and Administration of the Trading of State-Owned Assets of Enterprises (Decree No. 32 of the SASAC of the State Council and the Ministry of Finance, 24 June 2016);

15. The Measures for the Supervision and Administration of State-Owned Shares of Listed Companies (Decree No. 36 of the State-owned Assets Supervision and Administration Commission of the State Council, the Ministry of Finance and the China Securities Regulatory Commission);

16. Notice on Matters Concerning the Transfer of Transactions of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan Gui [2022] No. 39);

17. Circular on Printing and Distributing the Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises (Cai Zi [2022] No. 136);

18. Circular on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32);

19. The Municipal Maintenance Tax Law of the People's Republic of China (the 21st session of the 13th Standing Committee of the National People's Congress, 11 August 2020);

20. Decision of the State Council on Amendments to the Provisional Regulations for Imposition of Education Surcharges (Decree No. 448 of the State Council [2005]);

21. The Circular on Issues Concerning Policies on Unifying Local Education Surcharge (Cai Zong [2010] No. 98);

22. Provisional Regulations of Value Added Tax of the People's Republic of China (Issued under Decree No. 134 of the State Council of the People's Republic of China on 13 December 1993, revision passed at the 191st executive meeting of the State Council on 30 October 2017);

23. Detailed Rules for the Implementation of the Provisional Regulations on Value Added Tax of the People's Republic of China (Ministry of Finance and State Administration of Taxation Decree No. 50, amended by Decree No. 65 of Ministry of Finance and State Administration of Taxation on 28 October 2011);

24. Regulations for the Administration of Toll Highways (Decree No. 417 of the State Council of the People's Republic of China);

25. Interim Measures for the Assessment of State-owned Assets of Enterprises in Anhui Province (Anhui Province Property Rights [2018] No. 47);

26. Other relevant laws, regulations and notice documents.

(III) Basis of valuation criteria

1. Basic Standards for Asset Valuation (Cai Zi [2017] No. 43);

2. Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);

3. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);

4. Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);

5. Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);

6. Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);

7. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);

8. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);

9. Practicing Standards for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);

10. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);

11. Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);

12. Practice Guidelines for Asset Valuation – Asset Valuation Approaches (Zhong Ping Xie [2019] No. 35);

13. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);

14. Guidelines for Quality Control of Business of Asset Valuer (Zhong Ping Xie [2017] No. 46);

15. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);

16. Guiding Opinions on Legal Ownership of Asset Valuation Target (Zhong Ping Xie [2017] No. 48).

(IV) Basis of asset ownership

1. Enterprise Business License;

2. Real Estate Proprietorship Certificate;

3. Enterprise capital contribution certificate (articles of association, asset transfer agreement, etc.);

4. Major asset purchase contracts or evidence;

5. Vehicle Registration Certificate;

6. Other contracts, accounting evidence, accounting statements and other information related to the acquisition and use of the enterprise assets.

(V) Basis of price determination

1. Information on forecast of future earnings provided by the Clients and other concerned parties according to the laws and regulations;

2. "Traffic Flow Evaluation and Income Calculation Report for the Anhui Section of the Target Company" issued by CHELBI Engineering Consultants, Inc.;

3. The People's Government of Anhui Province issued the "Reply of the People's Government of Anhui Province on the Toll Operation Period of the Anhui Section of Liuan-Wuhan Expressway" (Wan Zheng Mi [2012] No. 545);

4. The People's Government of Anhui Province issued the "Reply on the Toll Operation Period of the Anhui Section of Liuan-Wuhan Expressway" (Wan Zheng Mi [2012] No. 545);

5. Loan prime rate (LPR) for December 2022 published by the National Interbank Funding Centre as authorised by the People's Bank of China;

6. The Vehicle Purchase Tax Law of the People's Republic of China;

7. 2022 Price Information Inquiry System for Mechanical and Electrical Products (Machinery Industry Information Research Institute);

8. Notice on Implementation of Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36);

9. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 of 2019 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs);

10. Notice on Exemption of Property Tax and Urban Land Use Tax for "Six Major Industries" Taxpayers and Small-scale Value-added Taxpayers in the First Half of 2023 by the State Administration of Taxation of Anhui Province Taxation Bureau (Notice [2023] No. 1);

11. Relevant information of the price information database of China United Assets Appraisal Group Co., Ltd.;

12. Relevant information on A-share listed companies from Tonghuashun iFinD;

13. Standard for Compulsory Scrapping of Motor Vehicles (Decree No. 12 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Former Ministry of Environmental Protection);

14. Notice on the Adjustment of the Labor Cost Standard for Highway Engineering in Anhui Province (Anhui Jiao Jian Guan Han [2019] No. 210 of Anhui Provincial Department of Transportation);

15. Main Material Price Lists for traffic engineering in December 2022;

16. Guidance on Preparation of Investment Estimates for Highway Engineering Construction Project (JTG3820–2018), Guidance on Preparation of Estimates and Budgets for Highway Engineering Construction Project (JTG3830–2018), Estimates Index for Highway Engineering (JTG/T3821–2018), Estimates Quota for Highway Engineering (JTG/T3831–2018), Budgets Quota for Highway Engineering (JTG/T3832–2018) and Cost Quota for Highway Engineering Machinery Team (JTG/T3833–2018) issued and implemented under the Ministry of Transport Announcement (No. 86 of 2018);

17. Notice of the People's Government of Anhui Province on the Announcement of the Integrated Land Price Standard for Land Requisition District in the Province (Anhui Zheng [2020] No. 32);

18. Notice of the Liuan Municipal People's Government on the Announcement of the Compensation Standards for Buildings, Other Installations and Greenery Erected on the Requisitioned Collective-Land in Liuan (Lu Zheng Mi. [2020] No. 120);

19. Notice of the Anhui Development and Reform Commission, the Finance Department of Anhui Province and the Department of Natural Resources of Anhui Province on the Adjustment of the Standard of Arable Land Reclamation Fee Collection and Other Related Issues (Anhui Fa Gai Shou Fei [2019] No. 33);

20. Notice on the Issuance of the Implementation Rules of the Arable Land Occupation Tax in Anhui Province (Anhui Cai Shui Fa [2019] No. 969);

21. Pricing Method for the Bill of Quantities of Construction Projects in Anhui Province (2018 Edition);

22. Cost Quota for Construction Projects in Anhui Province (2018 Edition);

23. Anhui Province Construction Machinery Team Cost Compilation Rules (2018 Edition);

24. Anhui Province Construction Project Pricing Quota (Shared Book) (2018 Edition);

25. Anhui Province Construction Project Pricing Quota (2018 Edition);

26. Anhui Province Decoration Project Pricing Quota (2018 Edition);

27. Anhui Province Installation Project Pricing Quota (2018 Edition);

28. Anhui Province Municipal Project Pricing Quota (2018 Edition);

29. Pricing Quota for Landscape and Greening Project in Anhui Province (2018 Edition);

30. Guangcai Assistant – Information Price of Construction Labour and Materials in Liuan;

31. Information on Construction Costs in Liuan for December 2022;

32. Part of the preliminary design, investment estimate contract, completion information, construction drawings and financial information provided by the Target Company;

33. Historical national price indices and industrial output price indices;

34. Announcement of the Ministry of Finance and State Taxation Administration on the Reduction of Vehicle Purchase Tax for Certain Passenger Vehicles (Announcement No. 20 [2022] of the Ministry of Finance and State Taxation Administration);

35. Regulation on the Accrual and Usage of Enterprise's Safety Production Fee (Cai Zi [2022] No. 136);

36. Other reference materials for price determination.

(VI) Other reference materials

1. Audit Report issued by the Shanghai branch of Ernst & Young Hua Ming LLP (Ernst & Young Hua Ming (2023) Zhuan Zi No. 60904999_B04);
2. Accounting Standards for Business Enterprises (2006);
3. Latest Manual of Asset Valuation Data and Parameters by China Statistics Press;
4. Valuation Criterion for Real Estate (GB/T 50291–2015);
5. Valuation Criterion for Urban Land (GB/T 18508–2014);
6. IFinD Information Finance Terminal;
7. Other reference materials.

VII. VALUATION APPROACHES

(I) Selection of valuation approaches

According to the purpose of valuation of this project, the scope of valuation involves the relevant assets and liabilities of the Target Company. According to the relevant asset valuation standards such as the Basic Standards for Asset Valuation and the Practice Standard for Asset Valuation – Enterprise Value, the basic valuation approaches for asset valuation can be selected from the market approach, the income approach and the cost approach (asset-based approach).

The asset-based approach for enterprise value valuation refers to the valuation approach that determines the value of the Target Assets by appraising the value of its various assets and liabilities on balance sheet and various identifiable assets and liabilities off-balance sheet, with reference to the balance sheet of the Target Company as at the Valuation Benchmark Date. The purpose of the valuation is to reflect the market value of the entire shareholders' equity interests of the Target Company as at the Valuation Benchmark Date and to provide a value reference for the transaction of the Company in relation to the Proposed Acquisition of equity interests in the Target Company in consideration of issuance of Consideration Shares and payment of Cash Consideration. The asset-based approach reflects the value of the enterprise from the perspective of enterprise construction and provides a basis for the relevant valuation of the enterprise after the transaction has been realised, therefore the asset-based approach is selected for the valuation.

The income approach for enterprise value valuation refers to the valuation approach that determines the value of a target asset by capitalising or discounting its expected income. The cash flow discount method usually includes the free cash flow discount model for the enterprise or equity. The Liuwu Expressway has been opened to traffic since 2009 and it has been in operation for 13 years as at the Valuation Benchmark Date. The road condition has matured and the expected revenue and risks for the future years can be reasonably estimated, thus the income approach is selected for the valuation.

The market approach for enterprise value valuation refers to the valuation approach that compares the Target Assets with comparable listed companies or comparable transaction cases to determine the value of the Target Assets. Target Company is managing the expressway from Anhui to Hubei section. Based on the characteristics of the Target Company, after making enquiries with domestic listed companies in the same industry, there are relatively few individuals matching the Target Company in terms of various factors such as business type, operation mode, asset scale and operating results, etc. There are also differences in the asset scale, revenue scale and financing of Target Company and those of listed companies in the same industry. The recent property rights transaction market involves relatively few equity transactions of similar industries and of the same scale, and in view of the current development status of the property rights market in China and the limitations of market information, it is relatively difficult to obtain detailed financial data and transaction background of the relevant cases from the public normal channels, and it is difficult to reasonably quantify the impact of various comparable factors on the enterprise value. Therefore, the market approach is not adopted in the valuation.

In the light of the foregoing, it is determined that the asset-based approach and the income approach shall be adopted for the valuation.

(II) Introduction to the asset-based approach

The asset-based approach is to take the investment amount required for rebuilding an enterprise or an independent profitable entity which is identical to the Target Company on the Valuation Benchmark Date as the basis for determining its overall assets value, that is, the approach of calculating the valuation target's value by adding up the appraisal value of assets which are the various elements that constitute the enterprise and deducting the appraisal value of liabilities.

Set forth below are the valuation approaches for various assets and liabilities:

1. Current assets

Current assets include other receivables and inventories.

(1) Other receivables

The valuation on other receivables is mainly in respect of expressway network toll revenue and the collection of receivables by the Group. The valuers verified the book records, conducted random checks on part of original receipts and other relevant information to verify the authenticity, aging, business content and amount of the transactions, and checked confirmation letters and documents to verify there are no discrepancies in the amounts recorded in the accounts, statement and bills. The appraisal value is determined at the verified carrying amount.

(2) Inventories

The valuers verified the purchase contracts and warehouse warrants for the turnover materials at the warehouse and randomly checked spot checks on the turnover materials at the warehouse. The professional valuers made enquiries about the market price of the turnover materials at the warehouse on the Valuation Benchmark Date and the appraisal value is determined by multiplying the recent market price obtained by the verified quantity.

2. Non-current assets

Non-current assets include fixed assets, intangible assets and deferred income tax assets.

(1) Fixed assets – buildings and structures

Based on the specific purpose of the valuation, and taking into account the characteristics of the buildings and structures under valuation and the information collected, the cost approach is mainly adopted for the valuation. The specific valuation approaches are as follows:

The formula for calculating the appraised value of building assets under the cost approach is: Appraised Value = Full Replacement Price x Depreciation rate

A. Determination of full replacement price

Based on the relevant budget (or final accounts) information, construction drawings and on-site surveys and measurements of major buildings, the valuers analyzed and determined the quantities of works for each segment combined with the actual situation of building assets, and adopted the budget (or final accounts) adjustment approach to estimate the cost of construction and installation project in accordance with the current local construction estimates, cost quotas, industry quotas and material price difference adjustment documents; selected the upfront and other expenses of the project in accordance with the regulations of the region where the assets are to be appraised and relevant departments such as the country and industry; determined the capital cost based on the project construction cycle and the loan interest rate executed on the Valuation Benchmark Date to determine the full replacement price.

Cost per square meter approach was adopted to determine the construction and installation costs of buildings with small value and simple structure.

Full replacement cost = construction and installation project cost + upfront and other expenses + capital cost

① Determination of construction and installation project costs

a. Budget (or final accounts) adjustment approach

For the bui+he direct standard reference price based on the quantity of work of all segments and items as determined in the original completion materials. And then the standard project costs on the Valuation Benchmark Date was calculated according to the current standard price and adjustments documents in the specific location of the construction project.

b. Cost per square meter approach was adopted to determine the comprehensive construction and installation cost of buildings with small value and simple structure.

② Determination of upfront and other expenses

The upfront and other expenses of the project were determined based on the upfront and other expense standards stipulated by relevant national, industrial and local authorities, as well as the investment scale of the Target Company's fixed assets, the selection of reasonable expense items and the reasonable rate.

③ Determination of capital costs

The capital cost was the loan interest for the capital invested in the construction of the project during the construction period, using the Loan Prime Rate (LPR) published by the National Interbank Funding Center on 20 December 2022 as authorised by the People's Bank of China, and the construction period was calculated on the basis of the normal condition cycle of the construction, assuming capitals were invested evenly across different stages:

Capital cost = (comprehensive construction cost (tax inclusive) + upfront expenses (tax inclusive)) × loan base rate × reasonable construction cycle × 1/2

B. Determination of depreciation rate

In the course of this valuation, the depreciation rate was determined based on the toll operation period of the Liuwu Expressway, the design life of the building and the on-site survey, and the estimated service life of the building.

The formula is as follows: Depreciation rate = remaining service life/ (actual used service life + remaining service life) × 100%

C. Determination of appraisal value

Appraisal value = full replacement price × depreciation rate

(2) Fixed assets – equipment

According to the purpose of this valuation, we adopted the cost approach on sustainable use basis based on the market price, combining with the characteristics of the equipment under valuation and the information collected. For small quantities of equipment to be scrapped, the appraisal value was determined at the prevailing second-hand market recovery price.

Appraisal value = full replacement price × depreciation rate

A. Determination of full replacement price

a. Machinery and equipment

The full price for replacement of machinery and equipment shall be determined comprehensively considering the various expenses (including freight and miscellaneous expenses, installation and commissioning fees and other costs of construction and capital costs, etc.) of the equipment in normal use, in addition to the purchase price of the equipment.

Full replacement price = purchase price + freight and miscellaneous expenses + installation and commissioning fees + upfront costs + capital costs

① Purchase price

It was determined by asking the relevant manufacturers or trading companies and domestic agents to quote, referring to the 2022 Mechanical and Electrical Products Price Inquiry System and other price information, and the recent contract prices of similar equipment.

For a small number of equipment for which the purchase price is not available, the purchase price was calculated by using price change rate of the equipment of the same era and the same category.

② Freight and miscellaneous expenses

Freight and miscellaneous expenses were included in the purchase price of this valuation and will not be considered separately.

③ Installation and commissioning fees

Based on the pre-tax purchase price, different installation rates were adopted to calculate the installation costs pursuant to the characteristics, weight, ease of installation of the equipment.

For small and non-installable equipment, the installation and commissioning fees were not considered.

④ Upfront costs

Upfront costs include management fees, feasibility study report and assessment fees, and construction supervision fees, which were calculated based on the standard of other costs for construction projects in the area where the equipment is located, combined with the characteristics of the equipment itself.

⑤ Capital costs

The capital cost was the loan interest for the capital invested in the construction of the project during the construction period, using the Loan Prime Rate (LPR) published by the National Interbank Funding Center on 20 December 2022 as authorised by the People's Bank of China, and the construction period was calculated on the basis of the normal condition cycle of the construction, assuming capitals were invested evenly across different stages:

Capital cost = (equipment purchase price + freight and miscellaneous expenses + installation engineering expenses + upfront and other expenses) × loan base rate × reasonable construction cycle × 1/2

b. Transport vehicles

For transport vehicles, the replacement cost was determined based on the market price on the Valuation Benchmark Date, plus vehicle purchase tax and other reasonable costs (e.g. license fees). The formula is as follows:

Replacement cost = vehicle purchase price + vehicle purchase tax + license plate and handling fee

According to the Announcement of the Ministry of Finance and State Taxation Administration on the Reduction of Vehicle Purchase Tax for Certain Passenger Vehicles (Announcement No. 20 [2022] of the Ministry of Finance and State Taxation Administration): for passenger cars with a displacement of 2.0 liters or less whose acquisition date is within the period from 1 June 2022 to 31 December 2022, and whose single vehicle price (excluding value-added tax) does not exceed RMB300,000, the vehicle purchase tax will be halved. The vehicle purchase tax is calculated with reference to the preferential tax rate of the above-mentioned document.

c. Electronic equipment

The price of electronic equipment was determined based on recent market information collected from local market information and website enquiries, combined with specific circumstances. Generally, manufacturers or sellers provide free transportation and installation free, namely:

Full replacement price = Purchase price (including tax)

For a small number of equipment for which the purchase price is not available, the purchase price was calculated by using price change rate of the equipment of the same era and the same category.

B. Determination of depreciation rate

a. Machinery and equipment

In the course of this valuation, the depreciation rate was determined based on the economic service life of the equipment and the on-site survey, and the estimated service life of the equipment. The formula is as follows:

Depreciation rate = remaining service life/(actual used service life + remaining service life) × 100%

b. Vehicles

The final depreciation rate was determined by the following methods, whichever is lower, subject to survey situation, where:

Depreciation rate of useful life = (1 – serviced life/economic (or stipulated) use life) × 100%

Depreciation rate of mileage = (1 – travelled mileage/stipulated mileage) × 100%

c. Electronic equipment

The depreciation rate was determined by economic service life approach.

Depreciation rate = remaining service life/(used service life + remaining service life) × 100%

C. Determination of appraisal value

Appraisal value = full replacement price × depreciation rate

(3) Intangible assets – concession intangible assets

The intangible assets – concession intangible assets included in the scope of this valuation, toll road concessions, are mainly land use rights within the expressway and at the toll stations, as well as road assets such as bridges and tunnels.

For the land use rights within the expressway and at the toll stations, the cost approximation approach was adopted in the valuation.

The basic idea of the cost approximation approach of land price assessment is to determine the land price based mainly on the average standards of land acquisition expenses and land development expenses in the area where the subject to be evaluated is located, plus a certain amount of interest, profit and l income of land appreciation. That is:

The formula is as follows: Land price = (land acquisition expense+ related tax + land development expense + investment interest + investment profit + income of land appreciation) x year modification coefficient x (1 + modification coefficient for area and individual factors)

Land development costs have been included in the relevant construction and installation costs of the project, therefore land development costs were not considered in this valuation; the land use rights included in the scope of this valuation were all allocated land, therefore land appreciation incomes were not considered in this valuation.

For road assets such as bridges, tunnels and roadbeds, this valuation was carried out using the cost approach. The formula is: Appraisal value = full replacement price x depreciation rate

See "Fixed assets – buildings" for details of the method and process for determining the full replacement value and the depreciation rate of road assets.

(4) Intangible assets – other intangible assets

For software in normal use, the same software product cannot be obtained due to its long acquisition time, the evaluation is determined by adopting the price index correction approach; for purchased software that has been amortized and is no longer in use, the valuation is nil.

(5) Deferred income tax assets

Deferred income tax assets mainly refer to deferred income tax assets formed by income tax differences caused by differences in the provision of depreciation by enterprises and the provision of depreciation by tax laws.

Professional valuers verify whether the detailed ledger matches the general ledger and statement balance, whether it matches the entrusted valuation detailed statement, and review accounting records such as payment amount, occurrence time, and business content to confirm the authenticity and completeness of deferred income tax assets. On the basis of verification, the book value after verification is determined as the appraised value.

3. Liabilities

The valuers check and verify the actual debtors and amounts of various liabilities after the valuation purpose is fulfilled, and determine the appraised value based on the actual items and amounts of liabilities to be borne by the property owners after the valuation purpose is fulfilled.

(III) Introduction of the income approach

1. Overview

Based on the purpose and subject of valuation, and the ownership and value of the scope and subject of valuation, the professional valuers decided, pursuant to relevant national regulations and Asset Valuation Practicing Standards – Enterprise Values, to adopt discounted cash flow (DCF) approach according to sources of revenue to evaluate the Target Assets for the Proposed Acquisition within this valuation.

Discounted cash flow method, is a method for the estimation of the asset value by discounting the future expected net cash flow of the enterprise to the present value. The basic idea of the income approach is to derive the appraised value by estimating the future expected net cash flow of the assets which are then discounted to the present value with an appropriate discount rate. The basic conditions for applying the income approach are: the enterprise has the foundations and conditions to continue as a going concern; there is a stable corresponding relation between its operation and income; and the future income and risk can be forecasted and quantified. The greatest difficulty in using the approach of discounted cash flow is to predict the expected future cash flow, and the objectivity and reliability of data collection and processing. If the forecast of expected future cash flow is reasonably objective and fair and the discount rate is reasonable, the appraisal result will be objective.

2. Valuation concept of income approach

Determining the unit applicable to the income approach and estimating its equity capital value according to the due diligence results and the asset composition and characteristics of principal operations of the Target Company. The basic concept for the valuation is as follows:

(1) For the assets and principal business included in the scope of the financial statements, the expected return (equity cash flow) was estimated in accordance with the trend of changes in historical operating conditions in recent years and the traffic flow and revenue estimation and financial analysis of the Anhui section of the Target Company issued by CHELBI Engineering Consultants, Inc. and discounted to arrive at the value of the operating assets;

(2) For surplus or non-operating assets (liabilities) that are included in the scope of the financial statements and can be clearly determined by the valuers based on the current information, their value was estimated separately;

(3) The value of equity capital (entire shareholders' equity interests) of the appraised object was arrived at by the sum of values of the abovementioned asset and liability.

3. Valuation model

(1) Basic model for income approach

The basic model for this valuation was:

$$P = E + C \qquad (1)$$

In the formula:

E: Value of entire shareholders' equity interests (net assets) of the Target Company;

P: Value of the operating assets of the Target Company;

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + P_n \times (1+r)^{-n} \qquad (2)$$

In the formula:

R_i: Expected earnings (equity cash flow) in the i year in the future;

r: Discount rate;

n: Future projected earnings period;

P_n: Recovery value of assets at the end of the operating period;

C: Value of surplus or non-operating assets (liabilities) existing at the benchmark date of the Target Company;

$$C = C_1 + C_2 \qquad (3)$$

C_1: Value of current surplus or non-operating assets (liabilities) existing on the Valuation Benchmark Date;

C_2: Value of non-current surplus or non-operating assets (liabilities) existing on the Valuation Benchmark Date.

(2) Income indicators

In this valuation, the equity cash flow of Target Company was used as the income indicator for the operating assets of the Target Company. As the Target Company had no interest-paying debt at the base date and no loan plan in the forecast period, its basic definition is as follows:

R = Net profit + depreciation and amortization and other non-cash costs – additional capital (4)

The expected equity cash flow of the Target Company in the future was estimated according to its operation history, market development in the future and etc., and the equity cash flow over the future operating period was discounted and summed to arrive at the operating asset value of the Target Company.

(3) Discount rate

In this valuation, the capital asset pricing model (CAPM) is used to determine the discount rate r:

r: Cost of equity capital, which is determined by the Capital Asset Pricing Model (CAPM);

$$r = r_f + \beta e \times (r_m + r_f) + \varepsilon \quad (5)$$

In the formula:

R_f: Risk-free return rate;

r_m: Expected market yield;

ε : Risk adjustment coefficient based on characteristics of the Target Company;

β_e: Expected market risk coefficient of equity capital of the Target Company.

(4) Income period

A limited term has been adopted as the income period for this valuation. According to the "Reply of the People's Government of Anhui Province on the Toll Operation Period of the Anhui Section of the Liuan-Wuhan Expressway" (Anhui Zheng Mi [2012] No. 545) (《安徽省人民政府關於六安至武漢高速公路安徽段收費經營期限的批覆》(皖政秘[2012]545號)) issued by the People's Government of Anhui Province on 4 December 2012, it was approved that the toll operation period of the Anhui Section of the Liuan-Wuhan Expressway shall be 30 years, i.e. from 28 December 2009 to 27 December 2039. Therefore, the current income period will end on 27 December 2039.

VIII. IMPLEMENTATION AND STATUS OF VALUATION PROCEDURES

The overall valuation work is conducted in four phases:

(I) Preparation phase of valuation

1. The Clients convened the kick-off meeting of the project and the coordination meeting of the intermediaries, and the relevant parties agreed on the purpose of valuation, the Valuation Benchmark Date and the scope of valuation, and formulated the work plan of the asset valuation.

2. The valuers of the valuation project team cooperated with Target Company to conduct asset inventories, fill in Detailed Asset Appraisal Declaration Forms, gained a detailed understanding of the Target Assets, set up asset valuation work, assisted Target Company in the declaration of valuated assets and collected documents and information required for asset valuation.

(II) On-site valuation phase

The main work of the project team's on-site valuation phase is as follows:

1. To listen to the introduction of the general situation of the Target Company and the history and current status of the Target Company by the Clients and the relevant personnel of the Target Company, and to understand the financial system, operating conditions, technical status of fixed assets of the Target Company.

2. To audit and identify the Detailed Asset Inspection Appraisal Declaration Forms provided by the Target Company, and to check with relevant proprietary information and financial information, and to assist the Target Company in making adjustments to the problems identified.

3. To conduct the comprehensive inventory verification of fixed assets and intangible assets based on the Detailed Asset Inspection Appraisal Declaration Forms.

4. To review and collect the title certificates of the Target Company, and to check the ownership information provided by the Target Company.

5. To determine the specific valuation approaches for each type of asset based on the actual condition and characteristics of the assets to be valuated.

6. To understand the development environment of the Target Company, mainly including macro development environment, industry development environment and relevant market development environment.

7. To understand the market position and main business qualifications of the Target Company.

8. To verify the main business revenues and costs of the Target Company in the recent years.

9. The valuer conducted on-site interviews with the Client and the financial manager, heads of maintenance department, equipment department and other departments of the Target Company respectively on the current situation, production and operation, and future operation plan of the Target Company.

(III) Summary phase of valuation

1. To process and analyze the relevant information and data obtained through various means to form applicable parameters of the appraisal model and estimate according to the selected valuation approach.

2. To summarize estimated results of various assets estimates formed. To comprehensively analyze and compare the measurement results obtained through different valuation approaches, to determine preliminary appraisal conclusions.

(IV) Report submission phase

The Asset Valuation Report was drafted based on the above processes, and opinions were exchanged with the Clients on the valuation results. Upon full consideration of relevant opinions, the report was repeatedly modified and corrected in accordance with the internal three-tier review system and procedure for Asset Valuation Report of the valuation agency, and then the final Asset Valuation Report was issued.

IX. VALUATION ASSUMPTIONS

In this valuation, the valuer followed the below valuation assumptions:

(I) General assumptions

1. Transaction assumption

The transaction assumption is that all assets to be appraised are already the subject of the transaction, and the valuer will make estimation based on a simulated market according to (among others) the transaction conditions of assets to be appraised. The transaction assumption is a fundamental premise for asset valuation to be carried out.

2. Open market assumption

The open market assumption is that the parties to a transaction are on an equal footing with each other and have access to sufficient market information and time to make a rational judgment on the function and use of the assets and their transaction price. The open market assumption is based on the assumption that assets are publicly traded in the market.

3. Asset going-concern assumption

The going-concern assumption means that, the subject assets will continue to be used as per its current purpose and the manner, scale, frequency and environment of use. The valuer determines accordingly the method, parameters and basis for valuation if certain conditions change.

(II) Special assumptions

1. There will be no significant changes in the current macro-economic, financial and industrial policies in the PRC.

2. There are no significant changes in the socio-economic environment in which the Target Company operates, and there are no significant changes in the policies on taxation, tax rates, and adjustment of taxable income implemented in the future operation period.

3. The management of the Target Company has exercised due diligence in the future operating period and has continued to maintain the existing business management model as at the Valuation Benchmark Date.

4. In view of the frequent changes or significant changes in the production and operation process of the enterprise's monetary funds or its bank deposits, interest income generated from the deposits and other uncertain gains and losses (such as exchange gains or losses) were not considered in the valuation.

5. This valuation assumes that the underlying information and financial information provided by the Company, Anhui Transportation Holding Group and the Target Company are true, accurate and complete.

6. This valuation assumes that the operational assets and operational liabilities as set out in the financial information of the Target Company are complete, and the operating results as set out in the financial information of the Target Company is correct and accurate.

7. The scope of the valuation is based on the valuation return provided by the Target Company. Contingent assets and contingent liabilities that may exist outside the list provided by the Target Company have not been considered.

8. The parameters measured in this valuation have not taken into account the impact of inflation.

9. There are no force majeure and unforeseen factors that would have a material adverse impact on the Target Company.

10. It is assumed that the cash inflow from the income obtained by the Target Company subsequent to the Valuation Benchmark Date inflow evenly and cash outflow of the Target Company subsequent to the Valuation Benchmark Date outflow evenly.

11. This valuation assumed that there are no material changes in the transportation industry policies, pricing principles and market conditions during the concession period of the Liuwu Expressway.

12. This valuation assumed the discount policy for ETC users (which are provided by all expressways within the Anhui province) will continue.

13. During the forecast period, the effective charging rate for passenger cars utilising the Liuwu Expressway is 95.5% and effective charging rate for trucks utilising the Liuwu Expressway is 91%.

14. The office premises currently leased by the Liuwu Expressway are continuously leased for use.

15. This valuation assumed that there is no unforeseen material expansion or reconstruction of the connecting highways of Liuwu Expressway during the concession period, and there are no factors leading to material diversion impact from the Liuwu Expressway (such as any unforeseen new construction of expressway outside of the current planning by the PRC government).

16. This valuation assumed that there is no unforeseen material capital expenditure as a result of any material expansion or reconstruction.

When the above conditions change, the valuation conclusions may usually become invalid.

X. VALUATION CONCLUSION

Based on the estimated traffic volume and revenue calculation of Anhui section of Target Company by CHELBI Engineering Consultants, Inc. (the PRC Traffic Consultant), as well as the future business planning and management of the Target Company, and in accordance with relevant laws and regulations as well as Asset Valuation Standards, the asset-based approach and income approach were adopted to appraise the market value of the entire shareholders' equity interests of Target Company as of the Valuation Benchmark Date of 31 December 2022 through necessary valuation procedures, and we reached the following conclusions:

(I) Conclusion of valuation by using the asset-based approach

The book value, appraised value and the incremental value of the valuation of total assets were RMB2,762.2270 million, RMB3,535.9548 million and RMB773.7278 million, respectively, representing a rate of increase of 28.01%.

The book value and appraised value of liabilities were RMB24.7183 million and RMB24.7183 million, respectively, and there was no change (whether increase or decrease) in the appraised value.

The book value, appraised value and the incremental value of the valuation of net assets were RMB2,737.5087 million, RMB3,511.2365 million and RMB773.7278 million respectively, representing a rate of increase of 28.26%.

See the table below for details:

Summary of valuation results

Unit: RMB0'000

Items		Book Value B	Appraised Value C	Increase or Decrease in Value D=C-B	Rate of increase *(%)* E=D/B x 100%
1	Current assets	6,580.26	6,580.72	0.46	0.01
2	Non-current assets	269,642.44	347,014.76	77,372.32	28.69
3	Including: Fixed assets	20,852.83	25,714.42	4,861.60	23.31
4	Intangible assets	238,829.80	311,340.52	72,510.73	30.36
5	Deferred income tax assets	9,959.81	9,959.81	–	–
6	**Total assets**	**276,222.70**	**353,595.48**	**77,372.78**	**28.01**
7	Current liabilities	2,471.83	2,471.83	–	–
8	**Total liabilities**	**2,471.83**	**2,471.83**	**–**	**–**
9	**Net assets (ownership interests)**	**273,750.87**	**351,123.65**	**77,372.78**	**28.26**

(II) Conclusion of valuation by using the income approach

Upon implementation of valuation procedures including checking and verification, on-site inspection, market survey and confirmation as well as assessment and estimation, the income approach was used to assess the value of the entire shareholders' equity interests of Target Company. The book value, appraised value and the incremental value of the valuation of the entire shareholders' equity interests of Target Company were RMB2,737.5087 million, RMB3,661.0039 million and RMB923.4952 million, representing an rate of increase of 33.73%.

(III) Analysis of difference between the valuation conclusions and selection of the final conclusion

1. Analysis of difference between the valuation conclusions

In the valuation, the value of net assets (entire shareholders' equity interests) calculated with the income approach was RMB3,661.0039 million, which was RMB149.7674 million or 4.27% higher than that of RMB3,511.2365 million calculated with the asset-based approach:

(1) The asset-based approach is based on the current cost perspective, and takes the assets and liabilities of the book record of the Target Company as the scope of valuation. The appraised value of various assets of the book record of the Target Company is summed up and the appraised value of liabilities is subtracted to arrive at the appraised value of the entire shareholders' equity interests. The relationship between assets and income and cash flows was not considered.

(2) In the income approach, the expected return on assets is adopted as the value standard, reflecting the operating capability (profitability) of the assets. Such profitability is often subject to the impacts of various factors such as the macro economy, government control and efficient use of assets, and represents the intrinsic value of an enterprise.

Given the above, there is a difference between the conclusions from the two valuation approaches.

2. Selection of valuation conclusions

The Target Company belongs to the transportation industry, and is mainly responsible for the daily operation and management of the Anhui Section of the expressway. Against the backdrop of the rapid development of the expressway network, the Yangtze River Delta region has formed a complete highway network with rapid economic development, thus the industry in which the Target Company operates has good development prospects. The traffic volume on the expressway has broad prospects for development and continuous growth. The long-term assets are expected to have strong sustainable profitability in the future, and the expected profitability in the future is a core element of a company's value. Therefore, we believe that the conclusion of the income approach can reflect the value of the entire shareholders' equity interests more comprehensively and accurately.

As a result, the market value of the entire shareholders' equity interests of the Target Company at the Valuation Benchmark Date was RMB3,661,003,900.

XI. EXPLANATION ON OTHER SPECIFIC MATTERS

(I) Citation of conclusions of reports issued by other institutions

The book values of various assets and liabilities on the Valuation Benchmark Date in this valuation report are the audit results of the Shanghai branch of Ernst & Young Hua Ming LLP.

The future traffic flow income in this valuation report refers to the results of the "Traffic Flow Evaluation and Income Calculation Report for the Anhui Section of the Target Company" issued by CHELBI Engineering Consultants, Inc. (the PRC Traffic Consultant) regarding the traffic flow evaluation and income calculation for the Anhui Section of the Target Company.

In addition, there is no reference to the conclusions of reports issued by other institutions in this Asset Valuation Report.

(II) Incomplete or defective ownership information

1. The houses and buildings included in the scope of this valuation have not obtained real estate proprietorship certificates. The building area and other data of the houses and buildings without certificates have been determined based on the information declared by Target Company. If there is any inconsistency with the actual situation, adjustment or re-evaluation has to be made accordingly. The report users are reminded to note that this valuation did not consider the impact of the relevant taxes and fees that need to be paid when applying for relevant certificates in the future on the appraised value. In response to the above-mentioned ownership defects, the valuation firm has obtained a property ownership statement issued by the Target Company that these properties truly belong to the Target Company and have no property rights disputes. Based on the statement and the declaration of the Target Company, the valuation firm has included the above properties in the valuation scope.

2. The details of the land use rights included in the intangible assets – toll road concession within the scope of this valuation are shown in the table below:

Series No.	Certificate No.	Name of land parcel	Location	Nature of land use	Land usage	Actual area *(m²)*	Area set out in certificate *(m²)*
1	Anhui (2023) Yeji District Real Estate Proprietorship No. 0004281	Land within the expressway (Yeji District)	Yaoli Town, Yeji District	Allocation	Highway land	162,195.00	162,195.00
2	Anhui (2023) Jinzhai County Real Estate Proprietorship No. 0007733, Anhui (2023) Jinzhai County Real Estate Proprietorship No. 0010803, Anhui (2023) Jinzhai County Real Estate Proprietorship No. 0010802	Land of Jinzhai Management Center	Baitafan Town, Meishan Town, Huaishuwan Village, Gubei Town, Nanxi Town, and Banzhuyuan Town of Jinzhai County	Allocation	Highway land	4,608,369.48	4,608,369.48
3		Land within the expressway (Jinzhai)		Allocation	Highway land		
4		Land of Jinzhai toll station		Allocation	Highway land		
5		Land of Gubei toll station		Allocation	Highway land		
6		Land of Dingbu toll station		Allocation	Highway land		

Series No.	Certificate No.	Name of land parcel	Location	Nature of land use	Land usage	Actual area *(m²)*	Area set out in certificate *(m²)*
7		Land of Banzhuyuan toll station		Allocation	Highway land		
8		Land of Changlingguan toll station		Allocation	Highway land		
9	Huo Tu Guo Yong (2011) No. 97	Land of Dagudian	Yaoli Town, Yeji District	Allocation	Highway land	102,487.18	102,487.18
10	Yet to obtain proprietorship certificate	Land of Xianhua toll station	Jinzhai County	Allocation	Highway land	232,921.16	
		Total				**5,105,972.82**	**4,873,051.66**

The land listed in the above table has the following property rights defects:

1. The report users are reminded to note that the land ownership of the land of Dagudian in item 9 is inseparable as it has been included in the same certificate as other expressway land under Anhui Transportation Holding Group Co., Ltd. due to its early construction period, and this valuation adopted the area measured by the enterprise, which may not match the actual occupied area, and the impact of the relevant taxes and fees to be apportioned when the relevant title certificate can be divided and changed in the future on the appraised value has not been considered in this valuation.

2. The report users are reminded to note that the land of Xianghua toll station in item 10 has not yet obtained proprietorship certificate, and the area adopted in this valuation is based on the construction land planning permit area provided by the enterprise, which may not match the surveyed area used when applying for the property rights certificate, and the impact of the relevant taxes and fees to be paid when applying for the relevant title certificate in the future on the appraised value has not been considered in this valuation.

   In response to the above-mentioned ownership defects, the valuation firm has obtained a property ownership statement issued by the Target Company that the above-mentioned land truly belongs to the Target Company and has no property disputes. Based on the statement and the declaration of the Target Company, the valuation firm has included the above land in the valuation scope.

3. The vehicle license plates included in the scope of this valuation are Wan N44039, Wan N43933, Wan AH4498, Wan AC5260, Wan N44468, Wan AJ0817, Wan N44372, Wan N3S693, Wan N1Y809, Wan N8L158, Wan AF0Q21, Wan AB7W91, Wan AE1F76, Wan AF9B93, and Wan AR3C56. The obligee set out in the certificates is Anhui Transportation Holding Group Company Limited. As of the date of this report, the obligee set out in the certificates has not been changed. The report users are reminded to note that this valuation did not consider the impact of the relevant taxes and fees that need to be paid in the future when handling the relevant certificate changes on the appraised value. The report users are reminded to pay attention.

   In response to the above-mentioned ownership defects, the valuation firm has obtained a property ownership statement issued by the Target Company that these vehicles truly belong to the Target Company and have no property rights disputes. Based on the statement and the declaration of the Target Company, the valuation firm has included the above vehicles in the valuation scope.

(III) Situations where the valuation process is restricted

There were no circumstances prohibiting the carrying out of the valuation process in this valuation.

(IV) Incomplete valuation data

No incomplete valuation data were found in this valuation.

(V) Legal, economic, and other outstanding matters on the Valuation Benchmark Date

No outstanding legal, economic or other issues were found in this valuation as at the Valuation Benchmark Date.

(VI) Nature, amount, and relationship with the Target Company of matters such as guarantees, leases, and their contingent liabilities (or assets)

As of the Valuation Benchmark Date, the Target Company has one property lease, and the details are as follows:

Series No.	Lessor	Lessee	Leased area *(m^2)*	Location	Lease purpose	Lease term	Rental
1	Anhui Transportation Holding	Liuwu Expressway	124.61	Three offices at the east of the 4th floor of Liuan North Expressway Management Center Building, North 1st Shop, Chengbei Township, Jin'an District, Liuan City, Anhui Province	Office	15 December 2022 to 31 December 2023	RMB0.27/m^2/day

(VII) Matters that may have an impact on the valuation conclusion between the Valuation Benchmark Date and the Asset Valuation Report date

1. On 28 April 2023, the Target Company completed the change of the original land property rights certificate and obtained the property rights certificate numbers: Anhui (2023) Jinzhai County Real Estate Proprietorship No. 0007733, Anhui (2023) Jinzhai County Real Estate Proprietorship No. 0010803, and Anhui (2023) Jinzhai County Real Estate Proprietorship No. 0010802, with a total area of 4,658,864.07 square meters. The certificated area of the above proprietorship certificate includes the Changlingguan Service Area, Gubei Service Area, and Meishan Service Area, and the land area within the scope of this application and valuation does not include the certificated area for the service areas.

2. As of the Valuation Benchmark Date, the registered capital of Target Company of RMB5 million has not been fully paid in, and the capital paid in after the Valuation Benchmark Date has not been considered in this valuation; on 28 February 2023, the capital of Target Company has been fully paid in.

(VIII) Defects in the Proposed Acquisition that may have a significant impact on the valuation conclusion

No defects in the Proposed Acquisition which may have a significant impact on the valuation conclusion were identified.

(IX) Explanation of other matters

1. It is the legal responsibility for the valuer and the valuation firm to make professional judgment on the value of the assets for the valuation purposes depicted in this report, and no judgment whatsoever would be made by the valuer and the valuation firm as to the Proposed Acquisition. To a large extent, the valuation depends on the information provided by the Clients and the Target Company. Therefore, valuation is premised on the fact that asset title documents, license and accounting vouchers and the relevant legal documents provided by the Clients and the Target Company were authentic and legal.

2. During the valuation process, the valuer observed the exterior of the evaluated building and, as much as possible, examined the interior decoration and usage of the building, without conducting any structural or material tests. When conducting equipment surveys, due to limitations in testing methods and some equipment being in operation, it mainly relied on the appearance observation of the valuer, recent testing data provided by the Target Company, and inquiries from relevant operators to determine the condition of the equipment.

3. The Clients and the Target Company are held responsible for the authenticity and completeness of the data, statements and the relevant information which were provided by the Target Company and were used within the scope of this valuation.

4. The Clients and the Target Company are held responsible for the authenticity and legality of the title documentary proof and relevant information which are provided by the Target Company and are referred to in the valuation report.

5. In the event that any changes in the quantity and the pricing standard of assets occurred within the term of validity after the valuation benchmark date, the principles set out below shall be followed:

   (1) In the event that quantity of assets changes, corresponding adjustments shall be made to the quantity of assets according to the original valuation approach;

   (2) In the event that the pricing standard of the assets changes and imposes obvious impacts on the asset valuation results, the Clients shall timely employ qualified asset valuation agency to redetermine the appraised value;

   (3) After the Valuation Benchmark Date, the Clients shall give due consideration to changes in the quantity and the pricing standard of assets and make corresponding adjustment when determining prices.

6. The objectives of the valuers conducting the asset valuation are to estimate the value of the appraised target and to express professional advice thereof, and accept no responsibilities for the decision of the relevant party. The valuation conclusion shall not be construed as a guarantee of the realisable value of the Target Assets.

7. The profit forecast of the Target Company obtained by the valuation firm is the basis of the income approach in this valuation report. The valuer conducted necessary investigation, analysis, and judgment on the profit forecast of the Target Company. After multiple discussions with the management and major shareholders of the Target Company, as well as further amendments and improvement made by the Target Company, the valuation firm accepted the relevant data of profit forecast of the Target Company. The utilization of the profit forecast of the Target Company by the valuation firm is not a guarantee of future profitability of the Target Company.

8. The conclusion of this valuation is based on the assumption that the owner of property rights and the management of the appraised target make accurate judgments on the development trend in future and related plans will be duly implemented. If the future actual operation conditions of the enterprise deviate from the operation plans, and the owners of property rights and the management of the Target Company fail to adopt remedies in time to correct such deviation, the conclusion of this valuation will change substantially. Therefore, report users are strongly advised to pay close attention in this regard.

9. The valuation of the assets of buildings (structures), equipment, and road assets such as bridges and tunnels are all tax inclusive.

10. The assets included in the scope of this valuation shall not include the supporting service areas, gas stations, billboards, and other subsidiary facilities along the project route, as well as their operating rights.

XII. LIMITATIONS ON THE USE OF THE ASSET VALUATION REPORT

(I) This valuation report may only be used according to the objectives and purposes as stated herein. Meanwhile, the valuation conclusion reflects the prevailing market fair value under the valuation purpose based on the open market principle, without considering the impact of mortgages and guarantees that the appraised target may be subject to in the future, nor the impact of additional price which may be paid by special trading parties. Meanwhile, the effects of changes in national macroeconomic policies, the natural force and other force majeure on the price of assets are not taken into account. In general, if the aforesaid conditions and other situations such as going concern basis changes, valuation conclusion will become invalid. The valuation firm is not liable for invalidity of the valuation conclusion due to changes of such conditions.

This valuation report is only valid when the transaction complies with the state laws and regulations and the valuation report is approved by relevant authorities.

(II) The asset valuation firm and its valuers shall not bear responsibilities if the Clients or other users of the Asset Valuation Report fail(s) to use the Asset Valuation Report in accordance with the provisions of laws and administrative regulations or within scope of use specified in the Asset Valuation Report.

(III) Except for the Clients, other users of this Asset Valuation Report designed in the asset valuation entrustment contract and asset valuation users of this report stipulated by laws and administrative regulations, any other firms or individuals cannot be asset valuation users of this report.

(IV) The users of the Asset Valuation Report shall correctly understand and use the valuation conclusion. The valuation conclusion is not equivalent to the realisable price of the Target Assets, and the valuation conclusion shall not be considered as a guarantee of the realisable price of the Target Assets.

(V) The valuation report may only be used by users expressly stated herein. The right to use this report is vested in the Clients. The valuer will not make the report public without the approval of the Clients.

(VI) Save as required by laws and regulations or otherwise agreed upon by relevant parties concerned, the extraction, reference or disclosure of the whole or any part of contents of this valuation report in any public media shall be subject to approval and review of such contents by the valuation firm.

(VII) According to relevant laws and regulations on asset valuation, the Asset Valuation Report involving statutory valuation business must be used by the Clients after performing the asset valuation supervision and management procedures in accordance with the requirements of relevant laws and regulations. The valuation results shall be valid for a term of one year from 31 December 2022 (the Valuation Benchmark Date) to 30 December 2023.

XIII. DATE OF ASSET VALUATION REPORT

This valuation report is dated 20 June 2023.

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China United Assets Appraisal Group Co., Ltd.

Asset Valuer:

Asset Valuer:

20 June 2023

EXHIBIT INDEX

1. Economic behavior documents (copies);
2. Business licenses of the Client and the Target Company as legal persons (copies);
3. Audit report on the Valuation Benchmark Date (copy);
4. Traffic Study Report in respect of the Anhui Section of the Liuwu Expressway (copy);
5. Proof of ownership of important assets;
6. Statement letter from the Client and the Target Company;
7. Commitment letter from the signed asset valuer;
8. Filing of Assets Valuation Qualification Certificate and Securities Appraisal Qualification of China United Assets Appraisal Group Co., Ltd. (copies);
9. Business License for Enterprise Legal Person of China United Assets Appraisal Group Co., Ltd. (copy);
10. Qualification certificate of signed asset valuer (copy);
11. Asset valuation result table – income approach;
12. Asset valuation result table – asset-based approach.

FURTHER EXPLANATORY NOTES TO THE VALUATION REPORT

1. Valuation model using the Income Approach

Discounted cash flow method, adopted in this income approach valuation, is a method for the estimation of the asset value by discounting the future expected net cash flow of an enterprise to the present value. The basic idea of the income approach is to derive the appraised value by estimating the future expected net cash flow of the assets which are then discounted to the present value with an appropriate discount rate.

Determining the unit applicable to the income approach and estimating its equity capital value according to the due diligence results and the asset composition and characteristics of principal operations of the valued object. The basic concept for the valuation is as follows:

(1) For the assets and principal business included in the scope of the financial statements, the expected return (equity cash flow) was estimated in accordance with the trend of changes in historical operating conditions in recent years and the traffic flow and revenue estimation and financial analysis of the valued object issued by CHELBI Engineering Consultants, Inc. and discounted to arrive at the value of the operating assets;

(2) For surplus or non-operating assets (liabilities) that are included in the scope of the financial statements and can be clearly determined by the valuers based on the current information, their value was estimated separately;

(3) The value of equity capital (entire shareholders' equity interests) of the appraised object was arrived at by the sum of values of the abovementioned asset and liability.

The basic model for this valuation was:

$E=P+C$

E: Value of entire shareholders' equity interests (net assets) of the valued object;

P: Value of the operating assets of the Target Company;

$$P=\sum_{i=1}\frac{R_i}{(1+r)^i}+Pn\times(1+r)^{-n}$$

where:

Ri: Expected earnings (equity cash flow) in year i in the future;

r: Discount rate;

n: Future projected earnings period;

Pn: Recovery value of assets at the end of the operating period;

C: Value of surplus or non-operating assets (liabilities) existing at the benchmark date of the valuation subject

$C=C_1 + C_2$

C1: Value of current surplus or non-operating assets (liabilities) existing on the Valuation Benchmark Date;

C2: Value of non-current surplus or non-operating assets (liabilities) existing on the Valuation Benchmark Date.

(1) Income indicators

In the valuation, the equity cash flow of valued object was used as the income indicator for the operating assets of the valued object. As the valuation subject had no interest-paying debt at the Valuation Benchmark Date and no loan plan in the forecast period, its basic definition is as follows:

R = Net profit + depreciation and amortization and other non-cash costs – additional capital

The expected equity cash flow of the valuation subject in the future was estimated according to its operation history, market development in the future and etc., and the equity cash flow over the future operating period was discounted and summed to arrive at the operating asset value of the valuation subject.

(2) Discount rate

In the valuation, the capital asset pricing model (CAPM) was used to determine the discount rate r:

r: Cost of equity capital;

$$r = r_f + \beta_e \times (r_m + r_f) + \varepsilon$$

where:

rf: Risk-free return rate;

rm: Expected market rate of return;

ε : Risk adjustment coefficient based on characteristics of the valuation subject;

βe: Expected market risk coefficient of equity capital of the valuation subject.

(3) Income period

A limited term has been adopted as the income period for this valuation. According to the "Reply of the People's Government of Anhui Province on the Toll Operation Period of the Anhui Section of the Liuan-Wuhan Expressway" (Anhui Zheng Mi [2012] No. 545) (《安徽省人民政府關於六安至武漢高速公路安徽段收費經營期限的批覆》(皖政秘[2012]545號)) issued by the People's Government of Anhui Province on 4 December 2012, it was approved that the toll operation period of the Liuwu Expressway shall be 30 years, i.e. from 28 December 2009 to 27 December 2039. Therefore, the current income period will end on 27 December 2039.

2. Determination of Discount Rate

(1) Risk-free return rate rf

With reference to website of China Appraisal Society, the yield of the treasury bonds provided by China Central Depository & Clearing Co., Ltd. (CCDC) published on such website is as follows:

Date	Period	Current rate of return *(%)*
31 December 2022	3 months	2.05
	6 months	2.07
	1 year	2.10
	2 years	2.35
	3 years	2.40
	5 years	2.64
	7 years	2.82
	10 years	2.84
	30 years	3.20

This valuation was based on the assumption of continuing to operate as a going concern, and the income period of the Target Assets is from 28 December 2009 to 27 December 2039. According to the requirements of Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), yield to maturity with 10-year or more remaining treasury bonds can be used as the risk-free interest rate. With 17 years remaining in the enterprise's revenue period, the yield on 10-year treasury bond yield is used as the risk-free interest rate for this valuation, i.e., rf = 2.84%.

(2) Expected market yield rm

Market risk premium refers to the expected excess of return by investors for their investment in the market with similar risks, which means risk compensation over the risk-free interest rate. Market risk premium can be calculated using historical market risk premium data. The valuation uses the long-term average return A share market index as the expected market yield (rm) and the excess of the expected market yield over the risk-free interest rate is taken as the market risk premium.

Pursuant to the requirement of "Guidelines for Asset Evaluation Experts No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach" (Zhongping Xie [2020] No. 38) (《資產評估專家指引第12號 – 收益法評估企業價值中折現率的測算》(中評協[2020]38號)), the representing stock market index in the PRC shall be used when calculating the market risk premium, such as CSI 300 Index and Shanghai Securities Composite Index. To calculate the excess return on the index over a period of time, the time span can be selected for more than ten years, the data frequency can be selected from weekly or monthly, and the calculation method can be arithmetic mean or geometric mean.

According to the research on A-share market in China conducted by the China United Assets Appraisal Group and together with the above guidelines, the representing Shanghai Composite Index was selected as the underlying index during the valuation process. Calculated and annualised to an annualised rate of return using the arithmetic mean and its arithmetic mean, geometric mean and harmonic mean were calculated, respectively, at weekly and monthly data frequencies. The expected market yield was determined as comprehensively analyzed, i.e. rm=9.57%.

Market risk premium = rm－rf＝9.57%－2.84%＝6.73%.

(3) βe value

Based on the stocks of companies listed on the Shanghai and Shenzhen Stock Exchanges in the transportation industry, the comparability of the appraised enterprises and comparable companies in terms of business type, corporate scale, profitability, growth, industrial competitiveness and enterprise's development stage and other factors are taken into consideration. Selecting appropriate comparable companies, with the SSE Composite Index as the underlying index, and referring to the RoyalFlush Financial Information Terminal, calculating based on the market price as of the Valuation Benchmark Date, with a calculation cycle of 256 weeks, the estimated βu of comparable companies' stocks without expected financial leverage risk coefficient has been arrived at and the expected market risk coefficient, βe = 0.6929, of the equity capital of the appraised entity as calculated based on the enterprise's own capital structure, is broken down as follows. Details are as follows:

No.	Stock Code	Stock Name	Main Business	Original Beta	Adjusted Beta Excluding Financial Leverage
1	600033.SH	Fujian Expressway	Quan-Xia Expressway, Fu-Quan Expressway, Luo-Ning Expressway	0.5773	0.6707
2	600035.SH	Chutian Expressway	Road and bridge operations	0.7937	0.5920
3	601518.SH	Jilin Expressway	Expressway	0.8421	0.8934
4	000429.SZ	GPED A	Highway transportation	0.4780	0.5661
5	000755.SZ	Shanxi Road Bridge	Expressway management and operation	0.7598	0.6369
6	600012.SH	Anhui Expressway	Expressway management and operation	1.0109	0.7981
	Average			0.7436	0.6929

(4) Risk coefficient based on characteristics of enterprise ε

The differences between the valuation subject and listed companies in terms of corporate scale, enterprise development stage, core competitiveness, the reliance on large customers and key suppliers, financing capabilities and financing costs as well as the soundness of profit forecast need to be taken into consideration when determining the discount rate, so as to determine the specific risk coefficient. The valuers, during the valuation process, have conducted comparable analysis on the Target Company and the comparable listed companies and the characteristic risk coefficient $\varepsilon = 1.50\%$ has been arrived at. The specific processes are shown in the following table:

Risk factor	Influencing factor	Value of influencing factor	Weighted	Adjustment coefficient
Scale of enterprise	The scale of the enterprise is smaller than the average of comparable companies	3	10	0.30
Development stage of enterprise	Although the enterprise has just been established, the expressways it manages have been in operation for 13 years, and its business is more mature than comparable companies and the development is relatively stable	1	20	0.20
Core competitiveness of enterprise	The enterprise has an experienced management and relatively strong core competitiveness	1	20	0.20
Dependence of enterprise on upstream and downstream	Downstream customers are relatively fragmented and thus the enterprise is relatively independent on customers; there are a large number of enterprises in the downstream industry and a relatively full market competition, the enterprise is relatively independent on providers and has a relatively weak risk in this respect	2	10	0.20
Financing capacity and financing costs of enterprise	The enterprise has strong profitability and good cash flow, and the risk in this respect is relatively weak	1	15	0.15
Robustness of profit forecasts	Profit forecast is relatively robust, and the future annual growth rate is related to the industry level	2	20	0.40
Other factors	The supporting material of the profit forecast is rather sufficient and the realizability is relatively high	1	5	0.05
Total		1.50		

(5) Calculation of the discount rate CAPM

The discount rates arrived at through substituting the above parameters into the formula are set out in the following table:

Equity Ratio	100.00%
Debt Ratio	–
Weighted interest rate of loans	–
Risk-free interest rate rf	2.84%
Expected market yield rm	9.57%
Applicable tax rate	25.00%
Leverage-free β	0.6929
Equity β	0.6929
Characteristics risk coefficient	1.50%
CAPM	9.00%
Discount rate	9.00%

3. Net cash flow forecast

(1) Operating revenue forecast

The revenue from main business mainly represents toll income.

(i) Historical traffic data and traffic income of Liuwu Expressway

The traffic volume of main sections of Liuwu Expressway over the years is shown in the following table:

Unit: Vehicles/Day

		Passenger Vehicle				Goods Vehicle						Absolute	Converted
Year	Section	Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Total *(Note 2)*	Total *(Note 2)*
2010	Dagudian Interchange – Jinzhai	934	26	27	36	187	180	65	–	–	–	1,455	1,952
	Jinzhai – Gubei	648	79	16	27	315	154	35	–	–	–	1,274	1,632
	Gubei – Dingbu	472	50	12	20	226	122	34	–	–	–	936	1,237
	Dingbu – Tian Tang Zhai	362	31	10	16	160	103	29	–	–	–	711	966
	Tian Tang Zhai – Changlingguan	162	16	3	8	74	84	25	–	–	–	372	579
	Average	554	49	14	23	220	135	37	–	–	–	1,031	1,365

Year	Section	Passenger Vehicle Class 1	Passenger Vehicle Class 2	Passenger Vehicle Class 3	Passenger Vehicle Class 4	Goods Vehicle Class 1	Goods Vehicle Class 2	Goods Vehicle Class 3	Goods Vehicle Class 4	Goods Vehicle Class 5	Goods Vehicle Class 6	Absolute Total *(Note 2)*	Converted Total *(Note 2)*
2011	Dagudian Interchange – Jinzhai	1,739	42	131	122	415	887	767	–	–	–	4,103	7,861
	Jinzhai – Gubei	1,345	97	89	105	517	790	697	–	–	–	3,640	7,013
	Gubei – Dingbu	1,118	64	84	98	408	753	696	–	–	–	3,221	6,530
	Dingbu – Tian Tang Zhai	933	46	82	92	304	727	690	–	–	–	2,874	6,122
	Tian Tang Zhai – Changlingguan	666	23	68	79	194	702	687	–	–	–	2,419	5,607
	Average	1,211	64	91	101	401	777	706	–	–	–	3,351	6,731
2012	Dagudian Interchange – Jinzhai	2,715	56	147	168	533	1,082	1,336	–	–	–	6,037	11,826
	Jinzhai – Gubei	2,134	111	117	150	584	934	1,201	–	–	–	5,231	10,369
	Gubei – Dingbu	1,860	79	113	142	467	890	1,200	–	–	–	4,751	9,814
	Dingbu – Tian Tang Zhai	1,596	58	111	135	351	857	1,194	–	–	–	4,302	9,293
	Tian Tang Zhai – Changlingguan	1,306	37	96	124	260	832	1,194	–	–	–	3,849	8,789
	Average	1,980	77	118	146	471	924	1,221	–	–	–	4,938	10,120
2013	Dagudian Interchange – Jinzhai	3,450	72	131	186	697	1,432	1,889	–	–	–	7,857	15,831
	Jinzhai – Gubei	2,785	128	85	156	719	1,293	1,808	–	–	–	6,974	14,458
	Gubei – Dingbu	2,400	89	79	148	570	1,247	1,806	–	–	–	6,339	13,741
	Dingbu – Tian Tang Zhai	2,086	70	76	140	451	1,215	1,799	–	–	–	5,837	13,165
	Tian Tang Zhai – Changlingguan	1,748	51	60	128	355	1,193	1,799	–	–	–	5,334	12,615
	Average	2,572	92	87	153	595	1,282	1,818	–	–	–	6,599	14,097
2014	Dagudian Interchange – Jinzhai	4,277	71	110	173	745	1,619	2,288	–	–	–	9,283	18,717
	Jinzhai – Gubei	3,528	125	67	148	775	1,532	2,246	–	–	–	8,421	17,565
	Gubei – Dingbu	3,126	87	61	142	647	1,474	2,226	–	–	–	7,763	16,754
	Dingbu – Tian Tang Zhai	2,641	64	56	132	491	1,436	2,218	–	–	–	7,038	15,940
	Tian Tang Zhai – Changlingguan	2,300	50	45	124	397	1,424	2,220	–	–	–	6,560	15,441
	Average	3,262	89	68	145	646	1,506	2,242	–	–	–	7,958	17,048

Year	Section	Passenger Vehicle Class 1	Passenger Vehicle Class 2	Passenger Vehicle Class 3	Passenger Vehicle Class 4	Goods Vehicle Class 1	Goods Vehicle Class 2	Goods Vehicle Class 3	Goods Vehicle Class 4	Goods Vehicle Class 5	Goods Vehicle Class 6	Absolute Total *(Note 2)*	Converted Total *(Note 2)*
2015	Dagudian Interchange – Jinzhai	5,442	76	117	182	735	1,683	2,304	–	–	–	10,539	20,125
	Jinzhai – Gubei	4,614	123	81	159	791	1,609	2,265	–	–	–	9,642	18,971
	Gubei – Dingbu	4,069	86	76	151	637	1,528	2,237	–	–	–	8,784	17,901
	Dingbu – Tian Tang Zhai	3,615	67	70	144	516	1,501	2,229	–	–	–	8,142	17,188
	Tian Tang Zhai – Changlingguan	2,977	50	41	123	396	1,486	2,231	–	–	–	7,304	16,308
	Average	4,270	90	79	154	655	1,574	2,256	–	–	–	9,078	18,325
2016	Dagudian Interchange – Jinzhai	6,293	71	101	170	743	1,754	2,100	–	–	–	11,232	20,299
	Jinzhai – Gubei	5,543	116	81	146	894	1,771	2,132	–	–	–	10,683	19,849
	Gubei – Dingbu	4,831	75	75	136	712	1,687	2,109	–	–	–	9,625	18,588
	Dingbu – Tian Tang Zhai	4,228	58	66	130	570	1,636	2,087	–	–	–	8,775	17,588
	Tian Tang Zhai – Changlingguan	3,510	44	36	112	431	1,614	2,081	–	–	–	7,828	16,566
	Average	5,049	82	75	141	720	1,710	2,108	–	–	–	9,885	18,881
2017	Dagudian Interchange – Jinzhai	7,224	74	103	173	796	2,289	2,781	–	–	–	13,440	25,355
	Jinzhai – Gubei	6,649	136	94	148	1,060	2,276	2,806	–	–	–	13,169	25,122
	Gubei – Dingbu	5,598	76	85	138	813	2,164	2,758	–	–	–	11,632	23,264
	Dingbu – Tian Tang Zhai	4,819	59	72	132	644	2,102	2,721	–	–	–	10,549	21,967
	Tian Tang Zhai – Changlingguan	3,945	43	36	113	484	2,062	2,702	–	–	–	9,385	20,659
	Average	5,892	91	82	143	826	2,201	2,765	–	–	–	12,000	23,710
2018	Dagudian Interchange – Jinzhai	7,848	64	86	150	816	2,637	2,936	–	–	–	14,537	27,419
	Jinzhai – Gubei	7,049	109	87	128	1,023	2,639	3,003	–	–	–	14,038	27,113
	Gubei – Dingbu	6,070	61	80	118	824	2,531	2,900	–	–	–	12,584	25,180
	Dingbu – Tian Tang Zhai	5,179	53	61	112	656	2,417	2,857	–	–	–	11,335	23,618
	Tian Tang Zhai – Changlingguan	4,243	37	26	93	498	2,357	2,773	–	–	–	10,027	21,941
	Average	6,315	75	73	123	820	2,543	2,920	–	–	–	12,869	25,541

		Passenger Vehicle				Goods Vehicle						Absolute	Converted
Year	Section	Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Total	Total
												(Note 2)	*(Note 2)*
2019	Dagudian Interchange – Jinzhai	8,832	58	92	131	982	3,559	3,704	–	–	–	17,358	33,920
	Jinzhai – Gubei	7,757	124	87	112	1,143	3,438	3,754	–	–	–	16,415	32,934
	Gubei – Dingbu	6,653	62	80	101	928	3,382	3,520	–	–	–	14,726	30,450
	Dingbu – Tian Tang Zhai	5,691	51	66	93	763	3,105	3,487	–	–	–	13,256	28,454
	Tian Tang Zhai – Changlingguan	4,724	32	23	76	595	3,018	3,427	–	–	–	11,895	26,753
	Average	6,985	79	74	105	941	3,326	3,621	–	–	–	15,132	31,074
2020	Dagudian Interchange – Jinzhai	6,782	22	38	61	687	454	544	448	355	3,255	12,646	25,241
	Jinzhai – Gubei	5,885	69	51	63	800	461	538	473	354	3,412	12,106	25,208
	Gubei – Dingbu	5,033	29	46	56	686	441	522	465	352	3,312	10,942	23,686
	Dingbu – Tian Tang Zhai	4,271	17	33	48	572	424	515	458	352	3,239	9,929	22,414
	Tian Tang Zhai – Changlingguan	3,500	9	9	34	469	407	504	445	353	3,112	8,842	20,886
	Average	5,291	38	39	55	677	443	528	461	353	3,299	11,184	23,894
2021	Dagudian Interchange – Jinzhai	9,302	28	50	75	1,183	822	455	750	588	4,920	18,173	36,978
	Jinzhai – Gubei	8,229	90	74	83	1,346	833	460	773	584	5,078	17,550	36,881
	Gubei – Dingbu	7,014	28	65	75	1,186	802	433	765	583	4,866	15,817	34,432
	Dingbu – Tian Tang Zhai	5,980	19	49	61	1,006	775	425	757	582	4,724	14,378	32,512
	Tian Tang Zhai – Changlingguan	4,928	10	13	44	856	747	411	742	582	4,551	12,884	30,415
	Average	7,371	47	56	71	1,165	804	442	761	584	4,885	16,187	34,864
2022	Dagudian Interchange – Xianhua Village, Jinzhai County	8,187	16	25	45	1,098	848	386	668	585	4,144	16,002	32,229
	Xianhua Village, Jinzhai County-Jinzhai	8,476	17	26	47	1,139	882	403	696	611	4,317	16,614	33,524
	Jinzhai – Gubei	8,703	67	69	63	1,398	901	435	724	608	4,676	17,644	35,751
	Gubei – Dingbu	7,563	19	60	59	1,244	876	401	717	606	4,490	16,035	33,498
	Dingbu – Tian Tang Zhai	6,574	14	41	48	1,074	852	395	711	605	4,422	14,736	31,947
	Tian Tang Zhai – Changlingguan	5,584	8	9	33	915	828	389	701	605	4,346	13,418	30,341
	Average	7,662	34	47	53	1,203	873	410	711	605	4,486	16,084	33,525

Note:

(1) Before 2020, the vehicle classification for toll rates of Liuwu Expressway was implemented in accordance with the "Vehicle Classification for Toll Rates of Toll Road" (JT/T-489-2003); From 1 January 2020, the vehicle classification for toll rates of Liuwu Expressway has been implemented according to the "Vehicle Classification for Toll Rates of Toll Road" (JT/T-489 – 2019). There are differences in the above classification standards for various types of passenger vehicles and goods vehicles, so the traffic volume of different types of vehicles before and after 2020 in the above table cannot be directly comparable.

(2) The "absolute total" traffic volume refers to the sum of traffic volume of all types of vehicles and does not take into account the difference in the types of vehicles creating the traffic volume. On the other hand, the "converted total" traffic volume takes into account the difference in the types of vehicles creating the traffic volume and is computed by multiplying the traffic volume created by different types of vehicles with coefficients assigned to such types of vehicles, with a view to convert all traffic volume created by different types of vehicles into traffic volume created by a specific type of passenger vehicle. Such coefficients are assigned to different types of vehicles in accordance with the "Technical Standards of Road Engineering" (《公路工程技術標準》, JTGB01–2014) of the PRC and taking into account the characteristics of the road traffic in the relevant region in which the Liuwu Expressway is situated.

As it is observed from the above table that, the traffic volume of each of the sections of Liuwu Expressway basically increased at a steady growth trend before 2019. In 2020, the traffic volume decreased due to the impact of public health events. In 2021, the overall traffic volume of Liuwu Expressway increased at a rapid growth rate with gradual diminishing of the impact of public health events. After the public health events are under control in the future, the traffic volume will continue to increase with the development of economy and society.

Year	**Liuwu Expressway**	
	Toll revenue (tax inclusive)	**Growth rate**
2009	15	/
2010	2,391	/
2011	13,721	/
2012	21,310	55.31%
2013	29,438	38.14%
2014	35,457	20.45%
2015	37,757	6.49%
2016	37,651	-0.28%
2017	44,244	17.51%
2018	47,581	7.54%
2019	56,102	17.91%
2020	41,378	-26.25%
2021	57,678	39.39%
2022	53,988	-6.40%

The toll revenue of Liuwu Expressway is subject to a simplified taxing method with 3% VAT rate, and the toll revenue in the above table for the historical period is revenue (tax inclusive) including VAT.

As it is observed from the above table that, toll revenue of Liuwu Expressway grew at a relatively faster rate from 2017 to 2019, and the traffic volume decreased and toll revenue declined in 2020 due to public health events. However, in 2021, the toll revenue increased as compared to 2019, and toll revenue declined slightly in 2022 as compared to 2021 due to (i) changes of policies in the management of public health events and (ii) the influences of the temporary year-end preferential policies for access to the expressway (namely the "Notice in relation to the implementation work of the Temporary Reduction of Toll Fee for Trucks on Toll Expressways" (《關於做好階段性減免收費公路貨車通行費有關工作的通知》published by the Ministry of Transport and Ministry of Finance in the PRC, the "Notice on Temporary Reduction of Truck Toll Fee") which were in force during the fourth quarter of 2022. Pursuant to the Notice on Temporary Reduction of Truck Toll Fee, all expressways within the PRC (including the Liuwu Expressway) were required to impose a further 10% discount (in addition to any existing discount policies) on toll fee for trucks during the period between 1 October 2022 to 31 December 2022. Accordingly, the toll revenue of Liuwu Expressway in 2022 were affected by the implementation of the Notice on Temporary Reduction of Truck Toll Fee.

(ii) Revenue forecast for main business

CHELBI Engineering Consultants, Inc. is a professional organization for traffic volume forecast and research, which has made traffic volume and toll forecast for Liuwu Expressway and issued the Report on Traffic Flow Evaluation and Income Calculation for Anhui Section of the Liuwu Expressway. As review made by the professional valuers on the relevant calculation basis and financial analysis data in the report, the forecast of toll revenue was determined by directly converting the conclusion of the above-mentioned report into revenue (tax exclusive). As a result, the forecast of toll revenue of highway operation rights for future operating years in this valuation was based on the Report on Traffic Flow Evaluation and Income Calculation for Anhui Section of the Liuwu Expressway.

According to the disclosure in the Report on Traffic Flow Evaluation and Income Calculation for Anhui Section of Liuwu Expressway, the process of the traffic volume and toll revenue forecast is as follows:

(a) Through survey of the traffic volume of the on-site road network and collection of the regional traffic volume survey data related to expressways, the regional traffic and travel characteristics will be grasped, and combining the traffic volume data surveyed and collected with the networking data of expressways in Anhui Province, the basic OD data for the traffic volume forecast of the project will be developed;

(b) Conducting social, economic and traffic studies in the main attraction occurrence areas based on the composition of the directions of traffic flow, analyzing and predicting the elasticity coefficient, and adopting the elasticity coefficient method to further predict the growth of traffic volume;

(c) Adopting a "four-stage approach", establishing a model of the relationship between economic society and transport indicators based on the survey on transport and economic society, and applying the current OD data to forecast the traffic distribution, while fully considering the impact of other modes of transport on highway traffic;

(d) Studying the travel route choice of the regional traffic volume from the perspective of regional traffic and travel, carrying out traffic distribution, forecasting and arriving at the future traffic volume of the relevant sections of the project, and finally developing the final traffic volume forecast of the relevant sections of the project;

(e) According to the toll standard prescribed under the "Notice on Issuing the Adjustment Plan for the Toll Charging Methods of Toll Roads in Anhui Province by the Department of Transportation of Anhui Province, Anhui Provincial Development and Reform Committee and Anhui Provincial Finance Department" (Anhui Jiao Lu [2019] No. 144), the toll rates were adjusted in accordance with the relevant requirements of the Adjustment Plan for the Toll Charging Methods of Toll Roads in Anhui Province (Specifically, the passenger vehicles are charged by vehicle type and goods vehicles are charged by axle) and relevant preferential policies;

(f) Taking into consideration the traffic volume forecast and the adjusted toll rates, the toll revenue for the forecast period is arrived at.

After implementing the above analysis, the traffic volume forecast for Liuwu Expressway is shown in the following table:

Unit: Vehicles/Day

	Passenger vehicles				Goods vehicles						Absolute	Converted
Year	**Class 1**	**Class 2**	**Class 3**	**Class 4**	**Class 1**	**Class 2**	**Class 3**	**Class 4**	**Class 5**	**Class 6**	**Total**	**total**
											(Note)	*(Note)*
2023	10,523	28	68	80	1,220	846	336	620	548	4,162	18,431	34,491
2024	10,310	31	67	81	1,187	821	320	600	538	4,077	18,033	33,742
2025	10,662	36	70	86	1,219	842	323	613	556	4,216	18,623	34,842
2026	10,846	40	72	90	1,232	849	320	616	567	4,296	18,929	35,429
2027	10,845	44	73	93	1,223	842	311	609	567	4,296	18,901	35,372
2028	11,036	48	75	97	1,242	849	307	612	578	4,373	19,217	35,958
2029	11,373	53	78	103	1,276	868	307	623	596	4,508	19,786	37,019
2030	11,780	59	81	110	1,317	891	309	637	618	4,671	20,474	38,303
2031	12,182	64	84	116	1,362	916	313	653	640	4,836	21,167	39,603
2032	12,580	69	88	122	1,406	940	315	669	662	5,000	21,851	40,888
2033	12,962	75	91	128	1,447	962	317	683	683	5,158	22,507	42,121
2034	13,336	81	94	135	1,487	984	319	696	704	5,313	23,148	43,328
2035	13,961	89	99	145	1,545	1,021	323	719	737	5,562	24,201	45,294
2036	14,457	95	104	152	1,589	1,049	329	737	764	5,759	25,035	46,855
2037	14,861	102	107	159	1,621	1,071	332	750	785	5,920	25,709	48,117
2038	15,218	108	110	166	1,648	1,089	334	761	805	6,061	26,299	49,221
2039	15,562	114	113	173	1,672	1,106	336	770	823	6,198	26,867	50,285

Note: The "absolute total" traffic volume refers to the sum of traffic volume of all types of vehicles and does not take into account the difference in the types of vehicles creating the traffic volume. On the other hand, the "converted total" traffic volume takes into account the difference in the types of vehicles creating the traffic volume and is computed by multiplying the traffic volume created by different types of vehicles with coefficients assigned to such types of vehicles, with a view to convert all traffic volume created by different types of vehicles into traffic volume created by a specific type of passenger vehicle. Such coefficients are assigned to different types of vehicles in accordance with the "Technical Standards of Road Engineering" (《公路工程技術標準》, JTGB01–2014) of the PRC and taking into account the characteristics of the road traffic in the relevant region in which the Liuwu Expressway is situated.

The forecast of the revenue (excluding VAT) of main business of Liuwu Expressway is as follows:

Unit: RMB'0,000

Item Name	**2023**	**2024**	**2025**	**2026**	**2027**
Toll revenue	54,311.18	53,130.23	54,860.15	55,784.61	55,693.81

Item Name	**2028**	**2029**	**2030**	**2031**	**2032**
Toll revenue	56,613.56	58,281.19	60,301.89	62,347.51	64,368.81

Item Name	**2033**	**2034**	**2035**	**2036**	**2037**
Toll revenue	66,309.96	68,209.97	71,302.95	73,758.83	75,745.29

Item Name	**2038**	**2039**
Toll revenue	77,483.12	79,157.20

(2) Operating cost forecast

Costs of the main business mainly include road maintenance costs, mechanical and electrical maintenance costs, road assets safety expenses, production operating expenses, mechanical and electrical maintenance – electricity charge, networking settlement service fees, depreciation of fixed assets, amortization of intangible assets, cost – employee compensation and accrued safety production expenses.

(a) Road maintenance costs: The road maintenance costs are the daily maintenance expenses for preventive, restorative, special maintenance, emergency maintenance and other types of pavement maintenance and regular maintenance and repair of the road and its facilities along the road, as well as the separately approved special maintenance expenses for daily road crossing cleaning and pavement marking for each component (including ancillary facilities) of the road. Based on the combination of historical maintenance expenditures, the enterprise made a forecast of future maintenance expenditures, with special maintenance expenditures estimated based on historical annual average growth level and other costs forecast based on corresponding quotas; and the expenditures for the refurbishment of the entire road surface were finally estimated in the year when the toll period expired for consideration.

(b) Mechanical and electrical maintenance costs: The mechanical and electrical maintenance costs are daily costs incurred during the course of normal operation of the enterprise. The enterprise has estimated the future mechanical and electrical maintenance costs based on the historical mechanical and electrical expenditures and the mechanical and electrical budget of Liuwu Expressway for 2023, including: based on the mechanical and electrical budget expenditures of Liuwu Expressway for 2023, and based on a certain growth rate from 2024 to 2029.

(c) Mechanical and electrical maintenance – electricity charge: It is the daily cost incurred during the course of normal operation of the enterprise. The electricity cost in 2023 is estimated based on the electricity budget provided by the enterprise, and the forecast for 2024 and subsequent years is based on the average growth rate of electricity charge in the past years;

(d) Production operating expenses and road assets safety expenses: These are the operating costs incurred by the enterprise in daily operations. After a comprehensive analysis of the historical situation, future forecast will be made based on the proportion of revenue in 2022 excluding contingent expenses multiplied by the revenue for each year of the forecast period;

(e) Networking settlement service fees: According to the Operation Service Agreement for Toll Road Network of Anhui Province entered into between the Target Company and United Card Holding Co., Ltd. and the Operation Service Agreement of Toll Road Network of Anhui Province entered into between the Target Company and Anhui Expressway Network Operations Company Limited, the settlement standard rate of service fee is 0.33% and 0.23% of the networking settlement toll respectively, and in this valuation, forecast was made in accordance with the settlement standard of networking settlement toll;

(f) Safety fees: According to the Regulation of Enterprise on Withdrawal and Usage of Its Safety Production Fee (Cai Zi [2022] No. 136): Based on the operating revenue of the previous year, the amount of the accrued safety fees for the current year is determined, which are withdrawn at 1% of the revenue month by month; the accrued safety production fees will be terminated until it is higher than 1.5% of the revenue of the previous year. In this valuation, forecast was made in accordance with the above-mentioned Regulation of Enterprise on Withdrawal and Usage of Its Safety Production Fee;

(g) Depreciation and amortization: Based on the existing and new fixed assets of Liuwu Expressway, the forecast is made in accordance with the existing depreciation and amortization policies of the enterprise as follows:

Fixed assets are depreciated using the straight-line method, and the useful lives, estimated net residual value rates and annual depreciation rates of the fixed assets by category are as follows:

	Useful lives	**Estimated net residual value rates**	**Annual depreciation rates**
Buildings	17 years to 30 years	3%	3.2%-5.7%
Safety facilities	10 years	3%	9.7%
Communication and surveillance facilities	10 years	3%	9.7%
Toll facilities	7 years	3%	13.9%
Mechanical equipment	9 years	3%	10.8%
Vehicles	9 years	3%	10.8%
Other equipment	6 years	3%	16.2%

The Target Company reviews the useful lives and estimated net residual value of fixed assets and the depreciation method applied at least once at the end of each year and makes adjustment when necessary.

The useful lives of intangible assets are as follow:

	Useful lives
Toll road concession	30 years
Purchased software	2 years

Intangible assets with finite useful lives are amortized over their useful lives using the straight-line method. The Target Company reviews the useful lives and the amortization method for intangible assets with finite useful lives at least once at each year-end, and makes adjustment when necessary.

(h) Cost-employee compensation: Based on the analysis of historical annual wages per capita, forecast is made according to the staffing and wage payment standards of the valued enterprise and taking into account the company's remuneration system. The forecast of five insurances (namely pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance) and two funds (namely housing provident fund and enterprise annuity), welfare expenses, labor union expenses and educational expenses are made in accordance with the accrual policies of the valued enterprise.

After implementation of the above analysis, the forecast of main operating costs is shown as follows:

Unit: RMB'0,000

Item Name	2023	2024	2025	2026	2027
Road maintenance costs	5,119.71	5,355.70	5,603.48	5,863.66	6,136.84
Mechanical and electrical maintenance costs	370.00	377.00	385.00	393.00	401.00
Road assets safety expenses	25.87	25.31	26.14	26.58	26.53
Production operating expenses	87.43	85.53	88.32	89.81	89.66
Mechanical and electrical maintenance – electricity cost	355.00	377.00	401.00	426.00	453.00
Networking settlement service fees	304.14	297.53	307.22	312.39	311.89
Depreciation of fixed assets	1,803.14	1,845.69	1,860.34	1,843.50	1,828.01
Amortization of intangible assets	14,185.84	14,185.84	14,185.84	14,185.84	14,185.84
Cost – employee compensation	1,100.92	1,180.30	1,262.01	1,349.36	1,443.68
Accrued safety production expenses	–	–	–	–	–
Total	23,352.07	23,729.90	24,119.35	24,490.14	24,876.45

Item Name	2028	2029	2030	2031	2032
Road maintenance costs	6,423.68	6,724.86	7,041.11	7,373.16	7,721.82
Mechanical and electrical maintenance costs	409.00	417.00	425.00	434.00	443.00
Road assets safety expenses	26.97	27.77	28.73	29.70	30.67
Production operating expenses	91.14	93.82	97.08	100.37	103.62
Mechanical and electrical maintenance – electricity charge	482.00	512.00	544.00	578.00	614.00
Networking settlement service fees	317.04	326.37	337.69	349.15	360.47
Depreciation of fixed assets	1,819.77	1,755.38	1,713.77	1,791.17	1,788.55
Amortization of intangible assets	14,185.84	14,185.84	14,185.84	14,185.84	14,185.84
Cost – employee compensation	1,541.55	1,641.75	1,748.46	1,862.11	1,983.15
Accrued safety production expenses	–	–	50.25	–	53.64
Total	25,296.99	25,684.79	26,171.93	26,703.51	27,284.76

Item Name	2033	2034	2035	2036	2037
Road maintenance costs	8,087.91	8,472.31	8,875.92	9,299.72	9,744.70
Mechanical and electrical maintenance costs	452.00	461.00	470.00	479.00	489.00
Road assets safety expenses	31.59	32.50	33.97	35.14	36.09
Production operating expenses	106.75	109.81	114.79	118.74	121.94
Mechanical and electrical maintenance – electricity charge	653.00	694.00	738.00	785.00	835.00
Networking settlement service fees	371.34	381.98	399.30	413.05	424.17
Depreciation of fixed assets	1,770.69	1,836.22	1,955.14	2,138.93	2,317.87
Amortization of intangible assets	14,185.84	14,185.84	14,185.84	14,185.84	14,185.84
Cost – employee compensation	2,112.05	2,249.33	2,395.54	2,551.25	2,717.08
Accrued safety production expenses	–	56.84	–	61.47	63.12
Total	27,771.17	28,479.83	29,168.50	30,068.14	30,934.82

Item Name	2038	2039
Road maintenance costs	10,211.94	18,130.92 *(Note)*
Mechanical and electrical maintenance costs	499.00	509.00
Road assets safety expenses	36.91	37.71
Production operating expenses	124.74	127.43
Mechanical and electrical maintenance – electricity charge	888.00	944.00
Networking settlement service fees	433.91	443.28
Depreciation of fixed assets	2,571.38	2,843.55
Amortization of intangible assets	14,185.84	13,077.17
Cost – employee compensation	2,893.69	3,049.06
Accrued safety production expenses	–	65.96
Total	31,845.42	39,228.09

Note:

Pursuant to the Regulations on Management of Toll Expressway (《收費公路管理條例》) of the PRC, the Target Company is required to return the road assets of Liuwu Expressway to the PRC government in prescribed standards and at no cost upon the expiry of the concession period in 2039. Therefore, the projected road maintenance costs in 2039 are higher than the projected road maintenance costs during 2023 to 2038 taking into account the need to perform maintenance work on the road assets to attain the prescribed standards for the returning of the road assets to the PRC government pursuant to the aforementioned regulations.

(3) Forecast of taxes and surcharges

As disclosed in the audited financial report of the Target Company as of the benchmark date, the taxes for the Target Company are mainly VAT, urban construction tax, education surcharge, local education surcharge, stamp duty, water conservancy fund, property tax and land use tax.

The toll revenue is subject to a simplified taxing method, and the annual VAT for each year is determined at 3% of the revenue of a future year;

The urban construction tax, education surcharge and local education surcharge are calculated based on the payable VAT, and are estimated at the prescribed tax rates;

The stamp duty is estimated at 0.03% of the maintenance and mechanical and electrical engineering contract;

The water conservancy fund is estimated at 0.06% of revenue of the previous year;

The property tax is estimated at 70% of the original value of the property and the prescribed tax rate. The land tax is estimated based on the land area and at the prescribed tax rate. According to the Notice Issued from Anhui Provincial Taxation Bureau under the State Taxation Administration on Exemption of Property Tax and Urban Land Use Tax for "Six Major Industries" Taxpayers and Small-scale Value-added Taxpayers in the First Half of 2023 (Notice [2023] No. 1), the Target Company is exempt from property tax and land tax from January to June 2023.

After implementation of the above analysis, forecast of taxes and surcharges is shown as follows:

Unit: RMB'0,000

Item Name	**2023**	**2024**	**2025**	**2026**	**2027**
Total of sales tax and surcharge	222.54	235.85	240.40	244.30	244.66

Item Name	**2028**	**2029**	**2030**	**2031**	**2032**
Total of sales tax and surcharge	247.46	253.10	260.26	267.71	275.11

Item Name	**2033**	**2034**	**2035**	**2036**	**2037**
Total of sales tax and surcharge	282.26	289.24	299.79	309.14	316.71

Item Name	**2038**	**2039**
Total of sales tax and surcharge	323.26	331.70

(4) Management fee forecast

The management fee is composed of road property management service fee and rental expenses.

(a) Road property management service fee: The forecast of road property management service fee is made based on the analysis of the content and change trend of each of the fees in historical years. Road property management service fee of 2023 is estimated based on the Service Agreement signed between the Target Company and Anhui Transportation Holding Group Company Limited Liuan North Management Center. Such service fee is mainly used to cover the personnel costs of the management services provided by Anhui Transportation Holding Group Company Limited Liuan North Management Center to Liwu Company, the road property management service fee is, therefore, estimated based on the scope of services provided and personnel arrangements, as well as the personnel remuneration system of Anhui Transportation Holding Group Company Limited Liuan North Management Center for 2024 and subsequent years;

(b) Rental expenses: The rental expenses refer to the rental of office space by the Target Company, and this assessment is based on the amount agreed in the lease contract signed between the Target Company and Anhui Transportation Holding.

The estimated management fee for each of the years is shown in the following table:

Unit: RMB'0,000

Item Name	2023	2024	2025	2026	2027
road property management service fee	736.29	784.14	835.11	889.40	947.21
rental expenses	1.23	1.23	1.23	1.23	1.23
Total management fee	737.51	785.37	836.34	890.62	948.44

Item Name	2028	2029	2030	2031	2032
road property management service fee	1,008.78	1,074.35	1,144.18	1,218.55	1,297.76
rental expenses	1.23	1.23	1.23	1.23	1.23
Total management fee	1,010.00	1,075.57	1,145.41	1,219.78	1,298.98

Item Name	2033	2034	2035	2036	2037
road property management service fee	1,382.11	1,471.95	1,567.62	1,669.52	1,778.04
rental expenses	1.23	1.23	1.23	1.23	1.23
Total management fee	1,383.34	1,473.18	1,568.85	1,670.75	1,779.27

Item Name	2038	2039
road property management service fee	1,893.61	2,016.70
rental expenses	1.23	1.23
Total management fee	1,894.84	2,017.92

(5) Income tax forecast

Since the income tax rate for the Target Company is 25%, the income tax rate for the estimate year is estimated at 25%.

According to the tax policy, the production safety expenses provided by the enterprises need to be adjusted. According to the Announcement of the State Taxation Administration on the Pre-taxation Deduction of Simple Production Maintenance Fee for Coal Mining Enterprises and Safety Production Fee for Enterprises in High-Risk Industries (State Taxation Administration Announcement No. 26 of 2011): the simple production maintenance fee and safety production fee that are provided by enterprises in accordance with relevant regulations shall not be deducted before tax.

The expected income taxes for each of the years are shown in the following table:

Unit: RMB'0,000

Item Name	**2023**	**2024**	**2025**	**2026**	**2027**
Total profit	29,999.06	28,379.11	29,664.06	30,159.55	29,624.25
Safety production fee adjustment	0.00	0.00	0.00	0.00	0.00
Income tax rate	25%	25%	25%	25%	25%
Income tax	7,499.77	7,094.78	7,416.01	7,539.89	7,406.06

Item Name	**2028**	**2029**	**2030**	**2031**	**2032**
Total profit	30,059.11	31,267.71	32,724.29	34,156.51	35,509.95
Safety production fee adjustment	0.00	0.00	50.25	0.00	53.64
Income tax rate	25%	25%	25%	25%	25%
Income tax	7,514.78	7,816.93	8,193.63	8,539.13	8,890.90

Item Name	**2033**	**2034**	**2035**	**2036**	**2037**
Total profit	36,873.19	37,967.71	40,265.81	41,710.80	42,714.49
Safety production fee adjustment	0.00	56.84	0.00	61.47	63.12
Income tax rate	25%	25%	25%	25%	25%
Income tax	9,218.30	9,506.14	10,066.45	10,443.07	10,694.40

Item Name	**2038**	**2039**
Total profit	43,419.60	37,579.49
Safety production fee adjustment	0.00	65.96
Income tax rate	25%	25%
Income tax	10,854.90	9,411.36

(6) Forecast of non-out-of-pocket costs such as depreciation and amortization

(i) Forecast of depreciation and amortization

The fixed assets of the valuation subject mainly include buildings, vehicles, machinery and equipment, electronic equipment, land, etc. Fixed assets are valued at the actual cost at the time of acquisition; In this valuation, the depreciation amount for the future operating period was estimated in accordance with the depreciation policy for fixed assets implemented by the enterprise, based on the appraised value of the audited fixed assets as of the benchmark date and the enterprise's plan to add new fixed assets in the future, etc.. The intangible assets of the valuation subject mainly include land use rights, road assets and software. In this valuation, the amortization amount for the future operation period was estimated in accordance with the amortization policy and the amortization period of intangible assets implemented by the enterprise, based on the audited book value as of the benchmark date and the enterprise's plan to add intangible assets in the future.

The estimated depreciation and amortization for each year are shown in the following table:

Unit: RMB'0,000

Item Type	**2023**	**2024**	**2025**	**2026**	**2027**
Depreciation	1,803.14	1,845.69	1,860.34	1,843.50	1,828.01
Amortization	14,185.84	14,185.84	14,185.84	14,185.84	14,185.84
Item Type	**2028**	**2029**	**2030**	**2031**	**2032**
Depreciation	1,819.77	1,755.38	1,713.77	1,791.17	1,788.55
Amortization	14,185.84	14,185.84	14,185.84	14,185.84	14,185.84
Item Type	**2033**	**2034**	**2035**	**2036**	**2037**
Depreciation	1,770.69	1,836.22	1,955.14	2,138.93	2,317.87
Amortization	14,185.84	14,185.84	14,185.84	14,185.84	14,185.84
Item Type	**2038**	**2039**			
Depreciation	2,571.38	2,843.55			
Amortization	14,185.84	13,077.17			

(ii) Safety Production Fee Forecast

The safety production fee charged by the enterprise, in accordance with the Administrative Measures for the Withdrawal and Usage of Expenses for Safety Production of Enterprises (Cai Zi [2022] No. 136), are non-cash expenses incurred by the Target Company during the operating period. The specific details are shown in "(2) Operating cost forecast" in this section.

(iii) Deferred Income Tax Forecast

The deferred income tax is mainly generated by the change in the deferred income tax assets resulting from book-tax difference occurred from the amortization of the toll road concession of the Target Company and is a non-cash cost incurred by the Target Company during the operating period.

The adjustments to the estimated deferred income tax for each of the years are set out in the following table:

Unit: RMB'0,000

Item Type	**2023**	**2024**	**2025**	**2026**	**2027**
Deferred income tax	568.57	568.57	568.57	568.57	568.57
Item Type	**2028**	**2029**	**2030**	**2031**	**2032**
Deferred income tax	568.57	568.57	568.57	568.57	568.57
Item Type	**2033**	**2034**	**2035**	**2036**	**2037**
Deferred income tax	568.57	568.57	568.57	568.57	568.57
Item Type	**2038**	**2039**			
Deferred income tax	568.57	862.70			

(7) Additional Capital Forecast

Additional capital refers to the operation funds required to be increased and long-term capital input exceeding one year without changing the current operating and production conditions, such as the capital investment required for expansion of production capacity (fixed assets purchased), as well as the additional operation funds required and replacement of assets necessary for continued operation.

In this valuation, it was assumed that the valuation subject would make appropriate capital investment to enhance its current operation capacity as needed. The additional capital during the future operating period mainly includes the replacement of the existing assets as of the benchmark date, the increase in operation funds and capital expenditures necessary for continued operation. Therefore, the additional capital, as defined in the Asset Valuation Report, is:

additional capital =asset replacement + increase in working capital + capital expenditure

Forecast of asset replacement investment

Based on the premise and foundation of the earnings forecast and while maintaining the current scale and condition of the assets, taking into account the historical annual replacement and depreciation and recovery of the assets of the enterprise, the estimation of future asset replacement and transformation expenses are made. It is assumed that the assets will be replaced when they reach the end of their useful lives.

Forecast of increase in working capital

The increase in working capital represents the operating capital that the enterprise requires to be increased, without changing the current conditions of its principal business, so as to maintain normal business operations, which are additional funds needed to maintain the enterprise's ability to operate on a going concern basis, such as the basic capital required for maintaining normal business operations, including cash reserves, inventory purchases, and advance payments for goods (receivables) on behalf of customers, as well as payables. The increase in working capital refers to the cash occupied by acquiring commercial credit of others due to changes in the company's operating activities, as well as the cash reserves and inventory required to maintain normal business operations. In addition, in economic activities, providing commercial credit can correspondingly reduce the immediate payment of cash. Usually, the contents of other receivables and payables are irrelevant to or temporarily dealing with the main business, so they need to be specifically distinguished and determined based on their relevance to the estimated business operations. Therefore, estimating the increase in working capital only needs to consider the main factors such as cash reserves, receivables, inventory, and payables required for normal business operations. The increased amount in working capital, as defined in the Asset Valuation Report, is:

Increase in working capital = working capital in the current period – working capital in the previous period

where:

Working capital = operating cash + inventory + receivables – payables

Operating cash = total annual cash cost/12

Total annual cash cost = total cost of sales + total expenses in the period – total non-cash cost

Inventory = total operating cost/inventory turnover

Receivables = Total Operating Revenue/Receivable Turnover Ratio

Payables = Total Operating Costs/Payable Turnover Ratio

Based on the investigation of the operating conditions of the valuation subject and the statistical analysis of the audited historical assets, profit or loss, income and costs and expenses, as well as the estimated results of the income and costs for each year of the future operating period, and according to the above definition, the operating cash (minimum cash holdings), inventory, receivables, payables, and their increase in working capital for each year of the future operating period can be arrived at.

The forecast of working capital is shown in the following table:

Unit: RMB'0,000

Item Name	**2023**	**2024**	**2025**	**2026**	**2027**
Minimum cash holdings	693.59	726.63	762.49	799.64	837.97
Inventory	13.46	13.70	13.94	14.18	14.43
Receivables	740.04	723.95	747.52	760.12	758.88
Payables	2,562.79	2,608.07	2,654.93	2,700.15	2,747.40
Working capital	-1,115.69	-1,143.80	-1,130.97	-1,126.21	-1,136.12
Increase in working capital	628.95	-28.10	12.82	4.76	-9.91

Item Name	**2028**	**2029**	**2030**	**2031**	**2032**
Minimum cash holdings	879.07	922.69	968.98	1,017.83	1,069.24
Inventory	14.70	14.95	15.26	15.60	15.97
Receivables	771.41	794.14	821.67	849.54	877.08
Payables	2,798.69	2,846.92	2,906.17	2,970.64	3,040.90
Working capital	-1,133.51	-1,115.15	-1,100.26	-1,087.66	-1,078.61
Increase in working capital	2.61	18.36	14.88	12.60	9.05

Item Name	**2033**	**2034**	**2035**	**2036**	**2037**
minimum cash holdings	1,123.35	1,180.28	1,241.35	1,305.15	1,372.00
Inventory	16.29	16.73	17.17	17.73	18.28
Receivables	903.53	929.42	971.57	1,005.03	1,032.10
Payables	3,101.62	3,186.57	3,270.01	3,376.56	3,480.31
Working capital	-1,058.45	-1,060.13	-1,039.93	-1,048.65	-1,057.94
Increase in working capital	20.17	-1.69	20.21	-8.72	-9.29

Item Name	**2038**	**2039**
minimum cash holdings	1,442.19	2,132.59
Inventory	18.85	23.04
Receivables	1,055.78	1,078.59
Payables	3,589.48	4,387.98
Working capital	-1,072.66	-1,153.76
Increase in working capital	-14.72	-81.10

(iii) Forecast of capital expenditure

In this valuation, there was no capital expenditure during the forecast period.

(8) Results of Cash Flow Forecast

The forecast of future earnings in this valuation was mainly, based on market research and analysis of the relevant industry, a professional judgment made based on the comprehensive situation including the operating conditions of comparable enterprises, market demand, and future development of the relevant industry. When making the forecast, the profit or loss resulting from non-operating income and expenses, subsidy income, and other non-recurring income were not taken into consideration. The forecast of future equity cash flows are shown in the following table:

Unit: RMB'0,000

Items	2023	2024	2025	2026	2027
Operating revenue	54,311.18	53,130.23	54,860.15	55,784.61	55,693.81
Operating costs	23,352.07	23,729.90	24,119.35	24,490.14	24,876.45
Business taxes and surcharges	222.54	235.85	240.40	244.30	244.66
Administrative expenses	737.51	785.37	836.34	890.62	948.44
Finance costs	0.00	0.00	0.00	0.00	0.00
Operating profit	29,999.06	28,379.11	29,664.06	30,159.55	29,624.25
Total profit	29,999.06	28,379.11	29,664.06	30,159.55	29,624.25
Income tax	7,499.77	7,094.78	7,416.01	7,539.89	7,406.06
Net profit	22,499.30	21,284.33	22,248.04	22,619.66	22,218.19
Add: depreciation, amortization, etc.	16,557.56	16,600.10	16,614.75	16,597.91	16,582.42
Less: Increase in working capital	628.95	-28.10	12.82	4.76	-9.91
Less: Asset replacement	1,211.21	765.74	835.84	741.03	830.60
Net cash flows	37,216.69	37,146.80	38,014.13	38,471.78	37,979.92

Items	2028	2029	2030	2031	2032
Operating revenue	56,613.56	58,281.19	60,301.89	62,347.51	64,368.81
Operating costs	25,296.99	25,684.79	26,171.93	26,703.51	27,284.76
Business taxes and surcharges	247.46	253.10	260.26	267.71	275.11
Administrative expenses	1,010.00	1,075.57	1,145.41	1,219.78	1,298.98
Finance costs	0.00	0.00	0.00	0.00	0.00
Operating profit	30,059.11	31,267.71	32,724.29	34,156.51	35,509.95
Total profits	30,059.11	31,267.71	32,724.29	34,156.51	35,509.95
Income tax	7,514.78	7,816.93	8,193.63	8,539.13	8,890.90
Net profit	22,544.33	23,450.78	24,530.65	25,617.38	26,619.05
Add: depreciation, amortization, etc.	16,574.18	16,509.79	16,518.44	16,545.59	16,596.61
Less: Increase in working capital	2.61	18.36	14.88	12.60	9.05
Less: Asset replacement	687.59	1,306.21	937.74	1,021.34	823.58
Net cash flows	38,428.32	38,636.00	40,096.47	41,129.02	42,383.03

Items	2033	2034	2035	2036	2037
Operating revenue	66,309.96	68,209.97	71,302.95	73,758.83	75,745.29
Operating costs	27,771.17	28,479.83	29,168.50	30,068.14	30,934.82
Business taxes and surcharges	282.26	289.24	299.79	309.14	316.71
Administrative expenses	1,383.34	1,473.18	1,568.85	1,670.75	1,779.27
Finance costs	0.00	0.00	0.00	0.00	0.00
Operating profit	36,873.19	37,967.71	40,265.81	41,710.80	42,714.49
Total profit	36,873.19	37,967.71	40,265.81	41,710.80	42,714.49
Income tax	9,218.30	9,506.14	10,066.45	10,443.07	10,694.40
Net profit	27,654.89	28,461.57	30,199.36	31,267.73	32,020.08
Add: depreciation, amortization, etc.	16,525.10	16,647.48	16,709.55	16,954.81	17,135.40
Less: Increase in working capital	20.17	-1.69	20.21	-8.72	-9.29
Less: Asset replacement	902.65	829.09	1,524.67	1,166.69	900.34
Net cash flows	43,257.17	44,281.66	45,364.03	47,064.57	48,264.44

Items	2038	2039
Operating revenue	77,483.12	79,157.20
Operating costs	31,845.42	39,228.09
Business taxes and surcharges	323.26	331.70
Administrative expenses	1,894.84	2,017.92
Finance costs	0.00	0.00
Operating profit	43,419.60	37,579.49
Total profit	43,419.60	37,579.49
Income tax	10,854.90	9,411.36
Net profit	32,564.70	28,168.12
Add: depreciation, amortization, etc.	17,325.80	16,849.37
Less: Increase in working capital	-14.72	-81.10
Less: Asset replacement	683.58	481.65
Net cash flows	49,221.64	44,616.95

(9) Recovery value of assets as at the end of the operating period

The recovery of the assets of the valuation subject as at the end of the period mainly comprises working capital recovery and fixed asset recovery.

(i) Working Capital Recovery

Additional working capital is recovered as at the end of the operating period and the amount to be recovered is determined at the amount of working capital as at the end of the revenue period.

(ii) Fixed Asset Recovery

Assets of the valuation subject accounted for as fixed assets which are not required to be handed over to the government as at the end of the operating period, and the recovery amount of fixed assets after the termination of their operation period with reference to the recovery rate of the valuation subject for the disposal of equipment in recent years and the full replacement value of existing fixed assets was used as the basis.

(10) Results of operating assets valuation

Based on the cash flow estimate mentioned above and the recovery value of the period-end assets as at the expiry of the operating period, discounted at the discount rate which had been arrived at, the enterprise's operating asset was valued at RMB3,602.42 million. The detailed calculation results are shown in the following table:

Unit: RMB'0,000

Item	**2023**	**2024**	**2025**	**2026**	**2027**
Net cash flows	37,216.69	37,146.80	38,014.13	38,471.78	37,979.92
Discount rate	0.0900	0.0900	0.0900	0.0900	0.0900
Discount factor	0.9578	0.8787	0.8061	0.7395	0.6785
Present value	35,646.65	32,641.07	30,644.33	28,451.77	25,768.14

Item	**2028**	**2029**	**2030**	**2031**	**2032**
Net cash flows	38,428.32	38,636.00	40,096.47	41,129.02	42,383.03
Discount rate	0.0900	0.0900	0.0900	0.0900	0.0900
Discount factor	0.6224	0.5710	0.5239	0.4806	0.4409
Present value	23,918.97	22,062.02	21,004.93	19,766.31	18,686.64

Item	**2033**	**2034**	**2035**	**2036**	**2037**
Net cash flows	43,257.17	44,281.66	45,364.03	47,064.57	48,264.44
Discount rate	0.0900	0.0900	0.0900	0.0900	0.0900
Discount factor	0.4045	0.3711	0.3404	0.3123	0.2865
Present value	17,496.83	16,431.87	15,443.19	14,698.78	13,828.55

Item	**2038**	**2039**
Net cash flows	49,221.64	44,616.95
Discount rate	0.0900	0.0900
Discount factor	0.2629	0.2413
Present value	12,938.01	10,764.11
Total expected net cash flows	360,192.18	
Recovery value of assets at the end of the operating period	50.60	
Value of the operating assets	360,242.78	

4. Determination of appraised value of non-operating or surplus assets (liabilities)

It was verified that as at the valuation benchmark date, it was disclosed in the balance sheet which had been audited by the accountants that the value of the following assets were not taken into account in this estimate of operating assets and should be categorized as surplus non-operating assets beyond the value of operating assets forecasted in this valuation.

C1: The value of surplus current or non-operating assets (liabilities) of the valuation subject existing as at the benchmark date;

Other receivables, as disclosed in the audited balance sheet, refer to the current accounts in the accounts of the valuation subject as at the benchmark date which were collected by Anhui Transportation Holding Group on behalf of others. As calculated and verified by the valuers, the accounts were in non-operating transaction nature and will be treated as a surplus assets.

C2: The value of non-current surplus or non-operating assets (liabilities) existing of the valuation subject as at the benchmark date.

Fixed assets, declared by the Target Company and verified by the valuers as assets of the valuation subject held as at the benchmark date for retirement, are treated as surplus assets. The specific situation is shown in the following table:

Unit: RMB'0,000

	Book Value	**Appraised Value**
Other receivables	5,853.08	5,853.08
Subtotal of current surplus/non-operating assets	5,853.08	5,853.08
Fixed assets – assets to be retired	11.36	4.54
Subtotal of non-current surplus/non-operating liabilities	11.36	4.54
C1: Net value of current surplus/non-operating assets (liabilities)	5,853.08	5,853.08
C2: Net value of non-current surplus/non-operating assets (liabilities)	11.36	4.54
C: Net value of surplus/non-operating assets, liabilities	5,864.44	5,857.61

5. Valuation results by adopting income approach

Based on the above, substituting the arrived-at value (P=RMB3,602,427,800) of operating assets and the value (C=RMB58,576,100) of other surplus or non-operating assets existing as at the benchmark date into the valuation model, the value (E=RMB3,661,003,900) of the entire equity interests of the shareholders of the valuation subject was obtained.

As of the valuation benchmark date, the book value of the net assets (the entire shareholders' equity interests) of the Target Company was RMB2,737.5087 million, and the appraised value was RMB3,661.0039 million, with an appraisal appreciation of RMB923.4952 million and an appreciation rate of 33.73%.

SENSITIVITY ANALYSIS OF THE VALUATION OF THE TARGET ASSETS

Taking into account the characteristics of the business model and the extent of the impact of changes in financial indicators of the target company, sensitivity analysis was conducted in respect of valuation results of the Target Assets using operating revenue and discount rate indicators. The specific results of the sensitivity analysis are as follows:

Unit: RMB'0,000

Operating revenue			Discount rate		
Rate of change in revenue	**Value of the entire shareholders' equity interests**	**Rate of change in equity value**	**Rate of change in discount rate**	**Value of the entire shareholders' equity interests**	**Rate of change in equity value**
10%	406,162.45	10.94%	10%	346,523.52	-5.35%
5%	386,131.36	5.47%	5%	356,088.48	-2.73%
0%	366,100.39	0.00%	0%	366,100.39	0.00%
-5%	346,069.40	-5.47%	-5%	376,585.35	2.86%
-10%	326,038.46	-10.94%	-10%	387,571.20	5.86%

SUMMARY OF THE REASONS FOR THE APPRECIATION OF THE TARGET COMPANY'S VALUE UNDER THE ASSET-BASED APPROACH AS COMPARED WITH ITS BOOK VALUE

The major reasons for the appreciation of the Target Company's value under the asset-based approach as compared with its book value are summarised as follows:

(a) Increase in procurement cost as at the Valuation Benchmark Date as compared with the book value of the relevant assets of the Target Company

In respect of inventory, fixed assets – structures and ancillary facilities, intangible assets – land use rights and intangible assets – road assets as set out in the Target Company's financial statements, given the increase in procurement costs and/or construction costs for these assets as at the Valuation Benchmark Date (for reasons such as inflation) as compared with the respective dates on which these assets were initially acquired, the value of these assets have appreciated as compared with the book value (being their original acquisition/construction costs).

(b) Difference in the useful economic lives adopted in the valuation as compared with the depreciation period adopted in the Target Company's financial statements

The value of machineries, vehicles and electronic equipment of the Target Company will be tied to the useful economic lives of such assets under the asset-based approach, and China United as the valuer will independently assess and assign the useful lives of such assets. Given the longer useful economic lives assigned to these assets under the asset-based approach as compared with the depreciation period adopted in the financial statements, the appraised values of these assets have appreciated as compared with its book value.

(c) Difference in value-added tax expenses in respect of machineries of the Target Company

In respect of machineries of the Target Company, at the time of its original acquisition, business tax is payable in respect of these acquisition under the then applicable PRC laws and regulations. However, given the change in PRC tax laws, if these assets were acquired as at the Valuation Benchmark Date, a value added tax (which is applicable at a higher rate than business tax) will be payable for such acquisition. Accordingly, given the tax expenses for the acquisition of such assets will be higher than that when such assets were originally acquired (and booked), the value of the machineries have appreciated as compared with their book value.

SUMMARY OF THE REASONS FOR THE APPRECIATION OF THE TARGET COMPANY'S VALUE UNDER THE INCOME APPROACH AS COMPARED WITH ITS BOOK VALUE

As the book value of the Target Company takes into account the historical costs of the relevant assets of the Target Company and the liabilities of the Company, while the appraised value of the Target Company using the income approach represents the appraised value of the Target Company taking into account the projection of the future income of the Target Company. Taking into account the expected rapid development in the construction of expressway network of the PRC and the expected economic development in the Yangtze River Delta area in the coming years, it is expected that the traffic volume in PRC expressways (and the Liuwu Expressway) and the toll revenue of the Liuwu Expressway (and in turn of the income of the Target Company) will continue to increase (as set out in the Traffic Study Report), thus the appraised value using the income approach is higher than the book value of the Target Company.

The following is the text of the letter from China United to the Board prepared for the purpose of incorporation into this circular.

26 July 2023

The Board of Directors
ANHUI EXPRESSWAY COMPANY LIMITED
520 Wangjiang West Road
Hefei, Anhui, the PRC

Dear Sirs,

We refer to the asset valuation report of the Target Assets dated 20 June 2023 (the "**Asset Valuation Report**") issued by us in respect of 100% of the equity interest of Anhui Province Liuwu Expressway Co., Ltd. (安徽省六武高速公路有限公司) (the "**Target Company**").

We have reviewed the financial information of the Target Company as of 30 April 2023, and confirm that there was no material change in the assumptions and calculation bases of the valuation adopted in the Asset Valuation Report during the period from 31 December 2022 (being the valuation benchmark date) to 30 April 2023. Accordingly, as at 30 April 2023, there was no material change in the appraised value of 100% equity interest of the Target Company as that set out in the Asset Valuation Report.

China United Assets Appraisal Group Co., Ltd.

交銀國際
BOCOM International

The board of directors
Anhui Expressway Company Limited

20 June 2023

Dear Sirs and Madams,

We refer to the announcement of Anhui Expressway Company Limited (the "**Company**") dated 20 June 2023 (the "**Announcement**") in relation to, among others, the Company's proposed acquisition of 100% equity interest of Anhui Province Liuwu Expressway Co., Ltd.* (安徽省六武高速公路有限公司) (the "**Target Assets**"). We also refer to the asset valuation report dated 20 June 2023 (the "**Asset Valuation Report**") prepared by China United Assets Appraisal Group Co., Ltd ("**China United**") in respect of the appraised value of the Target Assets (the "**Valuation**"), the full text of which are set out in the Announcement.

According to the Asset Valuation Report, the Valuation has been prepared using income approach with the use of discounted cash flow method, which constitutes profit forecasts (the "**Target Company Profit Forecasts**") under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Rule 10 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**").

This letter is issued in compliance with (i) Rule 14.62(3) of the Listing Rules and Rule 10.3(b) of the Takeovers Code, as our report on the Target Company Profit Forecasts; and (ii) Rule 11.1(b) of the Takeovers Code, as our report on the qualifications and experience of China United.

We have reviewed the Asset Valuation Report and discussed with the management of the Company and China United with regards to the bases and assumptions set out on page 20 to 22 of the Announcement upon which the Target Company Profit Forecasts have been prepared. We have also considered the letter addressed to the directors of the Company dated 20 June 2023 from Ernst & Young, stating that so far as the calculations are concerned, the Target Company Profit Forecasts have been properly compiled in all material respects on the basis of the assumptions made.

With regards to China United's qualifications and experience, we have conducted reasonable checks to assess the relevant qualification, experience and expertise of China United, including review of the supporting documents and discussion with China United on its qualifications and experience.

According to the Asset Valuation Report, the Target Company Profit Forecasts have been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur and, as such, the Target Company Profit Forecasts may not be appropriate for purposes other than for deriving the Valuation. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to differ from the Target Company Profit Forecasts since such anticipated events frequently may or may not occur as expected and the variation may be material.

We have not independently verified the computations leading to China United's determination of Valuation. We have assumed, without independent verification, that all information, materials and representations supplied and contained in the Asset Valuation Report, were true, accurate, complete and not misleading at the time they were supplied or made and that no material fact or information has been omitted from the information and materials supplied.

On the basis of the foregoing, without giving any other opinion or expressing any other view on the Target Company Profit Forecasts, for which you as the directors of the Company are solely responsible, we are satisfied that the Target Company Profit Forecasts have been made by you after due care and consideration. We are also satisfied that China United is suitably qualified and experienced with sufficient current knowledge, skills and understanding necessary to undertake the Valuation competently.

The work undertaken by us in giving the above opinion has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and Rules 10.3(b) and 11.1(b) of the Takeovers Code and for no other purpose. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

For and on behalf of
BOCOM International (Asia) Limited

Wilfred Sum	**Gary Poon**
Managing Director,	*Director*
Head of Corporate Finance	
and Global Capital Markets	

20 June 2023

The Board of Directors
Anhui Expressway Company Limited

Dear Sirs,

Anhui Expressway Company Limited ("the Company")

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF 100% EQUITY INTEREST IN ANHUI PROVINCE LIUWU EXPRESSWAY COMPANY LIMITED

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the valuation dated 20 June 2023, prepared by China United Assets Appraisal Group Co.,Ltd. in respect of 100% equity interests in Anhui Province Liuwu Expressway Company Limited (the "**Target**") as at 31 December 2022 is based. The valuation is set out in the announcement of Anhui Expressway Company Limited (the "**Company**") dated 20 June 2023 (the "**Announcement**") in connection with the Target in relation to, among other things, the proposed acquisition of the Target by the Company. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Rule 10 of the Hong Kong Code of Takeovers and Mergers (the "**Takeovers Code**").

Directors' responsibilities

The directors of the Company (the "**Directors**") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out on pages 20 to 22 of and in Appendix I to the Announcement.

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and Rule 10 of the Takeovers Code and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Ernst & Young
Certified Public Accountants

Hong Kong

Set out below is a summary of the traffic study report in respect of the Anhui section of the Liuwu Expressway, which has been prepared for the purpose of inclusion in this circular. The report is originally prepared by the PRC Qualified Traffic Consultant in Chinese and the English translation is prepared for reference only. In the event of any inconsistencies, the Chinese version of the traffic study report shall prevail.

REPORT ON THE TRAFFIC FLOW AND TOLL INCOME OF THE ANHUI SECTION OF THE LIUWU EXPRESSWAY

CHELBI Engineering Consultants, Inc.

June 2023

1. INTRODUCTION

(a) Research background

In order to carry out the acquisition of the Anhui Section of the Liuwu Expressway (the "**Project**"), and to evaluate the market value of the Project based on the future traffic flow growth trend and toll income of the Project, Anhui Transportation Holding Group and the Company jointly commissioned CHELBI Engineering Consultants, Inc. to conduct a traffic flow evaluation research and revenue forecast and calculation for the Project.

(b) Introduction on the Liuwu Expressway

The Project starts from Dagudian (大顧店) in Huoqiu County, where it connects with the Hefei-Liuan-Yeji Expressway (合六葉高速公路), and ends at Changlingguan (長嶺關), the junction of Anhui and Hubei provinces; the total toll mileage of the Liuwu Expressway is 92.7 kilometers. It was opened to traffic on 28 December 2009. There are two-way four lanes with a designated speed of 100km/h. There are three extra-large bridges of 4.27 kilometers, 74 large and medium bridges, 23 separate interchanges and overpasses, eight tunnels of 9.19 kilometers, 85 passages, 188 culverts, with a bridge-tunnel ratio of 41% or more, four interchanges, two service areas, one parking area, and five toll stations. On 4 December 2012, the People's Government of Anhui Province issued the "Approval of the Toll Operation Period of the Anhui Section of the Liuan-Wuhan Expressway" (Wan Zheng Mi [2012] No. 545), approving that the toll operation period of the Anhui Section of the Liuan-Wuhan Expressway shall be 30 years, i.e. from 28 December 2009 to 27 December 2039.

(c) Location of Liuwu Expressway

Liuwu Expressway passes through the Ta-pieh Mountains in western Anhui, and is an important part of the newly planned Shanghai-Wuhan-Chengdu Line, which is a major traffic route connecting Eastern China and the central and western regions. This section seamlessly integrates National Highway 105, National Highway 312, Provincial Highway 318, Provincial Highway 210 and Provincial Highway 209, commencing from Dagudian in Huoqiu County, Liuan City, connecting to the Hefei-Yeji Expressway via Lu'an, passing through Yaoli Town in Huoqiu County, Baitafan, Meishan, Huaishuwan, Gubei, Nanxi and Banzhuyuan in Jinzhai County from the northeast to the southwest, and ending at Changlingguan, the provincial border between Anhui and Hubei, connecting to the Hubei section of the Lu'an-Wuhan Expressway. After the opening of the Liuwu Expressway, drivers can leave from the expressway from Changlingguan at the end of the Anhui section of the Liuwu Expressway and take Provincial Highway 210 via the connecting road into Hubei Provincial Highway, covering a distance of 56 kilometers to reach Macheng City, Hubei Province, and then taking the expressway directly to Wuhan, shortening the driving time from Hefei to Wuhan to three hours.

2. RESEARCH PURPOSES AND BASIS OF PREPARATION OF THE REPORT

(a) Research purpose

Based on the historical traffic flow data of the Project and other relevant information, the report assesses the traffic flow of the Project and calculates the vehicle toll income of the Project, providing a basis for decision-making by Anhui Transportation Holding Group and Anhui Expressway.

(b) Basis of preparation of the report

(i) The Highway Law of the People's Republic of China;

(ii) Regulations for the Administration of Toll Highways (Decree No. 417 of the State Council of the People's Republic of China);

(iii) Technical Standard for Highway Engineering (JTG B01-2014);

(iv) Codes for Compilation of Feasibility Study Report on Highway Construction Projects (Jiao Gui Hua Fa [2010] No. 178);

(v) Relevant information on road feasibility studies, regional planning and thematic studies;

(vi) Other laws, regulations and information.

Analysis of the historical traffic flow data of the Project

Unit: Vehicles/Day

Year	Section	Passenger Vehicle				Goods Vehicle						Absolute	Converted
		Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Total *(Note 2)*	Total *(Note 2)*
2010	Dagudian Interchange – Jinzhai	934	26	27	36	187	180	65	–	–	–	1,455	1,952
	Jinzhai – Gubei	648	79	16	27	315	154	35	–	–	–	1,274	1,632
	Gubei – Dingbu	472	50	12	20	226	122	34	–	–	–	936	1,237
	Dingbu – Tian Tang Zhai	362	31	10	16	160	103	29	–	–	–	711	966
	Tian Tang Zhai – Changlingguan	162	16	3	8	74	84	25	–	–	–	372	579
	Average	554	49	14	23	220	135	37	–	–	–	1,031	1,365
2011	Dagudian Interchange – Jinzhai	1,739	42	131	122	415	887	767	–	–	–	4,103	7,861
	Jinzhai – Gubei	1,345	97	89	105	517	790	697	–	–	–	3,640	7,013
	Gubei – Dingbu	1,118	64	84	98	408	753	696	–	–	–	3,221	6,530
	Dingbu – Tian Tang Zhai	933	46	82	92	304	727	690	–	–	–	2,874	6,122
	Tian Tang Zhai – Changlingguan	666	23	68	79	194	702	687	–	–	–	2,419	5,607
	Average	1,211	64	91	101	401	777	706	–	–	–	3,351	6,731

Year	Section	Passenger Vehicle				Goods Vehicle						Absolute	Converted
		Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Total *(Note 2)*	Total *(Note 2)*
2012	Dagudian Interchange – Jinzhai	2,715	56	147	168	533	1,082	1,336	–	–	–	6,037	11,826
	Jinzhai – Gubei	2,134	111	117	150	584	934	1,201	–	–	–	5,231	10,369
	Gubei – Dingbu	1,860	79	113	142	467	890	1,200	–	–	–	4,751	9,814
	Dingbu – Tian Tang Zhai	1,596	58	111	135	351	857	1,194	–	–	–	4,302	9,293
	Tian Tang Zhai – Changlingguan	1,306	37	96	124	260	832	1,194	–	–	–	3,849	8,789
	Average	1,980	77	118	146	471	924	1,221	–	–	–	4,938	10,120
2013	Dagudian Interchange – Jinzhai	3,450	72	131	186	697	1,432	1,889	–	–	–	7,857	15,831
	Jinzhai – Gubei	2,785	128	85	156	719	1,293	1,808	–	–	–	6,974	14,458
	Gubei – Dingbu	2,400	89	79	148	570	1,247	1,806	–	–	–	6,339	13,741
	Dingbu – Tian Tang Zhai	2,086	70	76	140	451	1,215	1,799	–	–	–	5,837	13,165
	Tian Tang Zhai – Changlingguan	1,748	51	60	128	355	1,193	1,799	–	–	–	5,334	12,615
	Average	2,572	92	87	153	595	1,282	1,818	–	–	–	6,599	14,097
2014	Dagudian Interchange – Jinzhai	4,277	71	110	173	745	1,619	2,288	–	–	–	9,283	18,717
	Jinzhai – Gubei	3,528	125	67	148	775	1,532	2,246	–	–	–	8,421	17,565
	Gubei – Dingbu	3,126	87	61	142	647	1,474	2,226	–	–	–	7,763	16,754
	Dingbu – Tian Tang Zhai	2,641	64	56	132	491	1,436	2,218	–	–	–	7,038	15,940
	Tian Tang Zhai – Changlingguan	2,300	50	45	124	397	1,424	2,220	–	–	–	6,560	15,441
	Average	3,262	89	68	145	646	1,506	2,242	–	–	–	7,958	17,048
2015	Dagudian Interchange – Jinzhai	5,442	76	117	182	735	1,683	2,304	–	–	–	10,539	20,125
	Jinzhai – Gubei	4,614	123	81	159	791	1,609	2,265	–	–	–	9,642	18,971
	Gubei – Dingbu	4,069	86	76	151	637	1,528	2,237	–	–	–	8,784	17,901
	Dingbu – Tian Tang Zhai	3,615	67	70	144	516	1,501	2,229	–	–	–	8,142	17,188
	Tian Tang Zhai – Changlingguan	2,977	50	41	123	396	1,486	2,231	–	–	–	7,304	16,308
	Average	4,270	90	79	154	655	1,574	2,256	–	–	–	9,078	18,325

Year	Section	Passenger Vehicle				Goods Vehicle						Absolute	Converted
		Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Total *(Note 2)*	Total *(Note 2)*
2016	Dagudian Interchange – Jinzhai	6,293	71	101	170	743	1,754	2,100	–	–	–	11,232	20,299
	Jinzhai – Gubei	5,543	116	81	146	894	1,771	2,132	–	–	–	10,683	19,849
	Gubei – Dingbu	4,831	75	75	136	712	1,687	2,109	–	–	–	9,625	18,588
	Dingbu – Tian Tang Zhai	4,228	58	66	130	570	1,636	2,087	–	–	–	8,775	17,588
	Tian Tang Zhai – Changlingguan	3,510	44	36	112	431	1,614	2,081	–	–	–	7,828	16,566
	Average	5,049	82	75	141	720	1,710	2,108	–	–	–	9,885	18,881
2017	Dagudian Interchange – Jinzhai	7,224	74	103	173	796	2,289	2,781	–	–	–	13,440	25,355
	Jinzhai – Gubei	6,649	136	94	148	1,060	2,276	2,806	–	–	–	13,169	25,122
	Gubei – Dingbu	5,598	76	85	138	813	2,164	2,758	–	–	–	11,632	23,264
	Dingbu – Tian Tang Zhai	4,819	59	72	132	644	2,102	2,721	–	–	–	10,549	21,967
	Tian Tang Zhai – Changlingguan	3,945	43	36	113	484	2,062	2,702	–	–	–	9,385	20,659
	Average	5,892	91	82	143	826	2,201	2,765	–	–	–	12,000	23,710
2018	Dagudian Interchange – Jinzhai	7,848	64	86	150	816	2,637	2,936	–	–	–	14,537	27,419
	Jinzhai – Gubei	7,049	109	87	128	1,023	2,639	3,003	–	–	–	14,038	27,113
	Gubei – Dingbu	6,070	61	80	118	824	2,531	2,900	–	–	–	12,584	25,180
	Dingbu – Tian Tang Zhai	5,179	53	61	112	656	2,417	2,857	–	–	–	11,335	23,618
	Tian Tang Zhai – Changlingguan	4,243	37	26	93	498	2,357	2,773	–	–	–	10,027	21,941
	Average	6,315	75	73	123	820	2,543	2,920	–	–	–	12,869	25,541
2019	Dagudian Interchange – Jinzhai	8,832	58	92	131	982	3,559	3,704	–	–	–	17,358	33,920
	Jinzhai – Gubei	7,757	124	87	112	1,143	3,438	3,754	–	–	–	16,415	32,934
	Gubei – Dingbu	6,653	62	80	101	928	3,382	3,520	–	–	–	14,726	30,450
	Dingbu – Tian Tang Zhai	5,691	51	66	93	763	3,105	3,487	–	–	–	13,256	28,454
	Tian Tang Zhai – Changlingguan	4,724	32	23	76	595	3,018	3,427	–	–	–	11,895	26,753
	Average	6,985	79	74	105	941	3,326	3,621	–	–	–	15,132	31,074

Year	Section	Passenger Vehicle				Goods Vehicle						Absolute	Converted
		Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Total	Total
												(Note 2)	*(Note 2)*
2020	Dagudian Interchange – Jinzhai	6,782	22	38	61	687	454	544	448	355	3,255	12,646	25,241
	Jinzhai – Gubei	5,885	69	51	63	800	461	538	473	354	3,412	12,106	25,208
	Gubei – Dingbu	5,033	29	46	56	686	441	522	465	352	3,312	10,942	23,686
	Dingbu – Tian Tang Zhai	4,271	17	33	48	572	424	515	458	352	3,239	9,929	22,414
	Tian Tang Zhai – Changlingguan	3,500	9	9	34	469	407	504	445	353	3,112	8,842	20,886
	Average	5,291	38	39	55	677	443	528	461	353	3,299	11,184	23,894
2021	Dagudian Interchange – Jinzhai	9,302	28	50	75	1,183	822	455	750	588	4,920	18,173	36,978
	Jinzhai – Gubei	8,229	90	74	83	1,346	833	460	773	584	5,078	17,550	36,881
	Gubei – Dingbu	7,014	28	65	75	1,186	802	433	765	583	4,866	15,817	34,432
	Dingbu – Tian Tang Zhai	5,980	19	49	61	1,006	775	425	757	582	4,724	14,378	32,512
	Tian Tang Zhai – Changlingguan	4,928	10	13	44	856	747	411	742	582	4,551	12,884	30,415
	Average	7,371	47	56	71	1,165	804	442	761	584	4,885	16,187	34,864
2022	Dagudian Interchange – Xianhua Village, Jinzhai County	8,187	16	25	45	1,098	848	386	668	585	4,144	16,002	32,229
	Xianhua Village, Jinzhai County – Jinzhai	8,476	17	26	47	1,139	882	403	696	611	4,317	16,614	33,524
	Jinzhai – Gubei	8,703	67	69	63	1,398	901	435	724	608	4,676	17,644	35,751
	Gubei – Dingbu	7,563	19	60	59	1,244	876	401	717	606	4,490	16,035	33,498
	Dingbu – Tian Tang Zhai	6,574	14	41	48	1,074	852	395	711	605	4,422	14,736	31,947
	Tian Tang Zhai – Changlingguan	5,584	8	9	33	915	828	389	701	605	4,346	13,418	30,341
	Average	7,662	34	47	53	1,203	873	410	711	605	4,486	16,084	33,525

Note:

(1) Before 2020, the vehicle classification for toll rates of Liuwu Expressway was implemented in accordance with the "Vehicle Classification for Toll Rates of Toll Road" (JT/T-489–2003); From 1 January 2020, the vehicle classification for toll rates of Liuwu Expressway has been implemented according to the "Vehicle Classification for Toll Rates of Toll Road" (JT/T-489–2019). There are differences in the above classification standards for various types of passenger vehicles and goods vehicles, so the traffic volume of different types of vehicles before and after 2020 in the above table cannot be directly comparable.

(2) The “absolute total” traffic volume refers to the sum of traffic volume of all types of vehicles and does not take into account the difference in the types of vehicles creating the traffic volume. On the other hand, the “converted total” traffic volume takes into account the difference in the types of vehicles creating the traffic volume and is computed by multiplying the traffic volume created by different types of vehicles with coefficients assigned to such types of vehicles, with a view to convert all traffic volume created by different types of vehicles into traffic volume created by a specific type of passenger vehicle. Such coefficients are assigned to different types of vehicles in accordance with the “Technical Standards of Road Engineering” (《公路工程技術標準》, JTGB01–2014) of the PRC and taking into account the characteristics of the road traffic in the relevant region in which the Liuwu Expressway is situated.

As it is observed from the above table that, the traffic volume of each of the sections of Liuwu Expressway basically increased at a steady growth trend before 2019. In 2020, the traffic volume decreased due to the impact of public health events. In 2021, the overall traffic volume of Liuwu Expressway increased at a rapid growth rate with gradual diminishing of the impact of public health events. After the public health events are under control in the future, the traffic volume will continue to increase with the development of economy and society.

Formation of the OD Matrix for the benchmark year

Traffic flow survey overview

The survey mainly collected vehicle travel data from networked highway tolls in Anhui Province, as well as traffic flow observation data from relevant adjacent national and provincial highways, and incorporates vehicle travel data from highway entrances and exits at each toll station, among others, into this traffic flow base data study, which is also the most basic and primary data for this Project to evaluate the future traffic travel demand.

Analysis of survey data

The traffic flow survey of this Project is based on the highway network data in 2021. The average annual daily traffic flow of this Project in 2021 was 16,187 vehicles/day based on calculations, and the traffic flow of each section as shown in the table below.

Table 3–2 Cross Section Traffic Flow in 2021 for the Project (Absolute Numbers, Vehicles/Day)

Section	**Traffic flow**
Dagudian Joint – Jinzhai	18,173
Jinzhai – Gupai	17,550
Gupai – Dingbu	15,817
Dingbu – Tiantangzhai	14,378
Tiantangzhai – Changlingguan	12,884
Sections in average	16,187

OD matrix for benchmark year

According to the administrative planning of Anhui Province, combined with the distribution of highway network toll station sites and the research needs of this regional traffic analysis of the Project, we divided the Project-impacted area into 17 traffic zones, with the names of each traffic zone and its scope as shown in Table 3–3.

Table 3–3 Traffic Zone OD Subzone Table

Zone number	**Zone**	**Range of region**
1	Yuexi County	Yuexi County
2	Wuhan	Wuhan, E'zhou, Huangshi, Yingshan county and Luotian county and others
3	Jiujiang	Jiujiang
4	Taihu County	Taihu County
5	Qianshan	Qianshan
6	Wangjiang County	Wangjiang County
7	Anqing	Anqing City, Dongzhi County, Shitai County and others
8	Chizhou	Chizhou
9	Tongling	Tongling
10	Tongcheng	Tongcheng
11	Lu'an	Lu'an
12	Hefei City and remote areas	Hefei, Huainan, Bengbu, Fuyang and others
13	Hubei Province and remote areas	Xiaogan, Jingzhou, Yichang and others
14	Nanchang and remote areas	Nanchang, Jingdezhen, Fuzhou and others
15	Huangshan and remote areas	Quzhou, Jinhua, Lishui and others
16	Hangzhou and remote areas	Hangzhou, Shaoxing, Ningbo and others
17	Nanjing and remote areas	Nanjing, Yangzhou, Maanshan and others

By virtue of the analysis and collation of traffic survey data, the OD matrix for benchmark year is established by combining the vehicle travel data and traffic flow observation data of expressway network toll collection in Anhui Province. A correction procedure was performed in order to eliminate the influence of the deviation of the benchmark year data on the future traffic flow forecast results to the maximum extent.

Travel features in benchmark year

A general flow analysis of the existing traffic within the Project-impacted area will support to capture the main traffic flow direction and provide a basis for the direction of the Project.

Traffic generation and attraction analysis

Traffic generation refers to the number of trip generated by each traffic zone per unit of time, while traffic attraction refers to the number of trips attracted to each traffic zone from other traffic zones per unit of time.

By sorting through the passenger and truck OD tables in the benchmark year, the amount of traffic generation attraction in each impact area was obtained as shown in Table 3–7. The generation and attraction intensity of traffic (the proportion of each traffic zone generation and attraction to the total generation and attraction) for each impacted area was graphed against the average daily traffic generation and attraction intensity.

Table 3–7 Traffic Generation and Attraction in Impacted Area for Benchmark Year *(Unit: pcu/d)*

Impacted area	**Generation amount**		**Attraction amount**		**Total**	
Yuexi County	12,998	6.4%	14,616	7.2%	27,614	6.8%
Wuhan	22,552	11.1%	26,900	13.2%	49,452	12.2%
Jiujiang	4,153	2.0%	5,240	2.6%	9,393	2.3%
Qianshan	11,297	5.6%	11,342	5.6%	22,639	5.6%
Anqing	33,240	16.3%	28,520	14.0%	61,760	15.2%
Chizhou	12,900	6.3%	7,775	3.8%	20,675	5.1%
Nanjing and remote areas	29,311	14.4%	27,748	13.6%	57,059	14.0%
Hefei and remote areas	53,864	26.5%	53,013	26.1%	106,877	26.3%
Nanchang and remote areas	4,056	2.0%	6,712	3.3%	10,768	2.6%
Huangshan and remote areas	8,685	4.3%	7,664	3.8%	16,349	4.0%
Hangzhou and remote areas	10,405	5.1%	13,931	6.8%	24,336	6.0%
Total	203,461	100.0%	203,461	100.0%	406,922	100.0%

Note: "pcu/d" refers to passenger car unit/day. Passenger car unit is a vehicle measure unit involving conversion of different types of vehicles into their equivalent passenger cars by multiplying certain coefficients assigned to such types of vehicles.

From the above table, it is clear that the traffic generation sources in the Project-impacted area are mainly concentrated in Hefei and other remote areas, Anqing and other areas, and the traffic generation attraction amount in benchmark year is 106,877 pcu/d and 61,760 pcu/d respectively, accounting for 26.3% and 15.2% of the total traffic generation attraction amount, respectively. The above data analysis shows that the Project-impacted area is mainly dominated by inter-regional transit traffic travel.

Cross-section traffic flow analysis

In order to better analyze the traffic flow characteristics of the Project-impacted area, the research conducted a cross section analysis of the regional traffic composition based on the composition of the road network in the Project-impacted area and the location distribution of the survey points, the location of which is shown in Chart 3–6.

The current highway channels on the Project cross section are the Anhui section of the Liuwu Expressway and the G4221 line from north to south, and the traffic sharing percentage of each current road on the cross section is shown in Table 3–8.

Chart 3–6 Diagram of Cross Section in the Current Traffic Analysis for the Project

By analyzing the traffic flows of the various roads associated with the Project, it is clear that the Project accounts for the largest share of the across section channel, with a traffic flow in benchmark year of 34,864 pcu/d, accounting for 69.7% of the total volume of the cross section channel, followed by G4221, with a traffic flow in benchmark year of 15,154 pcu/d, accounting for 30.3% of the total volume of the cross section channel.

Table 3–8 Results of the Analysis of the Current Road Traffic Travel Distribution for the Project

Related roads	Traffic flow (pcu/d)	Proportion of travel
Anhui section of the Liuwu Expressway	34,864	69.7%
G4221	15,154	30.3%
Total	50,018	100.0%

Note: "pcu/d" refers to passenger car unit/day. Passenger car unit is a vehicle measure unit involving conversion of different types of vehicles into their equivalent passenger cars by multiplying certain coefficients assigned to such types of vehicles.

Road Network Connection Analysis

Analysis of the current road network

The basic situation of the relevant roads in the Project-impacted area is shown in Table 3–9, while the current situation of the road network is shown in Chart 3–8. The technical standard of the Project is: dual-way four lanes with a design speed of 100km/h. The Project runs through Ta-pieh Mountains in western Anhui and is an important part of the newly planned Shanghai-Wuhan-Chengdu Line, which is a major transport channel connecting Eastern China with the central and western regions.

Table 3–9 Basic information on Relevant Roads in the Project-Impacted Area

No.	Name	Grade	Number of lanes	Design speed *(km/h)*	Relationship to this Project
1	Shanghai – Xi'an Expressway (滬陝高速)	Expressway	4/8	100–120	Intersection
2	Shanghai – Chengdu Expressway (Hubei Section) (滬蓉高速(湖北段))	Expressway	4	100	Intersection

No.	Name	Grade	Number of lines	Design speed *(km/h)*	Relationship to this Project
3	Macheng – Wuxue Expressway (麻武高速)	Expressway	4	80–100	Intersection
4	Jinan – Guangzhou Expressway (濟廣高速)	Expressway	4	120	Parallel
5	Shanghai – Wuhan Expressway (滬武高速)	Expressway	4	80–120	Parallel
6	Daqing – Guangzhou Expressway (大廣高速)	Expressway	4	100	Parallel

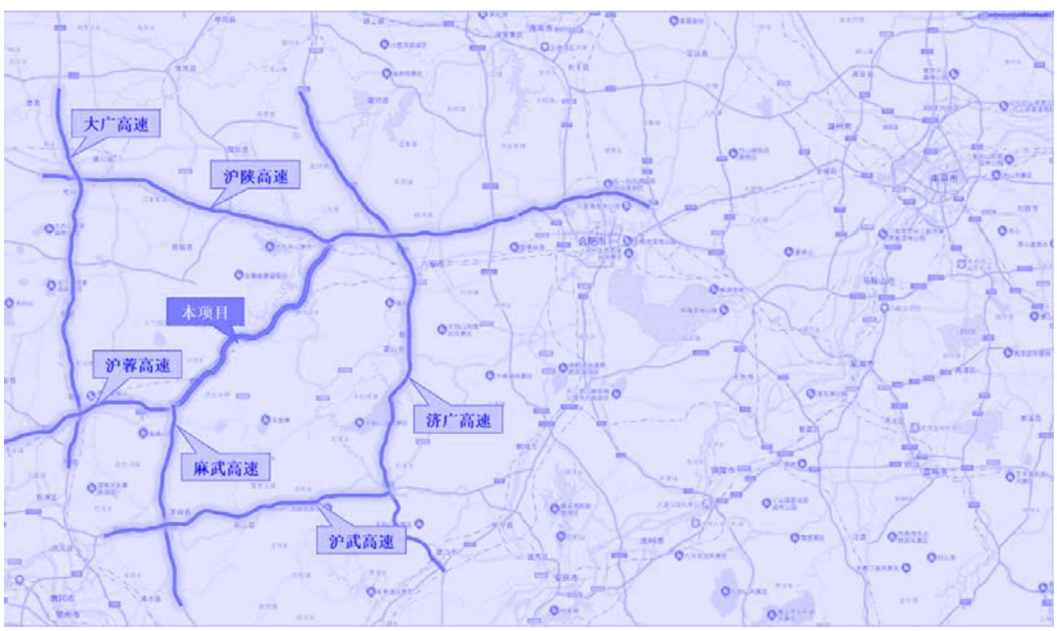

Chart 3–8 Map of the Current Road Network in the Project-Impacted Area

Analysis of the planned road network

According to the "14th Five-Year Plan" Integrated Transport Plan for Anhui Province (《安徽省「十四五」綜合交通運輸規劃》), the future road network in the Project-impacted area is shown in Chart 3–9, which mainly includes two horizontal expressways and one vertical expressway, the basic information of which is shown in Table 3–10. The G4221 Shanghai-Wuhan Expressway, which is scheduled to be completed by the end of 2023, will form a new east-west channel in the region, which will have a certain diversion effect on the entire section of the Project. In addition, the planned S30 Tongling-Shangcheng Expressway (S30 銅商高速通道) is expected to be completed by the end of 2026, which will provide a new route for traffic from Hefei and Nanjing to Wuhan and will divert some traffic from the Dagudian-Gubei section of the Project.

According to the Modification of Anhui Provincial Expressway Network Planning (2020–2035) (《安徽省高速公路網規劃修編(2020–2035)》), a Huoqiu-Jinzhai Expressway is planned to be connected to the Project in the long term and is expected to be completed by the end of 2034. The completion of the Project will extend the impacted area of the Project to the north, which the access from Fuyang and Huoqiu to Macheng and farther direction will be more convenient, serving a certain diversion effect on the Project.

Table 3–10 Basic Information on Major Planned Expressway in the Project-Impacted Area

No.	Name	Grade	Number of lanes	Relationship with the Project	Planned completion time
1	G4221 Shanghai-Wuhan to Yuexi Section for Shanghai-Wuhan Expressway	Expressway	4	Parallel	End of September 2023
2	Line S30 + Line S09 + Hefei-Hexian Expressway + Nanjing to Huxian Expressway	Expressway	4/6	Intersection	End of 2026
3	Huoqiu-Jinzhai Expressway	Expressway	4	Connection to the Project	Tentative at the end of 2034

The determination of the relevant metrics for the preparation of the traffic volume projection

Economic growth rate

The current situation and trends of economic and social development in the project-impacted area were analyzed and rectified based on the actual macroeconomic performance of China, coupled with the future economic development plan and the economic development rate during the "13th Five-Year Plan" period. The economic growth rates adopted for the evaluation are shown in Table 3–11.

Table 3–11 Regional GDP Growth Rates Adopted in the Evaluation Report

Year	**Anhui**	**Lu'an**	**Hubei**	**Macheng**
2023–2025	6.0%	6.5%	6.0%	6.5%
2026–2030	5.5%	6.0%	5.5%	6.0%
2031–2035	4.5%	5.5%	5.0%	5.5%
2036–2040	3.5%	5.0%	4.0%	5.0%

Traffic growth rate

(1) Elasticity coefficient approach

Demand for transport is a derived demand. By analyzing the changing patterns of economic and social activities and their relationship with transport, the changing patterns of transport demand can be grasped more accurately. The elasticity coefficient approach is to grasp the correlation between economic development and transportation in general. The formula for the elasticity coefficient is as follows:

Elastic Coefficent = Percentage Change in transport indicators/Percentage change in economic indicators

According to the analysis and forecasting experience, the retrospective analysis of car ownership, passenger and cargo transport, traffic flow of major road across sections and regional GDP is generally chosen to calculate the elasticity coefficients and determine the elasticity coefficients of future passenger and truck travel in each district with reference to such coefficients.

Through analysis and research of historical data from the Project-impacted area, this evaluation has determined the value of the elasticity coefficients in the traffic flow growth rate forecast, which was determined the approach as follows:

First of all, we analyzed the historical passenger and cargo volumes, private vehicle ownership and traffic flows of representative road sections in the Project-impacted areas, and began with the elasticity trends between the historical passenger, cargo volumes, private vehicle ownership, traffic flows of road sections and regional GDP in the Project areas as well as the growth pattern of traffic flows of road sections along the Project routes, to vertically identify the traffic growth pattern and the change pattern of the elasticity coefficient;

In addition, based on the characteristics of the economic structure of the region where the Project is located by the reference with the development patterns of other regions in China, we horizontally identified the pattern of change in the elasticity coefficient between traffic flow and GDP in ongoing manner;

At last, on the basis of the above analysis, the evaluation project team also cited to the Study of Prioritisation of Highway Investments and Improving Feasibility Study Methodologies (《公路投資優化和可行性研究方法改進的研究》) issued by the World Bank and the results of the domestic analysis on the elasticity relationship between the main indicators of road passenger and cargo transport and economic indicators, and finally determined the elasticity coefficients of passenger and truck traffic flows to economic indicators for each impacted area of the Project, for which the growth rates of passenger and cargo traffic in each impacted area were calculated according to the determined economic growth rates and elasticity coefficients.

Table 3–12 Elasticity Coefficients for Passenger and Truck Vehicles in the Main Impacted Areas of the Project

Year	**Anhui**	**Lu'an**	**Hubei**	**Macheng**
Passenger car elasticity coefficient				
2023–2025	0.75	0.75	0.70	0.80
2026–2030	0.70	0.70	0.65	0.75
2031–2035	0.65	0.65	0.60	0.70
2036–2040	0.60	0.60	0.55	0.65

Year	Anhui	Lu'an	Hubei	Macheng
Truck elasticity coefficient				
2023–2025	0.70	0.70	0.65	0.70
2026–2030	0.65	0.65	0.60	0.65
2031–2035	0.60	0.60	0.55	0.60
2036–2040	0.55	0.55	0.50	0.55

Table 3–13 Growth rates of Passenger and Truck Vehicles in the Main Impacted Areas of the Project

Year	Anhui	Lu'an	Hubei	Macheng
Passenger car growth rate				
2023–2025	4.5%	4.9%	4.2%	5.2%
2026–2030	3.9%	4.2%	3.6%	4.5%
2031–2035	2.9%	3.6%	3.0%	3.9%
2036–2040	2.1%	3.0%	2.2%	3.3%
Truck growth rate				
2023–2025	4.2%	4.6%	3.9%	4.6%
2026–2030	3.6%	3.9%	3.3%	3.9%
2031–2035	2.7%	3.3%	2.8%	3.3%
2036–2040	1.9%	2.8%	2.0%	2.8%

(2) Trend-based trip generation and attraction forecasting

Trend-based trip generation refers to forecasting of trip generation and attraction based on the existing trend of growth.

The growth rate of trend-based trip generation and attraction in each traffic subzone is adopted from that of each impacted area, while the forecast value in Anhui Province is adopted as to the growth rate of trend-based trip generation and attraction in other provinces considering the forecast range and accuracy. For each traffic subzone, the growth rate of trend-based trip generation and attraction coupled with that of the benchmark year is used to calculate the trend-based trip generation and attraction for each traffic subzone in each feature year in the future by using a stipulated formula.

Analysis of traffic flow transfer among highways

According to the "14th Five-Year Plan" Integrated Transport Plan for Anhui Province, it is proposed to speed up the connection of G4221 Shanghai-Wuhan Expressway, which is expected to be completed by the end of September 2023. The G4221 will form a new east-west channel in the region and will provide a new route for Wuhan heading to Nanjing, which will have a certain diversion effect on the Project.

At the same time, the Plan proposes to implement expressways such as Tongling-Shangcheng Expressway connecting central provinces, which is expected to be commissioned by the end of 2025; the southern section of Minguang-Hefei Expressway in Hefei is planned to commence its construction in 2023 and commission in 2027; according to the "14th Five-Year Plan" Integrated Transport Plan for Maanshan City (《馬鞍山市「十四五」綜合交通運輸規劃》), the construction of the Hefei-Hexian Expressway is scheduled to commence in 2023 and be completed in 2026; and a significant progress has been made in the Nanjing-Hexian Expressway project, with the pre-approval of the Project site and the planed site selection have been approved. The report estimates that the Project will be opened to traffic in 2027. The completion of Tongling-Shangcheng Expressway + Minguang-Hefei Expressway + Hefei-Hexian Expressway + Nanjing-Hexian Expressway, combined with the S30 Expressway formed by the Anhui-Er provincial border-Gubei section of the Project, will provide a new route for vehicles from Hefei, Nanjing heading Wuhan, which will divert part of the traffic of the Dagudian – Gubei section of the Project. According to the official website of the People's Government of Lu'an City, the feasibility study report of the Project for Tongling-Shangcheng Expressway was approved by the NDRC of Anhui Province on 29 August 2022, and the preliminary design was approved by the Ministry of Transport on 20 October, and the social capital tender is currently underway, with the S30 line expected to be completed and commissioned by the end of 2025. The Hefei southern section of S09 Minguang-Hexian Expressway is a dual-way six-lane road with a road base width of 34.5 meters and a design speed of 120km/h. The Project commences at the Tongyang Junction where S18 Nanjing-Heifei Expressway (寧合高速) intersects with S90 Heifei Eastern Branch Line (肥東支線) and ends at S30 Tongling-Shangcheng Expressway, and the total length of the route is about 37 kilometers, including more than 10 kilometers of tunnels that run through Chaohu Lake, which is planned to start construction in 2023, and of in service in 2027. The starting point of the Hefei-Hexian Expressway will be connected to the end of the Anhui section of the Nanjing-Huxian Expressway, and the end point is planned to be connected to the G5011 Wuhu-Hefei Expressway in the east of Xiage Town, Chaohu City, with a total length of about 53.3 kilometers and a design speed of 120 km/h., which equipped with dual-way six lanes with road base standard width of 34.5 meters. The Project is scheduled to commence in 2023 and be completed in 2026. A significant progress has been made in the Nanjing-Hexian Expressway project, with the pre-approval of the Project site and the planed site selection have been approved. The report estimates that the Project will be opened to traffic in 2027.

According to the Modification of Anhui Provincial Expressway Network Planning (2020–2035), it is proposed to improve the level of inter-county (district and city) connection and to plan the construction of Huoqiu-Jinzhai Expressway. The completion of the Project will extend the impacted area of the Project to the north, which the access from Fuyang and Huoqiu to Macheng and farther direction will be more convenient, serving a certain diversion effect on the Project.

Table 3–14 Basic Information on Major Planned Highways in the Project-Impacted Area

No.	Name	Grade	Number of lanes	Relationship with the Project	Planned completion time
1	G4221 Shanghai-Wuhan to Yuexi Section for Shanghai-Wuhan Expressway	Expressway	4	Parallel	End of September 2023
2	Line S30 + Line S09 + Hefei-Hexian Expressway + Nanjing to Hexian Expressway	Expressway	4/6	Intersection	End of 2026
3	Huoqiu-Jinzhai Expressway	Expressway	4	Connection to the Project	End of 2034

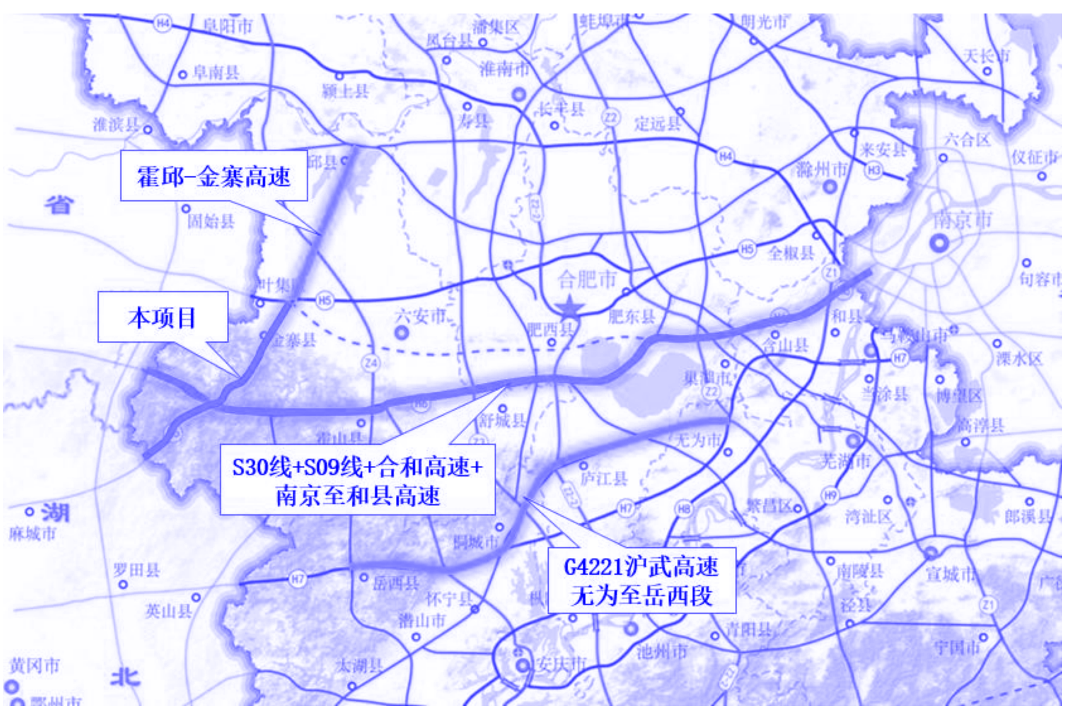

Chart 3–11 Diagram of the Road Network in the Project-Impacted Area in Future Years

Analysis of the traffic impact of the Wuwei-Yuexi section of G4221 Shanghai-Wuhan Expressway from on the Project

The route starts at the Shijian Junction of the North Yangtze River Expressway (北沿江高速公路), jointing to the Second Yangtze River Bridge in Wuhu (蕪湖長江二橋), which extends southwest towards S208 and runs through the Longgu Maintain and Xiangshan Yakou westwards crossing over Zhao River, and connects to the G4212 Hefei-Anqing Expressway via the north side of Lujiang County at the Mayan Junction, and combines with the line of Hefei-Anqing Expressway to the Fan Gang Junction (the section will be reconstructed for eight driving lanes), and the Fan Gang Junction will be split off to the west upon its establishment, which crosses the Longmian River towards the Hefei-Jiujiang Railway at north side of Jiangwu. The rout also crosses the Dasha River at north side of Hujiawei passing through Hepingqiao and north side of Zao Fan, and ends at the Yuebei Interchange near the newly-built house of Liu's family in Pinggang Village, where it connects to the Yuexi-Wuhan Expressway. The total length of the main line is 177.780 kilometers. There is one Anqing branch line which begins at Qingcao Town and ends at existing Gezidun Interchange, with a total length of 19.045 kilometers.

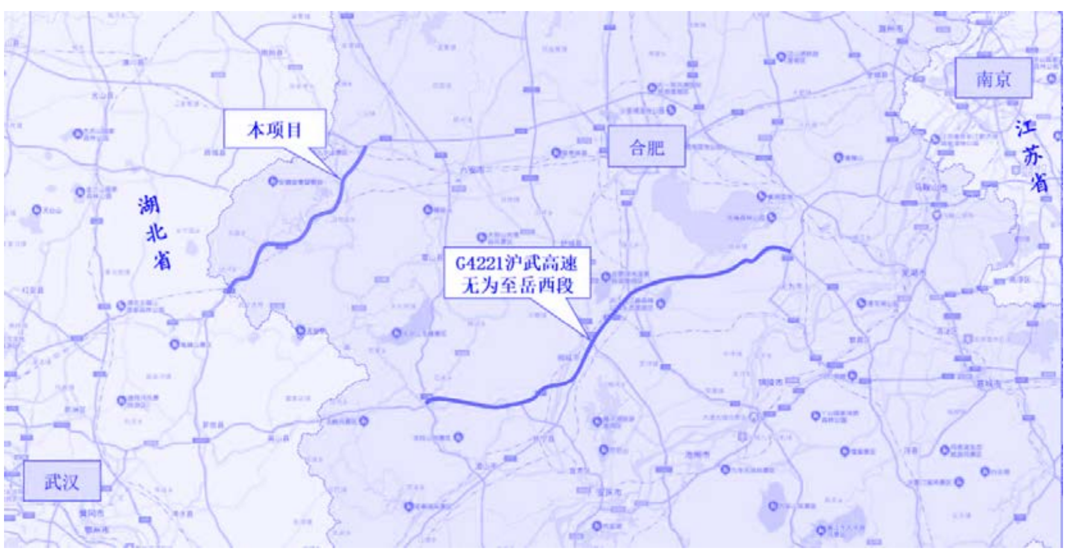

Chart 3–12 Diagram of the Location of the Wuwei-Yuexi Section of the G4221 Shanghai-Wuhan Expressway in relation to the Project

The Wuwei-Yuexi section of the G4221 Shanghai-Wuhan Expressway, in combination with the existing road network, will connect Wuhan and Huanggang westwards and Nanjing eastwards upon its completion, passing through cities such as Maanshan, Chaohu, Lujiang, Tongcheng and Yuexi in Anhui Province. The Project will become another major eastern-western channel in central Anhui Province when completed in the future, which will directly affect some of the traffic flows from Wuhan to Nanjing for this Project.

In order to further analyze the diversion effect of Wuwei-Yuexi section of G4221 Shanghai-Wuhan Expressway on this Project after its completion, Wuhan and Nanjing cities were selected as the starting and ending points respectively to analyze the competition between this Project's channel and G4221 channel, the location and direction of which are shown in Chart 3–13, and the comparison between the channels is set forth in Chart 3–15.

Table 3–15 Comparison of Channel Travel Route for the Expressway from Wuhan to Nanjing

Vehicle type	Channel	Channel composition	Technical grade	Miles travelled *(km)*	Travel costs *(RMB)*	Travel time *(hours)*
Class I passenger car	G4221 Expressway (to be opened at the end of September 2023)	G4221 Shanghai – Wuhan Expressway + G4211 Nanjing – Wuhu Expressway	Expressway	541	291	6.0
	Liuwu Expressway (available)	G42 Shanghai – Chengdu Expressway + Liuwu Expressway + G40 Shanghai – Xi'an Expressway	Expressway	532	250	6.0
Class VI truck	G4221 Expressway (to be opened at the end of September 2023)	G4221 Shanghai – Wuhan Expressway + G4211 Nanjing – Wuhu Expressway	Expressway	541	1,434	7.5
	Liuwu Expressway (available)	G42 Shanghai – Chengdu Expressway + Liuwu Expressway + G40 Shanghai – Xi'an Expressway	Expressway	532	1,335	7.6

From Table 3–15, It is clear that, in the long-distance transit direction from Wuhan to Nanjing, the difference in travel time between the Liuwu Expressway and the G4221 Expressway is not significant in terms of Class I passenger car and Class VI truck, the former of which has certain advantages in terms of travel cost and mileage. The G4221 Expressway will form a major east-west regional channel upon its completion, providing a new route for vehicles travelling from Wuhan to Nanjing. The G4221 Expressway will divert some of the traffic flow from Nanjing to Wuhan on the Liuwu Expressway amidst its increasing traffic pressure in the future.

The Analysis of Traffic Impact of Line S30 + Line S09 + Hefei-Hexian Expressway + Nanjing to Hexian Expressway on the Project

According to the official website of the People's Government of Lu'an City, the feasibility study report of the Project for Tongling-Shangcheng Expressway was approved by the NDRC of Anhui Province on 29 August 2022, and the preliminary design was approved by the Ministry of Transport on 20 October, and the social capital tender is currently underway, with the S30 line expected to be completed and commissioned by the end of 2025. The Hefei southern section of S09 Minguang-Hexian Expressway is a dual-way six-lane road with a road base width of 34.5 meters and a design speed of 120km/h. The Project commences at the Tongyang Junction where S18 Nanjing-Heifei Expressway (寧合高速) intersects with S90 Heifei Eastern Branch Line (肥東支線) and ends at S30 Tongling-Shangcheng Expressway, and the total length of the route is about 37 kilometers, including more than 10 kilometers of tunnels that run through Chaohu Lake, which is planned to start construction in 2023, and of in service in 2027. The starting point of the Hefei-Hexian Expressway will be connected to the end of the Anhui section of the Nanjing-Huxian Expressway, and the end point is planned to be connected to the G5011 Wuhu-Hefei Expressway in the east of Xiage Town, Chaohu City. The Hefei-Hexian Expressway has a total length of about 53.3 kilometers and a design speed of 120 km/h., which equipped with dual-way six lanes with road base standard width of 34.5 meters. The Project is scheduled to commence in 2023 and be completed in 2026. A significant progress has been made in the Nanjing-Hexian Expressway project, with the pre-approval of the Project site and the planed site selection have been approved. The report estimates that the Project will be opened to traffic in 2027.

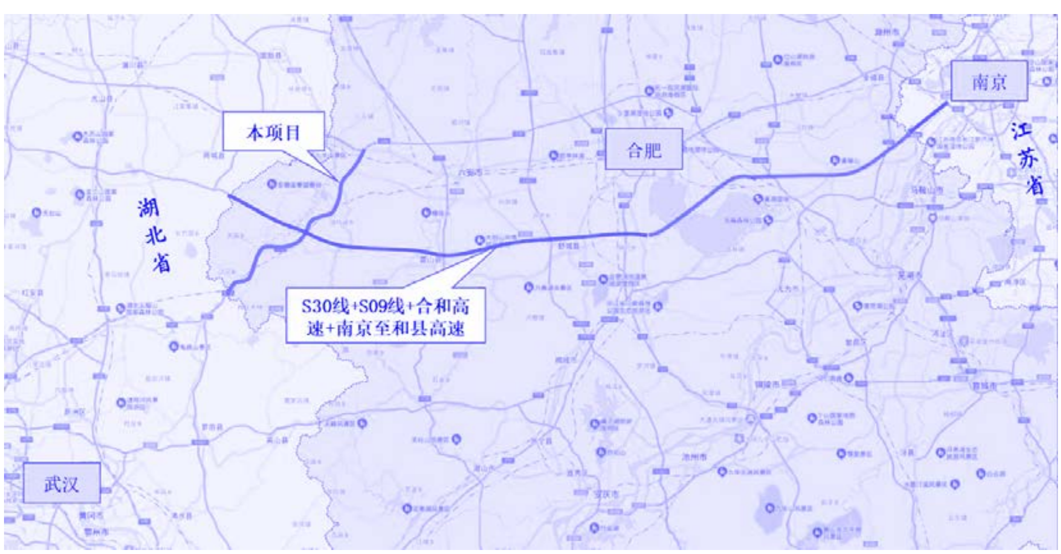

Chart 3–14 Diagram of the Relationship between Line S30 + Line S09 + Hefei – Hexian Expressway + Nanjing to Hexian Expressway from and the location of the Project

Line S30 + Line S09 + Hefei-Hexian Expressway + Nanjing-Hexian Expressway, combined with the S30 Expressway formed by the Anhui-Er province border-Gubei section of the Project, will provide a new route for vehicles from Hefei, Nanjing heading Wuhan, which will divert part of the traffic flow of the Dagudian-Gubei section of the Project.

In order to further analyze the diversion effect of S30 expressway channel on this Project after its completion, Wuhan and Nanjing cities were selected as the starting and ending points respectively to analyze the competition between this Project's channel and S30 expressway channel the location and direction of which are shown in Chart 3–15, and the comparison between the channels is set forth in Chart 3–16.

Chart 3–15 Diagram of Channel Travel Route for the Expressway from Wuhan to Nanjing

Table 3–16 Comparison of Channel Travel Route for the Expressway from Wuhan to Nanjing

Vehicle type	Channel	Channel composition	Technical grade	Miles travelled *(km)*	Travel costs *(RMB)*	Travel time *(hours)*
Class I Passenger car	Liuwu Expressway (available)	G42 Shanghai-Wuhan Expressway + Liuwu Expressway + G40 Shanghai-Xi'an Expressway	Expressway	532	250	6.0
	S30 Expressway (to be opened at the end of 2026)	G42 Shanghai-Chengdu Expressway + S30 Tongling-Shangcheng Expressway + S09 Minguang-Hefei Expressway + Hexian-Hefei Expressway + the expressway from Nanjing to Hexian	Expressway	534	269	5.4
Class VI truck	Liuwu Expressway (available)	G42 Shanghai-Wuhan Expressway + Liuwu Expressway + G40 Shanghai-Xi'an Expressway	Expressway	532	1,335	7.6
	S30 Expressway (to be opened at the end of 2026)	G42 Shanghai-Chengdu Expressway + S30 Tongling-Shangcheng Expressway + S09 Minguang-Hefei Expressway + Hexian-Hefei Expressway + expressway from Nanjing to Hexian	Expressway	534	1,372	7.0

From Table 3–16, It is clear that, in the long-distance transit direction from Wuhan to Nanjing, the difference in traveled miles between the Liuwu Expressway and the S30 Expressway is not significant in terms of Class I passenger car and Class VI truck, and there is a certain advantage in terms of travel cost despite the disadvantages in terms of travel time. The S30 Expressway will, upon its completion, attract traffic from Nanjing and Hefei to and from Wuhan, which will divert some of the traffic flow from the Dagudian-Gubei section of the Liuwu Expressway.

Analysis of the impact of the Huoqiu-Jinzhai Expressway on the Project

According to the Modification of Anhui Provincial Expressway Network Planning (2020–2035), it is proposed to improve the level of inter-county (district and city) connection and to plan the construction of Huoqiu-Jinzhai Expressway, the relation as to the location of which and the Project is set out in the Chart as below.

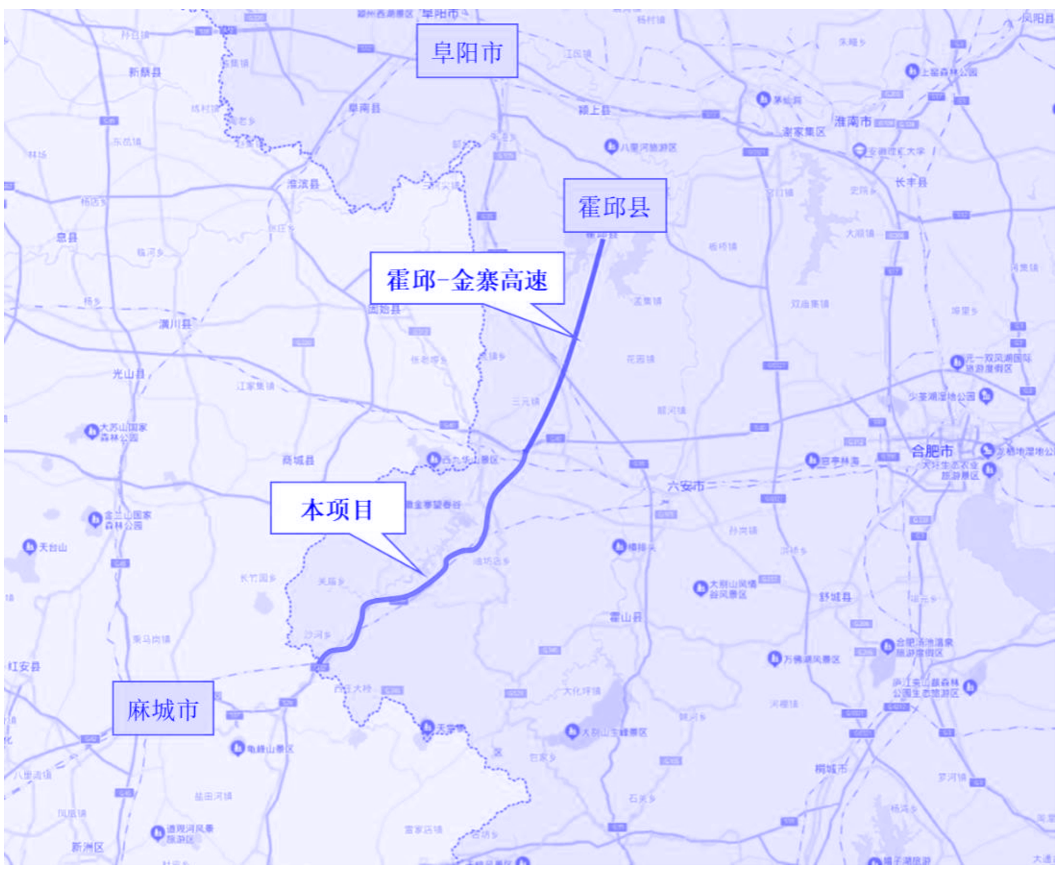

Chart 3–16 Diagram of Relation as to the Location of Huoqiu-Jinzhai Expressway and the Project

The completion of the Project will extend the impacted area of the Project to the north, which the access from Fuyang and Huoqiu to Macheng and further direction will be more convenient, serving a certain diversion effect on the Project.

In order to further analyze the diversion effect of Huoqiu-Jinzhai Expressway on this Project after its completion, Macheng and Fuyang cities were selected as the starting and ending points respectively to analyze the competition between the channel from Huoqiu to Jinzhai and G45 expressway channel, G42+G35 expressway channel, the location and direction of which are shown in Chart 3–17, and the comparison between the channels is set forth in Chart 3–17.

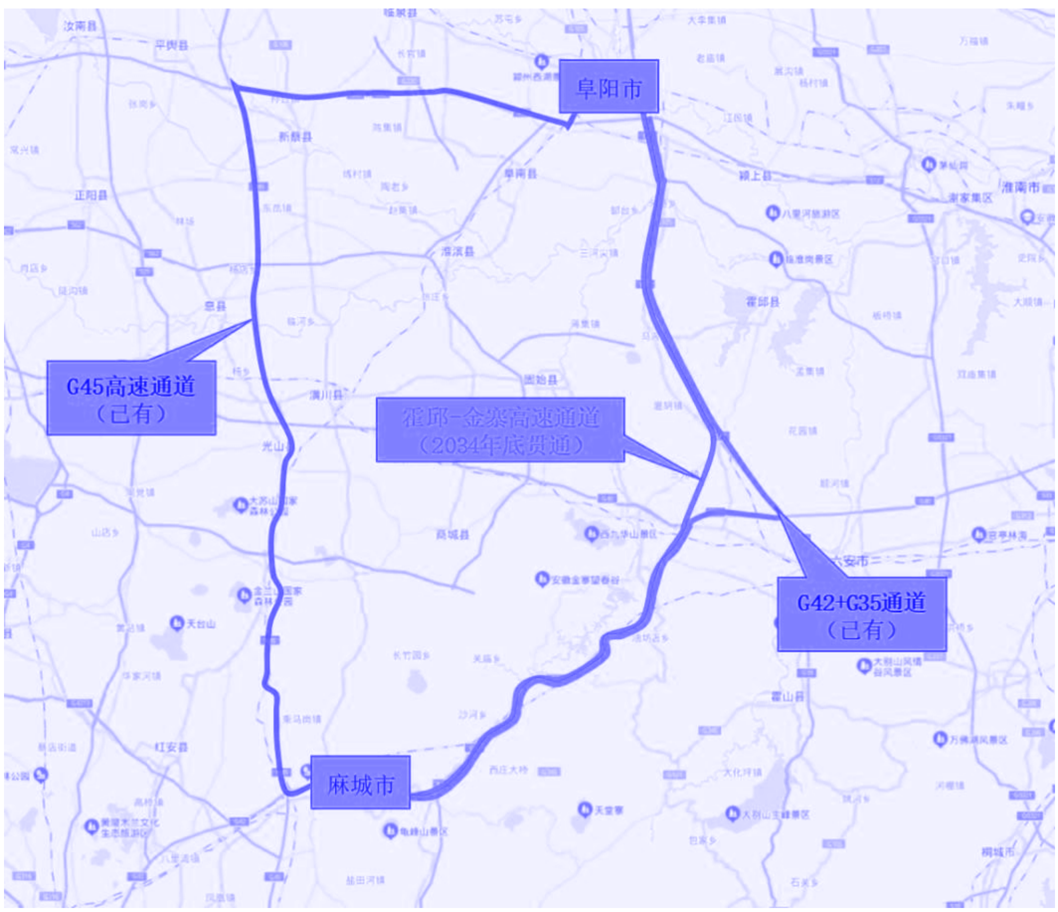

Chart 3–17 Diagram of Channel Travel Route for the Expressway from Macheng to Fuyang

Table 3–17 Comparison of Channel Travel Route for the Expressway from Macheng to Fuyang

Vehicle type	Channel	Channel composition	Technical grade	Miles travelled *(km)*	Travel costs *(RMB)*	Travel time *(hours)*
Class I Passenger car	G45 Expressway (available)	G45 Daqing-Guangzhou Expressway + S12 Chuzhou-Xinchai Expressway	Expressway	318	153	3.7
	Huoqiu-Jinzhai Expressway (to be opened at the end of 2034)	Liuwu Expressway + Huoqiu-Jinzhai Expressway + G35 Jinan-Guangzhou Expressway	Expressway	280	121	3.4
	G42+G35 Expressway (available)	Liuwu Expressway + G40 Shanghai-Xi'an Expressway + G35 Jinan Guangzhou Expressway	Expressway	309	133	3.7
Class VI truck	G45 Expressway (available)	G45 Daqing-Guangzhou Expressway +S12 Chuzhou-Xinchai Expressway	Expressway	318	819	4.5
	Huoqiu-Jinzhai Expressway (to be opened at the end of 2034)	Liuwu Expressway + Huoqiu – Jinzhai Expressway + G35 Jinan-Guangzhou Expressway	Expressway	280	650	4.1
	G42+G35 Expressway (available)	Liuwu Expressway + G40 Shanghai-Xi'an Expressway + G35 Jinan-Guangzhou Expressway	Expressway	309	715	4.5

It is clear that, from the above table, in terms of long-distance travel from Macheng to Fuyang, from the perspective of Class I Passenger car and Class VI trucks, the G42+G35 expressway channel where the Project is currently located has certain advantages over the G45 expressway channel in terms of travel costs and mileage, while the difference in travel time is not significant. After the completion of the Huoqiu-Jinzhai Expressway in the future, the Huoqiu-Jinzhai Expressway where the Project is located will have certain advantages in terms of travel time, mileage and travel cost compared to the G45 expressway channel, so the completion of the Huoqiu-Jinzhai Expressway in the future will make the channel where the Project is located more competitive and will attract part of the traffic flow from Macheng to Fuyang

Impact analysis of the traffic flow from railway transportation

The Hefei-Wuhan section of the Shanghai-Chongqing-Chengdu High-speed Railway (滬渝蓉高鐵), a main skeleton of "eight vertical and eight horizontal" (八縱八橫) of national high-speed railway network, is an important part of rail passages along the Yangtze River, which is a principal railway connecting the Wuhan Metropolitan Area, the Wanjiang City Belt and the Yangtze River Delta Economic Circle (長三角經濟圈). According to the Action Plan for the High-Quality Coordinated Development of Provincial Capital Cities in the Middle reaches of Yangtze River (《長江中游城市群省會城市高質量協同發展行動方案》), it is clear that the focus will be on promoting the Hefei-Wuhan section of the HSR alongside the Yangtze River and improving the transportation capacity of the bottleneck section of the Shanghai-Wuhan-Chengdu Passage (滬漢蓉通道). The HSR from Hefei to Wuhan along the Yangtze River Economic Belt covers a total length of 342.5 kilometers, with a new line of 295 kilometers, of which 169 kilometers and 80 kilometers are within Anhui and Jinzhai, respectively. There are seven HSR stations along the line, including Hefei South, Liuan North, Jinzhai East, Nanxi, Macheng North, Yangtze River New District (長江新城) and Hankou. The Project is generally aligned in parallel with the Project and will divert some of the passenger flow from Wuhan to Hefei in the Project's channel after its completion, the route of which is shown as Chart 3–22.

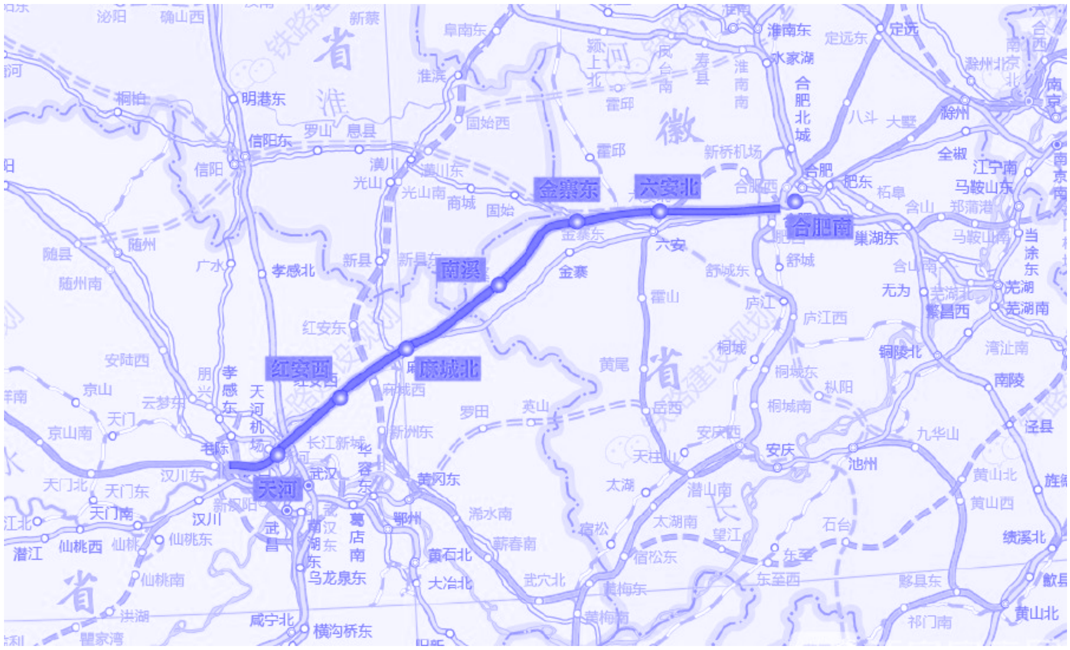

Chart 3–22 Diagram of the Route of HSR from Hefei to Wuhan

At present, the road path from Hefei to Wuhan downtown is the Shanghai-Shaanxi Expressway and the Shanhai-Chengdu Expressway, which the length of the route is approximately 377 kilometers with travel duration of about 4 hours. The Heifei-Wuhan Railway, which is currently in operation, has a design speed of 250 kilometers per hour, with approximately 2 hours of regular traveling from Wuhan High-Speed Railway Station to Hefei High-Speed Railway Station, notwithstanding, there remains transit time from both high speed railway stations to the downtowns of the cities. Therefore, compared to the two means of transportation, highway transportation is able to achieve the characteristics of "door-to-door" transportation with expedience, but the travel duration is slightly longer, while railway transportation takes slightly less time, but is subject to the constraints of the number of trains, duration and other restrictions of the railway. Given that the Heifei-Wuhan Railway has now been built for many years, the current highway-railway partake rate between the two means of transportation in the channel has stabilized and the established railways will basically no longer have a transfer impact on the railways channels.

After its completion, the planned Heifei-Wuhan HSR will be connected to the national railway network and is expected to adopt a design speed of 350km/h, which will further shorten the railway travel time from Hefei to Wuhan, whilst the newly-constructed Tianhe Station of Heifei-Wuhan HSR will form an effective multimodal connection with Wuhan Tianhe International Airport and the accessibility of the HSR will be further enhanced, therefore the construction of this new railway will again have a new diverting effect on the passenger flow in the railways channels.

According to the relevant planning, the Hefei-Wuhan HSR is expected to be completed and commissioned around 2026. Therefore, based on the calculation method of the above partake rate model by combining with the traffic statistics of other HSRs of similar technical standards during their operation phase, it is calculated that the transfer flow of HSR diversion is approximately 4.0% of the passenger car traffic on the railway channel in this evaluation.

Combining the diversion impact analysis forecast of above trend-based and other planned projects, the following formula was adopted to derive future traffic distribution forecast among traffic zones throughout the Project-impacted area:

Traffic distribution aggregated = trend-based traffic distribution – impact of highway traffic flow diversion – impact of rail traffic flow transfer + impact of the Project on other highway attraction traffic flow

Partake rate of road traffic flow of the Project in 2035 and 2039

The future cross section of the Project will comprise, from north to south, the Liuwu Expressway and the G4221 line, as shown in Chart 3–24.

Chart 3–24 Diagram of the Across Section the Future Traffic Analysis of the Project

By analyzing the future traffic flow of each related road in the across section where the Project is located, the traffic flow of the Project in 2035 and 2039 will be 45,294 pcu/d and 50,285 pcu/d, respectively, accounting for 54.6% and 54.4% of the total flow of this across section, respectively, and the traffic flow of line G4221 in 2035 and 2039 will be 37,623 pcu/d and 42,125 pcu/d, respectively, accounting for 45.4% and 45.6% of the total flow of this across section. The travel percentages are shown in Table 3–30.

Table 3–30 Distribution Results of Relevant Road Traffic Flow on the Across Sections in 2035 and 2039

	2035		2039	
Related roads	**Traffic flow (pcu/d)**	**Travel proportion**	**Traffic flow (pcu/d)**	**Travel proportion**
The Project	45,294	54.6%	50,285	54.4%
G4221	37,623	45.4%	42,125	45.6%
Total flow	82,917	100.0%	92,410	100.0%

Note: "pcu/d" refers to passenger car unit/day. Passenger car unit is a vehicle measure unit involving conversion of different types of vehicles into their equivalent passenger cars by multiplying certain coefficients assigned to such types of vehicles.

Forecast results for the proportion of vehicle type in the Project

The future development trend of the automotive market shows a shift in the structure of demand from the middle to the two extremes, and from public to private use. Sedans will be the dominant model to support future automobile demand, and the number of private cars will continue to grow, so the passenger vehicle load factors will decrease in the future; the development of medium-sized trucks, as the least economical model, will slow down its growth in the future, and the truck models will gradually develop towards the two extremes, with large trucks being the main one. From the data of the current road network across the province, although the passenger traffic flow has been steadily increasing resulting from the introduction of some policies at the national and provincial levels regarding economic stability and transportation protection since 2023, the traffic flow of cargo transportation has not been improved and has never returned to the normal operation level, with a downward trend compared to the same period in 2022 and 2021. From the data related to this Project (January to mid-May 2023), truck traffic flow has decreased by 0.61% compared to 2022 (including a 10.71% decrease in the Class VI truck traffic flow compared to 2022) and by 3.79% compared to 2021 (including a 16.06% decrease in the Class VI truck traffic flow compared to 2021), respectively. This evaluation takes into account the impact of the economic recovery by combining the recent changes in traffic flow and vehicle structure on this road section, and also based on the analysis of the development trends of motor vehicles in the Project area, we forecast in this report that the proportion of vehicle types classified by toll rates for each feature year of the proposed project are shown in Table 3–31.

Table 3–31 Ratio of Vehicle Type Tolled for Each Feature Year of the Project (Absolute Numbers)

Year	Class I passenger car	Class II passenger car	Class III passenger car	Class IV passenger car	Class I truck	Class II truck	Class III truck	Class IV truck	Class V truck	Class VI truck	Absolute number
2023	57.10%	0.15%	0.37%	0.43%	6.62%	4.59%	1.82%	3.36%	2.98%	22.58%	100.00%
2024	57.17%	0.17%	0.37%	0.45%	6.58%	4.56%	1.78%	3.33%	2.98%	22.61%	100.00%
2025	57.25%	0.19%	0.38%	0.46%	6.54%	4.52%	1.73%	3.29%	2.99%	22.64%	100.00%
2026	57.30%	0.21%	0.38%	0.48%	6.51%	4.49%	1.69%	3.26%	2.99%	22.70%	100.00%
2027	57.38%	0.23%	0.38%	0.49%	6.47%	4.45%	1.64%	3.22%	3.00%	22.73%	100.00%
2030	57.53%	0.29%	0.40%	0.54%	6.43%	4.35%	1.51%	3.11%	3.02%	22.81%	100.00%
2034	57.61%	0.35%	0.41%	0.58%	6.42%	4.25%	1.38%	3.01%	3.04%	22.95%	100.00%
2035	57.69%	0.37%	0.41%	0.60%	6.38%	4.22%	1.33%	2.97%	3.05%	22.98%	100.00%
2039	57.92%	0.43%	0.42%	0.64%	6.22%	4.12%	1.25%	2.87%	3.06%	23.07%	100.00%

Analysis of impact of the newly-constructed project on transportation

According to the forecast results from traffic flow, with the successive completion and opening of the planned projects in the coming years, there will be a certain impact on the Project. The report has conducted a separate analysis of the impact of the implementation of each planned project in the coming years on this Project, and the degree of impact is shown in Table 3–33.

Table 3–33 Analysis of the Traffic Impact of the Project

Name	Date	Transportation transfer/attraction influence	Degree of impact in total	Remarks
G4221 Shanghai-Wuhan Expressway	Completion at the end of September 2023	Transfer (negative impact)	-7.2%	
HSR from Hefei to Wuhan	Completion at the end of 2025	Transfer (negative impact)	-1.9%	Where the proportion as the diverted trend passenger traffic flow is 4.0%

Name	Date	Transportation transfer/attraction influence	Degree of impact in total	Remarks
Line S30 + Line S09 + Hefei-Hexian Expressway + the expressway from Nanjing to Hexian	Completion at the end of 2026	Transfers (negative impact)	-5.9%	Where the proportion as the diversion from the Dagudian-Gubei section is 9.5%
Huoqiu-Jinzhai Expressway	Completion at the end of 2034	Attraction (positive impact)	2.2%	

Notes:

① All the above total impact degree refer to the proportion of the average traffic flow as the whole route section;

② Diversion impacts for planned road projects are all considered on the basis of a duration of three years, and diversion impacts for planned railway projects are considered on the basis of a duration of one year;

The diversion ratio for this evaluation is calculated using the “with or without comparison method”, i.e. the change in traffic flow for this Project is obtained by comparing the entire road network traffic distribution due to changes in the road network after the completion of the newly constructed projects with the traffic distribution of the entire road network without considering the completion of the newly constructed projects. The traffic flow distribution for each scenario is calculated by the traffic flow distribution model, as the traffic flow distribution ratio will not be the same for each project due to the different road network conditions in the area, therefore the final traffic flow distribution ratio for different projects is calculated by reallocating the traffic flow to the changes in the road network where the Project is located.

In the calculation of the road network allocation model, the main modal factors considered for the diversion impact and comparative analysis of adjacent highway channels are direct costs such as travel time, mileage and expenses, and indirect costs such as fuel consumption, tyre attrition, convenience of transfer between different highways, and the degree to which highways affect the service level of traffic flow under different technical standards and traffic flow pressure,; also, as some of the expressway channels are in the planning stage with engineering plans yet to be determined, factors such as the origin and destination of their projects, interchange settings and route options will have different impacts on the diversion of this Project in the future. Considering that drivers need a familiarization process after a new road is opened, the ongoing impact of adjacent planned roads on the Project is considered on the basis of three years in this evaluation.

G4221 Shanghai-Wuhan Expressway: With the opening and operation of the G4221 Shanghai-Wuhan Expressway, an east-west regional channel will be formed in Anhui Province, which will then divert the traffic flow to and from Wuhan in the direction of Nanjing and Hefei. It is projected that the completion of the Project will divert 7.2% of the average traffic flow of the entire Project in this evaluation.

Line S30 + Line S09 + Hefei-Hexian Expressway + the expressway from Nanjing to Heixian: upon the completion for this project, it will attract vehicles from Nanjing and Hefei to and from Wuhan, which will divert some of the traffic flow from the Dagudian-Gubei section of the Liuwu Expressway. It is projected that the completion of such project will divert 9.5% of the trend traffic flow of Dagudian-Gubei section of the entire Project in this evaluation, which, based on conversion calculations, the diverted traffic flow constituted 5.9% of the average traffic flow along the entire Project route.

The HSR from Hefei to Wuhan: The Project will originate from Wuhan, passing through Huanggang and Lu'an to Hefei, with a design speed of 350 km/h. The alignment and passenger flow direction of such project are the same as that of the Project, and the completion of the Project will divert some passenger flow of the Project. It is projected that the completion of such project will divert 4.0% of the trend passenger traffic flow of the entire Project in this evaluation, which, based on conversion calculations, the diverted traffic flow constituted 1.9% of the average traffic flow along the entire Project route.

Huoqiu-Jinzhai Expressway: According to the Modification of Anhui Provincial Expressway Network Planning (2020–2035), it is proposed to improve the level of inter-county (district and city) connection and to plan the construction of Huoqiu-Jinzhai Expressway. The completion of the Project will extend the impacted area of the Project to the north, which the access from Fuyang and Huoqiu to Macheng and farther direction will be more convenient, serving a certain diversion effect on the Project. According to the forecast, the proportion of traffic flow attracted by the Project after its completion is expected to be 2.2% of the average traffic flow along the entire route of the Project.

(c) Research process

In November 2022, upon the acceptance of engagement, CHELBI quickly set up a project team to conduct a traffic survey on the road network where this Project is located, taking into account the historical information of the Project, and collected relevant information.

To verify the accuracy and validity of the traffic survey data, the project team collected observation data on the traffic flow of relevant highways in the area of coverage of the Project, re-evaluated and forecast the traffic flow of the Project by leveraging the expressway network toll data of Anhui Province, and calculated the toll income of the Project, thus forming this evaluation report for use by Anhui Transportation Holding Group and Anhui Expressway in making decisions.

(d) Forecast approach of the traffic volume

A four-stage approach is adopted for the traffic volume forecast of the Project. The four-stage approach divides the process of forecast into four stages, namely traffic generation and concentration, traffic distribution, model split and traffic assignment. In accordance with the economic and social, traffic and transport data and origin-destination (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 methodology used in preparing the traffic volume forecast is summarised as follows:

(i) the transportation characteristics of the relevant area are first evaluated through collection of the traffic volume of the road network of Liuwu Expressway and the relevant expressway within the area in 2021 (as the data in 2022 are affected by relevant COVID-19 restriction measures). The traffic volume data collected were considered together with the data of the expressway network within the Anhui Province to produce the basic origin-destination (OD) data for the traffic volume projection for the current study;

(ii) based on the traffic flow and volume data, the socio-economic and traffic conditions of the major areas attracting traffic flow were investigated, and the elastic coefficient attached to such conditions were analysed. The traffic volume growth was then projected using the elastic coefficient method;

(iii) a model of the relationship between the socio-economic condition and the traffic were established, and the traffic distribution were projected applying the OD data and taking into account the impact of other means of transportation on road transportation;

(iv) the means of transportation within the area were studied and a projection of the traffic distribution of the relevant area was then prepared. The traffic volume of the areas near the Liuwu Expressway, and in turn of the Liuwu Expressway were then projected;

(v) the toll rate were determined based on the standards as set out in "Notice on the adjustment plan of vehicle toll rates of toll expressways within the Anhui Province published by the Department of Transportation of Anhui Province, the Anhui Province Development and Reform Commission and the Department of Finance of Anhui Province) (《安徽省交通運輸廳、安徽省發展改革委、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) and as adjusted in accordance with the requirements under the "Adjustment plan of vehicle toll rates of toll expressways within the Anhui Province (安徽省收費公路車輛通行費計費方式調整方案)" (i.e. passenger vehicles are charged based on vehicle types and goods vehicle and specialized vehicle are charged based on number of axles) and the related discount policy; and

(vi) the toll income projection were then prepared based on the adjusted toll rate standard and the projected traffic volume. The traffic volume projection has taken into account the PRC national policies that (x) no toll shall be charged on toll expressway users during PRC statutory holidays; and (y) specialized vehicles which are not required to pay any toll, such as fire engines, ambulance, and military and police vehicles. The toll income projection also assumes that the effective charging rate for passenger cars utilising the Liuwu Expressway is 95.5% and effective charging rate for trucks utilising the Liuwu Expressway is 91% during the forecast period.

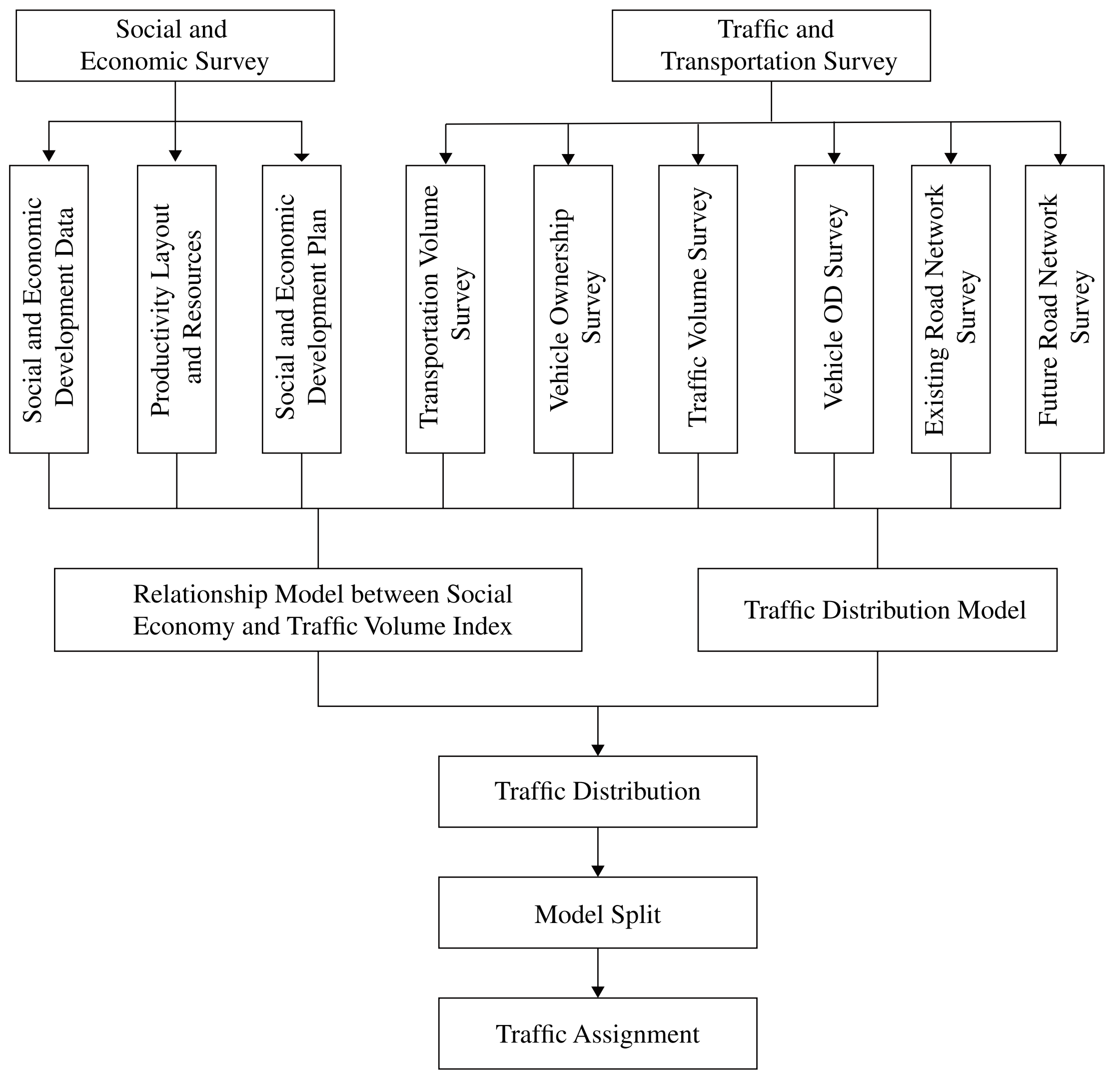

Figure 2 Workflow of the traffic volume forecast

(e) Forecast Period

A feature year is a year in which the Project is subject to influences due to changes in the external environment or its own changes during the forecast period. Where the relevant expressway is not subject to any influence, a feature year is normally selected on the basis of a five-year interval.

Considering the traffic diversion impact on the Project after the completion of the planned expressways and railways in the impacted area (as set out below) and the operation period of the Project, forecast and evaluation years for the Project are included for the period from 2023 between 2039, with emphasis of traffic flow forecasts on 2023, 2024, 2025, 2026, 2027, 2030, 2034, 2035 and 2039 as the feature years for the Project. Traffic forecasts were made for the feature years.

The planned expressway and railways in the impacted area based on the announced transportation planning by the relevant PRC local governments and the traffic diversion impact of which have been taken into account in determining the feature year for the Project are set out as follows:

(i) the Wuwei to Yuexi section of the Shanghai-Wuhan Expressway (G4221 Expressway), which is expected to go into operation in or around end of September 2023 and is expected to have a diversion impact on the traffic volume of Liuwu Expressway;

(ii) the Hefei-Wuhan High Speed Rail which is expected to go into operation in or around end of 2025 and is expected to have a diversion impact on the traffic volume of Liuwu Expressway;

(ii) the Tongling to Shangchang Expressway (銅商高速), the South Hefei section of the Mingguang-Hefei Expressway (明合高速合肥南段), the Hefei-He County Expressway (合和高速), the Nanjing-He County Expressway (南京至和縣高速), which is expected to go into operation by end of 2026 and is expected to have a diversion impact on the traffic volume of Liuwu Expressway; and

(iii) the Huoqiu-Jinzhai Expressway (霍邱－金寨高速) which is expected to go into operation by the end of 2034 and is expected to have a positive impact on the traffic volume of Liuwu Expressway.

Due to the widespread pandemic in 2022, there had been a greater impact on economic development and traffic and travel; as the pandemic was better contained in 2021 in all regions without a large-scale outbreak, there was a smaller impact on economic development and traffic and travel in 2021 as compared with that of 2022. Therefore, taking 2021 as the benchmark year for traffic flow forecasting will better echo the actual traffic situation, so the forecast benchmark year for this evaluation is 2021.

In particular, based on the historical GDP data and the GDP growth rate of the Anhui Province, the economy of Anhui Province has been more significantly affected in 2020 and 2022; while in 2021, given that the COVID-19 pandemic was effectively controlled within the province, the impact of the pandemic on the economic was relatively less significant. Notwithstanding the above, the GDP growth rate of Anhui Province in 2021 was approximately 6.1%, which is slightly lower than the GDP growth rate of the Anhui Province between 2015 to 2019 (which ranged from approximately 7.5% to 8.7%), indicating that the economy of the Anhui Province (and consequently the traffic flow and toll revenue) was still affected (although to a lesser extent) by the pandemic in 2021 as compared with the previous years. As such, economic growth rates and elastic coefficients which are more in line with the latest circumstances within the PRC has been adopted in preparing the traffic volume forecast in the traffic study report to offset the impact of the pandemic on the traffic flow in 2021, taking into account that the COVID-19 pandemic has now generally been controlled in the PRC.

3. CONCLUSION OF THE REPORT

(a) Average traffic volume forecast results in relation to the Liuwu Expressway

Unit: vehicle/day

Section	2023	2024	2025	2026	2027	2030	2034	2035	2039
Anhui-Hubei provincial border – Tiantangzhai	14,508	14,093	14,518	14,659	15,234	16,962	19,177	20,123	22,391
Tiantangzhai – Dingbu	16,302	15,895	16,395	16,611	17,262	19,221	21,731	22,746	25,271
Dingbu – Gupai	18,026	17,625	18,198	18,487	19,211	21,391	24,185	25,267	28,037
Gupai – Jinzhai	20,104	19,712	20,372	20,748	20,157	21,401	24,196	25,278	28,049
Jinzhai-Xianghua Village, Jinzhai County	20,435	20,054	20,731	21,130	20,582	21,896	24,755	25,845	28,665
Xianghua Village, Jinzhai County – Dagudian Joint	20,852	20,463	21,154	21,562	21,002	22,343	25,261	26,372	29,250
Sections in average	**18,431**	**18,033**	**18,623**	**18,929**	**18,901**	**20,474**	**23,148**	**24,201**	**26,867**

(b) Toll income of the Liuwu Expressway

Year	**Toll income forecast results** *(RMB)*	**Rate of growth/ loss compared with the previous year**
2023	559,405,181	3.62% *(Note 1)*
2024	547,241,380	-2.17%
2025	565,059,568	3.26%
2026	574,581,466	1.69%
2027	573,646,200	-0.16%
2028	583,119,628	1.65%
2029	600,296,207	2.95%
2030	621,109,451	3.47%
2031	642,179,351	3.39%
2032	662,998,759	3.24%
2033	682,992,587	3.02%
2034	702,562,651	2.87%
2035	734,420,391	4.53%
2036	759,715,903	3.44%
2037	780,176,436	2.69%
2038	798,076,085	2.29%
2039 *(Note 2)*	815,319,127	2.16%
Total of 2023 – 2039	**11,202,900,371**	

Note:

(1) Compared with the toll income of RMB539,876,096 during the year of 2022.

Set out below is the Relevant Profit Forecast Information as set out in the Report on the Proposed Acquisition and the Proposed Non-public Issuance of A Shares and related transactions, the Dilution of Immediate Returns Announcement and the Appendix VII to the Announcement, and reproduced in this circular:

Impact of the transaction on key financial indicators of the Company

Based on the audited financial report of the Company for 2022, the unaudited financial statements for January to February 2023 and the Review Report on Pro Forma Financial Information (《備考審閱報告》), the impact of the transaction on the key financial indicators of the Company, excluding the impact of the proposed ancillary fund raising, is set forth in the table below:

Unit: RMB'0,000

Items	January-February 2023/ 28 February 2023		For the year of 2022/ 31 December 2022	
	Prior to the transaction	After the transaction (pro forma)	Prior to the transaction	After the transaction (pro forma)
Total assets	2,167,937.36	2,448,724.82	2,130,336.88	2,406,559.58
Total liabilities	784,759.15	842,010.12	779,880.66	837,342.55
Total equity attributable to owners of the parent company	1,223,697.31	1,447,233.81	1,192,481.24	1,411,242.04
Operating income	79,669.15	89,209.85	520,636.64	573,051.80
Net profit attributable to owners of the parent company	31,216.08	35,491.77	144,501.71	166,186.97
Weighted average return on net assets *(%)*	2.58	2.48	12.48	12.09
Basic earnings per share *(RMB/share)*	0.19	0.17	0.87	0.78

VII. Key Financial Information and Financial Indicators

The key financial data and financial indicators in the Company's consolidated financial statements for 2021, 2022 and January – February 2023 are as follows:

(I) Key information in the consolidated balance sheet

Unit: RMB'0,000

Items	28 February 2023	31 December 2022	31 December 2021	31 December 2020
Total assets	2,167,937.36	2,130,336.88	1,992,086.30	2,076,273.34
Total liabilities	784,759.15	779,880.66	797,585.36	862,129.74
Net assets	1,383,178.21	1,350,456.22	1,194,500.94	1,214,143.60
Owners' equity attributable to shareholders of the parent company	1,223,697.31	1,192,481.24	1,138,910.95	1,150,351.21

(II) Key information in the consolidated income statement

Unit: RMB'0,000

Items	January – February 2023	2022	2021	2020
Operating income	79,669.15	520,636.64	392,095.82	293,381.75
Total profit	44,443.64	197,693.20	211,912.74	118,341.64
Net profit	32,721.98	141,400.40	154,531.59	81,672.57
Net profit attributable to shareholders of the parent company	31,216.08	144,501.71	151,416.79	86,925.59

(III) Key information in the consolidated cash flow statement

Unit: RMB'0,000

Items	January – February 2023	2022	2021	2020
Net cash flows from operating activities	75,579.64	193,770.00	209,706.08	170,632.40
Net cash flows from investing activities	-111,023.47	-247,704.19	20,018.39	-122,502.25
Net cash flows from financing activities	6,956.29	8,327.23	-91,104.49	-42,274.44
Net increase in cash and cash equivalents	-28,487.54	-45,606.97	138,619.99	5,855.71

Unit: RMB'0,000

Items	28 February 2023/January - February 2023	31 December 2022/2022	31 December 2021/2021	31 December 2020/2020
Basic earnings per share *(RMB/share)*	0.19	0.87	0.91	0.52
Gross margin	61.73%	43.24%	59.69%	47.91%
Asset-liability ratio	36.20%	36.61%	40.04%	41.52%
Weighted average return on net assets	2.58%	12.48%	12.58%	7.74%

(IV) Pro Forma Consolidated Balance Sheet

Unit: RMB'0,000

Items	28 February 2023	31 December 2022
Monetary funds	519,862.69	473,149.93
Financial assets held for trading	10,041.42	–
Prepayments	127.91	92.97
Other receivables	41,159.44	53,774.43
Inventory	450.60	483.56
Other current assets	635.80	475.32
Total current assets	**572,277.86**	**527,976.21**
Long-term equity investments	14,662.53	14,662.53
Investment in other equity instruments	11,550.89	11,550.89
Other non-current financial assets	71,649.06	71,159.94
Investment property	34,929.88	35,228.93
Fixed assets	113,491.67	116,220.22
Construction in progress	25,940.17	26,028.07
Intangible assets	1,584,633.12	1,584,023.91
Deferred income tax assets	19,589.65	19,708.90
Total non-current assets	**1,876,446.96**	**1,878,583.37**
Total assets	**2,448,724.82**	**2,406,559.58**
Accounts payable	49,831.08	61,991.12
Receipts in advance	6,368.05	4,143.51
Salary payable to staff	4,863.72	2,847.80
Taxes payable	8,793.25	5,035.17
Other payables	62,325.38	64,369.44
Non-current liabilities due within one year	52,673.44	49,603.58
Other current liabilities	7,929.56	7,291.31
Total current liabilities	**192,784.48**	**195,281.94**

Items	28 February 2023	31 December 2022
Long-term loans	627,585.59	620,198.59
Long-term payables	7,755.97	7,755.97
Deferred revenue	11,169.76	11,385.27
Deferred income tax liabilities	2,714.31	2,720.78
Total non-current liabilities	**649,225.64**	**642,060.61**
Total liabilities	**842,010.12**	**837,342.55**
Total equity attributable to the shareholders of the Company	1,447,233.81	1,411,242.04
Minority interests	159,480.89	157,974.99
Total owners' equity	**1,606,714.70**	**1,569,217.03**
Total liabilities and owners' equity	**2,448,724.82**	**2,406,559.58**

(V) Pro Forma Consolidated Income Statement

Unit: RMB'0,000

Items	**January – February 2023**	**2022**
Operating income	89,209.85	573,051.80
Less: Operating costs	34,164.24	317,806.21
Taxes and surcharges	351.29	3,268.08
Management fees	2,347.26	17,343.81
Finance costs	2,284.67	14,426.60
Of which: interest charges	3,500.57	22,652.06
Interest income	1,218.10	8,031.67
Add: Other gains	216.30	1,598.87
Investment income	–	3,809.04
Gain on fair value changes	-133.63	61.36
Credit impairment reversal	-5.30	-12.61
Reversal of asset impairment	–	–
Gain (loss) on disposal of assets	–	864.88
Operating profit	**50,139.78**	**226,528.64**
Add: Non-operating income	4.86	126.60
Less: Non-operating expenses	0.09	32.80
Total profit	**50,144.56**	**226,622.44**
Less: Income tax expense	13,146.88	63,536.77
Net profit	**36,997.67**	**163,085.67**
Minority gains (losses)	1,505.91	-3,101.31
Net profit attributable to shareholders of the parent company	35,491.77	166,186.97
Total comprehensive income	**36,997.67**	**163,113.48**
Total comprehensive income attributable to the shareholders of the Company	35,491.77	166,214.79
Total comprehensive income (loss) attributable to minority shareholders	1,505.91	-3,101.31
Basic earnings per share *(RMB/share)*	0.17	0.78
Diluted earnings per share *(RMB/share)*	0.17	0.78

交銀國際
BOCOM International

The board of directors
Anhui Expressway Company Limited

20 June 2023

Dear Sirs and Madams,

We refer to the announcement of Anhui Expressway Company Limited (the "**Company**") dated 20 June 2023 (the "**Announcement**") in relation to, among others, the Company's proposed acquisition of 100% equity interest of Anhui Province Liuwu Expressway Co., Ltd.* (安徽省六武高速公路有限公司).

Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as those defined in the Announcement.

We also refer to the Relevant Profit Forecast Information set out on page 38 and Appendix VII of the Announcement, which constitute profit forecast under Rule 10 of the Takeovers Code.

This letter is issued in compliance with Rule 10 of the Takeovers Code, as our report on the Relevant Profit Forecast Information.

We have reviewed the Relevant Profit Forecast Information and discussed with the management of the Company with regards to the bases upon which the Relevant Profit Forecast Information has been prepared and expressed.

We have also considered the letter dated 20 June 2023 from Ernst & Young Hua Ming LLP regarding the Relevant Profit Forecast Information, and which stated that so far as the accounting policies and calculations are concerned, the Relevant Profit Forecast Information has been properly compiled in accordance with the basis adopted by the Directors and is presented on a basis consistent in all material respects, with the accounting policies normally adopted by the Group as set out in the audited financial statements of the Company prepared in accordance with Accounting Standards for Business Enterprises for the year ended 31 December 2022.

We have not independently verified the computations leading to the Relevant Profit Forecast Information. We have relied on the information and facts supplied, and the opinion expressed by you and have assumed, without independent verification, that all the information and facts provided and opinions expressed to us, were true, accurate, complete and not misleading at the time they were supplied or expressed and that no material fact or information has been omitted from the information supplied.

On the basis of the foregoing, without giving any other opinion or expressing any other view on the Relevant Profit Forecast Information, for which you as the directors of the Company are solely responsible, we are satisfied that the Relevant Profit Forecast Information has been made by you after due care and consideration.

The work undertaken by us in giving the above opinion has been undertaken for the purpose of reporting solely to you under Rule 10 of the Takeovers Code and for no other purpose. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

For and on behalf of
BOCOM International (Asia) Limited

Wilfred Sum	**Gary Poon**
Managing Director, Head of Corporate Finance and Global Capital Markets	*Director*

EY 安永

20 June 2023

The Board of Directors
Anhui Expressway Company Limited
520 Wangjiang West Road,
Hefei, Anhui, the PRC

Dear Sirs,

Anhui Expressway Company Limited ("the Company") and its subsidiaries (the "Group")

Profit estimate for the two months ended 28 February 2023

We refer to the Relevant Profit Forecast Information in relation to the unaudited results of the Group for the two months ended 28 February 2023 and the unaudited results of the Group including Anhui Province Liuwu Expressway Company Limited (the "**Target Company**") (collectively referred to as the "**Enlarged Group**") for the two months ended 28 February 2023 as set forth on page 38 and the Appendix VII in the announcement of the Company dated 20 June 2023 (the "**Announcement**"). The Relevant Profit Forecast Information is required to be reported on under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

Directors' responsibilities

The Relevant Profit Forecast Information has been prepared by the directors of the Company based on the unaudited consolidated results of the Group for the two months ended 28 February 2023 as shown in the management accounts of the Group for the two months ended 28 February 2023, and the unaudited consolidated results of the Enlarged Group for the two months ended 28 February 2023 as shown in the management accounts of the Enlarged Group for the two months ended 28 February 2023.

The Company's directors are solely responsible for the Relevant Profit Forecast Information.

Our independence and quality management

We have complied with the independence and other ethical requirements of the China Code of Ethics for Certified Public Accountants issued by the Chinese Institute of Certified Public Accountants (the "**CICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Quality Control Standards No. 5101 – Quality Control for Accounting Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, 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 accountants' responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Relevant Profit Forecast Information based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Standard for Other Assurance Services of Chinese Certified Public Accountants No. 3111 Review of Estimated Financial Information. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Relevant Profit Forecast Information in accordance with the bases adopted by the directors and as to whether the Relevant Profit Forecast Information is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with China Standards on Auditing issued by the CICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Relevant Profit Forecast Information has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix VII in the Announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the consolidated financial statements prepared in accordance with Accounting Standards for Business Enterprises of the Company for the year ended 31 December 2022.

Yours faithfully,

Ernst & Young Hua Ming LLP
Beijing, the People's Republic of China

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 document misleading.

The circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

2. MARKET PRICES

The table below shows the closing market prices of the A Shares as quoted on the Shanghai Stock Exchange and the H Shares as quoted on the Hong Kong Stock Exchange (i) on the Latest Practicable Date; (ii) on the last trading day immediately preceding the date of the Agreement of Intent Announcement, the Announcement and the Update Announcement; and (iii) on the last trading day of each month during the Relevant Period:

	Closing price per A Share *(RMB)*	**Closing price per H Share** *(HK$)*
31 October 2022	6.74	5.02
30 November 2022	7.14	5.95
30 December 2022	7.31	6.29
31 January 2023	7.90	7.14
28 February 2023	8.37	7.34
31 March 2023 (being the last trading day of the Shares immediately preceding the Agreement of Intent Announcement)	8.93	7.91

	Closing price per A Share *(RMB)*	Closing price per H Share *(HK$)*
14 April 2023 (being the last trading day of the H Shares immediately preceding the Announcement)	(Suspended)	7.8
28 April 2023	9.48	7.99
31 May 2023	10.52	8.00
19 June 2023 (being the last trading day of the Shares immediately preceding the Update Announcement)	10.36	7.43
30 June 2023	10.48	7.57
21 July 2023 (being the Latest Practicable Date)	9.22	7.18

During the Relevant Period, the highest closing price of the Shares was RMB11.4 per A Share and HK$8.89 per H Share quoted on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively on 16 May 2023 and 8 May 2023, and the lowest closing price of the Shares was RMB6.34 per A Share and HK$4.93 per H Share quoted on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively on 28 October 2022 and 25 October 2022.

The Adjusted Issue Price of the Consideration Shares of RMB6.64 per Consideration Share represents (i) a discount of approximately 25.6% to the closing price per A Share of RMB8.93 per A Share and a discount of approximately 20.8% to the closing price on an ex-dividend basis per A Share of RMB8.38 as quoted on the Shanghai Stock Exchange; and (ii) a discount of approximately 5.1% to the closing price of H Share of HK$7.91 per H Share and a premium of approximately 2.8% over the closing price on an ex-dividend basis of HK$7.30 per H Share as quoted on the Hong Kong Stock Exchange, on 31 March 2023, being the last business day immediately preceding the Agreement of Intent Announcement.

Notes:

(i) Exchange rate of RMB: HKD at 1.13, being the average exchange rate from 1 January 2023 to 30 June 2023 quoted from the People's Bank of China, was adopted in the calculation of the pricing comparison

(ii) Value comparison of closing prices on ex-dividend basis are arrived by deducting the final dividend for the year ended 31 December 2022 of RMB0.55 per Share (equivalent to HK$0.6065 per share based on the average closing RMB/HK$ exchange rate of the People's Bank of China for the five business days prior to the date of declaration of payment of dividend) approved by the Shareholders.

(iii) The closing prices of the A Shares and the H Shares are sourced from Bloomberg and the website of the Hong Kong Stock Exchange, respectively.

3. SHARE CAPITAL

Set out below are the registered and issued share capital of the Company:

(i) as at the Latest Practicable Date;

	Number of Shares	Registered and issued share capital *(RMB)*
A Shares	1,165,600,000	1,165,600,000
H Shares	493,010,000	493,010,000
Total	1,658,610,000	1,658,610,000

(ii) immediately after completion of the Proposed Acquisition (assuming that (a) there will not be any further adjustments to the issue price of the Consideration Shares of RMB6.64 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement)):

	Number of Shares	Registered and issued shares capital *(RMB)*
A Shares as at the Latest Practicable Date	1,165,600,000	1,165,600,000
Consideration Shares to be issued immediately after the completion of the Proposed Acquisition (assuming that (a) there will not be any further adjustments to the issue price of the Consideration Shares of RMB6.64 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement))	469,292,667	469,292,667
H Shares	493,010,000	493,010,000
Total	2,127,902,667	2,127,902,667

(iii) immediately after completion of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares (assuming that (a) the total amount of ancillary funds to be raised under the Proposed Non-public Issuance of A Shares is RMB1,466,401,560; (b) there will not be any further adjustments to the issue price of the Consideration Shares of RMB6.64 per Consideration Share; (c) the issue price of the Proposed Non-public Issuance of A Shares is the same as the issue price of the Consideration Shares; and (d) there will be no change in the total issued share capital of the Company since the date of the Latest Practicable Date save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement) and under the Proposed Non-public Issuance of A Shares):

	Number of Shares	**Registered and issued share capital** *(RMB)*
A Shares as at the Latest Practicable Date	1,165,600,000	1,165,600,000
Consideration Shares to be issued immediately after the completion of the Proposed Acquisition (assuming that (a) there will not be any further adjustments to the issue price of the Consideration Shares of RMB6.64 per Consideration Share; and (b) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the A Shares pursuant to the Acquisition Agreement (as supplemented by the Supplemental Agreement))	469,292,667	469,292,667
A Shares to be issued under the Proposed Non-public Issuance of A Shares (assuming that (a) the total amount of ancillary funds to be raised under the Proposed Non-public Issuance of A Shares is RMB1,466,401,560; (b) there will not be any further adjustments to the issue price of the Consideration Shares of RMB6.64 per Consideration Share; and (c) the issue price of the Proposed Non-public Issuance of A Shares is the same as the issue price of the Consideration Shares)	220,843,608	220,843,608
H Shares	493,010,000	493,010,000
Total	2,348,746,275	2,348,746,275

As the Company is incorporated under the laws of the PRC, the Company does not have an authorised share capital.

All the Shares in issue are fully-paid and rank pari passu in all respects including all rights as to dividends, voting and capital.

The A Shares to be issued under the Proposed Acquisition and the Proposed Non-public Issuance of A Shares when issued and fully paid, shall rank pari passu in all aspects amongst themselves and with the A Shares in issue at the time of the issuance of such A Shares including, in particular, as to dividends, voting and capital.

Since 31 December 2022 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, no new Shares have been issued by the Company.

As at the Latest Practicable Date, the Company has no outstanding warrants, options or securities convertible into the Shares.

4. DISCLOSURE OF INTERESTS

Interests and short positions of Directors, supervisors and chief executives in the Shares

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive(s) of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company or which were required to be disclosed under the Takeovers Code.

Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, supervisors or chief executive(s) of the Company, the interests or short positions of the Shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, supervisor or chief executive(s) of the Company) in the Shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Hong Kong Stock Exchange were as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares interested *(Note 1)*	Approximate percentage of the total number of the relevant class of Shares of the Company *(%)*	Approximate percentage of the issued share capital of the Company *(%)*
Anhui Transportation Holding Group	A shares	Beneficial owner	524,644,220(L)	45.01	31.63
China Merchants Highway Network Technology Holding Company Limited	H Shares	Interests in controlled corporation	92,396,000(L)	18.74	5.57
	A shares	Beneficial owner	404,191,501(L)	34.68	24.37

Name of Shareholder	Class of Shares	Capacity	Number of Shares interested *(Note 1)*	Approximate percentage of the total number of the relevant class of Shares of the Company *(%)*	Approximate percentage of the issued share capital of the Company *(%)*
HSBC Holdings plc	H shares	Interests in controlled corporation	98,525,221(L)	19.98	5.94
			99,825,933(S)	20.25	6.02

Notes:

1. The letter "L" denotes a long position in the share capital, the letter "S" denotes a short position in the share capital.

Save as disclosed above, as at the Latest Practicable Date, no other person (other than Directors, supervisors or chief executive(s) of the Company) had any interests or short positions in any Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interests or short positions which have been notified to the Company and the Hong Kong Stock Exchange.

5. ARRANGEMENTS IN CONNECTION WITH THE PROPOSED ACQUISITION

As at the Latest Practicable Date:

(i) no agreement, arrangement or understanding (including any compensation arrangement) exists between Anhui Transportation Holding Group or parties acting concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Proposed Acquisition and/or the Whitewash Waiver;

(ii) there was no benefit to be given to any Directors as compensation for loss of office or otherwise in connection with the Proposed Acquisition and/or the Whitewash Waiver;

(iii) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Proposed Acquisition and/or the Whitewash Waiver or otherwise connected with the Proposed Acquisition and/or the Whitewash Waiver;

(iv) there was no material contract entered into by Anhui Transportation Holding Group in which any Director has a material personal interest; and

(v) save for the Compensation Agreement, there was no agreement, arrangement or understanding pursuant to which the A Shares to be issued to Anhui Transportation Holding Group under the Proposed Acquisition would be transferred, charged or pledged to any other persons.

6. SHAREHOLDINGS OF AND DEALINGS IN THE SECURITIES OF THE COMPANY AND ANHUI TRANSPORTATION HOLDING GROUP

As at the Latest Practicable Date:

(i) the Company did not own any equity interests or convertible securities, warrants, options and derivatives in respect of equity interests of Anhui Transportation Holding Group, and it has not dealt for value in any equity interests or convertible securities, warrants, options and derivatives in respect of equity interests of Anhui Transportation Holding Group during the Relevant Period;

(ii) none of the Directors were interested (within the meaning of Part XV of the SFO) in any equity interests or convertible securities, warrants, options and derivatives in respect of equity interests of Anhui Transportation Holding Group and none of them have dealt for value in any equity interests or convertible securities, warrants, options and derivatives in respect of equity interests of Anhui Transportation Holding Group during the Relevant Period;

(iii) none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, any persons presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders and exempt fund managers), held or controlled any Shares, options, warrants, derivatives or convertible securities in respect of the Shares;

(iv) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert", or any person who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of "associate" under the Takeovers Code;

(v) no Shares or convertible securities, warrants, options and derivatives in respect of the Shares were managed on a discretionary basis by fund managers connected with the Company;

(vi) none of the Directors were interested (within the meaning of Part XV of the SFO) any Shares, warrants, options, derivatives or convertible securities in respect of the Shares which would entitle them to vote on any of the resolutions to be proposed at the EGM and (if applicable) the Class Meetings;

(vii) none of the Directors were interested (within the meaning of Part XV of the SFO) in any Shares or convertible securities, warrants, options and derivatives in respect of the Shares and none of them has dealt for value in any Shares, warrants, options, derivatives or convertible securities in respect of the Shares during the Relevant Period; and

(viii) neither the Company nor any of the Directors has borrowed or lent any Shares, warrants, options, derivatives or convertible securities in respect of the Shares.

As at the Latest Practicable Date, other than holding of voting rights as disclosed in the paragraph headed "V. Effects on the Shareholding Structure of the Company" in the Letter from the Board, the Acquisition Agreement, the Supplemental Agreement, the Compensation Agreement and the Proposed Acquisition contemplated thereunder:

(i) Anhui Transportation Holding Group and parties acting in concert with it did not own or control any Shares, warrants, options, derivatives or convertible securities in respect of the Shares and none of them have dealt for value in any Shares, warrants, options, derivatives or convertible securities in respect of the Shares during the Relevant Period;

(ii) Anhui Transportation Holding Group and parties acting in concert with it did not borrow or lend any Shares, warrants, options, derivatives or convertible securities in respect of the Shares during the Relevant Period;

(iii) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and Anhui Transportation Holding Group and parties acting in concert with it;

(iv) neither Anhui Transportation Holding Group nor parties acting in concert with it has received any irrevocable commitment to vote in favour of or against the Proposed Acquisition and/or the Whitewash Waiver;

(v) there is no agreement or arrangement to which Anhui Transportation Holding Group or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposed Acquisition and the Whitewash Waiver;

(vi) there is no other consideration or benefit in whatever form paid or to be paid by Anhui Transportation Holding Group and parties acting in concert with it to the Company or any party acting in concert with it in connection with the Proposed Acquisition;

(vii) save for the Consideration Shares to be issued by the Company to Anhui Transportation Holding Group under the Proposed Acquisition and the Cash Consideration, there is no other consideration or benefit in whatever form paid or to be paid by the Company and parties acting in concert with it to Anhui Transportation Holding Group or any party acting in concert with it in connection with the Proposed Acquisition;

(viii) there is no understanding, arrangement, agreement which constitutes special deal between (1) any Shareholder; and (2) (a) Anhui Transportation Holding Group and parties acting in concert with it; or (b) the Company, its subsidiaries or associated companies;

(ix) neither Anhui Transportation Holding Group nor any parties acting in concert with it has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights of the Company during the Relevant Period nor will they acquire or dispose of any voting rights of the Company from the Latest Practicable Date until the completion of the Proposed Acquisition; and

(x) none of the directors of Anhui Transportation Holding Group were interested (within the meaning of Part XV of the SFO) in any Shares, warrants, options, derivatives or convertible securities in respect of the Shares, and none of them have dealt for value in any Shares, warrants, options, derivatives or convertible securities in respect of the Shares during the Relevant Period.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, (i) none of the Directors or the supervisors had entered into or proposed to enter into any service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation); and (ii) none of the Directors or the supervisors had entered into a service contract with the Company or any of its subsidiaries or associated companies (as defined under the Takeovers Code), which (a) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Agreement of Intent Announcement; (b) are continuous contracts with a notice period of 12 months or more; or (c) are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. MATERIAL INTERESTS

As at the Latest Practicable Date:

(a) none of the Directors or the supervisors had any direct or indirect interest in any assets which had been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) none of the Directors or the supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

10. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, nor any of their respective close associates had any interest in other business which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules.

11. EXPERTS' QUALIFICATIONS AND CONSENT

The following are the qualifications of the experts who have given their opinions or advice which are contained in this circular:

Name	**Qualification**
China United	Qualified PRC valuer
CHELBI Engineering Consultants, Inc* (華傑工程諮詢有限公司)	PRC Qualified Traffic Consultant
BOCOM International (Asia) Limited	Financial Adviser
Ernst & Young	Certified Public Accountants, Hong Kong
Ernst & Young Hua Ming LLP	PRC Certified Public Accountants
Shenwan Hongyuan	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of the abovementioned experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and/or the reference to its name and opinions in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the abovementioned experts did not have any shareholding in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the abovementioned experts did not have any direct or indirect interest in any assets which had 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 2022 (being the date to which the latest published audited statements of the Group were made up).

12. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the date of the Agreement of Intent Announcement and up to the Latest Practicable Date:

(a) the Acquisition Agreement;

(b) the Supplemental Agreement;

(c) the Compensation Agreement;

(d) the placing agreement dated 19 October 2022 entered into between the Company and CICC Fund Management Co., Ltd.* (中金基金管理有限公司), pursuant to which the Company agreed to subscribe for 38,900,000 units in CICC Anhui Transportation Holding Expressway Closed-end Infrastructure Securities Investment Fund for a total consideration of RMB423,232,000;

(e) the termination agreement dated 9 March 2022 entered into between the Company, China Merchants Expressway Network & Technology Holdings Co., Ltd.* (招商局公路網絡科技控股股份有限公司), China Merchants Union (BVI) Limited, Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司), Jiangsu Expressway Company Limited* (江蘇寧滬高速公路股份有限公司), Sichuan Expressway Company Limited* (四川成渝高速公路股份有限公司) (collectively, the "**Consortium Members**") and IC İÇTAŞ İnşaat Sanayi ve Ticaret A.Ş., pursuant to which the parties agreed to terminate the share purchase agreements entered into by the parties on 23 December 2019 in respect of the acquisition by the Consortium

Members of 51% shares in and the relevant portion of shareholders' loans of ICA IC İÇTAŞ ASTALDI Üçüncü Boğaz Köprüsü ve Kuzey Marmara Otoyolu Yatırım ve İşletme A.Ş. and Eurasia Motorway Maintenance and Operations Limited, details of which are set out in the Company's announcement dated 10 March 2022;

(f) the investment agreement dated 31 December 2021 entered into between Xuancheng Transportation Bureau* (宣城市交通運輸局), Anhui Transportation Holding Group and Xuanguang Expressway Company Limited* (宣廣高速公路有限責任公司, a non-wholly owned subsidiary of the Company, "**Xuanguang**") in connection with the public-private-partnership project relating to the reconstruction and expansion of the G50 Shanghai Chongqing Expressway Guangde to Xuancheng Section* (G50 滬渝高速廣德至宣城段改擴建工程PPP 項目, the "**PPP Project**"), pursuant to which Anhui Transportation Holding Group and Xuanguang have agreed that (i) they shall form a joint venture company to implement the PPP Project with an initial registered capital of RMB400 million; and (ii) each of them must make their respective capital contribution within three years of the formation of such joint venture company, and RMB1,000 million must be contributed within six months of the formation of such joint venture company, details of which are set out in the Company's announcement dated 31 December 2021 and circular dated 28 January 2022 respectively;

(g) the capital increase agreement dated 31 December 2021 entered into between the Company, Xuancheng Transportation Investment Group Company Limited* (宣城市交通投資集團有限公司, "**Xuancheng Transportation**") and Xuanguang, pursuant to which the Company has agreed to contribute RMB1,514 million, and Xuancheng Transportation has agreed to contribute RMB1,215 million to the capital reserve of Xuanguang respectively in cash, in connection with the PPP Project, details of which are set out in the Company's announcement dated 31 December 2021 and circular dated 28 January 2022 respectively;

(h) the joint venture agreement dated 31 December 2021 entered into between Xuanguang and Anhui Transportation Holding Group, pursuant to which the parties agreed to the formation of Anhui Guangxuan Expressway Company Limited* (安徽省廣宣高速公路有限責任公司, "**Anhui Guangxuan**"), and each of Xuanguang and Anhui Transportation Holding Group agreed to contribute RMB396,000,000 and RMB4,000,000 respectively to Anhui Guangxuan in proportion to their shareholding in Anhui Guangxuan, details of which are set out in the Company's announcement dated 31 December 2021 and circular dated 28 January 2022 respectively; and

(i) the acquisition agreement dated 13 October 2021 entered into between the Company and Anhui Transportation Holding Group, pursuant to which the Company agreed to acquire and Anhui Transportation Holding Group agreed to sell (i) 100% of the equity interest in 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, "**Anqing Bridge Limited**") in consideration of payment of RMB2,210,000,000 by the Company in cash and (ii) the benefit of the shareholders' loan then owing by Anqing Bridge Limited to Anhui Transportation Holding Group as at 31 July 2021 in the amount of RMB1,971,244,442.59 together with interest on such outstanding amount up to the actual date of repayment by the applicable interest rate ranging from 3.85% per annum to 5.19% per annum, details of which are set out in the Company's announcement dated 13 October 2021 and circular dated 30 November 2021 respectively.

Save as disclosed above, there is no material contract (not being entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the date of the Agreement of Intent Announcement and up to the Latest Practicable Date.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the website of the Company at www.anhui-expressway.net, the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the SFC at www.sfc.hk from the date of this circular up to and including the date of the EGM and (if applicable) the Class Meetings:

(a) the Articles of Association;

(b) the articles of association of Anhui Transportation Holding Group;

(c) the annual reports of the Company for the two financial years ended 31 December 2021 and 31 December 2022;

(d) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(e) the letter from the Independent Board Committee to the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(f) the letter from the Independent Financial Adviser to the Independent Board Committee and the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(g) the material contracts referred to in the paragraph headed "12. Material Contracts" in this appendix;

(h) the accountant's report on the Target Company, the text of which is set out in Appendix II to this circular;

(i) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(j) the Asset Valuation Report, the full text of which are set out in Appendix V to this circular;

(k) the letter of confirmation from China United in relation to the Asset Valuation Report, the text of which is set out in Appendix VI to this circular;

(l) the letter from the Financial Adviser in relation to the Target Company Profit Forecasts and the qualification of China United, the text of which is set out in Appendix VII to this circular;

(m) the letter from Ernst & Young in relation to the Target Company Profit Forecasts, the text of which is set out in Appendix VIII to this circular;

(n) the full text of the traffic study report, a summary of which is set out in Appendix IX to this circular;

(o) the Report on the Proposed Acquisition and the Proposed Non-public Issuance of A Shares and related transactions, an extract of which is set out in Appendix X to this circular;

(p) the Dilution of Immediate Returns Announcement, an extract of which is set out in Appendix X to this circular;

(q) the Announcement, an extract of which is set out in Appendix X to this circular;

(r) the letter from the Financial Adviser in relation to the Relevant Profit Forecast Information, the text of which is set out in Appendix XI to this circular;

(s) the letter from Ernst & Young Hua Ming LLP in respect of the Relevant Profit Information, the text of which is set out in Appendix XII to this circular;

(t) the written consent referred to in the paragraph headed "Experts' Qualifications and Consent" in this appendix; and

(u) this circular.

14. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Lee Chung Shing ("**Mr. Lee**"). Mr. Lee Chung Shing is an assistant vice president in the Governance Services Department of Computershare Hong Kong Investor Services Limited. Mr. Lee was admitted as an associate of the Hong Kong Institute of Certified Public Accountants in March 1999 and a fellow member of the Association of Chartered Certified Accountants in July 2003.

(b) The registered office address of the Company in the PRC and the principal place of business of the Company in the PRC is 520 Wangjiang West Road, Hefei, Anhui, the PRC.

(c) The principal place of business of the Company in Hong Kong is 5th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

(d) The Hong Kong H Share registrar and transfer office of the Company is Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The registered office address of Anhui Transportation Holding Group is No. 1666, Xizang Road, Hefei, Anhui, the PRC.

(f) Anhui Transportation Holding Group, the controlling shareholder of the Company, is a state-owned enterprise established in the PRC on 27 April 1993 and is owned as to 100% by the State-owned Assets Supervision and Administration Commission of Anhui Province. As at the Latest Practicable Date, the board of directors of Anhui Transportation Holding Group comprises Mr. Xiang Xiaolong, Mr. Zhao Shibing, Mr. Zhang Dejin, Mr. Sun Qingen, Mr. Fang Xiaohong, Ms. Li Xiaoyan, and Ms. Liang Bing.

(g) The registered office address of the Financial Adviser is at 9/F, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong.

(h) The registered office address of the Independent Financial Adviser is at Level 6, Three Pacific Place, 1 Queen's Road East, Hong Kong.

(i) Unless otherwise specified, the English text of this circular shall prevail over the Chinese text in case of inconsistency.

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 an extraordinary general meeting (the "**EGM**") of Anhui Expressway Company Limited (the "**Company**") will be held at 2:30 p.m. on Friday, 18 August 2023 (or at any adjournment thereof) at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC to consider and, if thought fit, pass the following resolutions.

Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 26 July 2023 (the "**Circular**").

RESOLUTIONS

1. To consider and approve the resolution regarding the special arrangements for the adjustment of future cash dividend of the Company;

2. To consider and approve the resolution regarding the satisfaction of the conditions for the Proposed Acquisition, the Proposed Non-public Issuance of A Shares and the related party transactions by the Company;

3. To consider and approve the resolution regarding the plan on the Proposed Acquisition and the related party transactions of the Company:

   3.01 Counterparty;

   3.02 Asset to be acquired;

   3.03 Total Consideration and basis for determining the Total Consideration;

   3.04 Settlement mechanism of the Total Consideration;

   3.05 Types of shares to be issued and par value;

3.06 Target subscriber for the Consideration Shares and the method of issuance;

3.07 Pricing Benchmark Date and the issue price of the Consideration Shares;

3.08 Number of Consideration Shares to be issued;

3.09 Location of listing of the Consideration Shares;

3.10 Lock-up arrangements;

3.11 Payment of Cash Consideration;

3.12 Profit and loss attribution during the transitional period;

3.13 Arrangements on the accumulated and undistributed profit of the Company;

3.14 Validity period of the resolutions in connection with the Proposed Acquisition and the related party transactions;

4. To consider and approve the resolution regarding the Proposed Acquisition and Proposed Non-public Issuance of A Shares constituting a related party transaction;

5. To consider and approve the resolution regarding the Proposed Acquisition and Proposed Non-public Issuance of A Shares not constituting a material asset restructuring and new listing;

6. To consider and approve the resolution regarding the entering into of the Acquisition Agreement with the counterparty with conditions to its effectiveness;

7. To consider and approve the resolution regarding the entering into of the Supplemental Agreement with the counterparty with conditions to its effectiveness;

8. To consider and approve the resolution regarding the entered into of the Compensation Agreement with the counterparty with conditions to its effectiveness;

9. To consider and approve the resolution regarding the Report on the Proposed Acquisition, Proposed Non-public Issuance of A Shares and related party transactions (Draft) and its summary;

10. To consider and approve the resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 4 of Guidelines for the Supervision of Listed Companies No. 9 – Regulatory Requirements for Listed Companies Planning and Implementing Major Asset Reorganizations of the PRC;

11. To consider and approve the resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 11 of the Administrative Measures for Major Asset Restructuring of Listed Companies of the PRC;

12. To consider and approve the resolution regarding the compliance of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares with Article 43 of the Administrative Measures for Major Asset Restructuring of Listed Companies of the PRC;

13. To consider and approve the resolution regarding the non-existence of the relevant circumstances prohibiting participation in material asset restructuring of listed companies as stated under Article 12 of the Guidelines for the Supervision of Listed Companies No. 7 – Supervision of Abnormal Stock Transactions Related to Major Asset Restructurings of Listed Companies of the PRC in respect of the relevant entities under the Proposed Acquisition and the Proposed Non-public Issuance of A Shares;

14. To consider and approve the resolution regarding the explanation on the completeness and legality of the statutory procedures and the effectiveness of the relevant legal documents submitted in respect of the Proposed Acquisition and the Proposed Non-public Issuance of A Shares;

15. To consider and approve the resolution regarding the independent of the Valuer, the reasonableness of the assumptions used in the asset valuation, the relevance of the methodology and the purpose of the asset valuation and the fairness of the appraised value of the Target Assets;

16. To consider and approve the resolution regarding the fluctuation of the Company's share trading price in the 20 trading days prior to the announcement of the Proposed Acquisition and Proposed Non-public Issuance of A Shares;

17. To consider and approve the resolution regarding the approval of the accountants' report, pro forma financial information review report and asset valuation report in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares;

18. To consider and approve the resolution regarding the authorisation by the shareholders' meeting for the Board and its authorised persons to implement related matters in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares;

19. To consider and approve the resolution regarding the dilution of immediate returns and remedial measures in connection with the Proposed Acquisition and Proposed Non-public Issuance of A Shares;

20. To consider and approve the resolution regarding the approval of the Proposed Acquisition in accordance with the Takeovers Code;

21. To consider and approve the resolution regarding the approval of the Whitewash Waiver in accordance with the Takeovers Code;

22. To consider and approve the resolution regarding the waiver for Anhui Transportation Holding Group from making an offer in connection with the Proposed Acquisition pursuant to the PRC laws and regulations; and

23. To consider and approve the resolution regarding the plan on the Proposed Non-public Issuance of A Shares:

    23.01 Types of shares to be issued and par value;

    23.02 Target subscribers and method of issuance;

    23.03 Pricing Benchmark Date and the issue price of the shares to be issued;

    23.04 Number of shares to be issued and amount of ancillary funds to be raised;

    23.05 Location of listing of the shares;

    23.06 Lock-up arrangements;

    23.07 Use of proceeds for the ancillary funds raised;

    23.08 Validity period of the resolutions in connection with the Proposed Non-public Issuance of A Shares.

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

Hefei, Anhui, the PRC
26 July 2023

Notes:

1. Details of the resolutions are set out in the Circular. Resolutions number 1 to 19 and 21 to 23 above are proposed as special resolutions while resolution number 20 above is proposed as an ordinary resolution.

   As set out in the Circular, it is conditions precedent to the Acquisition Agreement that the Acquisition Agreement and the Proposed Acquisition is approved by the Proposed Acquisition LR Independent Shareholders and the Takeovers Code Independent Shareholders, and that the grant of Whitewash Waiver is approved by the Takeovers Code Independent Shareholders. Accordingly, (a) the special resolution number 3 is required to be passed by (i) not less than two-thirds of the votes cast by way of poll by the eligible Shareholders present and voting in person or by proxy at the EGM; and (ii) a majority of votes by way of poll by Proposed Acquisition LR Independent Shareholders present and voting in person or by proxy at the EGM; (b) the ordinary resolution number 20 is required to be passed by more than 50% of the independent votes that are cast by the Takeovers Code Independent Shareholders in person or by proxy at the EGM; and (c) the special resolution number 21 is required to be passed by at least 75% of the independent votes that are cast by the Takeovers Code Independent Shareholders in person or by proxy at the EGM.

   In addition, as set out in the Circular, it is a condition precedent to the Proposed Non-public Issuance of A Shares that the Proposed Non-public Issuance of A Shares are approved by the Non-public Issuance Independent Shareholders at the EGM. Accordingly, the special resolution number 23 is required to be passed by (i) not less than two-thirds of the votes cast by way of poll by the eligible Shareholders present and voting in person or by proxy at the EGM; and (ii) a majority by way of poll by Non-public Issuance Independent Shareholders present and voting in person or by proxy at the EGM.

2. For the purpose of holding the EGM, the register of H Shares members of the Company (the "**Register of Members**") will be closed from Tuesday, 15 August 2023 to Friday, 18 August 2023 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Holders of the Company's H Shares (the "**H Shareholders**") whose names appear on the Register of Members on Friday, 18 August 2023 are entitled to attend and vote at the EGM.

3. In order to attend and vote at the EGM, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Hong Kong Registrars Limited, the Company's H Share registrar, not later than 4:30 p.m. on Monday, 14 August 2023.

   The address of Hong Kong Registrars Limited is as follows:

   Hong Kong Registrars Limited
   Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

4. Each H Shareholder who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the EGM.

5. The form of proxy must be signed by the Shareholder or his/her attorney duly authorised in writing or, in the case of a legal person, must either be executed under its common seal or under the hand of a legal representative or other attorney duly authorised to sign the same. If the form of proxy is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.

6. To be valid, for H Shareholders, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.

7. If a proxy attends the EGM on behalf of a Shareholder, he/she should produce his/her identity card and the form of proxy signed by the Shareholder or his/her legal representative or his/her duly authorised attorney, and specify the date of its issuance. If a legal person Shareholder appoints its corporate representative to attend the EGM, such representative should produce his/her identity card and the notarised copy of the resolution passed by the board of directors or other authorities, or other notarised copy of the licence issued by such legal person Shareholder. The form of proxy duly signed and submitted by HKSCC Nominees Limited are deemed to be valid, and it is not necessary for the proxy(ies) appointed by HKSCC Nominees Limited to produce the signed form of proxy when the proxy(ies) attend(s) the EGM. Completion and return of the form of proxy will not preclude a Shareholder from attending in person and voting at the EGM or any adjournment thereof should he/she so wish.

8. Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by way of poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolutions set out in the notice of the EGM will be voted on by poll. Results of the poll voting will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk after the EGM.

9. Where there are joint registered holders of any share of the Company, only the person whose name stands first on the Register of Members in respect of such share may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto.

10. The EGM is estimated to last for half a day. Shareholders who attend the EGM in person or by proxy shall bear their own transportation and accommodation expenses.

As at the date of this notice, the Board comprises Xiang Xiaolong (Chairman), Yang Xiaoguang, Tao Wensheng, Chen Jiping, being the executive directors; Yang Xudong and Du Jian, being the non-executive directors; and Liu Hao, Zhang Jianping and Fang Fang, being the independent non-executive directors.

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 H SHARES CLASS MEETING

NOTICE IS HEREBY GIVEN that a class meeting of H Shareholders (the "**H Shares Class Meeting**") of Anhui Expressway Company Limited (the "**Company**") will be held at 2:30 p.m. on Friday, 18 August 2023 (or immediately after the conclusion of the EGM and (if applicable) the A Shares Class Meeting or any adjournment thereof), or at any adjournment thereof at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC to consider and, if thought fit, pass the following resolutions.

Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 26 July 2023 (the "**Circular**").

RESOLUTIONS

1. To consider and approve the resolution regarding the plan on the Proposed Acquisition and the related party transactions of the Company:

   1.01 Counterparty;

   1.02 Asset to be acquired;

   1.03 Total Consideration and basis for determining the Total Consideration;

   1.04 Settlement mechanism of the Total Consideration;

   1.05 Types of shares to be issued and par value;

   1.06 Target subscriber for the Consideration Shares and the method of issuance;

   1.07 Pricing Benchmark Date and the issue price of the Consideration Shares;

   1.08 Number of Consideration Shares to be issued;

1.09 Location of listing of the Consideration Shares;

1.10 Lock-up arrangements;

1.11 Payment of Cash Consideration;

1.12 Profit and loss attribution during the transitional period;

1.13 Arrangements on the accumulated and undistributed profit of the Company;

1.14 Validity period of the resolutions in connection with the Proposed Acquisition and the related party transactions;

2. To consider and approve the resolution regarding the entering into of the Acquisition Agreement with the counterparty with conditions to its effectiveness;

3. To consider and approve the resolution regarding the entering into of the Supplemental Agreement with the counterparty with conditions to its effectiveness;

4. To consider and approve the resolution regarding the entered into of the Compensation Agreement with the counterparty with conditions to its effectiveness;

5. To consider and approve the resolution regarding the authorisation by the shareholders' meeting for the Board and its authorised persons to implement related matters in connection with the Proposed Acquisition and the Proposed Non-public Issuance of A Shares; and

6. To consider and approve the resolution regarding the plan on the Proposed Non-public Issuance of A Shares:

6.01 Types of shares to be issued and par value;

6.02 Target subscribers and method of issuance;

6.03 Pricing Benchmark Date and the issue price of the shares to be issued;

6.04 Number of shares to be issued and amount of ancillary funds to be raised;

6.05 Location of listing of the shares;

6.06 Lock-up arrangements;

6.07 Use of proceeds for the ancillary funds raised; and

6.08 Validity period of the resolutions in connection with the Proposed Non-public Issuance of A Shares.

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

Hefei, Anhui, the PRC
26 July 2023

Notes:

1. Details of the resolutions are set out in the Circular. All the resolutions proposed at the H Shares Class Meeting are proposed as special resolutions.

2. For the purpose of holding the H Shares Class Meeting, the register of H Shares members of the Company (the "**Register of Members**") will be closed from Tuesday, 15 August 2023 to Friday, 18 August 2023 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Holders of the Company's H Shares (the "**H Shareholders**") whose names appear on the Register of Members on Friday, 18 August 2023 are entitled to attend and vote at the H Shares Class Meeting.

3. In order to attend and vote at the H Shares Class Meeting, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Hong Kong Registrars Limited ("**Hong Kong Registrars Limited**"), the Company's H Share registrar, not later than 4:30 p.m. on Monday, 14 August 2023.

   The address of Hong Kong Registrars Limited is as follows:

   Hong Kong Registrars Limited
   Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

4. Each H Shareholder who has the right to attend and vote at the H Shares Class Meeting is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the H Shares Class Meeting.

5. The form of proxy must be signed by the Shareholder or his/her attorney duly authorised in writing or, in the case of a legal person, must either be executed under its common seal or under the hand of a legal representative or other attorney duly authorised to sign the same. If the form of proxy is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.

6. To be valid, for H Shareholders, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the H Shares Class Meeting or any adjournment thereof in order for such documents to be valid.

7. If a proxy attends the H Shares Class Meeting on behalf of a Shareholder, he/she should produce his/her identity card and the form of proxy signed by the Shareholder or his/her legal representative or his/her duly authorised attorney, and specify the date of its issuance. If a legal person Shareholder appoints its corporate representative to attend the H Shares Class Meeting, such representative should produce his/her identity card and the notarised copy of the resolution passed by the board of directors or other authorities, or other notarised copy of the licence issued by such legal person Shareholder. The form of proxy duly signed and submitted by HKSCC Nominees Limited are deemed to be valid, and it is not necessary for the proxy(ies) appointed by HKSCC Nominees Limited to produce the signed form of proxy when the proxy(ies) attend(s) the H Shares Class Meeting. Completion and return of the form of proxy will not preclude a Shareholder from attending in person and voting at the H Shares Class Meeting or any adjournment thereof should he/she so wish.

8. Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by way of poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolutions set out in the notice of the H Shares Class Meeting will be voted on by poll. Results of the poll voting will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk after the H Shares Class Meeting.

9. Where there are joint registered holders of any share of the Company, only the person whose name stands first on the Register of Members in respect of such share may vote at the H Shares Class Meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto.

10. The H Shares Class Meeting is estimated to last for half a day. Shareholders who attend the H Shares Class Meeting in person or by proxy shall bear their own transportation and accommodation expenses.

As at the date of this notice, the Board comprises Xiang Xiaolong (Chairman), Yang Xiaoguang, Tao Wensheng, Chen Jiping, being the executive directors; Yang Xudong and Du Jian, being the non-executive directors; and Liu Hao, Zhang Jianping and Fang Fang, being the independent non-executive directors.