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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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**江蘇寧滬高速公路股份有限公司**  
**JIANGSU EXPRESSWAY COMPANY LIMITED**

*(Established in the People's Republic of China as a joint-stock limited company)*

**(Stock Code: 00177)**

- (1) PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION,  
RULES OF PROCEDURE FOR THE SHAREHOLDERS MEETINGS  
AND BOARD MEETINGS, AND  
WORKING RULES FOR INDEPENDENT DIRECTORS**
- (2) DISCLOSEABLE AND RELATED PARTY/CONNECTED TRANSACTION  
IN RESPECT OF ACQUISITION OF 65% EQUITY INTEREST  
IN SUXICHANG SOUTH EXPRESSWAY COMPANY  
AND**
- (3) NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING**

**Financial Advisor to the Company**



**中信建投國際**  
CHINA SECURITIES INTERNATIONAL

**Independent Financial Advisor to the Independent Board Committee and  
the Independent Shareholders**



**SOMERLEY CAPITAL LIMITED**

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A notice convening the 2024 First Extraordinary General Meeting to be held at 6 Xianlin Avenue, Nanjing, the PRC on Thursday, 18 April 2024 at 3:00 p.m. is set out on pages N-1 to N-6 of this circular and a letter from the Board, a letter from the Independent Board Committee and a letter from the Independent Financial Advisor are respectively set out on pages 1 to 53, page 54 to 55 and page 56 to 84 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company or in case of holders of H shares of the Company, to Hong Kong Registrars Limited, the registrar of H shares of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and, in any event, not less than 24 hours before the time appointed for the holding of the First Extraordinary General Meeting (being no later than 3:00 p.m. on Wednesday, 17 April 2024 (Hong Kong/Beijing time)). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish, in which case you will be deemed to have withdrawn the proxy you have appointed.

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## DEFINITIONS

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*In this Circular, the following expressions have the meanings set out below unless the context requires otherwise:*

*# English names set out herein are for identification purpose only.*

“Acquisition”	the proposed acquisition of 65% equity interests of Suxichang South Expressway Company from Jiangsu Communications Holding
“Amendment to Articles of Association”	the proposed Amendments to the Articles of Association of the Company, a summary of which is set out in Part 1 of Appendix V
“Amendment to Articles of Association and Rules and Procedures”	the Amendments to the Articles of Association and the Amendments to Rules and Procedures
“Amendment to Articles of Association and Rules”	the Amendments to the Articles of Association and the proposed Amendments to (1) the Rules of Procedure for Shareholders Meetings, a summary of which is set out in Part 2 of Appendix V; and (2) the Rules of Procedure for Board Meetings, a summary of which is set out in Part 3 of Appendix V
“Amendment to Rules and Procedures”	the proposed Amendments to the following rules and procedures:  <ol style="list-style-type: none"><li>(1) the Rules of Procedure for Shareholders Meetings, a summary of which is set out in Part 2 of Appendix V;</li><li>(2) the Rules of Procedure for Board Meetings, a summary of which is set out in Part 3 of Appendix V; and</li><li>(3) the Working Rules of the Independent Directors, a summary of which is set out in Part 4 of Appendix V.</li></ol>
“Associate”	has the same meaning as defined in the Listing Rules
“A Share(s)”	domestic share(s) denominated in RMB of the Company with a nominal value of RMB1.00 each, subscribed in RMB and listed on the Shanghai Stock Exchange
“A Shareholder(s)”	Holder(s) of A Shares
“Board”	the board of Directors of the Company

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## DEFINITIONS

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“Changzhou Expressway Investment”	Changzhou Expressway Investment Development Co., Ltd. (常州高速公路投資發展有限公司), a company established in the PRC with limited liability and holds 12.2% equity interests in Suxichang South Expressway Company
“Company” or the “Company”	江蘇寧滬高速公路股份有限公司(Jiangsu Expressway Company Limited), a joint stock limited company established in the PRC with limited liability and whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 00177) and the Shanghai Stock Exchange (Stock Code: 600377) and traded in the form of American Depository Receipts on the OTC Markets Group Inc. in the United States (Ticker: JEXYY)
“Completion”	the completion of the Acquisition
“Completion Date”	the date on which the Company pays the First Phrase Consideration to Jiangsu Communications Holding (which shall be within 5 business days in the PRC after fulfilment of all Conditions Precedent to Completion)
“Consideration”	RMB5,200,650,000, being the consideration for the transfer of the Target Equity, subject to final determination based on the valuation results approved or filed with the state-owned assets supervision and administration department
“Director(s)”	the director(s) of the Company
“EGM”	the First 2024 Extraordinary General Meeting of the Company to be held on 18 April 2024 to consider and, if thought fit, to approve the Acquisition and the Amendment to Articles of Association and Rules and Procedures
“Equity Transfer Agreement”	the equity transfer agreement dated 26 January 2024 entered into between Jiangsu Communications Holding, the Company and the Target Company in respect of the transfer of the Target Equity, as amended by the Supplemental Agreement
“Financial Advisor”	China Securities (International) Corporate Finance Company Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

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## DEFINITIONS

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“First Phrase Consideration”	40% of the Consideration
“Group” or the “Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas-listed foreign share(s) of RMB1.00 each, which are issued by the Company in Hong Kong, subscribed in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“H Shareholder(s)”	holders of H Share(s)
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive directors of the Company, namely Messrs. Zhou Shudong, Liu Xiaoxing, Yu Mingyuan, Xu Guanghua and Ge Yang
“Independent Financial Advisor” or “Somerley”	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
“Independent Shareholders”	Shareholders of the Company, other than Jiangsu Communications Holding and its associates
“Jiangsu Communications Holding”	江蘇交通控股有限公司 (Jiangsu Communications Holding Limited#), a wholly state-owned company established in the PRC with limited liability, the controlling shareholder of the Company
“Latest Practicable Date”	1 March 2024, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained in this Circular
“Listing Rules”	Hong Kong Listing Rules and Shanghai Listing Rules

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## DEFINITIONS

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“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 to the Hong Kong Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this Circular excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Performance Compensation Undertakings”	the performance compensation undertakings by Jiangsu Communications Holding in favour of the Company, as more particularly set out in the Letter from the Board.
“Reporting Accountants”	KPMG Huazhen LLP
“Report from KPMG Huazhen LLP”	the report by KPMG Huazhen LLP as required under Rule 14.60A(2) of the Hong Kong Listing Rules, as set out in Appendix II to this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shanghai Listing Rules”	The Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Shanghai Stock Exchange”	The Shanghai Stock Exchange
“Shareholder(s)”	holder(s) of shares of the Company
“State-owned Asset Valuer”	Beijing Huaya Zhengxin Assets Appraisal Co., Ltd (北京華亞正信資產評估有限公司) (a valuation agency with corresponding qualifications)
“State-owned Asset Valuation Report”	the asset valuation report titled “The Asset Valuation Report concerning the 100% equity interests of Jiangsu Suxichang South Expressway Co., Ltd. in respect of the intended transfer of 65%, 22.8% and 12.2% equity interests respectively held by Jiangsu Communications Holding, Wuxi Transportation and Changzhou Expressway Investment” (Reference number: Huaya Zhengxin Review [2024] No. B12–0007) prepared by the State-owned Asset Valuer, jointly commissioned by Jiangsu Communications Holding, Wuxi Transportation and Changzhou Expressway Investment as required under the relevant State-owned Assets requirements, to assess the value of the Target Equity as at the Valuation Date

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suxichang South Expressway Company” or “Target Company”	Jiangsu Suxichang South Expressway Co., Ltd. (江蘇蘇錫常南部高速公路有限公司), a company established in the PRC with limited liability
“Suxichang South Expressway” or “Target Expressway”	A dual six lane expressway of approximately 43.9 km in length located at Changzhou to Wuxi Section of Suxichang South Expressway
“Supplemental Agreement”	the supplemental agreement dated 1 March 2024 entered into between Jiangsu Communications Holding, the Company and the Target Company to amend the payment terms of the Equity Transfer Agreement and to set out the terms of the Performance Compensation Undertakings
“Target Equity”	the 65% equity interests in Suxichang South Expressway Company, currently held by Jiangsu Communications Holding
“Traffic Consultant”	Jiangsu Weixin Engineering Consulting Co., Ltd. (江蘇緯信工程諮詢有限公司), an independent PRC traffic consultant
“Valuation Consultant”	Kroll (HK) Limited, a professional business valuer appointed by the Company, to assess the value of Suxichang South Expressway Company
“Valuation Report”	the valuation report of Valuation Consultant on the Target Equity as at the Valuation Date, as set out in Appendix I to this circular
“Valuation Date”	31 October 2023
“Wuxi Transportation”	Wuxi Transportation Industry Group Co., Ltd. (無錫市交通產業集團有限公司), a company established in the PRC with limited liability and holds 22.8% equity interests in Suxichang South Expressway Company
“Yangtze Commerce and Energy Company”	Jiangsu Yangtze Commerce and Energy Co., Ltd.(江蘇長江商業能源有限公司), a company established in the PRC with limited liability
“%”	percentage
“k.m.” or “km”	kilometer

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LETTER FROM THE BOARD

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江蘇寧滬高速公路股份有限公司  
JIANGSU EXPRESSWAY COMPANY LIMITED

*(Established in the People's Republic of China as a joint-stock limited company)*

**(Stock Code: 00177)**

*Directors:*

Chen Yunjiang  
Xu Haibei  
Wang Yingjian  
Wang Feng  
Yao Yongjia  
Wu Xinhua  
Li Xiaoyan  
Ma Chung Lai, Lawrence  
Zhou Shudong\*  
Liu Xiaoxing\*  
Yu Mingyuan\*  
Xu Guanghua\*  
Ge Yang\*

*PRC Registered Office:*

6 Xianlin Avenue  
Nanjing  
Jiangsu Province  
PRC

*Hong Kong Registered Office:*

17th Floor, One Island East  
18 Westlands Road  
Taikoo Place  
Quarry Bay,  
Hong Kong

\* *Independent non-executive Directors*

6 March 2024

*To shareholders of the Company*

Dear Sir or Madam,

- (1) PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION,  
RULES OF PROCEDURE FOR THE SHAREHOLDERS MEETINGS  
AND BOARD MEETINGS, AND  
WORKING RULES FOR INDEPENDENT DIRECTORS**
- (2) DISCLOSEABLE AND RELATED PARTY/CONNECTED TRANSACTION  
IN RESPECT OF ACQUISITION OF 65% EQUITY INTEREST  
IN SUXICHANG SOUTH EXPRESSWAY COMPANY  
AND**
- (3) NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING**



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## LETTER FROM THE BOARD

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### A. INTRODUCTION

The Board announced on 29 January 2024:

- (i) to amend the Articles of Association and the related amendments in the Rules of Procedure of Shareholders Meeting, the Rules of Procedure of the Board Meeting and the Working Rules of the Independent Directors and to submit the aforesaid proposals to the Shareholders' meeting for consideration and approval; and
- (ii) to submit the Acquisition proposal to the First 2024 Extraordinary General Meeting for consideration and approval.

The Board announced on 1 March 2024 on the amendment of terms of the Acquisition by the Supplemental Agreement and to submit the Acquisition proposal (as amended by the Supplemental Agreement) to the First 2024 Extraordinary General Meeting for consideration and approval.

The purpose of this Circular is to provide further details on (1) the Amendment to Articles of Association and Rules and Procedures, (2) the Acquisition; and (3) the Notice to the EGM.

### B. PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION AND RULES AND PROCEDURES

Reference is made to the announcement of the Company of 28 April 2023. The Board of the Company announced that in view of the abolition of the Mandatory Provision from 31 March 2023, the Company should, in accordance with the "Guidelines for the Articles of Association of Listed Companies (2022 Revision)" (CSRC Announcement [2022] No. 2), formulate its Articles of Association. It is proposed that provisions required by the Mandatory Provision in the Company's Articles of Association be removed and replaced by relevant provisions under PRC Company Law and the insertion of core shareholders protection provisions as required under the then Appendix 3 of the Hong Kong Listing Rules and submit the proposal on 2022 annual general meeting, the First 2023 A Shareholders Meeting and the First 2023 H Shareholders Meeting for Shareholder's consideration and approval. The proposed amendments were not approved by Shareholders at the First 2023 H Shareholders Meeting. The Company understands that the primary concern of the H Shareholders is the elimination of the class meeting requirement and the related loss of rights.

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## LETTER FROM THE BOARD

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In order to implement (1) the Guidelines for Articles of Association of Listed Companies (2022 Revision), (2) the Measures for the Administration of Independent Directors of Listed Companies (CSRC Decree No. 220) issued by the China Securities Regulatory Commission (which came into effect on 4 September 2023), (3) the provisions of the Company Law of the PRC, and (4) the provisions of the Core Shareholder Protection Standards in Appendix A1 of the Hong Kong Listing Rules and the requirements for the expanded paperless listing regime, to further optimize the relevant system for independent directors of the Company, to give full play to the role of independent directors in the governance of listed companies, to facilitate the enhancement of the quality of listed companies, and to expand the business scope of the Company to the sales of electricity and related business activities, the Board proposes to amend the Articles of Association of the Company, and to made relevant amendments in respect of the Rules of Procedure of Shareholders Meeting, the Rules of Procedure of the Board Meeting and the Working Rules of the Independent Directors and to submit the Amendments to Articles of Association and Rules and Procedures as summarized in Appendix V to the EGM for consideration and approval. In view of the responses of the Shareholders at the First 2023 H Shareholders Meeting, **the existing A Shares and H Shares of the Company will remain to be regarded as separate class of ordinary shares of the Company under Articles 11.2, 11.3, 11.8 and 11.9 of the Company’s Articles of Association and the provisions of class shareholders’ meetings will remain unchanged. The rights of holders of different class of shares will not be affected. Shareholders may contact the Office of the Secretary to the Board (telephone: (86) 25-8436 2700 ext. 301815 or (86) 25-8446 4303 (direct line); fax: (86) 25-8420 7788) in case of queries.**

The key amendments to the Articles of Association are as follows:

**A. Relevant amendments in respect of Guidelines for Articles of Association of Listed Companies (2022 Revision) and Appendix A1 of Hong Kong Listing Rules:**

1. Article 1.8 – to clarify the definition of “other senior management” does not include the manager.
2. Article 1.12 – to clarify that in addition to the Company, a shareholder may also take action against directors, supervisors, managers and other senior management.
3. Article 3.5 – to reflect the current PRC filing and registration requirement for issue of shares.
4. Article 3.15 (as renumbered as 3.13) – to stipulate that any increase of share capital and the method of issue shall be approved by shareholders at general meeting.

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## LETTER FROM THE BOARD

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5. Article 4.1 – to stipulate that members of party committee to become board members or senior management should comply with the relevant legal procedures.
6. Chapter 5 – to remove duplicated provisions on reduction of capital (see reduction of capital provisions in Chapter 22) and to stipulate time limits for cancellation of shares under various scenario of repurchase of shares.
7. Chapter 6 – to further clarify the prohibited circumstances and types of financial assistance to acquirer of the Company’s shares.
8. Article 7.8 – to shorten the book close period from 30 days prior to a general meeting to 20 days.
9. Article 8.3 – to clarify the type of documents which may be inspected by shareholders (note: due to the relevant law on protection of individual privacy data, personal particulars of directors, supervisors, managers and other senior management are no longer available for inspection).
10. Article 8.5 – to clarify that holders of ordinary shares shall, in addition to abide by the Articles of Associations, comply with laws and administrative regulations.
11. Article 9.2 – to remove duplicate provision (see definition of controlling shareholder in the article renumbered as Article 26.3)
12. Article 10.2 – to remove duplicated functions of general meetings of shareholders (items 2 and 3 on election of non-employee directors and supervisors and determination of their remuneration) which are covered under item 15 of this article and to include approval of employee share ownership plans as a function or power of general meeting.
13. Articles 10.3(3) & 12.8(2) (C) – to include guarantee amount provided by the Company within one year exceeds 30% of the Company’s latest audited total assets be subject to shareholders approval at general meeting.
14. Article 10.6 – to align the duration of notice of annual general meeting to 21 days with the Hong Kong general requirement (the Guidelines only requires 20 days).
15. Article 10.9 – to update the information to be included in a notice of general meeting and to shorten the time gap between the record date for meeting and the meeting date to no more than 7 working days.

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## LETTER FROM THE BOARD

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16. Article 10.10 – to include the service of notice of general meeting by means as permitted by stock exchanges where the shares of the Company are listed.
17. Article 10.14 – to remove show of hand voting by proxy (see item 20 below on voting by registered poll).
18. Article 10.15 – to deem legal representative or proxy of legal person shareholder attending the meeting as such shareholder attending in person.
19. Article 10.25 – to clarify the percentage threshold (1%) of voting shares a shareholder needs to hold in order to publicly solicit voting rights of other shareholders (Existing articles provide meeting relevant conditions, including statutory conditions).
20. Articles 10.26 to 10.29 – to clarify that all voting at general meetings have to be taken by registered poll and remove existing articles relating to different type of demanding poll.
21. Article 10.32 (renumbered as 10.29) – to provide that all proposals be voted by separate resolutions.
22. Article 10.33 (renumbered as 10.30) – to provide that no shares (i) held by the Company or (ii) held by purchaser in violation of PRC securities law be counted among total number of voted shares.
23. Article 10.35 – to remove matters which should be approved by shareholders at general meeting by online voting platform (all resolutions may be voted on via online voting platform by holders of A shares); the related matters are included in Articles 3.3, 10.2(15) and 10.32(6).
24. Article 12.5 – (i) to include the power of the Board to (i) appoint Secretary to the Board, manager, and other senior management and fix their respective remuneration, (ii) to formulate proposals for issue of other securities for listing and for purchase of shares or alteration of corporate form of the Company.
25. Article 12.10 – instead of the Chairman designating a director to exercise his power, such director shall be decided by more than half of the board members.

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## LETTER FROM THE BOARD

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26. Article 12.11 – (i) to remove the requisition by half of the independent directors or the manager for an extraordinary directors meeting, and (ii) to provide the convening of such extraordinary board meeting within 10 days of receipt of the proposal by the Chairman.
27. Article 12.13 – to remove casting vote of the Chairman at board meetings.
28. Article 15.2 – to prohibit the payment of remuneration to senior management by controlling shareholders.
29. Article 16.2 – (i) to clarify that a supervisor should remain in office until a replacement is elected and (ii) to lower the voting threshold from two-thirds to half of the members of the supervisory committee to appoint and remove its chairman.
30. Article 16.7 – to lower the voting threshold for passing resolution of supervisory committee from two-thirds to half of the members of the supervisory committee.
31. Articles 17.8 to 17.18 – to remove detailed procedure of handling director or supervisor’s interest in transactions or arrangement of the Company, in practice, interested director or supervisor will abstain from voting.
32. Article 19.6 – (i) to remove duplicated special resolution requirement for capitalization of reserve and (ii) to restrict capital reserve from off-setting losses of the Company.
33. Article 19.7 – to require the Board to provide reasons for not making profit distribution when there is profit for a reporting period and there is accumulated undistributed profit.
34. Article 19.8 – to adjust the origin numbering of item (i) impose a time limit of 2 months to complete distribution of dividend after approval at general meetings.
35. Article 20.3 – to impose a requirement on the Company to provide true and complete documents to auditors.
36. Article 20.4 – to remove the right of the Board to appoint auditors.
37. Article 20.6 – to remove the right of the Board to fix remuneration of auditors.

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## LETTER FROM THE BOARD

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38. Article 20.7 – to clarify that the Board only has the right to nominate auditors.
39. Article 22.2 – to define the various forms of merger and to minimize the number of newspaper announcement to one and to provide creditor’s proof-of-debt to be submitted within 45 days of the announcement date (if no notice is received).
40. Article 22.3 – to minimize the number of newspaper announcement of division of the Company to one and to remove the provision on bearing of losses by agreement.
41. Article 22.6 – to minimize the number of newspaper announcement of reduction of capital of the Company to one.
42. Article 23.1 – (i) to remove inability to pay debt which is due as one of the circumstances for declaration of the liquidation of the Company and (ii) to include revocation of business licence and deregistration of the Company as circumstances for liquidation of the Company.
43. Article 23.2 – to remove the duplicate shareholders meeting approval procedure (which is provided in Article 23.1) and to consolidate all related procedural for liquidation.
44. Article 23.3 – to remove the original provisions on liquidation procedure and to provide for special resolution of shareholders at general meeting to amend articles of association of the Company to allow the Company to continue to exist after expiration of term.
45. Article 23.4 – (i) to align the number of announcement and limitation period for proof of debt by the creditors as set out in Article 22.2, and (ii) to prohibit settlement of any claim during the proof of debt period.
46. Article 23.5 – to allow the liquidation committee to settle taxes incurred during the liquidation process.
47. Article 23.6 – to clarify the people’s court as the competent authorities to approve the liquidation report of the liquidation committee.
48. Article 23.8 – to clarify the status of the Company during the liquidation process and to prohibit the distribution of assets of the Company to shareholders prior to repayment of the Company’s debt in full.

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## LETTER FROM THE BOARD

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49. Article 23.11 – to tie with Article 23.6 submission of liquidation report arrangement and to provide for deregistration and announcement procedure.
50. Articles 24.2–24.4 – to stipulate (i) where any amendment to the Articles of Association resolved by the shareholders’ general meeting is subject to review by competent authorities, the amendment shall be submitted to the competent authorities for approval before coming effective; if the amendment of articles relates to the registered particulars of the Company, application shall be made for registration of the changes in accordance with the laws; (ii) the board of directors shall amend the Articles of Association in accordance with the resolution approved at the shareholders’ general meeting and the opinions from the competent authorities; and (iii) if the amendments relate to matters legally required to be announced, should be announced as required.
51. Article 25.1 – to provide for the method of announcement by the Company.
52. Chapter 26 – to remove the whole chapter on settlement of disputes between the Company and its shareholders, directors, supervisors, manager or other senior management by arbitration.

**B. Relevant amendments in respect of PRC Company Law and “Measures for the Administration of Independent Directors of Listed Companies”**

1. Article 12.21 – to stipulate that (i) the independent directors in the Nomination Committee, Remuneration and Appraisal Committee and Audit Committee of the Board of Directors shall constitute the majority and serve as the convener, and the convener of the Audit Committee shall be an accounting professional; and (ii) the requirement that to relevant materials and information shall be provided by the Company 3 days before the committee meeting, and meeting materials shall be kept for at least ten years. If two independent directors have objections to the meeting materials, they may propose an extension, and the committee shall adopt it and report to the board of directors.
2. Article 12.22 – to insert powers and convening requirements of the Audit Committee.
3. Article 12.23 – to insert powers and convening requirements of the Nomination Committee.

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## LETTER FROM THE BOARD

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4. Article 12.23 – to insert provision that the Nomination Committee reviews the candidates and qualifications of directors and senior management personnel, and the resolutions of the board of directors should record and the opinions of the Nomination Committee and the reasons for not adopting such opinions and make the relevant disclosure.
5. Chapter 13 – to insert the following new clauses and to renumber the existing clauses (i) Article 13.1 – to require independent directors to attend board meetings and work on-site at the company for no less than 15 days each year; (ii) Article 13.3 – to implement cumulative voting system where 2 or more independent directors are to be elected; (iii) Article 13.6 – to stipulate matters that require consent of more than half of the independent directors before submission to the board of directors for review; (iv) Article 13.7 – to stipulate responsibilities of independent directors; (v) Article 13.8 – to stipulate the special powers of independent directors; (vi) Article 13.9 – to stipulate that the Company shall regularly or irregularly convene special meetings of independent directors to be attended by all independent directors, and provides that more than half of the independent directors may recommend the convener and the presider; and (vii) Article 13.10 – to require independence directors to submit an annual performance report to the Company’s annual general meeting.

### **C Relevant amendments in respect of the expansion of paperless listing regime under the Hong Kong Listing Rules**

1. Article 10.6(4) – to stipulate that if a shareholder requests or is deemed to request to receive corporate communications from the Company by post, the communication is issued on the date when the Company’s share registrar delivers the relevant communication to the relevant postal agency for posting.
2. Article 18.6 – to stipulate that financial reports of the Company may be sent to shareholders electronically.
3. Article 22.1 – to stipulate that the information in relation to resolutions regarding merger or division of the Company may be sent to shareholders electronically.
4. Article 25.2 – to stipulate that notices, information or written statements issued by the Company to holders of overseas-listed foreign shares listed in Hong Kong may be sent electronically.



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## LETTER FROM THE BOARD

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5. Article 27.3 (renumbered as 26.3) – to add a new definition of “electronic means” for the Company to provide and/or despatch corporate communications to Shareholders in accordance with the requirements of the listing rules of the Hong Kong Stock Exchange.

Under the Hong Kong Listing Rules, holders of H-shares with registered addresses outside Hong Kong will continue to receive printed copies of corporate communications. Holders of H Shares with a registered address in Hong Kong may request in writing to receive printed copies of the corporate communications by mail.

### **D To expand the business scope of the Company**

Article 2.2 – to include the sales of electromechanical vehicle charging, operation of electric vehicle charging infrastructure, centralized fast charging stations, and sales of new energy vehicle battery swapping facilities as business scope of the Company.

The proposed amendments of the Articles of Association, and the related amendments to the Rules of Procedure for Shareholders Meetings, the Rules of Procedure for Board Meetings and the Working Rules of the Independent Directors are set out in Parts 1, 2, 3 and 4 of Appendix V, respectively.

### **Recommendations**

For the compliance of the relevant laws and regulations, Listing Rules and Guidelines and the expansion of business scope, the Board recommends all Shareholders to vote in favour of all three special resolutions and one ordinary resolution as set out in the Notice of EGM (as set out in pages N-1 to N-6) to this circular in respect of the Amendments to Articles of Association and Rules and Procedures.

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## LETTER FROM THE BOARD

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### C. THE ACQUISITION

#### (I) Equity Transfer Agreement (as amended by the Supplemental Agreement)

On 26 January 2024, with a view to further expand its asset scale in the southern Jiangsu road network, improve the layout of its principal business and the sustainability of its continual development, the Company (as the purchaser and transferee) entered into Equity Transfer Agreement with Jiangsu Communications Holding (as the vendor and transferor). On 1 March 2024, the parties to the Equity Transfer Agreement entered into the Supplemental Agreement to amend the terms of payment and to provide for an undertaking in respect of the performance of the Target Company for the first five financial years after the Valuation Date in favour of the Company. The main terms of which are as follows:

**1. Transferor**

Jiangsu Communications Holding (the controlling shareholder of the Company)

**2. Transferee**

The Company

**3. Target Company**

Suxichang South Expressway Company

**4. Target Equity**

65% of the equity interests in Suxichang South Expressway Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ownership of the equity interest in Suxichang South Expressway Company held by Jiangsu Communications Holding is clean and there are no mortgages, pledges, or any other restrictions on the transfer of such equity interests. There are no litigation, arbitration matters, or judicial measures such as seizures or freezes, nor are there any other circumstances that would hinder the transfer of such ownership.

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## LETTER FROM THE BOARD

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### 5. *Transfer Consideration*

RMB5,200,650,000

According to the requirements of the Measures for the Supervision and Administration of the Transaction on State-owned Assets of Enterprises, the Company and Jiangsu Communications Holding adopted non-public agreement transfer method to execute the transfer of title of assets, and the consideration for the transfer of property rights by Jiangsu Communications Holding to the Company shall not be lower than the valuation result approved by or filed with the state-owned assets supervision and administration department. Jiangsu Communications Holding, Wuxi Transportation and Changzhou Expressway Investment jointly appointed the State-owned Asset Valuer to conduct an asset valuation of the Target Equity as the Valuation Date. According to the State-owned Asset Valuation Report, the appraised value of the Target Company is RMB8,001,000,000 based on the income approach (a premium of RMB537,970,000 over the book value, representing an appreciation of approximately 7.2%). The transfer consideration is calculated on a pro-rata basis based on the above-mentioned appraised value in the State-owned Asset Valuation Report, the final consideration is subject to the valuation filed with the state-owned assets supervision and administration department.

The determination of the consideration of the transfer of the Equity Interests shall be based on the valuation results approved or filed with the state-owned assets supervision and administration department (the “**Determination**”). If the aforementioned appraised value is approved or filed, the purchaser and vendor shall adopt such appraised value as the consideration of the transfer of the Equity Interests.

In the circumstance that valuation results approved or filed differs from the aforementioned appraised value, the purchaser and the vendor shall negotiate the consideration of the Target Equity based on the valuation results approved or filed. If the purchaser and the vendor are unable to reach an agreement, both parties may terminate the transaction without assuming any liability to the other party for breach of contract.

As at the Latest Practicable Date, the filing and approval procedure with the State-owned assets supervision and administration department has yet to be completed. It is expected that such procedure could be completed by the end of March 2024, approximately two weeks prior to the date of the 2024 First Extraordinary General Meeting. Further announcement will be made by the Company once the procedure is completed.

The Company appointed the Valuation Consultant to assess the value of the Target Equity in accordance with international standards and requirements. The assessment of the fair value of the Target Company as of the Valuation Date is RMB8.13 billion. Hence, the fair value of the Target Equity (i.e. the 65% equity interests in the Target Company) is RMB5.2845 billion, which is slightly higher than the appraised value in the State-owned Asset Valuation Report. The Equity Transfer Agreement does not provide a cap for the Consideration. Nevertheless, the Company expect that the final consideration shall not exceed the assessment of fair value of the Target Company by the Valuation Consultant, i.e. RMB5.2845 billion and the Acquisition will not constitute a major transaction under Chapter 14 of the Hong Kong Listing Rules. In the event that the Acquisition will constitute a major transaction or above after the Determination, the Company will comply with the relevant requirements under the Listing Rules.

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## LETTER FROM THE BOARD

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Any distribution by Suxichang South Expressway Company during the transaction transition period (from the Valuation Date to the Completion Date) will be attributed to the Company. No distribution has been made or is expected to be made from the Valuation Date to the Latest Practicable Date and to the Completion Date, as the case may be.

**6. *Conditions Precedent for Completion of the Transfer of the Target Equity***

Completion of the transfer of Target Equity is subject to the fulfilment (or waiver, as applicable) of the following conditions precedent:

- (i) The other shareholders of Suxichang South Expressway Company having waived their pre-emptive rights in a clear fashion in respect of the transfer of the Target Equity;
- (ii) The transfer of the Target Equity having been internally approved (except condition precedent (iv) below) by parties to the Equity Transfer Agreement;
- (iii) Jiangsu Communications Holding having completed the necessary approval/filing procedures in relation to the Acquisition in compliance with the regulations of the relevant state-owned assets supervision and administration departments and other competent/regulatory authorities;
- (iv) The transfer of the Target Equity having been approved by the Company's shareholders at general meeting (where Jiangsu Communications Holding and its associates (as defined under the Hong Kong Listing Rules) shall abstain from voting);
- (v) Jiangsu Communications Holding and Suxichang South Expressway Company having provided a letter of declaration (being representations and warranties on Suxichang South Expressway Company) and undertaking (with respect to such representations and warranties until Completion) in the form appended as appendix 2 to the Equity Transfer Agreement on the signing date of the Equity Transfer Agreement; and
- (vi) Jiangsu Communications Holding having provided a letter of undertaking (in respect of late capital contribution to the Target Company) in the form appended as appendix 3 to the Equity Transfer Agreement on the signing date of the Equity Transfer Agreement.

As at the date of the Latest Practicable Date, conditions (i), (v) and (vi) have been fulfilled.

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## LETTER FROM THE BOARD

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**7. *Payment of the Consideration (subject to clearance and confirmation by all relevant parties)***

The Consideration shall be paid in cash and will be funded by the Company's own funds or financing funds in line with the use of funds.

Pursuant to the Supplemental Agreement, the First Phrase Consideration (being 40% of the Consideration) shall be paid within 5 business days after the aforementioned conditions precedent are fulfilled. The remaining Consideration shall be paid within 5 working days (the expected payment date shall fall within the first half of the financial year that follows the financial year of the relevant performance undertaking) after the issue of a special audit report commissioned by the Company by way of five instalments if the projected net profit of the Target Company for each of the five financial years ending 31 December 2024, 2025, 2026, 2027 and 2028 (the "**Performance Undertaking Period**") are attained. The installment payable in 2025 shall be 20% of the Consideration, whereas the installments payable in 2026, 2027, 2028 and 2029 shall be 10% of the Consideration, respectively. If the Target Company fails to meet the performance undertaking in any of the financial period, the Company can deduct the amount of the performance compensation for such period and pay the remaining balance.

Interest will be incurred for the deferred installment payments of Consideration in accordance with the relevant state-owned assets transfer regulations. The deferred payment period shall commence from the next date after the Completion Date and end on the actual payment date of the remaining Consideration. Interest payable shall be based on the prevailing 1-year loan prime rate (LPR) published by the National Interbank Funding Center (authorised by the People's Bank of China) as of the actual payment date.

**8. *Completion***

Completion of the Target Equity transfer shall take place within 5 working days after all conditions precedent to Completion are satisfied. The "Completion Date" shall be the date on which the First Phrase Consideration is remitted to the designated bank account of Jiangsu Communications Holding by the Company.

**9. *Undertakings by Jiangsu Communications Holding***

*Undertakings in respect of late capital contribution*

As at the date of the Company's announcement (i.e. 29 January 2024), Jiangsu Communications Holding has fully paid up its share of registered capital of Suxichang South Expressway Company. Nevertheless, Jiangsu Communications Holding undertakes to be jointly liable for the losses suffered by the Company (if any) as a result of claims by creditors of the Target Company arising out of late contribution of registered capital to Suxichang South Expressway Company.

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## LETTER FROM THE BOARD

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*Performance Compensation Undertakings (subject to clearance and confirmation by all relevant parties)*

Pursuant to the Supplemental Agreement, Jiangsu Communications Holding undertakes to compensate the Company in respect of the performance of the Target Company during the Performance Undertaking Period as follows:

1. The net profits to be achieved by the Target Company for the financial year ending 31 December 2024, 2025, 2026, 2027 and 2028 shall not be less than RMB155.0362 million, RMB348.4382 million, RMB360.7341 million, RMB348.3509 million and RMB477.4364 million, respectively, save and except the aforementioned net profits cannot be achieved due to force majeure reasons. According to the requirements of the Measures for the Supervision and Administration of the Transaction on State-owned Assets of Enterprises, the determination of the final consideration of the Acquisition shall be based on the valuation results approved or filed with the state-owned assets supervision and administration department. As such, the net profits to be achieved by the Target Company during the Performance Undertaking Period shall be determined based on the filed State-owned Asset Valuation Report on the Acquisition. If the above-mentioned net profit amounts are inconsistent with the approval or filing result, the actual approval or filing result prevails and the performance compensation shall be calculated accordingly.
2. The Company shall commission an accounting firm after the end of each financial year during the Performance Undertaking Period to issue a special audit report on the difference between the net profit achieved by the Target Company for that year and the projected net profit of the Target Company for such year.
3. If the Target Company's cumulative net profits as at the end of a financial year during the Performance Undertaking Period is less than the cumulative projected net profits as at the end of such financial year, Jiangsu Communications Holding shall compensate the Company the shortfall proportional to the projected net profits with reference to the consideration for the Target Equity.

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## LETTER FROM THE BOARD

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Amount of performance compensation for the current period = A – B

A = (Cumulative projected net profits as at the end of the financial year during the Performance Undertaking Period – Cumulative actual net profits as at the end of the financial year during the Performance Undertaking Period) ÷ the total projected net profits of the Target Company during the Performance Undertaking Period × Consideration for the Target Equity

B = Cumulative amount of performance compensation paid by Jiangsu Communications Holding

If the amount of performance compensation for the current period calculated based on the above formula is less than or equal to 0, the compensation amount for the current period shall be 0.

If the performance goal cannot be achieved due to force majeure, partial or full exemption of liability shall be based on the impact of the force majeure event and negotiated and handled by the parties in accordance with PRC law.

4. In the event performance compensation for a period is triggered, Jiangsu Communications Holding shall pay the performance compensation within 10 working days from the date of issue of the special audit report and the date of approval of the annual financial report of the Company by shareholders' meeting.
5. In the event the performance compensation amount calculated by the above-mentioned formula is less than 0 at the end of the Performance Undertaking Period, the Company shall return the excess performance compensation (without interest) to Jiangsu Communications Holding within 10 working days from the date of issue of the special audit report and the date of approval of the annual financial report of the Company by shareholders' meeting.
6. A party failing to pay or return the compensation amount in accordance with the above two paragraphs shall pay interest to the other party in accordance with the terms of payment of consideration under the Equity Transfer Agreement (as set out in paragraph headed "7. Payment of Consideration" above).

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## LETTER FROM THE BOARD

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### **10. Dispute Resolution**

All disputes arising out of the implementation of or related to the Equity Transfer Agreement shall be settled through friendly negotiation by all parties to the agreement. If any dispute cannot be resolved through negotiation within thirty (30) working days after the dispute arises, any party has the right to initiate a proceeding with the People's Court where the Company is located.

Material valuation assumptions and parameters of the State-owned Asset Valuation Report:

#### **I. General Assumptions**

1. Transactional assumption: It is assumed that all assets under valuation are already in the process of being transacted, and the valuer conducted the valuation by way of market inquiries based on the terms of the transactions of the target.
2. Open market assumption: It means that assets can be freely bought and sold in a fully competitive market, and their prices depend on the value judgments of independent buyers and sellers on the assets under normal market supply conditions. An open market is a fully competitive market with many buyers and sellers. In this market, buyers and sellers have equal status, and each has the opportunity and time to obtain sufficient market information. The trading of buyers and sellers are voluntary and rational, are not conducted mandatorily or under unrestricted conditions.
3. It is assumed that there are no major changes to current relevant PRC laws, regulations and policies, and macroeconomic situation, and there are no major changes in the political, economic and social environment of the region where the parties to the transaction are located.
4. Based on the actual status of the assets on the valuation date, it is assumed that the company is able to continue its operations.
5. It is assumed that there will be no material changes in the tax base, tax rate, policy levy fees and other assessment bases related to the subject under evaluation after the valuation date.
6. It is assumed that the management of the subject under valuation after the valuation date is responsible, stable, and capable of performing their duties.



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## LETTER FROM THE BOARD

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7. It is assumed that the subject under valuation fully complies with all relevant laws and regulations.
8. It is assumed that there are no force majeure and unforeseeable factors that will have a material adverse effect on the subject under valuation after the valuation date.

### **II. Special Assumptions**

1. It is assumed that the accounting policies adopted by the subject under valuation after the valuation date are consistent in all material aspects with the accounting policies adopted when the valuation report was prepared.
2. It is assumed that after the valuation date, the subject under valuation's business scope and management standards will remain consistent with the current management methods and management standards.
3. It is assumed that the cash inflow and outflow of the subject under valuation after the valuation date shall be mid-year.
4. It is assumed that all information related to this valuation provided by the client and the subject under valuation is true, complete, legal and valid.
5. It is assumed that upon the expiration of the concession period of the expressway owned by the subject under valuation, all relevant assets such as the expressway and ancillary facilities will be handed over to the state on a free-of-charge basis.
6. It is assumed that the subject under valuation obtains and repays the loans in accordance with the existing borrowing plan and repayment plan.

The State-owned Asset Valuation Report made reference to the "Forecast of Traffic Volume, Toll Revenue and Operation and Maintenance Costs of the Suxichang South Expressway (蘇錫常南部高速公路交通量、通行費收入及運營養護成本預測)" issued by the Traffic Consultant, the material assumptions of the traffic volume forecast are set out below:

1. Considering factors such as the historical annual regional gross domestic product (GDP) growth and the elasticity coefficients for passenger vehicles (the coefficient that shows the correlation between traffic volume growth and economic growth). Based on the economic planning and development trends

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## LETTER FROM THE BOARD

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of Jiangsu and its surrounding areas, the GDP growth has generally remained stable with a slight decline. Similarly, as the stage of economic development changes, the predicted values of the elasticity coefficients for passenger vehicles and trucks in relevant areas has decreased in the forecast period. The two reasons above are the factors causing a decline of the overall traffic growth rate of the regional road network.

2. This forecast also includes road capacity analysis. The calculation of the capacity is mainly based on the Technical Standard for Highway Engineering Works (公路工程技術標準) (JTGB01-2014) issued by the Ministry of Transport of China in 2014, which divides the levels of service of roads into Levels I, II, III, IV, V and VI. It is estimated that the daily capacity of the Suxichang South Expressway is about 150,000 vehicles per day.
3. This evaluation includes a forecast on the changes on the types of vehicles. From the experience of the development of types of vehicles on highways in Jiangsu Province and around the country, the growth rate of passenger vehicles is generally higher than that of trucks, resulting in a growing proportion of passenger vehicles on the road network.

In addition, in recent years, traffic congestion in local cities roads in southern Jiangsu Province has been worsening, and expressways have become one of the choices for regional transportation, with a significant increase in Class I passenger vehicles (i.e. passenger vehicles of less than 9 seats) for short trips; on the other hand, with the construction of the national high-speed railroads and the local intercity railroads, the intercity transportation function of large passenger vehicles (i.e. those with more than 30 seats) has gradually weakened. Therefore, the proportion of Class I passenger vehicles among all other passenger vehicle models will also increase at the same time.

As for trucks, the per weight unit transportation costs of larger trucks is lower, and the development of larger trucks (six-axle) has gained momentum under the high efficiency mode of transport organization. On the other hand, smaller trucks (two-axle) exhibit good maneuverability and are well-suited to the current pace of economic development. The growth of express delivery services also plays a significant role in promoting the development of smaller trucks. Therefore, for the proportion of the type of trucks in the future, it is anticipated that there will be a growth in smaller trucks and larger trucks whereas there will be a decline in the mid-sized trucks.

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## LETTER FROM THE BOARD

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4. In this analysis, traffic assignment in road network is conducted using the traffic impedance function. The traffic impedance function reflects the factors that drivers consider when choosing a route, including the actual travel time, the length of the route, and the toll fees. The significance of these factors is captured by using weighted coefficients. The travel time and route length are converted into tolls through the value of time and the cost of vehicle operation. The parameters in the relevant analysis model are calculated based on the experience of the Company in similar projects and the figures widely used in domestic applications.
5. Regarding the toll period, it is assumed in the forecast that all highways will maintain their existing toll status during the forecast period.
6. The toll rates are assumed as follows in this assessment:
  - (1) For expressways that have already been completed and put into operation, the toll rates approved will remain unchanged.
  - (2) For the expressways that are expected to be completed and put into operation before 2025: for the reconstruction and expansion projects and new bridge and tunnel projects, reference is made to the “Pricing Mechanism for Expressway Tolls in Jiangsu Province” (江蘇省高速公路收費定價機制) jointly issued by the Department of Transportation, the Development and Reform Commission and the Department of Finance of Jiangsu Province in 2021; and for other newly built general projects, the basic rates for passenger vehicles and trucks will be RMB0.55 and RMB0.45/km, respectively.
  - (3) For expressways that are expected to be completed and put into operation before 2030: After the completion of reconstruction and expansion projects of Xitai Expressway and Yanjiang Expressway which are related to Suxichang South Expressway, the toll rates for both passenger vehicles and trucks are expected to increase to RMB0.65 and RMB0.55/km, respectively, due to the increased construction costs. For other projects that will be completed and put into operation before the end of 2030 with less association with the Suxichang South Expressway, there are less visibility on the construction costs, it is assumed that the basic toll rates will be applied as per point (2) above.

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## LETTER FROM THE BOARD

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- (4) Other expressway projects: for expressway projects to be completed and opened to traffic after 2030, after the completion of the expansion projects of Shanghai-Nanjing Expressway (which is related to Suxichang South Expressway), the construction cost will be further increased, and the average level of toll rates is expected to be increased accordingly and it is assumed that the basic rate for passenger vehicles will be raised to RMB0.75/km, and the basic rate for trucks will be RMB0.55/km. For other projects that will be completed and put into operation before the end of 2030 with less association with the Suxichang South Expressway, there are less visibility on the construction costs construction costs, it is assumed that the basic toll rates will be applied as per point (2) above.

Due to the increase in toll rates of the expressways in parallel, it is expected that the traffic sharing ratio of Suxichang South Expressway in the road network will be increased compared with the current situation.

7. The existing differential toll policy of Suxichang South Expressway expired on 31 December 2023, and Wuxi City and Jiangsu Communications Holding have already discussed and signed an agreement on the continuation of the policy. According to the agreement, Suxichang South Expressway Company will no longer be providing any subsidy for the differentiation, and the local government will pay the user subsidy in full, and the other contents will be consistent with the previous program. The differential policy is generally implemented for a period of less than five years, and dynamic adjustments to the differentiation program will be made periodically in conjunction with the effects of implementation.

In this forecast, it is assumed that the subsequent differential policy will remain unchanged from the program that will be extended in 2024, and the later expanded program will not be considered for the time being.

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## LETTER FROM THE BOARD

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8. According to “Outline of Integrated Stereoscopic Transportation Network Planning in Jiangsu Province (江蘇省綜合立體交通網規劃綱要)” issued by Party Committee and Government of Jiangsu Province in 2022, in the future, Jiangsu Province plans to form a highway network layout of “fifteen radiations, six north-south and ten east-west routes with multiple connections,” with a total mileage of approximately 7,100 kilometers. During the process of conducting the forecast, the latest information of projects pending-construction and projects under construction were also collected (such as Xiyi Expressway, Xitai Expressway, Yanjiang Expressway and Shanghai-Nanjing Expressway, etc.). Based on the analysis of the road network functionality and location conditions, it is determined that the improvement and expansion projects of the along the Yanjiang Expressway and Shanghai-Nanjing Expressway will have a significant impact on the traffic flow of the Suxichang South Expressway Company.
  
9. According to the Wuxi City Master Plan (2016–2035) and the Wuxi City Territorial Spatial Master Plan (2021–2035) (publication draft), the local expressways that will have a greater impact on the Suxichang South Expressway are the west extension of the Juqu Road (具區路西延) and the Suxi-Taihu Tunnel (蘇錫太湖通道) which are currently under planning.

The West Extension of Juqu Road is a cross-Taihu expressway planned to run in parallel to the Southern Tunnel, crossing Meiliang Lake (梅梁湖) and connecting to the Yima Tunnel (宜馬通道), with the route direction basically consistent with the Suxichang South Expressway, which is expected to divert the local traffic in Wuxi serviced by the Suxichang South Expressway upon its completion. Currently, the west extension of the Juqu Road has not been scheduled, and with the increasingly strict national ecological control measures, it is expected to be challenging to construct an additional tunnel near the project location in the near future. Therefore, the construction of the Juqu Road west extension is not considered in this evaluation.

The Suxi-Taihu Tunnel is an intercity road constructed by Wuxi and Suzhou in the form of local roads after the second phase of the Suxichang South Expressway planning was canceled. The Suxi-Taihu Tunnel begins at the intersection of Suzhou Taihu Avenue (蘇州太湖大道) and Gongshan Road (貢山路) and ends at the north side of Nanquan Junction of Lihu Avenue (蠡湖大道南泉樞紐) in Wuxi. Upon completion, the project will be connected head-to-tail with the Suxichang South Expressway, and will become a crucial highspeed intercity road within the Suxichang region. It is expected that the completion of the project will bring about a significant increase in the traffic volume to the Suxichang South Expressway, especially vehicles from the southern part

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## LETTER FROM THE BOARD

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of Suzhou going to Changzhou and Wuxi. The cities of Wuxi and Suzhou are actively advancing the preliminary work for the construction of the Suxi-Taihu Tunnel. The exact commencement date of the construction works has not been confirmed yet. However, for this evaluation, it is assumed that the tunnel will be completed and open for traffic in 2036.

*# The English name is for identification purpose only.*

State-owned Asset Valuer confirms that during the period from the Valuation Date to the date of the announcement published by the Company (i.e. 29 January 2024), there have been no significant event that could have a material impact on the valuation results.

In addition, the Company entered into a letter of intent with Wuxi Transportation in relation to the proposed acquisition of 22.8% equity interests in Suxichang South Expressway Company held by Wuxi Transportation. The terms of the legally binding agreement are expected to be similar to those of the Equity Transfer Agreement entered into with Jiangsu Communications Holding. The consideration shall be calculated on a pro-rata basis based on the valuation of Suxichang South Expressway Company jointly commissioned by Jiangsu Communications Holding, Wuxi Transportation and Changzhou Expressway Investment in accordance with the relevant state-owned assets laws and regulations. Upon the signing of an equity transfer agreement between the Company and Wuxi Transportation and the transfer is completed, the Company shall own and control 87.8% of absolute controlling equity interests in Suxichang South Expressway Company. If, at the time when the equity transfer agreement with Wuxi Transportation is signed, Jiangsu Communications Holding is still a holder of equity interests in Suxichang South Expressway Company, the acquisition of 22.8% of equity interests in Suxichang South Expressway Company from Wuxi Transportation shall constitute a connected transaction of the Company under Rule 14A.28(1) of the Hong Kong Listing Rules. However, it is expected that the aggregation of the two acquisitions will not constitute a major transaction under Chapter 14 of the Hong Kong Listing Rules.

Regarding the 12.2% equity interest in Suxichang South Expressway Company held by Changzhou Expressway Investment, as at the Latest Practicable Date, the Company has not entered into any framework agreement, letter of intent or any legally binding agreement with Changzhou Expressway Investment in relation to the transfer of equity interest. Hence, the Company is actively seeking to acquire the 12.2% equity interest in Suxichang South Expressway Company held by Changzhou Expressway Investment.

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## LETTER FROM THE BOARD

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### (II) Basic Information of the Parties to the Equity Transfer Agreement

#### 1. *The Company*

The Company is mainly engaged in construction, management, maintenance and collection of tolls of roads and expressways in Jiangsu Province, as well as related ancillary services.

#### 2. *Jiangsu Communications Holding*

The basic information of Jiangsu Communications Holding is as follows:

Registered office:	A2 Zijin Finance Zone, No. 399 Jiangdong Central Road, Nanjing City
Unified social credit identifier:	91320000134767063W
Date of establishment:	5 March 1993
Business nature:	Limited liability company (Wholly state-owned)*
Legal representative:	Deng Dongsheng
Registered capital:	RMB16,800,000,000
Principal business:	Engaged in the operation and management of state-owned assets within the scope of authorization of the provincial government; investment, construction, operation and management of transport infrastructure, transportation and other related sectors; collection of tolls from vehicles; and industry investment and domestic trading.
Total assets at the end of the latest accounting period (2022):	RMB779,408,849,469.48#

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## LETTER FROM THE BOARD

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Net assets at the end of RMB299,683,763,862.43#  
the latest accounting period  
(2022):

Revenue from operations for RMB93,171,065,453.75#  
the latest accounting period  
(2022):

Net profit for the latest RMB11,620,621,124.71#  
accounting period (2022):

\* *The ultimate owner of Jiangsu Communications Holding is the State-owned Assets Supervision and Administration Commission of the People's Government of Jiangsu Province*

# *Jiangsu Communications Holding's financial statements for the year 2022 were audited by Zhongxinghua Certified Public Accountants LLP in accordance with the Accounting Standards for Business Enterprises of the PRC*

Jiangsu Communications Holding is the controlling shareholder of the Company, holding approximately 54.44% of the Company's equity. As at the Latest Practicable Date, the outstanding loan amounts of the Company, its subsidiary Jiangsu Guangjing Xicheng Expressway Co., Ltd., Wufengshan Bridge Co., Ltd. and Jiangsu Yunshan Green Energy Investment Holding Company Limited (江蘇雲杉清潔能源投資控股有限公司) provided by Jiangsu Communications Holding are RMB1,496.17 million, RMB850 million, RMB550 million and RMB300 million, respectively. Save as set out in the published announcements of the Company, there is no other relationship between the Group and Jiangsu Communications Holding and its associates, whether in terms of property rights, business, assets, personnel or otherwise.



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## LETTER FROM THE BOARD

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### 3. *Suxichang South Expressway Company*

Registered office:	No. 291 East Zhongshan Road, Xuanwu District, Nanjing
Unified social credit identifier:	91320000MA1NJPQ74F
Date of establishment:	14 March 2017
Business nature:	Limited liability company
Legal representative:	Wang Feng
Registered capital:	RMB7,956,200,000
Principal business:	Construction, management, operation and maintenance of the Suxichang South Expressway

As at the Latest Practicable Date, the shareholders of Suxichang South Expressway Company are as follows:

<b>Shareholder</b>	<b>Registered Capital</b>	<b>Equity Interest</b>
	<i>RMB</i>	<i>%</i>
Jiangsu Communications Holding	5,171,530,000.00	65
Wuxi Transportation	1,815,510,000.00	22.8
Changzhou Expressway Investment	969,160,000.00	12.2

*Notes:*

1. The ultimate beneficial owner of Wuxi Transportation is the Wuxi Municipal People's Government of Jiangsu Province, China (100%).
2. The ultimate beneficial owner of Changzhou Expressway Investment is the Changzhou Municipal People's Government of Jiangsu Province, China (100%).

## LETTER FROM THE BOARD

Set out below is the audited financial information on Suxichang South Expressway Company for the two financial years ended 31 December 2021 and 2022 and the ten months ended 31 October 2023, respectively which were prepared in accordance with the Accounting Standards for Business Enterprises of the PRC:

*(RMB Yuan)*

	<b>For the year ended 31 December</b>		<b>For the</b>
	<b>2021<sup>#</sup></b>	<b>2022<sup>^</sup></b>	<b>ten months ended 31 October 2023<sup>^</sup></b>
Revenue <sup>1</sup>	1,608,508.66	383,429,296.69	497,676,436.23
Operating Costs	1,505,770.87	413,006,129.45	443,737,354.81
Profits before income tax <sup>2</sup>	(2,040,806.13)	(320,620,036.30)	(170,389,285.85)
Profits and total comprehensive profits	(2,040,806.13)	(320,620,036.30)	(170,389,285.85)
	<b>As at 31 December</b>		<b>As at</b>
	<b>2021<sup>#</sup></b>	<b>2022<sup>^</sup></b>	<b>31 October 2023<sup>^</sup></b>
Total Assets	15,979,016,253.37	15,440,257,154.89	14,532,508,003.16
Total Liabilities	(8,916,503,865.58)	(8,298,363,803.40)	(7,069,474,937.52)
Net Assets <sup>3</sup>	7,062,512,387.79	7,141,893,351.49	7,463,033,065.64

<sup>#</sup> *audited financial statements by Zhongxinghua Certified Public Accountants LLP, statutory auditors of Target Company who has issued a standard unqualified opinion*

<sup>^</sup> *audited financial statements by ShineWing Certified Public Accountants LLP, statutory auditors of Target Company who has issued a standard unqualified opinion*

1. Suxichang South Expressway commenced its operations on 30 December 2021
2. Losses before income tax for 2021 and 2022 were mainly attributable to the operating costs and financial expenses, for the ten months ended 31 October 2023, the losses before income tax was mainly attributable to the financial expenses
3. The increase in net assets was mainly attributable to capital contribution by its shareholders.

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## LETTER FROM THE BOARD

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As at 31 October, 2023, the Target Company recorded total assets of RMB14.532 billion, total liabilities of RMB7.069 billion with a gearing ratio of 48.64%. The range of the interest rates of the Target Company's current project loans is 2.6% to 3.71% which is lower than the market average. The type of financing, scale and term structure allocation of the Target Company are in line with the operational period and business development trends of the expressway project. As at 31 October 2023, the cash and bank balance of the Target Company was RMB532 million. It is expected that the free cash flow in 2024 will be sufficient to cover the repayment of principal and interest. In the coming years, the principal and interest shall be repaid in accordance with the terms of the existing project loans.

Suxichang South Expressway Company has entrusted its ordinary operation and management matters (excluding the service areas and petrol stations) to the Company since 1 January 2021. Suxichang South Expressway Company has also entrusted the management of the service area to Yangtze Commerce and Energy Company and leased the gas stations of the service area to the Company since the official business commencement date of Taihu Bay Service Area (8 January 2022). Details of which are as follow:

On 26 March 2021,

- (1) Yangtze Commerce and Energy Company, the wholly-owned subsidiary of the Company, entered into a framework agreement with Suxichang South Expressway Company in respect to the management entrustment for a term of 3 years commencing from the official business commencement date of the service area, the estimated agreement amount was not more than RMB18 million (not more than RMB5.50 million in the first year of its opening date, not more than RMB6 million in the second year of its opening date, and not more than RMB6.50 million in the third year of its opening date).
- (2) The Company entered into a framework agreement with Suxichang South Expressway Company in respect to the leasing of gas stations, pursuant to which Suxichang South Expressway Company shall lease the gas stations in the service area to the Company for operation for a term of 3 years commencing from the official business commencement date of the Taihu Bay Service Area and the rental price is determined based on the sales volume of the petroleum. Based on the current estimated petroleum sales volume of the relevant gas stations for three years commencing from the official business commencement date of the gas stations, the estimated rental amount was not more than RMB4 million (not more than RMB1.15 million in 2021, not more than RMB1.35 million in 2022, and not more than RMB1.5 million in 2023).

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## LETTER FROM THE BOARD

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- (3) The Company entered into an entrustment management agreement with Suxichang South Expressway Company in respect to the entrustment of ordinary operation and management matters of Suxichang South Expressway Company (excluding the service areas and petrol stations) to the Company from 1 January 2021 to 31 December 2023, the estimated agreement amount was not more than RMB146 million (not more than RMB6 million in 2021, not more than RMB69 million in 2022, and not more than RMB71 million in 2023).

On 26 December 2023, in order to safeguard the level of the ordinary operation and management and the service quality, Suxichang South Expressway Company entered into an entrustment management agreement and will continue to entrust the Company with the ordinary operation and management matters. The term of the agreement is from 1 January 2024 to 30 April 2026, the entrustment fees is determined on a cost-plus 10% basis, it was estimated that the transaction amount would not exceeding RMB53 million from 1 January to 31 December 2024, not exceed RMB58.3 million from 1 January to 31 December 2025 and not exceed RMB21.38 million from 1 January to 30 April 2026.

Currently, a loan of RMB600 million has been provided by Jiangsu Communications Holding to Suxichang South Expressway Company from designated use of proceeds of an issue of 3.76% bonds by Jiangsu Communications Holding with maturity date being 24 October 2024 for the construction of the Suxichang South Expressway. Suxichang South Expressway Company shall pay the interest and repay the principal in accordance with the terms of the bonds. Given the interest rate of the bonds was determined through obtaining quotations under the market conditions at the time of issuance and that no collaterals have been provided by Suxichang South Expressway Company for such loan, the directors of the Company are of the view that the terms of such loan are on normal commercial terms.

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## LETTER FROM THE BOARD

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Suxichang South Expressway Company has obtained fixed asset loans from 6 commercial banks and China Development Bank for the construction of Suxichang South Expressway. As at the Latest Practicable Date, the total loan amount is approximately RMB5.78 billion. Jiangsu Communications Holding has been providing guarantees for the repayment of the relevant bank loans, related interests and any fees payable to the banks. Given such bank loans are not revolving facilities, Suxichang South Expressway Company is not required to pay Jiangsu Communications Holding any fees or provide any collaterals for the provision of guarantees, the directors of the Company are of the view that such one-off loan guarantees are conducted on normal commercial terms or better. The maturity profile of these loans are as follows:

<b>Maturity Date</b>	<b>Loan Amount (RMB billion)</b>
Within 1 year	0.19
Over 1 year but within 3 years	0.60
Over 3 years but within 5 years	1.16
Over 5 years but within 10 years	1.87
Over 10 years but within 15 years	1.55
Over 15 years but within 20 years	0.41
Total:	<u>5.78</u>

Upon the completion of the transfer of the Target Equity, Jiangsu Communications Holding shall continue to provide the aforementioned loan and guarantees of the aforementioned loans.

### (III) Information on Suxichang South Expressway

The Changzhou-Wuxi Section of the Suxichang South Expressway starts from the Qianhuang hub of the Changyi Expressway (常宜高速前黃樞紐), and crosses the Xilicao River rerouting section (錫溧漕河改線段), Changcao Highway (常漕公路) and Xinchang Railway (新長鐵路) on the south side of Qianhuang Town (前黃鎮). It crosses with the Xiyi Expressway (錫宜高速公路) and then passes through the Changzhou Taihu Bay Tourist Resort (常州太湖灣旅遊度假區) via Panjia Town (潘家鎮) and pass through the south of Xueyan Town (雪堰鎮) and enter the territory of Wuxi Mashan (無錫馬山). It then passes eastward through the Taihu Tunnel (太湖隧道) in Wuxi and ends at the Nanquan Hub (南泉樞紐), connecting with the Wuxi Huantaihu Highway (無錫環太湖公路).

## LETTER FROM THE BOARD

The Suxichang South Expressway includes two tunnels: the Yaoxianshan Tunnel (邀賢山隧道) and the Taihu Tunnel (太湖隧道). The Taihu Tunnel is currently the longest and widest underwater tunnel in China. Along the Suxichang South Expressway, there are four entrances ((Yuncun (運村), Taihu Bay (太湖灣), Mashan (馬山), Junzhang (軍嶂)), three hubs (Qianhuang hub (前黃樞紐), Xueyan hub (雪堰樞紐), Nanquan hub (南泉樞紐)), and one service area (Taihu Bay service area (太湖灣服務區)). For reference purposes, a map showing Suxichang South Expressway and its connection with other major toll roads and expressway is depicted below:



- Suxichang South Expressway
- Toll roads owned and operated by the Group and closely related to the Suxichang South Expressway
- Toll roads expected to be owned and operated by the Group
- Toll roads connecting the toll roads which are owned and operated by the Group

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## LETTER FROM THE BOARD

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Toll mileage:	Approximately 43.9 km
Design speed:	Qianhuang hub (前黃樞紐) to Mashan interchange section (馬山互通段) – 120 km per hour  Mashan interchange section (馬山互通段) to Nanquan hub (南泉樞紐段) – 100 km per hour
Number of lanes:	Dual six lanes
Number of toll collection stations:	Four, which are Yuncun (運村), Taihu Bay (太湖灣), Mashan(馬山), Junzhang(軍嶂)
Date of officially opening:	30 December 2021
Date of commencement of operation:	28 December 2021
Date of final acceptance:	25 January 2024
Concession period:	25 years which will expire on 29 December 2046

The toll level of Suxichang South Expressway is subject to the approval of Jiangsu Provincial People's Government, the details of which are set out below:

- (1) Class 1 to 4 passenger vehicles: RMB0.55 per km, RMB0.825 per km, RMB1.1 per km and RMB1.1 per km;
- (2) Class 1 to 6 trucks: RMB0.45 per km, RMB0.977 per km, RMB1.35 per km, RMB1.805 per km, RMB1.843 per km and RMB2.20 per km;

Toll standards for Suxichang South Expressway Taihu Tunnel are as follows:

- (1) Class 1 to 4 passenger vehicles are RMB45/trip, RMB60/trip, RMB90/trip, RMB90/trip respectively;
- (2) Class 1 to 6 trucks are RMB50/trip, RMB105/trip, RMB165/trip, RMB200/trip, RMB210/trip, RMB240/trip, respectively.

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## LETTER FROM THE BOARD

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Toll standards for Yaoxianshan Tunnel (邀賢山隧道) are as follows:

- (1) Class 1 to 4 passenger vehicles are RMB5/trip, RMB5/trip, RMB10/trip, RMB10/trip respectively;
- (2) Class 1 to 6 truck vehicles are RMB5/trip, RMB10/trip, RMB20/trip, RMB25/trip, RMB25/trip, RMB30/trip, respectively.

Historic traffic volume and revenue of Suxichang South Expressway is as follows:

	31 December 2021 <sup>(Note)</sup>	For the year 2022	For the ten months ended 31 October 2023
Passenger vehicles traffic volume <i>(number of vehicles per day)</i>	16,792	13,043	25,956
Trucks traffic volume <i>(number of trucks per day)</i>	<u>2,008</u>	<u>2,785</u>	<u>2,850</u>
Total toll revenue <i>(RMB'000)</i>	<u><u>1,607.24</u></u>	<u><u>382,621.93</u></u>	<u><u>494,766.19</u></u>

*Note:* Suxichang South Expressway was official open for traffic on 30 December 2021

#### (IV) Valuation Report

The Company appointed Valuation Consultant to assess the value of the Target Equity in accordance with international standards and requirements. The assessment of the fair value of the Target Company as of the Valuation Date is RMB8.13 billion. Hence, the fair value of the Target Equity (65% equity interests of the Target Company) is RMB5.2845 billion.



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## LETTER FROM THE BOARD

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To develop its opinion of value, Valuation Consultant has considered three generally accepted approaches to value:

In the appraisal of the equity, or the net assets, of a business, regardless of their diversity, location, or technological complexity, there are three basic approaches to perform a valuation. The descriptive titles typically attached to these approaches are cost, income, and market. In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

To develop Valuation Consultant's opinion of value, the three generally accepted approaches to value are considered: cost, market and income. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern business, as it does not capture future earning potential of the business. Thus, cost approach is not utilized in the valuation. Valuation Consultant searched for publicly listed companies for application of guideline companies approach but no companies are similar to the Target Company in all material aspects. In view of the above, in forming our opinion, Valuation Consultant relied upon the income approach as primary approach to determine the business enterprise value of the Target. Valuation Consultant considered the income approach as appropriate because the Traffic Consultant has relevant industry expertise and experience in estimating revenue and operating expenses to substantiate the forecast.

Valuation Consultant adopts the discount cash flow method in the income approach and based on certain assumptions to evaluate Suxichang South Expressway which constitutes a profit forecast under Rule 14.61 of the Hong Kong Listing Rules. Hence, the requirements of Rule 14.60A of the Hong Kong Listing Rules apply.

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## LETTER FROM THE BOARD

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### *Key Assumptions*

The key assumptions adopted by Valuation Consultant in the valuation of 100% equity interest in Suxichang South Expressway Company using the income approach are as follows:

### *General Assumptions*

The valuation was prepared on the basis of fair value standard under the premise of continued use. Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as at the Valuation Date.

Valuation Consultant's opinion of value was established under the premise of continued use, which reflects the condition where the buyer and the seller contemplate retention of the business and related assets as part of current or forecast operations.

Valuation Consultant assumed that the data it obtained in the course of the valuation, along with the opinions and representations provided to Valuation Consultant by the management, are true and accurate and accepted them without independent verification except as expressly described herein. Valuation Consultant has no reason to suspect that any material facts have been omitted, nor are Valuation Consultant aware of any facts or circumstances, which would render the information, opinion and representations made to Valuation Consultant to be untrue, inaccurate or misleading. In arriving at the opinion of value, Valuation Consultant has considered the following principal factors:

- the stage of development of the Target Company
- the historical costs and current financial condition of the Target Company
- the economic outlook for major countries affecting the industry
- the legal and regulatory issues of the toll road industry in general and other specific legal opinions relevant to the Target Company
- the risks associated with the Target Company
- the experience of the management

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## LETTER FROM THE BOARD

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Due to the changing environments in which the Target Company is operating, a number of assumptions have to be made in arriving at Valuation Consultant's valuation conclusion, of which the key assumptions are:

- no major changes are expected in political, legal and economic conditions in China;
- regulatory environment and market conditions for toll road industry in China will be developing according to prevailing market expectations;
- there will be no major changes in the current taxation law applicable to the Target Company;
- the Target Company will not be constrained by the availability of finance;
- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations;
- the Target Company will retain competent management, key personnel and technical staff to support their ongoing operations.

### *Special Assumptions*

#### *Discount Rate*

Valuation Consultant's analysis concludes that a discount rate of 7.0% is considered appropriate for appraising the fundamental value of the Target Company.

#### *Revenue*

Revenue is mainly driven by imposing toll charges on vehicles using the road for transportation purposes. In the Traffic Consultant's report, vehicles are charged according to their type, weight and the distance of road the vehicles have taken for transport. Historical traffic data, economic researches, etc., were considered by the Traffic Consultant in their projections. Standard toll charge of each vehicle type is assumed unchanged over the period of the concession right.

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## LETTER FROM THE BOARD

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In forming our opinion of value, projected revenue from the final conclusions of the Traffic Report was adopted as the basis of Valuation Consultant's valuation. According to the Traffic Consultant, toll revenue was derived by multiplication of the distance of road, toll charge rate, traffic volume, number of days and adjustment rate. Revenue was estimated to increase from RMB0.58 billion in 2023 to RMB2.46 billion in 2046, representing a compound annual growth rate of 6.52%.

Revenue would grow significantly to RMB0.86 billion in 2024, because: (1) the operating history of the Suxichang South Expressway was relatively short and its traffic volume would be at rapid-growth period in 2024, (2) Beijing-Shanghai Expressway completed its expansion and opened to traffic in June 2023 which could bring more southbound traffic to the Suxichang South Expressway, and (3) Yanjiang Expressway, an expressway parallel to the Suxichang South Expressway, would begin its main expansion works project in 2024 and the Suxichang South Expressway is only expressway within the local traffic network that has the capacity to accommodate the diverted traffics. The revenue would then increase to RMB1.29 billion in 2026 but decrease to RMB1.25 billion in 2027 (the expansion of Yanjiang Expressway would be completed by then). Due to the planned expansion project of Shanghai-Nanjing Expressway, another expressway parallel to the Suxichang South Expressway, the revenue was projected to increase from RMB1.48 billion in 2028 to RMB1.8 billion in 2029 and then drop from RMB1.99 billion in 2031 to RMB1.55 billion in 2032. After that, the revenue is expected to grow from RMB1.75 billion in 2035 to RMB2.11 billion in 2036 because Suxi Taihu tunnel, connecting to the Suxichang South Expressway, would be opened to traffic and bring positive impact to the traffic volume of Suxichang South Expressway.

### *Cost of Revenue and Operating Expenses*

Cost of revenue and operating expenses in the report prepared by the Traffic Consultant include toll related expenses, three major system maintenance expenses and road maintenance expenses. In forming our opinion of value, in addition to the cost and expenses mentioned above, Valuation Consultant also considered the depreciation of existing fixed assets and amortization of toll road operation right in the forecast.

### *Income Tax*

According to the Enterprise Income Tax Law in the PRC, the Target Company will be subject to 25.0% profit tax rate. Such required tax rates will be applied in the cash flow calculation.

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## LETTER FROM THE BOARD

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### *The Residual Value of Tangible Assets*

The residual value of tangible assets at the end of concession period was assumed to be immaterial, mainly attributable to following consideration: (1) the disposal treatment at the expiration of concession period would be uncertain, (2) the residual value would be relatively low after the tangible assets being used for a long time, and (3) based on industry practice, the residual tangible assets would be generally transferred to the local government at free of charge.

### *Calculation of fundamental value*

The fundamental value of operation of the Target Company was then calculated by adding the present values of the projected yearly free cash flow (FCF) between 2024 and 2046 and the FCF for the remaining two months in 2023. The present values were derived by discounting the FCF by a discount rate that was appropriate for the risk of investing in the project.

### *Tax Shield on Interest Expenses Attributable to the Loan Outstanding*

Under the adjusted present value approach, as the discount rate used was at all-equity financing level, an adjustment was made by addition of the present value of tax shield arising from the interest expenses on the outstanding loan balances of the Target Company during the projection period.

As advised by the management, interest expenses would be tax deductible. The discount rate used for calculation of the present value of the tax shield was the after-tax cost of debt of 2.53%, which was based on the borrowing cost of the Target Company and the standard tax rate of 25.0%. In addition, Valuation Consultant assumed that the Target Company would obtain and repay loans according to the existing debt schedule.

### *Discount for lack of marketability (“DLOM”)*

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Based on option-pricing method, Valuation Consultant considered DLOM of 5.0% should be appropriate for valuing the equity interest of the Target Company.

### *Control Premium*

Control premium was not applied in the valuation.

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## LETTER FROM THE BOARD

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### *Confirmation*

KPMG Huazhen LLP, the Company's reporting accountants, was engaged to report on the calculation of the discounted future cash flows used in the Valuation Report, as required by Rule 14.60A(2) of the Hong Kong Listing Rules. The discounted future cash flows do not involve the adoption of accounting policies. So far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the directors of the Company as set out in the Valuation Report.

The board of directors of the Company has (i) discussed with the senior management of the Company and Valuation Consultant on the basis and assumptions of the discount cash flow valuation of Suxichang South Expressway in the Valuation Report; (ii) reviewed the discount cash flow valuation as set out in the Valuation Report; and (iii) considered the report from the reporting accountants of the Company. Based on the above basis and subject to the assumptions set out above, the board of directors of the Company confirmed that the discount cash flow valuation as set out in the Valuation Report was made after due and careful enquiry by the directors of the Company.

The Company has appointed China Securities (International) Corporate Finance Company Limited as financial advisor to the Company in relation to the requirement under Rule 14.60A(3) of the Hong Kong Listing Rules. The confirmation letter from the Financial Advisor as required under Rule 14.60A(3) of the Hong Kong Listing Rules is set out in Appendix III of the circular.

The Valuation Report, the report issued by the Reporting Accountants of the Company, the Letter on Profit Forecast of the Target Company from the Financial Advisor and the Report from Traffic Consultant are set out in Appendix I, II, III and IV of the circular.

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## LETTER FROM THE BOARD

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### (V) Reasons, Benefits and Risks of the Acquisition

In the network layout of “fifteen radiations, six north-south and ten east-west routes with multiple connections” in Jiangsu Province, Suxichang South Expressway, Yanjiang Expressway and Shanghai-Nanjing Expressway are the east-west highways planned in Southern Jiangsu. The Suxichang South Expressway is part of the sixth east-west route under the plan (Changzhou to Wuxi section), connecting Nanjing, Zhenjiang (Jurong), Changzhou, Wuxi, Suzhou, and Shanghai. The Shanghai-Nanjing Expressway is part of the fifth east-west route under the plan, connecting Nanjing, Zhenjiang, Changzhou, Wuxi, Suzhou, and Shanghai. The Yanjiang Expressway is part of the eighth east-west route under the plan (Suzhou to Changzhou section), connecting Suzhou (Taicang), Wuxi (Jiangyin), Changzhou (Jintan), and Nanjing (Lishui). From the perspective of the planned routes, these three expressways are essentially parallel, serving partially overlapping areas, and have the foundation for coordinated operation within the road network. The Suxichang South Expressway runs parallel to the Changzhou and Wuxi section of the Shanghai-Nanjing Expressway. It is an important component of the “Second Channel of Shanghai-Nanjing” and holds a significant position within the road network of Southern Jiangsu. It exhibits strong synergy with the operation, management, and long-term development of the Company’s core asset, the Shanghai-Nanjing Expressway.

There are several advantages in terms of growth potential of the target asset: 1. The Target Expressway has abundant capacity for traffic and is currently in the stage of cultivating traffic flow, with less than one-third of its saturation level which is an indication of significant growth potential. In contrast, Shanghai-Nanjing Expressway and Yanjiang Expressway which are in parallel to the Target Expressway have already reached saturation, and their traffic growth rates have significantly slowed down in recent years. 2. The Target Expressway has a relatively high proportion of bridges and tunnels, including two separate toll tunnels. The base toll rate for regular sections of the Target Expressway is RMB0.55 per km, while the base toll rate for the Shanghai-Nanjing Expressway and Yanjiang Expressway is RMB0.45 per km. Therefore, under the same traffic flow, the revenue per km of the Target Expressway is higher compared to the other two expressways, demonstrating better economic performance. 3. The Target Expressway has a longer remaining toll collection period of 23 years, which allows it to have an operating period different with the other road assets held by the Company and provides the Company with continuous income in the long run.

Based on the above assessments, the Company believes that there are several aspects that justify the necessity and reasonableness of acquiring the Target Company:

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## LETTER FROM THE BOARD

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**The Company aims to strengthen its position as an operator in the road network of Southern Jiangsu and support its strategic development. During the “Fourteenth Five-Year Plan” period, the Company focuses on its primary responsibilities and primary business and aims to expand its toll road business.** The position of the Target Expressway within the road network of Southern Jiangsu is an essential component of the Company’s overall regional layout. The acquisition of the Target Company is a measure taken by the Company to implement its strategic goals. It will allow the Company to focus on its primary business, increasing its market share in the regional road network, consolidating its position as an operator in the Southern Jiangsu, and achieving sustainable development objectives.

**The Target Expressway holds a superior regional position and the acquisition of the Target Company will drive the synergistic development of the Company’s business.** Suxichang Area serves as the first stop for Shanghai, the leader in the Yangtze River Delta region, radiating towards the middle and upper reaches of the Yangtze River. It is also one of the most economically active areas in China. From the perspective of the regional expressway network traffic distribution, the east-west traffic is concentrated, and the total flow of horizontal travel within Wuxi has reached nearly 300,000 vehicles per day (standard flow), with a continuous growing trend. Upon the acquisition of the Target Expressway, the Company can achieve coordinated operation of the horizontal routes in the Southern Jiangsu region, promote synergistic business development, leverage economies of scale, reduce operating costs, and further enhance the Company’s profitability.

**The operating trend of the Target Expressway is positive, and the timing for the Acquisition is appropriate.** The Target Expressway comprises the longest and widest underwater tunnel in China, which has a relatively high construction difficulty. With the Acquisition conducted after the completion of the construction, the Company completely avoids the construction risks involved. Based on the current operational situation of the Target Expressway, the traffic is experiencing rapid growth within a short period of time, with traffic and revenue increased by over 50% in 2023 compared to 2022; in the next two years, Yanjiang Expressway will undergo expansion and reconstruction, leading to significant changes in the traffic distribution pattern of the Southern Jiangsu road network. The Target Expressway is expected to have good growth prospects in terms of traffic flow and revenue. Furthermore, the Target Expressway and the core asset of the Company, the Shanghai-Nanjing Expressway, are parallel routes, which can timely accommodate the traffic overflow brought by the expansion of the Shanghai-Nanjing Expressway in the future.

Based on the analysis above, the timing for conducting the Acquisition of the Target Expressway is appropriate.



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## LETTER FROM THE BOARD

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Accordingly, the benefits of conducting the Acquisition are as follows:

***Firstly, further improving the layout of its expressway network, consolidating the leading position as a road network operator in the Southern Jiangsu region***

Suxichang South Expressway is located on the south side of urban area of the cities of Changzhou, Wuxi and Suzhou. Together with the Shanghai-Nanjing Expressway, they form a pair of inter-city transportation axes between the Suzhou, Wuxi and Changzhou's urban area which plays an important role in improving the regional traffic capacity. The acquisition of Suxichang South Expressway will further improve the Company's layout of its expressway network in Southern Jiangsu. It will also expand the scale and scope of the Company's expressway operations, increase its high-quality asset reserves, and enhance the sustainability of its continual growth.

As a road network operator in the Southern Jiangsu, the Company has ample experience in operations and management. Since 2021, Suxichang South Expressway Company has entrusted the Company to operate and manage the Suxichang South Expressway and its related facilities. After the acquisition of the equity interests of the Suxichang South Expressway Company, the high degree of integration between the assets of the Target Company and the existing assets of the Company will generate a synergistic effect more rapidly and further leverage the effect of the economics of scale. This Acquisition will not only help the Company to expand its business coverage and optimize the allocation of road resources but also achieve coordinated operation and management of the enlarged road network. It will further reduce the cost of financing by leveraging the status of being a listed company, improve profitability, effectively enhance the passage capacity of the Shanghai-Nanjing corridor and optimize the integrated operation benefits of the provincial road network. This will solidify the Company's advantageous position as a road network operator in the Southern Jiangsu.

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## LETTER FROM THE BOARD

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***Secondly, seizing the rapid growth trend of the traffic flow of passenger vehicles and share the benefits of increased transportation demand resulted from the deepening development of the Yangtze River Delta integration***

Currently, there are three major horizontal routes in Southern Jiangsu within Wuxi, namely the Yanjiang Expressway in which the Company is one of the investors, Shanghai-Nanjing Expressway which is owned by the Company and the Suxichang South Expressway, which the Company intends to acquire. Except for the year 2020 to 2022 (the period of the epidemic outbreak), the traffic volume of the horizontal routes in Southern Jiangsu has been growing since 2017, amongst which the Shanghai-Nanjing Expressway and Yanjiang Expressway has achieved an average growth rate of 4.1% and 5.5%, respectively. Suxichang South Expressway has been in operation for a relatively short period of time and its traffic flow is in a period of rapid growth.

With the continuous development of the economy, the rapid growth in the number of motor vehicles in the country and in Jiangsu Province has been a strong factor that contributes to the growth in highway traffic. Based on the experience of the development of types of vehicles on highways in Jiangsu Province and around the country, the growth rate of passenger vehicles is generally higher than that of trucks, resulting in a growing proportion of passenger vehicles on the road network. In addition, in recent years, with the worsening of traffic congestion in local cities of southern Jiangsu Province and expressways have become one of the choices for regional transportation, there was a significant increase in smaller passenger vehicles for short trips. Therefore, it is estimated that the growth of passenger vehicles will be faster than that of trucks in the future, resulting in a continuous increase in the proportion of passenger vehicles. Due to factors such as the further popularization of smaller passenger vehicles and the construction of intercity railroads, the proportion of smaller passenger vehicles among all other passenger vehicle models will also increase at the same time. The main function of Suxichang South Expressway is on the transportation of passengers, and it aligns with the development needs of the Southern Jiangsu region and the deepening integration of the Yangtze River Delta region.

The Acquisition can effectively improve the operational speed of the Wuxi section of the Shanghai-Nanjing Expressway and enhance traffic growth. It will be beneficial for the Company to continue to share the benefits of the growth in traffic volume in horizontal routes due to the development of Southern Jiangsu region as well as the increased transportation demand resulted from the deepening development of the Yangtze River Delta integration.

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## LETTER FROM THE BOARD

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*Thirdly, reducing the impact of the traffic diversion and seizing the opportunity of traffic overflow during the period of intensive expansion of the Southern Jiangsu road network.*

The Suxichang South Expressway runs parallel to the Changzhou and Wuxi sections of the Shanghai-Nanjing Expressway and is one of the four horizontally connecting roads planned in the expressway network of the Southern Jiangsu. Since its commencement of operations, Suxichang South Expressway has accounted for more than 10% of the traffic volume of the routes and there is strong indication of diversion effect of the Suxichang South Expressway against the nearby routes. As regional traffic continues to grow in the future, the proportion of the overflow traffic from the nearby expressways such as Shanghai-Nanjing Expressway to be absorbed by Suxichang South Expressway will increase further.

The expressway network surrounding Suxichang South Expressway will be undergoing intensive reconstruction and expansion in the coming eight years. The main construction works concerning the expansion of the Yanjiang Expressway will commence in 2024. During the period of expansion works (i.e. 2024 to 2027), it is expected that certain amount of trucks will be diverted to other expressways, such as the Shanghai-Nanjing Expressway, amongst which Suxichang South Expressway will be the road in the region with excess capacity to absorb the passenger vehicles diverted from the road network. If the reconstruction and expansion project of Shanghai-Nanjing Expressway is implemented, Suxichang South Expressway will absorb the traffic overflow from Shanghai-Nanjing Expressway due to the organized reconstruction and expansion works from 2027 to 2031, thus minimize the impact on Company's operating income caused by the reconstruction and expansion project of such period.

The Acquisition not only reduces the diversion impact of the Suxichang South Expressway on the expressways which are owned or invested by the Company (such as Shanghai-Nanjing Expressway) in the Wuxi section of Southern Jiangsu region but also allows the Company to seize opportunity of traffic overflow during the period of intensive expansion of the Southern Jiangsu road network.

The acquisition of the Suxichang South Expressway Company will further improve the Company's layout of its expressway network in Southern Jiangsu and will also expand the scale and scope of the Company's expressway operations. Regarding the Acquisition, the Company set out below information regarding the risks involved:

1. **Risk of traffic flow unable to meet expectation:** Traffic flow is the main factor affecting toll revenues. Factors that can affect the traffic flow of this project include changes in macroeconomic situations, changes in regional transportation layout, changes in regional economic structures, changes in population, changes in the vehicle

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## LETTER FROM THE BOARD

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industry, changes in environmental factor, changes in transportation costs and changes in competitive dynamics, etc. If the actual traffic flow of the project is lower than the predicted scale in the study, the project may not generate the expected cash flow required to cover the operating expenses, generate profits, and repay the financing costs. Consequently, this could lead to financial risks.

To mitigate this risk, the Company will actively coordinate the investment timing for the expansion and improvement of the road network in Southern Jiangsu. It will also coordinate the feasibility study for the expansion plan of the Shanghai-Nanjing Expressway and align the progress of the expansion and improvement of the Yanjiang Expressway. Additionally, the Company will participate in the formulation of transportation organization plans. Simultaneously, the Company will actively promote the implementation of the pricing mechanism for tolls during the “Fifteenth Five-Year Plan” period in Jiangsu Province and will collaborate with the Wuxi Municipal Transport Bureau to study and continuously optimize differentiated toll policy for the Taihu Tunnel, to ensure the expectations on the traffic flow will be met.

2. **Tunnel Operation Risk:** The Target Expressway involves the construction of the largest underwater highway tunnel in China. There are certain distinctive characteristics in relation to underwater highway tunnels such as relatively enclosed space, centralized mechanical and electrical systems, limitations on information transmission, and susceptibility to geological hazards. In the event of an emergency within the tunnel, the difficulty of emergency response, the complexity of rescue operations, and the consequences of accidents may become more evident. Furthermore, the distinctive features of these underwater highway tunnels give rise to substantial disparities in their maintenance and management when compared to conventional highways. This presents a special challenge for Shanghai-Nanjing Expressway, which has been engaged in professional highway operations and maintenance for 30 years and poses risks in managing the operations of large tunnels.

To mitigate this risk, the Company will further strengthen its team of professional experts dedicated to the operations of large tunnels. It will improve the emergency response system, establish a collaborative mechanism for emergency response across departments, regions, levels, and business sectors in the context of informatization, and increase investments in projects related to information technology, digitization, and intelligent construction. The Company will continuously enhance its capabilities of the large underwater tunnel operations.

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## LETTER FROM THE BOARD

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3. **Local Planning Risk:** The local planned expressway that would have certain impact on the Suxichang South Expressway is the west extension of Juqu Road. The west extension of Juqu Road is a local toll-free expressway planned by Wuxi City, which would serve as a primary fast route for outbound traffic from the western part of Wuxi City and has certain overlapped functionality with the Target Expressway, which may result in a partial diversion of traffic. As there is currently no construction plan for the west extension of Juqu Road and its construction poses significant challenges. As such, this west extension of Juqu Road has not been considered in the assessment assumptions. Hence, if the west extension of Juqu Road is being constructed and comes into operation during the operating period of the project road, it will have certain impact on the revenue of the Suxichang South Expressway.

To mitigate this risk, the Company will proactively monitor and engage in effective communication and coordination in Wuxi City regarding the execution of the local road planning, which aims to minimize any adverse effects of the regional road planning on the Target Expressway.

### (VI) The Financial Impact on the Company

Upon completion of the Acquisition, Suxichang South Expressway Company will become a non-wholly-owned subsidiary of the Company, and its assets and liabilities will be consolidated into the Company's financial statements.

Assuming the Completion took place as at 31 October 2023, net asset attributable to Shareholders is expected to decrease by approximately 1.0%.

As set out the Company's third quarterly report ended 30 September 2023, the Group's gearing ratio (calculated based on total liabilities divided by total assets as at 30 September 2023) was 49.17%. Assuming the Completion took place as at 31 October 2023, having considered (i) the Suxichang South Expressway Company's financial position (including its borrowings, lease liabilities, cash position and total equity) as at 31 October 2023; and (ii) the Consideration is payable in full on Completion, it is estimated that the Group's gearing ratio would slightly increase to approximately 52.94% and the net current liabilities of the Group upon the Acquisition would be increased by approximately RMB3.428 billion.

Given that the Group has readily available loan facility which exceeds RMB20 billion from licensed banks in the PRC as at the Latest Practicable Date, which could be used to finance part of the Consideration. If the Group adopts a fundraising plan with 50% sourced from its own funds and the remaining 50% from acquisition loans from banks, it is expected that, in line with the established practices, the Group can secure low-cost acquisition loans within a short period of time through the cooperation with domestic mainstream banks and other

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## LETTER FROM THE BOARD

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financial institutions. The Group had generated net operating cash inflow of approximately RMB5.703 billion and RMB5.523 billion for the years ended 31 December 2021 and 2022 respectively and as at 30 September 2023, the Group had internal resources of over RMB4.9 billion comprising consolidated bank and cash balances of approximately RMB0.697 billion and structural deposit balance of approximately RMB4.225 billion, the enlarged Group is expected to have sufficient working capital during the year 2024. As at the Latest Practicable Date, the amount of medium-term notes registered by the Group with the National Association of Financial Market Institutional Investors but not yet issued was RMB4.5 billion. As a listed company with “A+H” shares, the Company has good credit rating, relatively smooth direct financing channels, and great financial flexibility. If necessary, it is expected that low-cost cash can be raised quickly in accordance with the established practices.

Since the opening of Suxichang South Expressway, its traffic volume has been in a period of rapid growth. According to the audited financial statements for the ten months ended on 31 October 2023, the net loss for the period from January to October 2023 is approximately RMB170 million, which has decreased as compared to the RMB249 million loss in the same period of 2022; the revenue (RMB498 million) has been able to offset the operating costs (RMB444 million). With the operation of the toll road and the commencement of the repayment period of the financing such as construction loans, the finance costs was RMB224.1 million, a decrease by RMB27 million compared to the same period in 2022. It is expected that the Acquisition will generate profits in the near future and become another growth point for the Company’s future profitability.

To further improve the financial condition of the Target Company, the following measures are proposed to be taken after the Completion:

1. Loan interest rate optimization. Upon the completion of the Acquisition, the Company plans to negotiate with the banks to reduce the loan interest rates, reducing the annual financing costs. Upon the completion of the transfer of equity interest of the Target Company, the Target Company can leverage on the stable and lower-cost financing products offered by the listed company’s high credit rating. This enables further optimization of the debt structure and to reduce the cost of capital.
2. Stimulating traffic growth for the Target Expressway. The Company plans to collaborate with the Wuxi Municipal Government to conduct further research on differentiated pricing policies and optimize the existing policies. By utilizing the procurement of services by the government, the Company aims to reduce toll fees, enhance the attractiveness of the target Expressway, and also mitigate the risk of additional parallel planning and construction projects in the vicinity of the Target Expressway.

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## LETTER FROM THE BOARD

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### (VII) Listing Rules Implications

#### *Shanghai Listing Rules*

According to Article 6.3.3 of the Shanghai Listing Rules, as the counterparty of this transaction is Jiangsu Communications Holding (the controlling shareholder of the Company) is a related party, this transaction constitutes a related party transaction. Pursuant to the requirements of Articles 6.3.7 and 6.3.9 of the Shanghai Listing Rules, as the total amount of this transaction is higher than 5% of the absolute value of the Company's latest audited net assets, this transaction shall be submitted to the shareholders' meeting for approval where Jiangsu Communications Holding (as a related shareholder) is required to abstain from voting.

The related party transaction does not constitute a major asset reorganization and does not involve the transfer of liabilities as stipulated in the Measures for the Administration of Major Asset Restructuring of Listed Companies.

#### *Hong Kong Listing Rules*

##### *The Acquisition*

As Jiangsu Communications Holding is the controlling shareholder of the Company, it is a connected person of the Company pursuant to Rule 14A.07(1) of the Hong Kong Listing Rules. The Company's acquisition of 65% of the equity interest in Suxichang South Expressway Company held by Jiangsu Communications Holding pursuant to the Equity Transfer Agreement constitute a connected transaction of the Company. As the highest applicable percentage ratio calculated according to Rule 14.07 of the Hong Kong Listing Rules is above 5% but below 25%, the acquisition of 65% of the equity interests in Suxichang South Expressway Company also constitute a discloseable transaction. As such, the Acquisition is subject to the announcement, circular and independent shareholders' approval requirements under Rules 14.33, 14A.35, 14A.36 and 14A.46 of the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD

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### *Continuing connected transactions upon Completion*

Upon completion of the transfer of Target Equity, Suxichang South Expressway Company will become a subsidiary of the Company, (1) the entrustment of the ordinary operation and management matters (excluding the service areas and petrol stations) of Suxichang South Expressway Company to the Company, (2) the entrustment of the management of service areas of Suxichang South Expressway Company to Yangtze Commerce and Energy Company, a wholly-owned subsidiary of the Company, and (3) the leasing of the service area petrol stations to the Company will no longer constitute continuing connected transactions of the Company whereas the transactions conducted in the ordinary and usual course of business of Suxichang South Expressway Company with Jiangsu Communications Holding and its associates and will constitute related parties transactions/continuing connected transactions of the Company.

### *Continuing Connected Transactions Subject to Disclosure*

<b>Transaction</b>	<b>Connected Persons</b>	<b>Period</b>	<b>Value</b>
Deposits	Finance Company	Based on the Company's Financial Services Agreement with Finance Company	
Road network management services	Network Operation Company	1 January 2023 to 31 December 2025	RMB8,500,000 for 2024
SD-WAN technology services	Tongxingbao Company	13 December 2021 to 31 December 2024	RMB433,096 for 2024
Cloud dispatch technology services	Tongxingbao Company	1 May 2023 to 30 April 2024	RMB159,110 for 2024
Road network technology services	Tongxingbao Company	1 January 2023 to 31 December 2025	RMB5,000,000 for 2024
Maintenance of road surface	Xiandai R&B Company	10 years from 28 December 2021	RMB3,931,763.905 for 2024

Given disclosure has been made in respect of the above continuing connected transactions pursuant to Rule 14A.60 of the Hong Kong Listing Rules, the Independent Financial Advisor is only required to provide advice to the Independent Board Committee and the independent shareholders on the Acquisition.



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## LETTER FROM THE BOARD

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### **(VIII) Review Procedures Performed and to be Performed on This Transaction**

This proposal concerning the related party transaction (being the Acquisition) and the entering into of the letter of intent with Wuxi Transportation have been considered and approved at the 24th Meeting of the Tenth Session of the board of directors of the Company, and related/connected directors Mr. Xu Haibei and Mr. Wang Yingjian (both as employees of Jiangsu Communications Holding) have abstained from voting.

This Acquisition has to be submitted to the general meeting of shareholders for consideration and approval where Jiangsu Communications Holding and its associates are required to abstain from voting.

The five independent directors of the Company have issued prior approval opinion and agreed to submit the related party transaction proposal to the 24th Meeting of the Tenth Session of the board of directors of the Company for consideration.

Based on the requirements of the strategic development plan, the Company continuously improves the Company's comprehensive profitability and core competitiveness, which is conducive to the Company's long-term development and is in line with the Company's overall interests. The terms are on general commercial terms. The transaction price was fair and reasonable, and had no negative impact on the Company. There was no situation that would harm the interests of the Company and all shareholders, especially minority shareholders.

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## LETTER FROM THE BOARD

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Set out below are the independent opinions expressed when the Acquisition was considered at the board meeting:

1. An qualified valuation institution that meets the requirements of the Securities Law has been engaged by the Company to conduct an appraisal of the transaction subject and such valuation institution is fully independent; 2. The income approach was adopted as the result of the valuation for the transaction. Such valuation method is appropriate to the characteristics of the industry in which the Target Company operates and is in compliance with the requirements of relevant laws and regulations. The selection of the valuation method is appropriate, the assumptions and premises of the valuation and the selection of the valuation parameters are reasonable; 3. The price of the transaction was determined on the basis of the evaluation results of a qualified asset valuation institution that meets the requirements of the Securities Law. The transaction pricing is objective and fair, the transaction is fair and conforms to the interests of the Company and its shareholders, without prejudice to the interests of non-related shareholders, in particular the minority shareholders; 4. The content and decision-making procedures of the related party transaction are legal and in compliance with the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and other relevant laws and regulations as well as the Articles of Association of the Company. When the Board of Directors of the Company voted on the related party transaction, the related directors abstained from voting and other non-related directors voted in favour of the related party transaction proposal, and therefore the voting procedures were in compliance with the provisions of relevant laws and regulations.

The audit committee of the Company issued a written review opinion on the proposal concerning this related transaction as follows:

Necessary audit, evaluation and other procedures have been performed Acquisition. The transaction price is determined through negotiation based on the valuation results. The pricing is objective, fair and reasonable, and does not involve any situation that damages the interests of shareholders. We agree to submit the above related party transaction proposal to the 24th Meeting of the Tenth Session of the board of directors of the Company for consideration. The transaction is also subject to the approval of shareholders at general meeting, and Jiangsu Communications Holding, a related party to the related party transaction, shall abstain from exercising the right to vote on the proposal at the general meeting of shareholders.

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## LETTER FROM THE BOARD

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### (IX) Recommendation

In respect of the Amendments of Articles of Association and Rules and Procedures, your attention is drawn to Appendix V on proposed amendments.

In respect of the Acquisition, your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 54 to 55 on its recommendations to the Independent Shareholders in connection with the Acquisition and the Equity Transfer Agreement; (ii) the letter from Independent Financial Advisor set out on pages 56 to 84 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the Equity Transfer Agreement and the connected transaction contemplated thereunder, and the principal factors and reasons taken into consideration in arriving at its advice; and (iii) the additional information set out in the Appendices I to IV to this circular.

All Directors (including independent non-executive Directors) considered that the Acquisition is a strategic investment of the Company on normal commercial terms which are fair and reasonable, and is in the interest of the Company and its shareholders as a whole. As the determination of the Consideration shall be based on the valuation results approved or filed with the state-owned assets supervision and administration department, the net profits to be achieved by the Target Company during the Performance Undertaking Period is also determined on the same basis, the Board is of the view that the level of guaranteed profits and the Performance Undertaking Period covering five financial years immediately after the Valuation Date provides a fair risk sharing mechanism between buyer and seller and reduces the risk of the Acquisition when traffic flow cannot meet expectation, and gives effective protection in the interests of the Company and its shareholders, and hence, is fair and reasonable. All Directors (including independent non-executive Directors) therefore recommend the Independent Shareholders (i.e. Shareholders other than Jiangsu Communications Holding and its associate) to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transaction contemplated thereunder.

### D. BOOK CLOSURE FOR H SHARES

According to the articles of association of the Company, registration of transfers of H shares will be suspended by the Company from 19 March 2024 to 18 April 2024 (both days inclusive). Holders of H shares of the Company who wish to be eligible to attend and vote at the EGM must deliver their instruments of transfer together with the relevant share certificates to Hong Kong Registrars Limited, the registrar of H shares of the Company, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, **no later than 4:30 p.m. on Monday, 18 March 2024. Registered shareholders of the Company as at close of business of 10 April 2024 are entitled to attend and vote at the EGM.**

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## LETTER FROM THE BOARD

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### E. THE EGM

The EGM will be held at 6 Xianlin Avenue, Nanjing, the PRC on Thursday, 18 April 2024 at 3:00 p.m. A notice of the said meeting is set out on pages N-1 to N-6 of this circular. 2 ordinary resolutions will be proposed for approving the Acquisition and the Amendment to the Working Rules of the Independent Directors, 3 special resolutions will be proposed for Amendments to the Articles of Association and Rules.

As of the Latest Practicable Date, Jiangsu Communications Holdings held a 54.44% shareholding in the Company. Jiangsu Communications Holdings and its associates shall abstain from voting on the relevant ordinary resolution on the Acquisition as set out in the notice of meeting at the EGM.

The Board considers that the terms of the resolutions to be approved at the EGM are fair and reasonable, and recommends shareholders to vote in favour of such resolutions.

All resolutions will be voted by way of poll.

For H shareholders, whether or not you are able to attend the EGM, you are requested to (i) complete the accompanying confirmation slip in accordance with the instructions printed thereon and return the same to the Company no later than Monday, 15 April 2024, and to (ii) complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company not less than 24 hours before the time appointed for holding the EGM (being no later than 3:00 p.m. on Wednesday, 17 April 2024 (Hong Kong/Beijing time)). Completion and return of the form of proxy will not preclude H shareholders from attending and voting at the EGM. Under these circumstances, the H shareholders will be deemed to have withdrawn the appointment of the proxy.

The form of proxy for domestic shareholders will be published in China Securities Journal, Shanghai Securities News, Securities Times and the websites of the Company ([www.jsexpressway.com](http://www.jsexpressway.com)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)). Domestic shareholders are requested to complete and sign the form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company.

By order of the Board  
**Jiangsu Expressway Company Limited**  
**Chen Yunjiang**  
*Executive Director*

6 March 2024

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Equity Transfer Agreement and the connected transaction contemplated thereunder.*



**江蘇寧滬高速公路股份有限公司**  
**JIANGSU EXPRESSWAY COMPANY LIMITED**

*(Established in the People's Republic of China as a joint-stock limited company)*  
**(Stock Code: 00177)**

6 March 2024

*To Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**  
**IN RESPECT OF ACQUISITION OF 65% OF EQUITY INTEREST OF**  
**SUXICHANG SOUTH EXPRESSWAY COMPANY**

We refer to the circular dated 6 March 2024 (the “**Circular**”) to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Equity Transfer Agreement (as amended by the Supplemental Agreement) and the connected transaction contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. Somerley has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons Somerley has taken into consideration in giving such advice, are set out in the “Letter from the Independent Financial Advisor” in the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the terms of the Equity Transfer Agreement (as amended by the Supplemental Agreement) and the connected transaction contemplated thereunder and the advice of Somerley, we are of the opinion that although the Acquisition is in not the ordinary and usual course of business of the Company, the Acquisition is made to meet the requirements of the strategic development plan of the Company and is conducive to the Company's long- term development and is in line with the Company's overall interests, the terms of the Equity Transfer Agreement (as amended by the Supplemental Agreement) are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned, and the connected transaction contemplated thereunder is a strategic investment of the Company and on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve Equity Transfer Agreement (as amended by the Supplemental Agreement) and the connected transaction contemplated thereunder.

Yours faithfully,  
For and on behalf of

**Independent Board Committee**

**Zhou Shudong    Liu Xiaoxing    Yu Mingyuan    Xu Guanghua    Ge Yang**

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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*The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this Circular, setting out its advice to the Independent Board Committee in respect of the Transaction.*



**SOMERLEY CAPITAL LIMITED**

20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

6 March 2024

*To: The Independent Board Committee*

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION:  
ACQUISITION OF 65% EQUITY INTEREST IN  
SUXICHANG SOUTH EXPRESSWAY COMPANY**

**INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee in connection with the proposed Acquisition. Details of the Acquisition are set out in the letter from the Board contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 6 March 2024, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

On 26 January 2024, with a view to further expand its asset scale in the southern Jiangsu road network, improve the layout of its principal business and the sustainability of its continual development, the Company (as purchaser and transferee) entered into the Equity Transfer Agreement with Jiangsu Communications Holding (as vendor and transferor) and agreed to acquire 65% of the equity interest in Suxichang South Expressway Company held by Jiangsu Communications Holding at a consideration of RMB5,200,650,000 (such consideration is calculated on a pro-rata basis based on the appraised value in the State-owned Asset Valuation Report) the final consideration is subject to the valuation filed with the relevant state-owned assets supervision and administration department. Upon the completion of the Acquisition, the Company will hold 65% equity interest in Suxichang South Expressway Company. On 1 March 2024, the parties to the Equity Transfer Agreement entered into the Supplemental Agreement to amend the terms of payment and to provide for an undertaking in respect of the performance of the Target Company for the first five financial years after the Valuation Date in favour of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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As Jiangsu Communications Holding is the controlling shareholder of the Company, it is a connected person of the Company pursuant to Rule 14A.07(1) of the Hong Kong Listing Rules. The Company's acquisition of 65% of the equity interest in Suxichang South Expressway Company held by Jiangsu Communications Holding pursuant to the Equity Transfer Agreement constitutes a connected transaction of the Company. As the highest applicable percentage ratio calculated according to Rule 14.07 of the Hong Kong Listing Rules is above 5% but below 25%, the acquisition of equity interests in Suxichang South Expressway Company constitutes a discloseable transaction of the Company. As such, the Acquisition is subject to the announcement, circular and independent shareholders' approval requirements under Rules 14.33, 14A.35, 14A.36 and 14A.46 of the Hong Kong Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Zhou Shudong, Liu Xiaoxing, Yu Mingyuan, Xu Guanghua and Ge Yang, has been established to advise the Independent Shareholders on the terms of the Acquisition and to recommend to the Independent Shareholders how to vote at the SGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, the Jiangsu Communications Holding or their respective core connected persons, associates, close associates or any party acting, or presumed to be acting, in concert with any of them. In addition, save for this appointment as the Independent Financial Adviser as regards the Acquisition, as at the Latest Practicable Date, we did not have any other relationship or any interests with the Company, Jiangsu Communications Holding or their respective core connected persons, associates, close associates or any party acting, or presumed to be acting, in concert with any of them that could reasonably be regarded as relevant to our independence nor have had other any engagement between the Company and us in the last two years. Accordingly, we are considered eligible to give independent advice on the Acquisition. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from Company, Jiangsu Communications Holding or their respective core connected persons, associates, close associates or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors and management of the Company (collectively, the "**Management**") and the respective professional advisers of the Company, which we have assumed to be true, accurate and complete. We have reviewed the Equity Transfer Agreement and information on the Company, including but not limited to, the annual reports of the Company for each of the two financial years ended 31 December 2021 (the "**2021 Annual Report**") and 31 December 2022 (the "**2022 Annual Report**") (together, the "**Annual Reports**"), the quarterly results of the Company for the nine months ended 30 September 2023 (the "**2023 Third Quarterly Report**"), the Traffic Report, the Valuation Report prepared by Kroll (HK) Limited ("**Kroll**") and the information set out in the Circular. We have also discussed with the Management regarding the commercial and financial implications of the Acquisition on the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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In addition, we have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group, Jiangsu Communications Holdings, nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion and recommendation relating to the Acquisition, we have taken into account the following principal factors:

#### 1. Information on the Group

The Company is incorporated in the PRC whose Shares have been listed on the Main Board of the Stock Exchange since 27 June 1997. The principal activities of the Company and its subsidiaries mainly include construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway (the “**Shanghai-Nanjing Expressway**”) and other toll roads in Jiangsu Province PRC, and the provision of other supporting services along the toll road.

##### *1.1 The Existing Toll Roads and Bridges*

As at 30 June 2023, in addition to the Jiangsu section of the Shanghai-Nanjing Expressway, the Group has full or partial interests in toll roads and bridges in Jiangsu Province, including the Ningchang Expressway, Zhenli Expressway, Guangjing Expressway, Xicheng Expressway, Xiyi Expressway, Zhendan Expressway, Yanjiang Expressway, Jiangyin Bridge, Sujiahang Expressway, Changyi Expressway, Yichang Expressway and Wufengshan Bridge. As at 30 June 2023, 17 road and bridge projects were directly operated and invested by the Group, and over 910 kilometers of the roads and bridges open to traffic were owned or invested by the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Details of the existing key toll roads and bridges of the Company are set out below:

Existing Toll Roads and Bridges	Description	Attributable interests (%)	Operating term (years)	Toll mileage (km)	Toll revenue in 2022 (RMB '000)
Shanghai-Nanjing Expressway	From Maqun Nanjing to Anting Shanghai	100%	1996.09–2032.06	248.21	4,280,907.517
Guangjing Expressway	From Guangling to the North End of Jiangyin Yangtze River Bridge	85%	1999.09–2029.09	17.2	682,210.156
Xicheng Expressway	From the South End of Jiangyin Yangtze River Bridge to Qianxiang Wuxi	85%	1999.09–2029.09	35	
Ningchang Expressway	From Guizhuang Overpass to South Changzhou Overpass	100%	2007.09–2032.09	87.26	1,198,241.242
Zhenli Expressway	From Dantu Overpass to Qianma Liyang	100%	2007.09–2032.09	65.66	
Xiyi Expressway	From North Wuxi to Xiwu Overpass	85%	2003.09–2028.09	69.3	463,237.873
Wuxi Huantaihu Expressway	From Shuofang Overpass to Nanquan Overpass	85%	2006.10–2031.10	20	
Zhendan Expressway	From Zhenjiang New Area to Danyang	70%	2018.09–2043.09	21.63	74,639.747
Changyi Expressway (Phase I)	From Changzhou to Yixing	60%	2020.12–2045.12	17.712	99,109.995
Yichang Expressway	From Yixing to Changxing	60%	2021.01–2046.01	25.459	132,267.585
Wufengshan Toll Bridge and North-South connection	From Zhengyi Hub to Dagang Hub	64.5%	2021.06–2046.06	35.882	392,402.407
Longtan Bridge	From Yizheng to S338 Expressway	57.33%	to be determined (Note 1)	4.925	–
Longtan Bridge North connection	From the north side of Tongshan hub to the north side of the Yangtze River	57.33%	to be determined (Note 1)	12.4	–

*Note 1:* As at the Latest Practicable Date, the Company is pending official response from the government regarding operating terms of Longtan Bridge and Longtan Bridge North connection.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

### 1.2 Financial performance and position

Set out below is the summary of the financial information of the Group for the years ended 31 December 2020, 2021 and 2022 (“FY2020”, “FY2021” and “FY2022” respectively) extracted from the Annual Reports and for the nine months ended 30 September 2022 and 2023 (“3Q2022” and “3Q2023” respectively) as extracted from the 2023 Third Quarterly Report:

	For the nine months ended				
	30 September		For the financial year ended 31 December		
	2023	2022	2022	2021	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Operating income	11,609,113,149.50	9,484,797,722.84	13,255,603,107.72	14,260,532,858.18	8,032,466,746.34
Net profit attributable to					
Shareholders of the Company	4,036,767,899.56	3,109,036,849.13	3,724,115,165.87	4,280,010,033.09	2,464,213,675.74

	As at		
	30 September		
	2023	As at 31 December	
	<i>RMB</i>	2022	2021
		<i>RMB</i>	<i>RMB</i>
Total equity attributable to			
shareholders of the Company	33,820,877,243.92	31,940,807,710.11	32,042,387,869.42

Based on the disclosures in the Annual Reports, the Group’s operating income is derived from the following segments namely: (i) Shanghai Nanjing Expressway; (ii) Guangjing Expressway and Xicheng Expressway; (iii) Xiyi Expressway and Wuxi Huantaihu Expressway; (iv) Changyi Expressway; (v) Yichang Expressway; (vi) Ningchang Expressway and Zhenli Expressway; (vii) Zhendan Expressway; (viii) Wufengshan Bridge; (ix) Longtan Bridge; and (x) Ancillary services. We have discussed and understand from the Management that the aforementioned segments (i) to (ix) contribute to the toll road business of the Company (“Existing Toll Roads and Bridges”). Based on the Annual Reports, income from Existing Toll Roads and Bridges of the Company represents over 50% of total operating revenue of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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The Group reported an operating income of approximately RMB14,260.5 million in FY2021 which represents an approximately increase of approximately 77.5%. Such increase was mainly attributable to increase in income from the Existing Toll Roads and Bridges received during the year by approximately 37.3% and the recognition of construction income which was related to participation in public infrastructure construction and/or provision of construction service.

The Group reported a slight decrease in operating income of approximately 7.0% in FY2022 mainly because of the slight decrease in income derived from the Existing Toll Roads and Bridges received during the year which was mainly a result of decline in road network traffic and toll waiver for trucks in the fourth quarter of 2022.

The Group reported an increase in operating income by approximately 22.4% to approximately RMB11,609.1 million for 3Q2023 as compared to 3Q2022 primarily due to increase in income derived from the Existing Toll Roads and Bridges during the period. Based on the disclosures in the 2023 Third Quarterly Report, this improvement was due to increase in traffic volume of the operating road network.

The Group's total equity attributable to shareholders of the Company is comparable for each of 31 December 2021, 2022 and 30 September 2023.

### **2. Jiangsu Communications Holding**

Jiangsu Communications Holding is engaged in the operation and management of state-owned assets within the scope of authorization of the provincial government; investment, construction, operation and management of transport infrastructure, transportation and other related sectors; collection of tolls from vehicles; and industry investment and domestic trading.

The ultimate owner of Jiangsu Communications Holding is the State-owned Assets Supervision and Administration Commission of the People's Government of Jiangsu Province. Jiangsu Communications Holding is the controlling shareholder of the Company, holding approximately 54.44% of the Company's equity. As disclosed in the letter from the Board in the Circular, Jiangsu Communications Holdings reported revenue from operations and net profit of approximately RMB93.2 billion and RMB11.6 billion for the year 2022 respectively, with net assets of approximately RMB299.7 billion as at 31 December 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### 3. The Acquisition

A summary of the key terms of the Equity Transfer Agreement (as amended by the Supplemental Agreement) is set out as follows:

#### 3.1 *Parties to the Agreement*

Transferor: Jiangsu Communications Holding (the controlling shareholder of the Company)

Transferee: The Company

Target Company: Suxichang South Expressway Company

3.2 Target Equity: 65% of the equity interests in Suxichang South Expressway Company

3.3 Transfer Consideration: RMB5,200,650,000 (the “**Consideration**”)

With reference to the letter from the Board in the Circular, we have also discussed and understand from the Management that the determination of the consideration of the transfer of the Equity Interests is based on the valuation report prepared by the State-owned Asset Valuer filed with the relevant state-owned assets supervision and administration department. As also disclosed in the letter from the Board in the Circular, the State-owned Asset Valuation Report determined the value of the Target Company, on 100% basis, being RMB8,001,000,000. We further understand that the Consideration shall be based on the valuation results approved or filed with the state-owned assets supervision and administration department. If the aforementioned appraised value is approved or filed, the purchaser and vendor shall adopt such appraised value as the consideration of the transfer of the Equity Interests. In the circumstance that valuation results approved or filed differs from the current valuation of RMB8,001,000,000, the purchaser and the vendor shall negotiate the consideration of the Target Equity based on the valuation results approved or filed. If the purchaser and the vendor are unable to reach an agreement, both parties may terminate the transaction without assuming any liability to the other party for breach of contract.

As disclosed in the letter from the Board in the Circular, as at the Latest Practicable Date, the filing and approval procedure with the state-owned assets supervision and administration department has yet to be completed. It is expected that such procedure could be completed by the end of March 2024, approximately two weeks prior to the date of the 2024 First Extraordinary General Meeting. Further announcement will be made by the Company once the procedure is completed.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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According to the terms of the Equity Transfer Agreement, any distribution by Suxichang South Expressway Company during the transaction transition period (from the Valuation Date to the Completion Date) will be attributed to the Company. No distribution has been made or is expected to be made from the Valuation Date to the Latest Practicable Date and to the Completion Date, as the case may be.

### **3.4 Conditions Precedent for Completion of the Transfer of the Target Equity**

Completion of the transfer of Target Equity is subject to the fulfilment (or waiver, as applicable) of the following conditions precedent:

- (i) The other shareholders of Suxichang South Expressway Company having waived their pre-emptive rights in respect of the transfer of the Target Equity;
- (ii) The transfer of the Target Equity having been internally approved (except condition precedent (iv) below) by parties to the Equity Transfer Agreement;
- (iii) Jiangsu Communications Holding having completed the necessary approval/filing procedures in relation to the Acquisition in compliance with the regulations of the relevant state-owned assets supervision and administration departments and other competent/regulatory authorities;
- (iv) The transfer of the Target Equity having been approved by the Company's shareholders at general meeting (where Jiangsu Communications Holding and its associates (as defined under the Hong Kong Listing Rules) shall abstain from voting);
- (v) Jiangsu Communications Holding and Suxichang South Expressway Company having provided a letter of declaration (being representations and warranties on Suxichang South Expressway Company) and undertaking (with respect to such representations and warranties until the Completion) in the form appended as appendix 2 to the Equity Transfer Agreement on the signing date of the Equity Transfer Agreement; and
- (vi) Jiangsu Communications Holding having provided a letter of undertaking (in respect of late capital contribution to the Target Company) in the form appended as appendix 3 to the Equity Transfer Agreement on the signing date of the Equity Transfer Agreement.

As at the Latest Practicable Date, conditions (i), (v) and (vi) have been fulfilled.

### **3.5 Payment of the Consideration**

The Consideration shall be paid in cash and will be funded by the Company's own funds or financing funds in line with the use of funds.

Pursuant to the Supplemental Agreement, the First Phase Consideration (being 40% of the Consideration) shall be paid within 5 business days after the aforementioned conditions precedent are fulfilled. The remaining Consideration shall be paid within 5 working days (the expected payment date shall fall within the first half of the financial year that follows the financial year of the relevant performance undertaking) after the issue of a special audit report commissioned by the Company by way of five instalments if the projected net profit of the Target Company for each of the five financial years ending 31 December 2024, 2025, 2026, 2027 and 2028 (the "**Performance Undertaking Period**") are attained. The installment payable in 2025 shall be 20% of the Consideration, whereas the installments payable in 2026, 2027, 2028 and 2029 shall be 10% of the Consideration, respectively. If the Target Company fails to meet the performance undertaking in any of the financial period, the Company can deduct the amount of the performance compensation for such period and pay the remaining balance.

Interest will be incurred for the deferred installment payments of Consideration in accordance with the relevant state-owned assets transfer regulations. The deferred payment period shall commence from the next date after the Completion Date and end on the actual payment date of the remaining Consideration. Interest payable shall be based on the prevailing 1-year loan prime rate (LPR) published by the National Interbank Funding Center (authorised by the People's Bank of China) as of the actual payment date.

### **3.6 Completion**

Completion of the Target Equity transfer shall take place within 5 working days after all conditions precedents to Completion are satisfied. The "Completion Date" shall be the date on which the First Phase Consideration is remitted to the designated bank account of Jiangsu Communications Holding by the Company.

**3.7 Undertakings by Jiangsu Communications Holding**

*Undertakings in respect of late capital contribution*

As at the Latest Practicable Date, Jiangsu Communications Holding has fully paid up its share of registered capital of Suxichang South Expressway Company. Nevertheless, Jiangsu Communications Holding undertakes to be jointly liable for the losses suffered by the Company (if any) as a result of claims by creditors of the Target Company as a result of late contribution of registered capital to Suxichang South Expressway Company.

*Performance Compensation Undertakings*

Pursuant to the Supplemental Agreement, Jiangsu Communications Holding undertakes to compensate the Company in respect of the performance of the Target Company during the Performance Undertaking Period as follows:

1. The net profits to be achieved by the Target Company for the financial year ending 31 December 2024, 2025, 2026, 2027 and 2028 shall not be less than RMB155.0362 million, RMB348.4382 million, RMB360.7341 million, RMB348.3509 million and RMB477.4364 million, respectively, save and except the aforementioned net profits cannot be achieved due to force majeure reasons. According to the requirements of the Measures for the Supervision of and Administration of the Transaction on State-owned Assets of Enterprises, the determination of the final consideration of the Acquisition shall be based on the valuation results approved or filed with the state-owned assets supervision and administration department. As such, the net profits to be achieved by the Target Company during the Performance Undertaking Period shall be determined based on the filed State-owned Asset Valuation Report on the Acquisition. If the above-mentioned net profit amounts are inconsistent with the approval or filing result, the actual approval or filing result prevails and the performance compensation shall be calculated accordingly.
2. The Company shall commission an accounting firm after the end of each financial year during the Performance Undertaking Period to issue a special audit report on the difference between the net profit achieved by the Target Company for that year and the projected net profit of the Target Company for such year.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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3. If the Target Company's cumulative net profits as at the end of a financial year during the Performance Undertaking Period is less than the cumulative projected net profits as at the end of such financial year, Jiangsu Communications Holding shall compensate the Company the shortfall proportional to the projected net profits with reference to the consideration for the Target Equity.

Amount of performance compensation for the current period = A – B

A = (Cumulative projected net profits as at the end of the financial year during the Performance Undertaking Period – Cumulative actual net profits as at the end of the financial year during the Performance Undertaking Period) ÷ the total projected net profits of the Target Company during the Performance Undertaking Period × Consideration for the Target Equity

B = Cumulative amount of performance compensation paid by Jiangsu Communications Holding

If the amount of performance compensation for the current period calculated based on the above formula is less than or equal to 0, the compensation amount for the current period shall be 0.

If the performance goal cannot be achieved due to force majeure, partial or full exemption of liability shall be based on the impact of the force majeure event and negotiated and handled by the parties in accordance with PRC law.

4. In the event performance compensation for a period is triggered, Jiangsu Communications Holding shall pay the performance compensation within 10 working days from the date of issue of the special audit report and the date of approval of the annual financial report of the Company by shareholders' meeting.
5. In the event the performance compensation amount calculated by the abovementioned formula is less than 0 at the end of the Performance Undertaking Period, the Company shall return the excess performance compensation (without interest) to Jiangsu Communications Holding within 10 working days from the date of issue of the special audit report and the date of approval of the annual financial report of the Company by shareholders' meeting.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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6. A party failing to pay or return the compensation amount in accordance with the above two paragraphs shall pay interest to the other party in accordance with the terms of payment of consideration under the Equity Transfer Agreement.

With reference to the letter from the Board in the Circular and based on our discussion with the Company, the Valuation Report prepared by Kroll was an additional step taken by Company to assess the value of the Target Equity in accordance with the international standards and requirements. Therefore, as mentioned in the sections above, given the consideration of the transfer of the Equity Interests is based on the valuation report prepared by the State-owned Asset Valuer filed with the relevant state-owned assets supervision and administration department, we consider it fair and reasonable for the Performance Compensation Undertakings provided by Jiangsu Communications Holding in favour of the Company to be also with reference to the same valuation results approved or filed with the relevant state-owned assets supervision and administration department. Additionally, we consider the Performance Compensation Undertakings provided by Jiangsu Communications Holding in favour of the Company serves as an additional protection to the Shareholders' interests under the Acquisition, as the Group would be compensated by having downward adjustments on the Consideration in proportion to the fulfilment of the projected net profits for the Performance Undertaking Period in the event that such projected net profits is not achieved. As such, we are of the view that the Performance Compensation Undertakings would help safeguard the position of the Company and is in the interests of the Company and the Independent Shareholders as a whole.

### **3.8 Dispute Resolution**

All disputes arising out of the implementation of or related to the Equity Transfer Agreement shall be settled through friendly negotiation by all parties to the agreement. If any dispute cannot be resolved through negotiation within thirty (30) working days after the dispute arises, any party has the right to initiate a proceeding with the People's Court where the Company is located.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### 4. The Target Company

#### 4.1 Financial performance and position of the Target Company

As stated in the letter from the Board, the Target Company is a limited liability company and was established in the PRC in March 2017. As at the Latest Practicable Date, shareholders of Suxichang South Expressway Company are as follows:

Shareholder	Registered Capital (RMB)	Equity Interest (%)
Jiangsu Communications Holding	5,171,530,000.00	65
Wuxi Transportation	1,815,510,000.00	22.8
Changzhou Expressway Investment	969,160,000.00	12.2

As extracted from the letter from the Board, set out below is the audited financial information on the Target Company for the two financial years ended 31 December 2021 and 2022 and the ten months ended 31 October 2023, respectively which were prepared in accordance with the Accounting Standards for Business Enterprises of the PRC:

	For the 10 months ended 31 October 2023 <i>(unaudited)</i>	For the year ended 31 December	
		2022 <i>(audited)</i>	2021 <i>(audited)</i>
Revenue	497,676,436.23	383,429,296.69	1,608,508.66
Loss before income tax	(170,389,285.85)	(320,620,036.30)	(2,040,806.13)
Loss and total comprehensive loss	(170,389,285.85)	(320,620,036.30)	(2,040,806.13)
Total assets	14,532,508,003.16	15,440,257,154.89	15,979,016,253.37
Total liabilities	(7,069,474,937.52)	(8,298,363,803.40)	(8,916,503,865.58)
Net assets	7,463,033,065.64	7,141,893,351.49	7,062,512,387.79

As set out above, revenue reported by the Target Company for FY2022 increased by approximately 138.4% as compared to FY2021 mainly as a result of the fact that Suxichang South Expressway only commenced operations on 30 December 2021. We note that revenue reported by the Target Company for the ten months ended 31 October 2023 has already exceeded the full year revenue reported for FY2022 mainly due to rapid growth in traffic.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Loss before income tax reported by the Target Company for FY2022 also significantly enlarged to approximately RMB320.6 million mainly due to 2022 being Suxichang South Expressway's first full year of operations and accordingly to the Company, it took time to ramp up road network traffic volume amid COVID travel restriction. Loss before income tax reported by the Target Company for the ten months ended 31 October 2023 has shown a substantial improvement as compared to 2022 on a pro rata basis due to higher toll revenue received.





Total assets of the Target Company as at 31 October 2023 are mainly related to intangible assets held which is related to Suxichang South Expressway. We note that total liabilities reported by the Target Company as at 31 October 2023 is mainly comprised of long term borrowings which are related to the construction and operation of Suxichang South Expressway. Net assets of the Target Company showed a steady increase between 2021, 2022 and 10 months ended 31 October 2023 mainly due to capital contribution from its existing shareholders.

Upon Completion, the Target Company will become a non-wholly subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

4.2 The Suxichang South Expressway

Set out below is a map illustrating location of the South Connecting of the Suxichang South Expressway and its connection with other major toll roads and expressways:



-  Suxichang South Expressway
-  Toll roads owned and operated by the Group and closely related to the Suxichang South Expressway
-  Toll roads expected to be owned and operated by the Group
-  Toll roads connecting the toll roads which are owned and operated by the Group

As provided in the letter from the Board in the Circular, the Changzhou-Wuxi Section of the Suxichang South Expressway starts from the Qianhuang hub of the Changyi Expressway (常宜高速前黃樞紐), and crosses the Xilicao River rerouting section (錫溧漕河改線段), Changcao Highway (常漕公路) and Xinchang Railway (新長鐵路) on the south side of Qianhuang Town (前黃鎮). It crosses with the Xiyi Expressway (錫宜高速公路) and then passes through the Changzhou Taihu Bay Tourist Resort (常州太湖灣旅遊度假區) via Panjia Town (潘家鎮) and pass through the south of Xueyan Town (雪堰鎮) and enter the territory of Wuxi Mashan (無錫馬山). It then passes eastward through the Taihu Tunnel (太湖隧道) in Wuxi and ends at the Nanquan Hub (南泉樞紐), connecting with the Wuxi Huantaihu Highway (無錫環太湖公路).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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The Suxichang South Expressway includes two tunnels: the Yaoxianshan Tunnel (邀賢山隧道) and the Taihu Tunnel (太湖隧道). The Taihu Tunnel is currently the longest and widest underwater tunnel in China. Along the Suxichang South Expressway, there are four entrances ((Yuncun (運村), Taihu Bay (太湖灣), Mashan (馬山), Junzhang (軍嶂)), three hubs (Qianhuang hub (前黃樞紐), Xueyan hub (雪堰樞紐), Nanquan hub (南泉樞紐)), and one service area (Taihu Bay service area (太湖灣服務區)).

Suxichang South Expressway was completed and opened to traffic on 30 December 30 2021. According to announcement “省政府關於同意蘇錫常南部高速公路常州至無錫段開征車輛通行費的批覆” issued by Jiangsu Provincial Government on 16 December 2021, the subject company was granted the operating right of Suxichang South Expressway for a term of 25 years, commencing from December 2021 and ending in December 2046.

Suxichang South Expressway Company has entrusted its ordinary operation and management matters (excluding the service areas and petrol stations) to the Company since 1 January 2021. Suxichang South Expressway Company has also entrusted the management of the service area to Jiangsu Yangtze Commerce and Energy Co., Ltd. and leased the gas stations of the service area to the Company since the official business commencement date of Taihu Bay Service Area on 8 January 2022. Please refer to the section headed “C. The Acquisition – (II) Basic information of the Parties to the Equity Transfer Agreement – 3. Suxichang South Expressway Company” in the letter from the Board in the Circular for further information on Suxichang South Expressway.

### 5. Reasons for and benefits of the Acquisition

As discussed in the letter from the Board in the Circular and based on our understanding from the Management, the Acquisition is considered to be in line with the Company’s business development plan and will allow the Company to:

- (i) improve the layout of its expressway network and consolidate the leading position as a road network operator in the Southern Jiangsu region;
- (ii) seize the rapid growth trend of the traffic flow of passenger vehicles and share the benefits of increased transportation demand resulted from the deepening development of the Yangtze River Delta integration; and
- (iii) reduce the impact of the traffic diversion and seize the opportunity of traffic overflow during the period of intensive expansion of the Southern Jiangsu road network.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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We have discussed and understand from the Management that one of the major benefits of the Acquisition is that Suxichang South Expressway is a completed project and has commenced operations and as such, the Acquisition is expected to have immediate positive impact on the Company's operating scale. As provided by the Company, the Shanghai-Nanjing Expressway, which is the Group's main revenue generating expressway forming part of its road portfolio, was the only expressway between the central cities of Changzhou-Wuxi-Suzhou. As disclosed in the letter from the Board in the Circular, Suxichang South Expressway is located on the south side of urban area of the cities of Changzhou, Wuxi and Suzhou and as such, together with the Shanghai-Nanjing Expressway, Suxichang South Expressway will form a pair of inter-city transportation axes between the Suzhou, Wuxi and Changzhou's urban area which plays an important role in improving the regional traffic capacity. The Acquisition of Suxichang South Expressway will further improve the Company's layout of its expressway network in Southern Jiangsu. Suxichang South Expressway would therefore serve as a complement to the Group's existing key network of expressways. Please refer to section "C. The Acquisition – (V) Reasons, Benefits and Risks of the Acquisition" as stated in the letter from the Board for further information.

In respect of the benefit of traffic diversion from the Shanghai-Nanjing Expressway, we note from the letter from the Board in the Circular and the 2022 Annual Report that the current three major horizontal routes in Southern Jiangsu Wuxi region are the Yanjiang Expressway (which the Company is an investor), the Shanghai-Nanjing Expressway (which is owned by the Company) and the Suxichang South Expressway (which is held by the Target Company). Save for period of the epidemic outbreak, the traffic volume of the horizontal routes in Southern Jiangsu has experienced consistent growth since 2017. Suxichang South Expressway has been in operation for a relatively short period of time and its traffic flow is in a period of rapid growth.

We have also reviewed the report issued by the Traffic Consultant that the Shanghai-Nanjing Expressway was originally the only expressway between Changzhou-Wuxi-Suzhou. The benefit of Suxichang South Expressway is that it runs parallel to the Shanghai-Nanjing Expressway and has the advantage of benefiting from the traffic volume being diverted from the Shanghai-Nanjing Expressway and it can be used as an auxiliary intercity passage between the three cities.

In addition to the above, we have also noted from the Traffic Report that given Suxichang South Expressway is connected with Taihu Lake, Xiyi and Shanghai-Nanjing expressways form the expressway ring line in Wuxi urban area, Suxichang South Expressway is therefore also an integral part of the south ring road in the southern part of Wuxi City and it is more convenient for the region to use the Suxichang South Expressway for travel needs in or around Taihu New City and Mashan area. In addition, the Suxichang South Expressway is close to Taihu Lake and can also serve the main traffic route of Taihu Lake Scenic Area in Wuxi area.

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Although Suxichang South Expressway has only been in operation for a relatively short period of time, and is currently loss-making, based on the forecasts provided by the Traffic Consultant, the valuation by Kroll and given the Performance Compensation Undertakings, the Suxichang South Expressway's financial performance is expected to turnaround shortly and its growth in profit is expected to continue in the coming years. As such, the benefit of acquiring the Target Company at an early stage of commencement of operations would be to enjoy a longer period of toll collection right whilst it is in a period of rapid traffic growth.

We have reviewed and noted from the audited financial statements for the 10-month period ended on 31 October 2023, the loss before income tax for January to October 2023 was approximately RMB170.4 million and represented a significant reduction in loss compared to the same period in 2022, which was approximately RMB249 million. In addition, the operating revenue for the period amounted to approximately RMB497.7 million, surpassing the operating costs of approximately RMB443.7 million.

Furthermore, as disclosed in the letter from the Board in the Circular, the Company has been entrusted to operate and manage the Suxichang South Expressway since its commencement of operation. Given the Company's familiarity of Suxichang South Expressway, we would agree with the Management's view that it will be able to effectively integrate the Suxichang South Expressway with the Group's existing network and as the Company is also one of the key road network operator in the Southern Jiangsu, upon completion of the Acquisition, the Company would reasonably be able to generate a synergistic effect more rapidly and further leverage the effect of the economics of scale.

As such, we agree with the Company in considering that the Acquisition will not only enable it to expand its business coverage and optimize the allocation of road resources but also achieve coordinated operation and management of the road network. It will further reduce the cost of financing by leveraging the status of being a listed company, improve profitability, effectively enhance the passage capacity of the Shanghai-Nanjing Expressway and optimize the integrated operation benefits of the provincial road network. This will solidify the Company's advantageous position as a road network operator in the Southern Jiangsu.

We have reviewed the Traffic Report and understand that the expressway network surrounding Suxichang South Expressway will be conducting reconstruction and expansion works intensively in the next eight years. During the period of expansion of the Yanjiang Expressway from 2023 to 2027, it is expected that certain trucks will be diverted to the Shanghai-Nanjing Expressway and that the Suxichang South Expressway will be the only road in the region with sufficient capacity to absorb the passenger vehicles diverted from the road network. Furthermore, we were advised by the Management that it currently has plans to execute a reconstruction and expansion project of Shanghai-Nanjing Expressway, and if such plan is implemented, Suxichang South Expressway would be able to absorb the traffic control from Shanghai-Nanjing Expressway resulting from the reconstruction and expansion project from 2028 to 2032 to minimize the impact on Company's current operating income caused by the reconstruction and expansion project.



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Based on all the above, we concur with the view of the Management that the Acquisition is in line with the Group's principal businesses and its long-term development strategy.

### 6. Market outlook of toll road industry

#### 6.1 *Macro overview of Jiangsu Province*

According to the statistics published by the National Bureau of Statistics of China, Jiangsu is the fourth largest province by population in 2022 and its gross regional product has shown an average annual growth of approximately 8.5% between 2013 and 2022.

As disclosed in the 2022 Annual Report, the Group's operating areas are located in the Yangtze River Delta, which is the most economically vibrant region in the PRC. The road and bridge projects owned or invested by the Group involve the roads and bridges serving as the major transport corridors linking roads stretching east-to-west and south-to-north across the Jiangsu Province. The Jiangsu Section of Shanghai-Nanjing Expressway, being the Group's core assets, links six large and medium cities namely Shanghai, Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing, and is one of the busiest expressways in the PRC.

Jiangsu Province, being favourably positioned near economic hubs such as Shanghai would benefit from favourable economic activities in the region. Furthermore, the Jiangsu Province also benefits from its own policies encourage economic growth and investment such as the setup of China (Jiangsu) Pilot Free Trade Zone (中國(江蘇)自由貿易試驗區) under the issuance of the State Council's Agreement for the Setup of Six Trade Free Zone (國務院關於同意新設6個自由貿易試驗區的批覆) by the State Council of the People's Republic of China, which is expected to benefit transportation demand including traffic volume in the nearby areas.

**6.2 Market overview of the cities along the Suxichang South Expressway**

The Suxichang South Expressway is a project part undertaken by the Target Company as a mean to support the Jiangsu provincial effort in response to the “Three Major Strategies” policy promulgated by the National Development and Reform Commission and the Ministry of Transport policies. With reference to Suxichang South Expressway’s geographic location and traffic volume, analysis of the Suxichang South Expressway road network is as follows:

- (i) Suxichang South Expressway is parallel to the Shanghai-Nanjing Expressway and acts as a traffic diversion line of Shanghai-Nanjing Expressway. As part of Jiangsu’s high-speed expressway network plan, and the Shanghai-Nanjing Expressway is planned to be the fifth radial line of Nanjing, Ningchang Second Channel-Changyi-Southern Channel-Suxi-Suzhou Southwest Bypass-Suzhou-Shanghai planning is the sixth radial line, and the connecting nodes of the two channels are basically the same. The Suxichang South Expressway mainly diverts traffic from the Shanghai-Nanjing Expressway, Shanghai direction traveling from Beijing and Anhui.
- (ii) The intercity passage between Suzhou, Wuxi and Changzhou. The Shanghai-Nanjing Expressway was originally the only expressway between Changzhou-Wuxi-Suzhou. The Suxichang South Expressway can be used as an auxiliary intercity passage between the three cities after its completion. At the same time, Shanghai-Nanjing Expressway is located on the north side of the city centre, and there are certain detours on the south side of the three cities using the Shanghai-Nanjing Expressway. The Suxichang South Expressway is located on the south side of the city centre, and together with the Shanghai-Nanjing Expressway, forms the Su-Wuxi-Changzhou and there are two intercity transportation axes, one south and one north, in the central city area.
- (iii) Suxichang South Expressway is connected with Taihu Lake, Xiyi and Shanghai-Nanjing expressways form the expressway ring line in Wuxi urban area. Suxichang South Expressway is an integral part of the south ring road in the southern part of Wuxi City. It is more convenient for the region to use the Suxichang South Expressway for travel needs in or around Taihu New City and Mashan area. In addition, the Suxichang South Expressway is close to Taihu Lake and can also serve the main traffic route of Taihu Lake Scenic Area in Wuxi area.

Having considered the various favourable national policies which support the future development of Jiangsu Province and the areas connected by/nearby the Suxichang South Expressway, we concur with the view of the Management that the entering into of the Equity Transfer Agreement is fair and reasonable.

### 7. The Traffic Report

#### 7.1 *Qualification and experience of the traffic consultant*

In assessing the expertise and independence of Jiangsu Weixin, we have (i) reviewed the engagement letter between the Company and Jiangsu Weixin; and (ii) conducted an interview with Jiangsu Weixin to discuss, among other things, its experience on traffic consulting projects (including traffic volume and toll revenue projection) and relationship with the Group and the Vendor.

Based on the above, we understand that Jiangsu Weixin has over 30 years of experience as traffic consultant. Mr. Sun Rulong (“**Mr. Sun**”) is the senior engineer, registered consulting engineer and first-class cost engineer in the PRC. Mr. Sun is currently one of the responsible persons of the traffic consultant team of Jiangsu Weixin responsible for the Traffic Report and has over 11 years of experience in conducting feasibility study, design, construction supervision and technical audit of road infrastructure projects in the PRC. Mr. Sun has independently and jointly completed projects for a number of A and/or A and H share listed companies. Jiangsu Weixin has completed over 100 traffic consulting projects in the PRC. Jiangsu Weixin is a third party independent of the Group and the Vendor. We have also reviewed the terms of engagement including their scope of work which we consider that their scope of work is appropriate.

#### 7.2 *Projection methodology*

We have reviewed and discussed with Jiangsu Weixin the methodologies, bases and assumptions adopted to project Suxichang South Expressway’s traffic volume, toll revenue and operation and maintenance costs set out in the Traffic Report.

We noted that Jiangsu Weixin has, among other things, (i) collected historical and projected economic data of Wuxi City, Suzhou City, Changzhou City, Nanjing City, Zhengjiang City, Central Jiangsu area, Northern Jiangsu region, Shanghai City, Zhejiang Province, Anhui Province and Shandong Province which are Suxichang South Expressway’s nearby key neighbouring areas; (ii) the historical and projected traffic data, pattern and toll revenue data of Suxichang South Expressway, (iii) reviewed relevant policies and toll rates of Jiangsu Province published by the regulatory authorities, including the “Outline of Jiangsu Province Comprehensive Stereoscopic Transportation Network Plan” (江蘇省綜合立體交通網規劃綱要) published in 2022 and Jiangsu Province’s “14th Five-Year Plan” Comprehensive Transportation System Development Plan (江蘇省“十四五”綜合交通運輸體系發展規劃); and (iv) analysed the data in (i), (ii) and (iii) above to estimate traffic volume and toll revenue of the Suxichang South Expressway and projected an operation and maintenance costs forecast of the Suxichang South Expressway between 2023 and 2046 (in which the operating right of Suxichang South Expressway will expire).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Based on the Traffic Report, when determining the traffic volume growth rate for arriving at the estimated toll revenues for 2024 to 2025, Jiangsu Weixin has considered various factors including that (a) the project has a relatively short operation time and is still in a period of rapid traffic growth; (b) in June 2023, the Jinghu has been opened to traffic after its expansion. Vehicles from the south of Wufengshan Bridge can pass through the Luoxi Junction to connect to Suxichang South Expressway (the “**Project**”). It is expected that the first half of 2024 will be significantly higher than the first half of 2023. At the same time, Guangjing Expressway is about to be expanded which vehicles from the south of Wufengshan Bridge will further be increased; (c) the construction of Yanjiang Expressway expansion will be commenced in 2024, and it is proposed to restrict goods vehicles with more than 3 axles on the whole line, with reference to the experience of Jinghu Expressway expansion, the Traffic Consultant forecasts that the flow will be transferred by a large proportion during the expansion period for about 50–60%. At the same time, Jiangyin pilot section of Yanjiang Expressway which is basically parallel to the Project, will be constructed in a one-way traffic manner from July 2024 to July 2025. There will be a greater degree of overflow from the Yanjiang Expressway; (d) the current Wuxi section in Huning Expressway is basically saturated with traffic flow, and it is difficult to carry the growth trend of the traffic and other diversion impacts in the expressway network, during the expansion of Yanjiang Expressway, only the Project has a large surplus capacity to take over the diversion vehicles in the expressway network.

According to the Traffic Report, the traffic volume is expected to grow at an average annual growth rate of around 6.6%, except for the traffic volume in 2027, 2031 and 2032 which, as disclosed in the Traffic Report, are expected to drop by around 3.3%, 1.3% and 22.8% respectively as compared with that of the prior year primarily due to completion of expansion works and resumption of operation of certain nearby expressway namely Yanjiang Expressway (沿江高速) in 2027 and Huning Expressway (滬寧高速) in 2032. In addition, according to Jiangsu Weixin, save for the aforementioned, there is no other major road works and factors that will significantly affect the Suxichang South Expressway’s traffic volume and they consider the forecast traffic growth will be largely in-line with the trend of the estimated GDP growth of relevant areas.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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We also noted that (i) in addition to the relatively shorter operation time of Suxichang South Expressway, the toll revenue of the Suxichang South Expressway was also affected by COVID-19 but has been gradually recovering and daily average traffic volume has shown an increase by around 60% during the first ten months of 2023 as compared to 2022; (ii) the toll revenue growth rate for 2024, 2025 and 2026 are forecasted to be around 49.2%, 30.6% and 14.9%, respectively; (iii) the average toll revenue is expected to grow at a compound annual growth rate of around 6.5% for 2024–2046; and (iv) the average toll revenue for 2027, 2031 and 2032 are expected to drop by around 2.5%, 1.3% and 22.2% respectively as compared with that of the prior year, primarily due to completion of expansion works and resumption of operation of the two aforementioned nearby expressways.

In estimating the operation and maintenance costs, Jiangsu Weixin has considered, among other things, the historical operation and maintenance costs of the Suxichang South Expressway, unit costs for maintenance works, current road condition and maintenance schedule of the Suxichang South Expressway.

Furthermore, Jiangsu Weixin has confirmed with us that the adopted methodologies, bases and assumptions are commonly used for traffic volume and toll revenue projection and the Traffic Report is prepared in accordance with the forecasting procedures that is in-line with market practice. Taking into account the above and on the basis that nothing has come to our attention that will cause us to doubt the fairness and reasonableness of the methodologies adopted and the bases used in the Traffic Report, we are of the view that the adopted methodologies, bases and assumptions stated therein are in-line with market practice and the Traffic Report provides a reasonable basis for Valuer to prepare the Valuation Report.

Taking into account the above and on the basis that nothing has come to our attention that will cause us to doubt the reasonableness of the Traffic Report, we are of the view that the adopted methodologies, bases and assumptions stated therein are in-line with market practice.

### 8. The Valuation Report

The Company has engaged Kroll as the independent valuer to appraise the market value of the 100% equity interest in the Target Company. As stated in the Valuation Report, the market value of the Target Company as at 31 October 2023 (the “**Valuation Date**”) was RMB8,130,000,000 (the “**Appraised Value**”). Based on the Appraised Value, the 65% equity interests in the Target Company represents approximately RMB5,284,500,000 and therefore, the Consideration of approximately RMB5,200,650,000 represents a discount of approximately 1.59%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### **8.1 Qualification and experience of the Valuer**

In assessing the expertise and independence of Kroll, we have (i) reviewed the engagement letter between the Company and Kroll; and (ii) conducted an interview with Kroll to discuss, among other things, its experience on toll road valuation and relationship with the Group and Jiangsu Communications Holding. Based on the above, we understand that Kroll (i) is an established appraisal firm with extensive experience in undertaking appraisals and had conducted various toll road valuation projects in the past; and (ii) a third party independent of the Group and Jiangsu Communications Holding. Moreover, after having reviewed the terms of its engagement (including the scope of work), we consider that their scope of work is appropriate.

### **8.2 Valuation methodologies**

We have reviewed with Kroll the valuation methodologies stated in the Valuation Report and are advised that they have considered the cost approach, income approach and market approach in assessing the market value of the Target Company and they have selected the income approach as the primary approach to determine the business enterprise value of the Target Company.

As set out in the Valuation Report, although the cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable and the approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised, however, the cost approach is generally not considered applicable to valuation of a going concern business as it does not capture future earning potential of the business. Furthermore, although the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable and assets for which there is an established used market may be appraised by this approach, however, based on Kroll's research, there were no companies considered to be similar to the Target Company in all material aspects.

As such, the income approach is adopted given it is the conversion of expected periodic benefits of ownership into an indication of value and is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits or income from the same or equivalent property with similar risk. We further note, Kroll has also chosen to rely on the income approach as primary approach to determine the business enterprise value of the Target Company because the Traffic Consultant is considered to have the relevant industry expertise and experience in estimating revenue and operating expenses to substantiate the forecast. As further disclosed

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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in the Valuation Report, the income approach is considered an appropriate and a commonly used valuation methodology in valuation of toll-road companies because it reflects project specific characteristics, including stage of development, concession period and geographic location, and long-term economic benefits of the subject toll roads. The loss-making position of the Target Company is not a major factor that would affect selection of the valuation methodology in the valuation exercise.

Given, such approach is commonly used to value assets that have income streams, the availability of a cash flow forecast confirmed by the Management and primarily substantiated by the Traffic Report, the profit forecast included in the Valuation Report having been reported on by the Company's auditor and financial advisor, and together with the reasons for adopting the income approach and the bases and assumptions used for valuing the Target Company as discussed in below section, we are of the view that the chosen valuation method in arriving the Appraised Value is in line with market practice.

### **8.3 Valuation bases and assumptions**

Based on our discussion with Kroll, under the discounted cash flow method, the current value of an investment is premised upon the expected receipt of future economic benefits such as periodic income, cost savings, or sale proceeds. Indication of value is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. Given the Target Company was set up for toll road projects, its capital structure will change due to debt repayment or additional borrowing. In this respect, we understand the adjusted present value (the "APV") method was used in order to exclude the distortion resulting from the change in capital structure over the concession period. The APV method is considered to be more appropriate because as compared to net present value (the "NPV") methodology, which takes into account the present value of leverage effects separately, APV splits financing and non-financing cash flows and discounts them separately and therefore, APV is considered as a more appropriate valuation method for valuing companies with high leverages and dynamic capital structures. APV method is able to account for the impact of financing cash flow, such as tax shields, separately and explicitly. Kroll has noted that the APV method in this appraisal because (1) the Target Company had high leverages as of the Valuation Date and (2) the Management forecasted that the Target Company would repay the outstanding loan throughout the forecast period and reach zero debt to equity ratio by 2042 (i.e. dynamic capital structures). Also, with reference to our discussion and understanding from Kroll, as part of the valuation of the Target Company, the APV method was adopted to discount the projected free cash flows at a rate of return assuming all-equity financing as fundamental value (the "Fundamental Value"). The Fundamental Value then adds the present value of tax shield effect and less total outstanding debt, to arrive at equity interest.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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We are advised by Kroll that the annual net cash flows of the Target Company is discounted to present value and such discount rate is based on estimated weight average cost of capital (the “WACC”), which is the unlevered cost of equity according to the APV method. Furthermore, the unlevered cost of equity for the Appraised Value was developed through the application of Capital Asset Pricing Model (the “CAPM”), which is the most commonly adopted method of estimating the required rate of return for equity. CAPM states that cost of equity is the risk-free rate plus a linear function of a measure of systematic risk (the “Beta”) times equity market premium. Beta was determined with reference to seven guideline companies in the Chinese toll road sector. We understand the selection basis of the guideline companies were based on (i) public companies listed in Hong Kong with trading history of more than five years and with principal place of operations in the PRC; and (ii) companies that are principally engaged in the construction and operation of toll roads. We consider this selection criteria fair and reasonable.

In addition, we have further discussed with Kroll about the specific assumptions and general assumptions adopted in the Valuation Report and noted that (i) the specific assumptions are mostly related to reliance on Jiangsu Weixin’s projections and assumptions set out in the Traffic Report as well as the loan repayment schedule and the details of the transactions provided and confirmed by the Management, and a discount for lack of marketability of 5% determined by Black-Scholes option pricing method to reflect the applicable discount for lack of marketability to the equity value of the Target Company; and (ii) the general assumptions are common assumptions adopted in business valuation including but not limited to no major changes in the existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business is in operation. We are not aware of any material facts which may lead us to doubt the principal bases or assumptions adopted for the valuation.

### **9. Financial effects of the Acquisition**

#### ***9.1 Net assets attributable to Shareholders***

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and its assets and liabilities will be consolidated into the accounts of the Company. Based on the information provided by the Company and as disclosed in the letter from the Board in the Circular, assuming the Completion took place as at 31 October 2023, net asset attributable to Shareholders is expected to decrease by approximately 1.0%. Such decrease is mainly attributable to the difference between the Consideration of approximately RMB5,200.7 million to be paid and the net assets value of 65% equity interest in the Target Company as at 31 October 2023 of approximately RMB4,851.0 million, being recognized as equity according to accounting policy of the Group.



### **9.2 *Net profit attributable to Shareholders***

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and its results will be consolidated into the accounts of the Company. As discussed in the letter from the Board, amongst others, net loss of the Target Company for the period from January to October 2023 of approximately RMB170 million has substantially narrowed as compared to the loss of approximately RMB249 million for the same period of 2022, with its revenue of approximately RMB498 million being sufficient to offset the operating costs of approximately RMB444 million for the ten months ended 31 October 2023. With the operation of the toll road and the commencement of the repayment period of the financing such as construction loans, the finance costs were approximately RMB224 million, a decrease by approximately RMB27 million compared to the same period in 2022. The Company expects that the Target Company will generate profits in the near future and become another growth point for its future profitability.

### **9.3 *Gearing***

According to the 2023 third quarterly report, the Group's gearing ratio (calculated based on total liabilities divided by total assets) as at 30 September 2023 was 49.17%. Based on the financial information provided by the Management, assuming the Completion took place as at 31 October 2023, having considered (i) the Suxichang South Expressway Company's financial position (including its borrowings, lease liabilities, cash position and total equity) as at 31 October 2023; and (ii) the Consideration payable, it is estimated that the Group's gearing ratio would slightly increase to approximately 52.94%.)

### **9.4 *Working capital***

Based on the financial information provided by the Management, assuming the Completion took place as at 31 October 2023, taking into account (i) the net current liabilities position of the Suxichang South Expressway Company as at 31 October 2023; and (ii) the Consideration payable for the Acquisition, it is expected that the net current liabilities of the Group upon the Acquisition would be increased by approximately RMB3.428 billion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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According to the Letter from the Board, the Consideration of RMB5,200,650,000 is expected to be settled by the bank Loan and the internal resources of the Group. As at 31 December 2023, the Group has readily available loan facility of approximately RMB20 billion from licensed banks in the PRC, which could be used to finance part of the Consideration. In addition, based on the Annual Reports of the Group, the Group had generated net operating cash inflow of approximately RMB5.703 billion and RMB5.523 billion for the years ended 31 December 2021 and 2022 respectively. As at 30 September 2023, the Group had internal resources of over RMB4.9 billion comprising consolidated bank and cash balances of approximately RMB0.697 billion and structural deposit balance of approximately RMB4.225 billion. We have also been provided with and reviewed the working capital projection of the enlarged Group from January 2024 to December 2024 and as shown in the projection, the enlarged Group is expected to have sufficient working capital during the year.

Independent Shareholders should note that the discussion above is for illustrative purposes only and may not necessarily represent the actual financial position and performance of the Group as a result of the Acquisition in the future.

### 10. Risk factors

Operation of the toll roads maybe adversely affected or interrupted by variety of events, such as serious traffic accidents, natural disasters and other unforeseen circumstances. Traffic flows are sensitive to changes in the government's policy such as town planning, provincial and municipal transportation networks, traffic regulation, licensing and registration of vehicles.

The Traffic Report has been made subject to certain bases and assumptions, and has been prepared using such analytical methods and models as were considered appropriate by the Traffic Consultant. However, it should be noted that traffic volumes and the toll revenues may be affected by a number of factors including the quality and neighborhood of alternative expressways, number of vehicles, gasoline prices, weather conditions, environmental regulations, taxation, political, legal or economic conditions.

### DISCUSSION

Having taken into consideration of the above principal factors and reasons, including:

- (i) as detailed in the section "5. Reasons and benefits of the Acquisition" above, given the coverage and location of the Suxichang South Expressway, the Suxichang South Expressway is expected to serve as a complement to the Group's existing key network of expressways which helps expand its highway network and strengthen its position in the industry in Jiangsu Province;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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- (ii) the Acquisition is in line with the Group's overall business plan in the development of its toll road business in Jiangsu;
- (iii) as discussed in the section "8. The Valuation Report" above, the Consideration of approximately RMB5,200,650,000 represents a discount to the Appraised Value on a pro rata basis;
- (iv) as discussed in the section "3.7 Undertakings by Jiangsu Communications Holding – Performance Compensation Undertakings" above, the Performance Compensation Undertakings provided by Jiangsu Communications Holding in favour of the Company serves as an additional protection to the Shareholders' interests under the Acquisition as the Group would be compensated by having downward adjustments on the Consideration in proportion to the fulfilment of the projected net profits for the Performance Undertaking Period in the event that such projected net profits is not achieved; and
- (v) as detailed in the section "9. Financial effects of the Acquisition" above, the Acquisition is not expected to have material adverse financial effects on the Group immediately upon Completion,

we are of the view that the terms of the Acquisition are fair and reasonable and in the interest of the Company as a whole.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Equity Transfer Agreement are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Equity Transfer Agreement.

Yours faithfully,  
for and on behalf of

**SOMERLEY CAPITAL LIMITED**

**Lyan Tam**  
*Director*

*Lyan Tam is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and have participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for more than 20 years.*

*The following is the full text of the Valuation Report from the Valuation Consultant, Kroll (HK) Limited, for inclusion in this circular.*

The Directors  
Jiangsu Expressway Company Limited  
6, Xianlin Avenue, Qixia District  
Nanjiang, Jiangsu Province  
P.R. China

Our Ref.:180598

Dear Sirs,

**VALUATION REPORT ON FAIR VALUE OF 100% EQUITY INTEREST OF**  
**江蘇蘇錫常南部高速公路有限公司**

Pursuant to the terms, conditions and purpose of an engagement agreement dated December 29, 2023 (the “**Engagement Agreement**”) between Jiangsu Expressway Company Limited (“**Jiangsu Expressway**”, the “**Company**” or the “**Client**”) and Kroll (HK) Limited (“**Kroll Hong Kong**”), we have performed an analysis of the fair value (the “**Valuation**”) of 100% equity interest of Jiangsu Suxichang South Expressway Co., Ltd (“**Suxichang South Expressway Company**” or the “**Subject Company**”), as of October 31, 2023 (the “**Valuation Date**”). We understand that the Company contemplates the acquisition of 65.0% equity interest of the Subject Company (the “**Transaction**”) and the Valuation is prepared based on the underlying assumptions and information provided by the management of the Company and the Subject Company (together the “**Management**”).

This letter identifies the asset appraised, describes the scope of work, states the basis of value, specifies key inputs and assumptions, explains the valuation methodology utilized, and presents our conclusion of value. In preparing this letter, we aim to largely comply with the reporting standards recommended by the International Valuation Standards (“**IVS**”). The depth of discussion contained in this letter is specific to the needs of the Client and for the intended use as stated below. Supporting documentation concerning these matters has been retained in our work papers.

We understand that Jiangsu Expressway, with our consent, will disclose this letter in the circular for their shareholders and to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange. No third party shall have the right of reliance on this letter and neither receipt nor possession of this letter by any third party shall create any express or implied third-party beneficiary rights.

**PURPOSE OF VALUATION**

The Client intends to acquire 65.0% equity interest in Suxichang South Expressway Company from its major shareholder. With the Client's approval and as stipulated by the Engagement Agreement in formulating our opinion on the transaction fair value of equity interest in the Subject Company, we relied upon completeness and accuracy of operational, and financial information provided by the Management. To the extent that any of these assumptions or facts changed, the result of our fair value conclusion should be different.

The intended use of the Valuation is to serve a part of the information the Company considered in assessing its own decision regarding the Transaction and the corresponding transaction price. The ultimate Transaction, if happens, and the corresponding transaction price would be the results of negotiations between the transacting parties. The responsibility for determining the transaction price of the equity interest of the Subject Company rests solely with the Company. The results of our analysis should not be construed to be a fairness opinion, a solvency opinion, or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions.

**STANDARD AND BASIS OF THE VALUATION**

The Valuation was prepared on the basis of fair value standard under the premise of continued use. Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Our opinion of value was established under the premise of continued use, which reflects the condition where the buyer and the seller contemplate retention of the business and related assets as part of current or forecast operations.

Business enterprise is defined for this appraisal as the total invested capital, that is, equivalent to the combination of all interest-bearing debts, shareholders' loans and shareholders' equity. Alternatively, the business enterprise is equivalent to the combination of all tangible assets (buildings, machinery and equipment), long-term investment, net operating working capital and intangible assets of a continuing business. Equity interest is equivalent to business enterprise value less interest-bearing debts.

## TRAFFIC REPORT

The Traffic Consultant's Report on the projected revenues and operating expenses of the Subject Company was prepared by 江蘇緯信工程諮詢有限公司 (the "**Traffic Consultant**") dated December 2023. It provides the projected revenue and operating expenses of the Subject Company between 2023 and 2046. The Traffic Consultant has been involved in several national road traffic projects in different provinces in China including projects of listed companies and was hired by the Management of Jiangsu Expressway as its traffic consultant in this Valuation. A discussion with the Traffic Consultant has been conducted to understand the assumptions, methodologies and conclusions of the Traffic Consultant's Report. We relied on the revenue and expenses projections provided by the Traffic Consultant as basis in forming our opinion of value.

## DESCRIPTION OF THE SUBJECT COMPANY

The Subject Company is a company established under the laws of PRC and is an associate of Jiangsu Communications Holding Co. Ltd. Established on March 14, 2017. Its registered capital is RMB7.96 billion. The Subject Company is principally engaged in construction, management and operation of Suxichang South Expressway (the "**Subject Road**").

Suxichang South Expressway starts at the Qianhuang interchange of Changzhou-Yixing Expressway, passes through Qianhuang in Changzhou, crosses through the Yaoxian Mountain before entering Wuxi, passes through Meiliang Lake near Taihu Lake at Mashan in Wuxi, and connects to the Wuxi Huan Taihu Expressway at Nanquan. Suxichang South Expressway is 43.90 kilometers in total length, with 22.43 kilometers in Wuxi and 21.47 kilometers in Changzhou.

Suxichang South Expressway was completed and opened to traffic on December 30, 2021. According to 省政府關於同意蘇錫常南部高速公路常州至無錫段開徵車輛通行費的批覆 (the "**Announcement**") issued by Jiangsu Provincial Government on December 16, 2021, the Subject Company was granted the operating right of Suxichang South Expressway for a term of 25 years, commencing from December 2021 and ending in December 2046.

## REVIEW OF COMBINED FINANCIAL STATEMENT OF THE SUBJECT COMPANY

We have reviewed the audited financial statements of the Subject Company for the financial years ended December 31, 2020, December 31, 2021, and December 31, 2022 and the audited financial statements for the ten-month period ended October 31, 2023 provided by the Management without further verification.

The historical consolidated financial statements were presented as below:

<i>RMB'000</i>				<b>Jan.–Oct.</b>
<b>unless specified otherwise</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>2023</b>
Revenue	–	1,609	383,429	497,676
Cost of revenue	–	(1,506)	(413,006)	(443,737)
Gross Profit	–	103	(29,577)	53,939
Earnings Before Interest and Tax (“ <b>EBIT</b> ”)	(184)	(2,721)	(29,848)	53,691
Net Profit/Loss	(184)	(2,041)	(320,620)	(170,389)
Current Assets	56,815	752,201	591,992	589,586
Non-Current Assets	10,341,235	15,226,815	14,848,265	13,942,922
Current Liabilities	21,797	2,114,948	1,020,040	892,100
Non-current Liabilities	4,151,000	6,801,556	7,278,325	6,177,375
Shareholders’ Equity	6,225,253	7,062,512	7,141,892	7,463,033

*Source: the Management*

The Subject Company generates revenue from toll charge made on vehicles using the road for transportation. It was opened to traffic on December 30, 2021 and recorded revenue of approximately RMB383.4 million in 2022. Cost of revenue and operating expenses primarily includes operating costs, maintenance and repair costs, depreciation and amortization and others. Cost of revenue and operating expenses was RMB413.3 million in 2022. The Subject Company was loss making in 2022 because it took time to ramp up road network traffic volume amid COVID travel restriction. The Subject Company recorded operating loss of RMB29.8 million and net loss of RMB 320.6 million in 2022.

Based on the consolidated management account of the Subject Company, as of December 31, 2022, total assets and net asset value amounted to approximately RMB15.4 billion and RMB7.1 billion respectively. Intangible assets, toll road operation rights, amounted to approximately RMB13.8 billion.

For the ten-month period ended October 31, 2023, the Subject Company recorded revenue of RMB497.7 million, earnings before interest and tax (“**EBIT**”) of RMB53.7 million and net loss of RMB170.4 million. As of October 31, 2023, total assets and net asset value amounted to approximately RMB14.5 billion and RMB7.5 billion respectively.

## ECONOMIC OUTLOOK

A sound appraisal of a business or business interest must consider current and prospective economic conditions of the national economy. The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product (GDP), exchange rate, and the inflation rate. An overview of the national economies of China were essential to develop this outlook. The following economic discussion was extracted from Economist Intelligence Unit (“EIU”) dated October 12, 2023.

### China

Growth will decelerate further in 2025–28. Property sector weakness and the local government finance conditions will remain a major source of headwinds in the medium term. Although investment in high-tech industries could lift growth, it would not be enough to counter the stresses elsewhere such as industrial decoupling with the West led by geopolitical tensions. In the long term, demographic issues will be a major constraint, especially as the working-age population starts to shrink. The productivity outlook is mixed, with industrial upgrades set to deliver some productivity gains. Unambitious market reforms will offset these factors, however, and China’s self-sufficiency drive will fail to mitigate fully the effects of Western curbs on technology exports to China.

Consumer price inflation will rebound to an average of 1.9% in 2024, as domestic consumption rebounds. Despite the temporary disruption of domestic supply chains, the mild recovery from a low base of 2023 will reflect weaker global commodity prices, which will offset price increases in services. Consumer price inflation will accelerate in 2025–28, averaging 1.8% annually, but will remain below the official target of 3%, reflecting EIU’s pessimistic view of private consumption against the backdrop of demographic ageing and a lack of structural change.

EIU expects the sell-off of the renminbi to slow, given the end of monetary-tightening cycle of the Federal Reserve (the US central bank) and the recent government intervention to stabilise renminbi exchange rate. Nevertheless, the currency will remain relatively weak against a strong dollar. EIU perceives a risk of higher renminbi volatility during our forecast period as uncertainty rises and monetary policy diverges, increasing the need for hedging on the business side. The currency will average RMB7.08:US\$1 in 2023, and stabilise at RMB7.09:US\$1 in 2024, standing at RMB7.03:US\$1 at year-end (compared with RMB7.22:US\$1 at end-2023).



## INDUSTRY OVERVIEW

The following section was extracted from “End of China’s Zero-Covid Policy Positive for Toll-Road Operators” released by Fitch Ratings on January 17, 2023.

The lifting of restrictions that were implemented under China’s “zero-Covid” policy will have a positive effect on the performance of toll-road operators, Fitch Ratings says.

While Fitch Ratings expects overall traffic, particularly passenger traffic, to rebound and improve the operators’ profitability in 2023, Fitch sees risks to the recovery from a resurgence of infections and deterioration in economic conditions.

According to the data released by China’s Ministry of Transport, the total number of passengers sent by rail, road, air and water during the first 10 days of the Spring Festival travel rush (7–16 January 2023) increased by 46.2% compared with the same period in 2022, but the number was only 52.2% of that in 2019. The number of vehicles on the national highway network during the 10-day period increased by 12.8% and 11.1% from 2022 and 2019, respectively. The authorities in China in December abruptly removed restrictions that were in place to prevent the spread of Covid-19.

The Spring Festival travel rush, also known as “**chunyun**”, lasts from 7 January to 15 February this year, during which many people will travel to reunite with their families for the Lunar New Year, which falls on 22 January this year. The Ministry of Transport expects 2.1 billion passenger trips this year over chunyun, doubling the total for the last chunyun but still just over 70% of the 2019 total.

Fitch Ratings expects toll-road operators to see an increase in passenger traffic this year as all the pandemic-related mobility restrictions have been lifted, which will be more beneficial to operators with a higher share of passenger vehicles on their network. Those roads connecting tourist spots will outperform and see meaningful recovery in volume due to pent-up demand for domestic tourism. In addition, Fitch Ratings expects to see improvement in operational efficiency and reduction in costs as restrictions, such as inter-provincial border controls, have halted. These will improve the operators’ profitability and provide more headroom to their current ratings.

**SCOPE OF WORK AND KEY ASSUMPTIONS**

Our investigation included discussions with the Management with regard to the history, operations and prospects of the Subject Company, overview of certain financial data, an analysis of the industry and competitive environment, an analysis of guideline companies, and a review of transactions, operating statistics and other relevant documents. For this appraisal, we made reference to or reviewed the following major documents and data:

- Audited financial statements of the Subject Company for the financial years ended December 31, 2020, December 31, 2021 and December 31, 2022, and the audited financial statements of the ten-month period ended October 31, 2023;
- A copy of the Traffic Report with financial projection and the breakdown of major operating expenses prepared;
- Summary of key terms of bank borrowing of the Subject Company;
- Other relevant documents

We assumed that the data we obtained in the course of the Valuation, along with the opinions and representations provided to us by the Management, are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading. In arriving at our opinion of value, we have considered the following principal factors:

- the stage of development of the Subject Company
- the historical costs and current financial condition of the Subject Company
- the economic outlook for major countries affecting the industry
- the legal and regulatory issues of the toll road industry in general and other specific legal opinions relevant to the Subject Company
- the risks associated with the Subject Company
- the history and experience of the Management.

Due to the changing environments in which the Subject Company are operating, a number of assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation are:

- no major changes are expected in political, legal and economic conditions in China;
- regulatory environment and market conditions for toll road industry in China will be developing according to prevailing market expectations;
- there will be no major changes in the current taxation law applicable to the Subject Company;
- The Subject Company will not be constrained by the availability of finance;
- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations;
- The Subject Company will retain competent management, key personnel and technical staff to support their ongoing operations;

#### **VALUATION METHODOLOGY OVERVIEW**

In the appraisal of the equity, or the net assets, of a business, regardless of their diversity, location, or technological complexity, there are three basic approaches to perform a valuation. The descriptive titles typically attached to these approaches are cost, income, and market. In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

To develop our opinion of value, the three generally accepted approaches to value are considered: cost, market and income. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern business, as it does not capture future earning potential of the business. Thus, cost approach is not utilized in the valuation. We searched for publicly listed companies for application of guideline companies approach but no companies are similar to the Subject Company in all material aspects. In view of the above, in forming our opinion, we rely upon the income approach as primary approach to determine the business enterprise value of the Subject Company. We considered the income approach as appropriate because the Traffic Consultant has relevant industry expertise and experience in estimating revenue and operating expenses to substantiate the forecast. We consider the income approach as an appropriate and a commonly used valuation methodology in valuation of toll-road companies because it reflects project specific characteristics, including stage of development, concession period and geographic location, and long-term economic benefits of the subject toll-roads. The loss-making position of the Target Company is not a major factor that would affect our selection of the valuation methodology in this appraisal.

### **INCOME APPROACH**

Under the discounted cash flow method, it explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits such as periodic income, cost savings, or sale proceeds. Indication of value is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

As the Subject Company was set up for such toll road projects, its capital structure will change due to debt repayment or additional borrowing. The Adjusted Present Value (the “**APV**”) method was used in order to exclude the distortion resulting from the change in capital structure over the concession period. APV is a modified form of Net Present Value (NPV) that takes into account the present value of leverage effects separately. APV splits financing and non-financing cash flows and discounts them separately. APV is considered as a more appropriate valuation method for valuing companies with high leverages and dynamic capital structures because this method accounts for the impact of financing cash flow, such as tax shields, separately and explicitly. We selected APV method in this appraisal because (1) the Subject Company had high leverages as of the Valuation Date and (2) Management forecasted that the Subject Company would repay the outstanding loan throughout the forecast period and reach zero debt to equity ratio by 2042 (i.e. dynamic capital structures).

In the Valuation, the APV method values an enterprise or project by discounting projected free cash flows at a rate of return assuming all-equity financing as fundamental value (the “**Fundamental Value**”). The Fundamental Value then adds the present value of tax shield effect and less total outstanding debt, to arrive at equity interest.

**Definition of Free Cash Flow**

The term free cash flow (“**FCF**”) can be represented by the following equation:

$$\text{FCF} = \text{NI} + \text{DEPR} + \text{INT} - \text{CAPEX} - \text{NWC}$$

Where:

FCF	=	projected free cash flow available to equity and debt holders
NI	=	net income after tax
DEPR	=	depreciation and amortization expenses
INT	=	interest expense after tax
CAPEX	=	capital expenditures
NWC	=	changes in net working capital (current assets net of current liabilities)

A major requirement of the APV method is an earnings forecast, in particular a cash flow projection. The yearly FCF for the projection period of 2023 to 2046 was derived based on the above formula. The operating right of Suxichang South Expressway will expire in December 2046, hence the enterprise was assumed to transfer the expressway back to the government upon the termination of the concession period.

**Discount Rate**

The rate at which the annual net cash flows of the Subject Company discounted to present value is based on the estimated weighted average cost of capital (“**WACC**”), which is equivalent to the unlevered cost of equity according to the APV method as described above.

The unlevered cost of equity for the Valuation was developed through the application of the Capital Asset Pricing Model (“**CAPM**”), which is the most commonly adopted method of estimating the required rate of return for equity. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk (“**Beta**”) times equity market premium in general. In estimating the Beta, we have observed the share price movement of guideline companies in Chinese toll road sector relative to overall equity market index. The guideline companies were selected based on the criteria below:

1. Public companies listed in Hong Kong with trading history more than five years and with principal place of operation in the PRC; and
2. Companies that are principally engaged in the construction and operation of toll roads.

<b>Comparable Companies</b>	<b>Bloomberg Code</b>	<b>Market capitalization as of October 31, 2023</b> <i>(in million)</i>	<b>Principal business activities</b>
1 Zhejiang Expressway Co Ltd	576 HK	RMB23,917.67	Zhejiang Expressway Co., Ltd., through its subsidiaries, designs, constructs, operates, and manages high grade roads, as well as develops and operates certain ancillary services, such as technical consultation, advertising, automobile servicing, and fuel facilities.
2 Sichuan Expressway Co Ltd	107 HK	RMB10,534.45	Sichuan Expressway Company Limited offers expressway investment and construction services. The Company builds toll highway, bridge, tunnel, and other traffic projects. Sichuan Expressway also conducts city operation, energy, media and financial investment businesses.
3 Shenzhen Investment Holdings Bay Area Development Co Ltd	737 HK	RMB3,860.97	Shenzhen Investment Holdings Bay Area Development Company Limited provides infrastructure construction services. The Company provides highway construction, bridge construction, and other related services. Shenzhen Investment Holdings Bay Area Development offers services in China.
4 Anhui Expressway Co Ltd	995 HK	RMB15,290.17	Anhui Expressway Co. Ltd. principally holds, operates and develops toll expressways and highways in Anhui province in China.

<b>Comparable Companies</b>	<b>Bloomberg Code</b>	<b>Market capitalization as of October 31, 2023</b> <i>(in million)</i>	<b>Principal business activities</b>
5 Shenzhen Expressway Corp Ltd	548 HK	RMB18,367.61	Shenzhen Expressway Corporation Limited operates expressways. The Company provides expressway construction, investment, maintenance, and service station leasing services. Shenzhen Expressway also conducts real estate development, advertising, and engineering consulting businesses.
6 Jiangsu Expressway Co Ltd	177 HK	RMB45,720.04	Jiangsu Expressway Company Limited operates highway businesses. The Company provides toll highway investment, construction, and maintenance services. Jiangsu Expressway also conducts highway passenger transportation, refueling, catering, car repair, and advertisement businesses.
7 Yuexiu Transport Infrastructure Ltd	1052 HK	RMB6,320.07	Yuexiu Transport Infrastructure Ltd., through its subsidiaries, invests in, develops, operates, and manages toll highways, expressways, and bridges in China.

The computation of the estimated asset discount rate is shown as follows:

$$K_e = R_f + \beta (ERP) + \alpha$$

Where

$K_e$  = Required rate of return for equity

$R_f$  = Risk-free rate of return = 3.01% The  $R_f$  is based on the yield on Chinese government's long-term bond (maturity in 2053) as of the Valuation Date.

$\beta$  = Unlevered Beta = 0.30 Unlevered Beta is a measure of the relationship between industry risk and the aggregate market in all-equity scenario. It is based on the unlevered Betas of the selected comparable companies.

ERP = Equity risk premium = 6.71% The ERP is the expected return of the market ( $R_m$ ) in excess of the risk-free rate ( $R_f$ ), or, is based on US equity risk premium plus the market systematic risk in China.

CSR = Company Specific Risk = 2.00% CAPM only capture systematic risks, which cannot be diversified through holding a portfolio of investments. In valuing a particular business, company-specific risk premium should be considered. In determining an appropriate company specific risk premium, we used an internally developed scorecard to assess various qualitative risk factors specific to the Subject Company, including 1) operating history; 2) growth projection; 3) management track record; 4) stability of earning; 5) product/services concentration risk; 6) degree of reliance on key person; 7) degree of reliance on key suppliers; and 8) degree of competition. In this appraisal, we applied a risk premium of 2.0% to reflect geographic concentration risk of the Subject Company.

As such, our analysis concludes that a discount rate of 7.0% is considered appropriate for appraising the Fundamental Value of the Subject Company.



**Projection Assumption**

The major projection assumptions were listed as below:

(Years ended/ending 31 December. All figures in RMB'000 unless specified otherwise)

	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Net Revenue ( <i>Note 1</i> )	575,631	857,514	1,119,468	1,286,752	1,254,606	1,477,376	1,802,477	2,015,229
Cost and Operating Expenses	(536,703)	(459,671)	(546,882)	(601,645)	(642,771)	(710,251)	(814,600)	(828,258)
Earnings Before Interest & Tax (EBIT)	38,928	397,843	572,586	685,107	611,835	767,125	987,877	1,186,971
Income Tax Expense	–	–	–	(123,723)	(109,258)	(153,782)	(215,168)	(270,018)
Net Income	(224,429)	173,015	370,923	371,169	327,774	461,346	645,504	810,053
	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2035</b>	<b>2036</b>	<b>2045</b>	<b>2046</b>	
Net Revenue ( <i>Note 1</i> )	1,989,587	1,548,128	1,617,991	1,754,596	2,110,367	2,456,780	2,462,239	
Cost and Operating Expenses	(825,088)	(650,026)	(676,883)	(729,011)	(1,226,034)	(1,007,807)	(1,020,197)	
Earnings Before Interest & Tax (EBIT)	1,164,499	898,102	941,108	1,025,585	884,333	1,448,972	1,442,042	
Income Tax Expense	(268,013)	(203,508)	(216,536)	(242,179)	(209,338)	(362,243)	(360,510)	
Net Income	804,039	610,523	649,607	726,537	628,013	1,086,729	1,081,531	

*Note 1:* Revenue used in cashflow forecast is net of 9% VAT.

**Revenue**

Revenue is mainly driven by imposing toll charges on vehicles using the road for transportation purposes. In the Traffic Report, vehicles are charged according to their type, weight and the distance of road the vehicles have taken for transport. Historical traffic data, economic researches, etc., were considered by the Traffic Consultant in their projections. Standard toll charge of each vehicle type is assumed unchanged over the period of the Concession Right. Thus, the revenue growth would be driven by the increase in traffic and/or change in traffic mix by vehicle type. The traffic volume estimated by traffic consultant are summarized in the table below:

	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Traffic Volume							
<i>(pcu/d)</i>	29,693	47,373	62,656	72,187	69,798	81,365	99,787
YoY Growth Rate		60%	32%	15%	-3%	17%	23%
	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2035</b>	<b>2036</b>	<b>2045</b>	<b>2046</b>
Traffic Volume							
<i>(pcu/d)</i>	110,182	85,046	89,162	96,754	116,383	136,129	137,208
YoY Growth Rate	-1%	-23%	5%	4%	20%	1%	1%

In forming our opinion of value, projected revenue from the final conclusions of the Traffic Report was adopted as the basis of our valuation. According to the Traffic Consultant, toll revenue was derived by multiplication of the distance of road, toll charge rate, traffic volume, number of days and adjustment rate. Revenue was estimated to increase from RMB0.60 billion in 2023 to RMB2.46 billion in 2046, representing a CAGR of 6.52%.

Revenue would grow significantly to RMB0.9 billion in 2024, because: (1) the operating history of the Subject Road was relatively short and its traffic volume would be at rapid-growth period in 2024, (2) Beijing-Shanghai High-speed Railway completed its expansion and opened to traffic in June 2023 which could bring more southbound traffic to the Subject Road, and (3) Yanjiang Expressway, an expressway parallel to the Subject Road, would begin its expansion project in 2024 and only the Subject Road has the capacity to accommodate the growing traffic demands within the local traffic network. The revenue would then increase to RMB1.29 billion in 2026 but decrease to RMB 1.25 billion in 2027, as Yanjiang Expressway's expansion would be completed then. Due to the planned expansion project starting from mid-2028 to late-2031 of Huning Expressway, another expressway parallel to the Subject Road, the revenue was projected to increase from RMB1.5 billion in 2028 to RMB1.8 billion in 2029 and then drop from RMB2.0 billion in 2031 to RMB1.5 billion in 2032. Then the revenue would grow from RMB1.8 billion in 2035 to RMB2.1 billion in 2036 because Suxi Taihu tunnel, connecting to the Subject Road, would be opened to traffic and bring positive impact to the Subject Road traffic volume.

***Cost of Revenue and Operating Expenses***

Cost of revenue and operating expenses in the Traffic Report include toll related expenses, three major system maintenance expenses and road maintenance expenses. In forming our opinion of value, in addition to the cost and expenses mentioned above, we also considered the depreciation of existing fixed assets and amortization of toll road operation right in the forecast. The total cost of revenue and operating expense was estimated to be approximately RMB536.7 million in 2023 and eventually to RMB1.0 billion in 2046. Toll related expenses and three major system maintenance expenses to revenue ratio were expected to remain at a stable level with an average of 6.5%. Road maintenance expenses would be approximately 2%~3% of revenue from 2023 to 2026 and increase to be 4%~6% of revenue after 2026, except for 2036 when it was estimated to be 23% of revenue because there would be a special maintenance that year. The depreciation and amortization expenses were projected to be approximately 68% of revenue in 2023 and decrease to be 42% in 2024, then gradually decreased to be 30% in 2046, mainly due to the increase in revenue.

***Income Tax***

According to the Enterprise Income Tax Law in the PRC, the Subject Company will be subject to 25.0% profit tax rate. Such required tax rates will be applied in our cash flow calculation.

***Capital Expenditure***

The Management did not anticipate future capital expenditure would be required for the Subject Company as construction of the Subject Road had been completed. All routine and special maintenance expenses were expensed in cost of revenue when incur and were included in the Traffic Report. We considered this assumption would be consistent with the Company's accounting policy and general practice of toll road operation. Thus, the depreciation expenses would be solely originated from the exiting fixed assets.

***Calculation of Fundamental Value***

The Fundamental Value of operation of the Subject Company was then calculated by adding the present values of the projected yearly FCF between 2024 and 2046 and the FCF for the remaining two months in 2023. The present values were derived by discounting the FCF by a discount rate that was appropriate for the risk of investing in the project.

***Tax Shield on Interest Expenses Attributable to the Loan Outstanding***

Under the APV method, as the discount rate used was at all-equity financing level, an adjustment was made by addition of the present value of tax shield arising from the interest expenses on the outstanding loan balances of the Subject Company during the projection period. Interest expenses estimated based on existing loan balances are summarized in the table below:

	2023	2024	2025	2026	2027	2028	2029
Net Interest Income/ (Expenses)	(263,370)	(224,828)	(201,663)	(190,215)	(174,803)	(151,997)	(127,204)
	2031	2032	2033	2040	2041	2042	2043
Net Interest Income/ (Expenses)	(92,448)	(84,072)	(74,966)	(6,729)	(1,484)	–	–

As advised by the Management, interest expenses would be tax deductible. The implied cost of borrowing is 3.37% per annum, with reference to the loan agreements of the Subject Company. The discount rate used for calculation of the present value of the tax shield was the after-tax cost of debt of 2.53%, which was based on the borrowing cost of the Subject Company and the standard tax rate of 25.0%.

**Value Indicated by Adjusted Present Value Method**

Based on the APV method and 7.0% estimated asset discount rate, the enterprise value of operation of the Subject Company on marketable basis was concluded to be RMB15.3 billion.

**Additional Valuation Consideration*****Discount for Lack of Marketability (“DLOM”)***

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In the Valuation, option-pricing method was used as the primary method to estimate the DLOM. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. The cost of put option was determined by Black-Scholes option pricing with consideration of the estimated time required to sell the subject company's shares and volatility of the company's share during that period. Generally speaking, the farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. Based on option-pricing method, we considered DLOM of 5.0% should be appropriate for valuing the equity interest of the Subject Company.

We are of the view that Black Scholes option pricing model is a commonly used method in quantification of DLOM and the resulting 5% DLOM is within the reasonable range of comparable transactions.

### Conclusion of Value by Income Approach

After deriving enterprise value of operation of the Subject Company and adjusting, we adjusted for 5.0% discount for lack of marketability, added the following excess cash and non-operating assets and subtracted outstanding debt attributable to the Subject Company to arrive at fair value of entire equity interest of the Subject Company:

- Added excess cash attributable to the Subject Company of RMB525.6 million;
- Added book value of other current assets of RMB47.2 million, and subtracted payables of construction project of RMB11.5 million and other payables of RMB9.4 million;
- Subtracted outstanding debt of RMB6,966.3 million.

	<b>Income Approach – Adjusted Present Value Method (RMB'000)</b>
Indicated Value of Total Business Enterprise on a marketable basis	15,306,411
Subtracted 5% discount for lack of marketability at business enterprise value level	(765,321)
Added: Cash and net non-operating assets	551,890
Subtracted: outstanding debt	(6,966,345)
Fair value of entire equity interest (rounded to nearest ten million)	8,130,000

Sources: *the Management and Analysis of Kroll*

**SENSITIVITY/SCENARIO ANALYSIS**

As part of our valuation, a sensitivity analysis of value indication arrived at using Income Approach was performed. We have tested sensitivity of entire equity value in the Subject Company to changes of: (1) cost of equity and (2) DLOM.

- Cost of equity

<i>(RMB'000)</i>	<b>Income Approach – Adjusted Present Value Method</b>				
	<b>Cost of equity</b>				
	6.00%	6.50%	7.00%	7.50%	8.00%
Fair value of 100% equity interest (rounded to nearest ten million)	9,580,000	8,830,000	8,130,000	7,470,000	6,860,000

- DLOM

<i>(RMB'000)</i>	<b>Income Approach – Adjusted Present Value Method</b>		
	<b>DLOM</b>		
	2.50%	5.00%	7.50%
Fair value of 100% equity interest (rounded to nearest ten million)	8,510,000	8,130,000	7,740,000

In selection of valuation parameters to be tested in the sensitivity analysis, we were of the view that the toll revenue forecast would be substantiated by the report prepared by the Traffic Consultant with relevant experience and expertise. In view of the above, we mainly focused on testing the changes of cost of equity and DLOM, the two valuation parameters which are inherently subjective and dependent on the exercise of individual judgment, on the entire equity value.

**CONCLUSION OF VALUE**

Based upon the investigation and analysis outlined above, it is our opinion that the fair value of 100% equity interest of Jiangsu Suxichang South Expressway Co., Ltd, as of the Valuation Date, is reasonably stated as RENMINBI EIGHT BILLION ONE HUNDRED AND THIRTY THOUSAND (RMB8,130,000,000) ONLY.

This conclusion of values was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We do not provide assurance on the achievability of any financial results estimated by the Subject Company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of Management.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Respectfully submitted,  
For and on behalf of  
**Kroll (HK) Limited**

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**Patrick Wu**

*Regional Managing Director*

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**Kevin Leung**

*Managing Director*

*Note:* This valuation was prepared under the direct supervision of Mr. Kevin Leung as project-leader-in-charge with substantial professional assistance from Ms. Julian Zhao and Ms. Mandy Liang and concurring technical review by Mr. Ricky Lee, another Managing Director based in Hong Kong. The final conclusion was approved by Mr. Patrick Wu as regional managing director and practice leader of the firm's Greater China valuation advisory services.

Mr. Kevin Leung has been involved in business valuation for the purpose of joint venture, merger and acquisition and public listing for over 20 years. Mr. Leung has prior experience in conducting equity interest valuation to China based toll road companies. He is an Accredited Senior Appraiser of American Society of Appraisers, a fellow member of the Association of Chartered Certified Accountants and charterholder of the Chartered Financial Analyst.

Mr. Patrick Wu is responsible for the management and strategic development of the firm's Greater China operation which has offices in Hong Kong, Beijing, Shanghai, Guangzhou, and Shenzhen and Taipei. Mr. Wu was qualified as a lawyer and has served as an independence Non-Executive Director on the board of directors of a Hong Kong listed company. He is extensively involved in providing professional consulting services for a wide range of public organizations and business sectors, such as banking, business acquisitions, public listings, real estate and investment in Hong Kong and the PRC, professional development, quality assurance and business development.

*The following is the text of a report received from the Company's Reporting Accountants, KPMG Huazhen LLP, for inclusion in this circular.*



**REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF JIANGSU SUXICHANG SOUTH EXPRESSWAY CO., LTD**

**TO THE BOARD OF DIRECTORS OF JIANGSU EXPRESSWAY COMPANY LIMITED**

We refer to the discounted future cash flows on which the business valuation (“**the Valuation**”) dated 21 February 2024 prepared by Kroll (HK) Limited in respect of the appraisal of the fair value of Jiangsu Suxichang South Expressway Co., Ltd (“**the Target Company**”) as at 31 October 2023 is based. The Valuation is prepared based on the discounted future cash flows and is regarded 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**”).

**Directors' Responsibilities**

The directors of Jiangsu Expressway Company Limited (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

**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 International Ethics Standards Board for Accountants (“**IESBA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management (ISQM) 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 report, as required by paragraph 14.60A(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

**Basis of Opinion**

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board ("IAASB"). This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with International Standards on Auditing issued by the IAASB. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

**Other matters**

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Company or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A (2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

**KPMG Huazhen LLP**

Beijing, China

Date: 21 February 2024

*The following is the full text of the letter on profit forecast of the Target Company from the Financial Advisor, China Securities (International) Corporate Finance Company Limited, for inclusion in this circular.*

The Board of Directors  
Jiangsu Expressway Company Limited  
6 Xianlin Avenue  
Nanjing, Jiangsu Province  
P.R. China

21 February 2024

Dear Sirs,

We refer to the announcement and further announcement of Jiangsu Expressway Company Limited (the “**Company**”) dated 29 January 2024 (the “**Announcement**”) and 21 February 2024 (“**Further Announcement**”) respectively, in connection with an acquisition of 65% equity interest in Jiangsu Suxichang South Expressway Co., Ltd. (“**Target Company**”) by the Company from Jiangsu Communications Holding Co., Ltd. (the “**Acquisition**”). Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

The Further Announcement refers to the valuation of the Target Company by Kroll (HK) Limited (the “**Valuer**”) which are contained in the valuation report dated 21 February 2024 (the “**Valuation Report**”) prepared by the Valuer for the purpose of the proposed Acquisition. We understand that the Valuation Report and certain other documents relevant to the Acquisition have been provided to you as directors of the Company (the “**Directors**”) in connection with your consideration of the Acquisition. We understand that the Valuer has applied income approach, known as the discounted cash flow method, on the equity interest in Target Company to implement the valuation. The valuation on the discounted cash flow is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

We have reviewed the profit forecast included in the Valuation Report upon which the valuation of Target Company has been made. We have made enquiries with the Directors, the management of the Company and the Valuer regarding the bases and assumptions upon which the profit forecast regarding Target Company in the Valuation Report has been made. We have also reviewed the reports to the Directors from KPMG Huazhen LLP, dated 21 February 2024, as set forth in Appendix I to the Further Announcement regarding the calculations of discounted future cash flows.

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**APPENDIX III LETTER ON PROFIT FORECAST OF THE TARGET COMPANY FROM THE FINANCIAL ADVISOR**

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On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Valuer, for which the Valuer and the Company are responsible, we are satisfied that the profit forecast disclosed in the Further Announcement have been made after due and careful enquiry by you. The Directors are responsible for such profit forecast, including the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation Report. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation Report and applying an appropriate basis of preparation and making estimates that are reasonable in the circumstances. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein.

The work undertaken by us has been undertaken for the purpose of reporting solely to you under Rule 14.60A(3) of the Listing Rules and for no other purpose. We have not independently verified the assumptions or computations leading to the valuation of Target Company. We have had no role or involvement and have not provided and will not provide any assessment of the value on the Target Company to the Company. We have assumed that all information, materials and representations provided to us by the Company and the Valuer, including all information, materials, and representations referred to or contained in the Further Announcement were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Further Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truthfulness or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the valuation of Target Company as set out in the Valuation Report.

Yours faithfully,

For and on behalf of  
**China Securities (International) Corporate Finance Company Limited**  
**George Yen**  
*Executive Director*

Date: 21 February 2024

*The following is the full text of the Report from the Traffic Consultant, Jiangsu Weixin Engineering Consulting Co., Ltd, for inclusion in the circular.*

This is an English translation only. For the official report, please refer to the report set out in Appendix IV to the Chinese version of this Circular.



**Suxichang South Expressway  
Traffic Flow, Toll Revenue,  
Operation and Maintenance Costs Forecast  
Final Report**

Jiangsu Weixin Engineering Consulting Ltd

January 2024

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CHAPTER 1 OVERVIEW

1.1 Research Background

Jiangsu Ninghu Expressway Co., Ltd. (hereinafter referred to as “Ninghu Co.”) is a major expressway network operator in the south Jiangsu, and it has good operating efficiency because of the dense regional expressway network flow. During the “14th Five Year period”, Ninghu Co. plans to acquire 65% equity of Jiangsu Suxichang South Expressway Co., Ltd. (hereinafter referred to as the “Project Company”) in order to further deepen the main business, increase the occupancy rate of regional road network, leverage the scale effect, and achieve sustainable development goals.

The Suxichang South Expressway (hereinafter referred to as the “Project”) is the main asset operated by the Project Company. According to the requirements of securities regulatory agencies and the stock exchanges in Shanghai and Hong Kong, it is necessary to forecast the traffic flow, toll revenue, operation and maintenance costs during the operation period, in order to meet the relevant requirements for subsequent asset evaluation and trading.

The geographical location of the Project is shown as below:

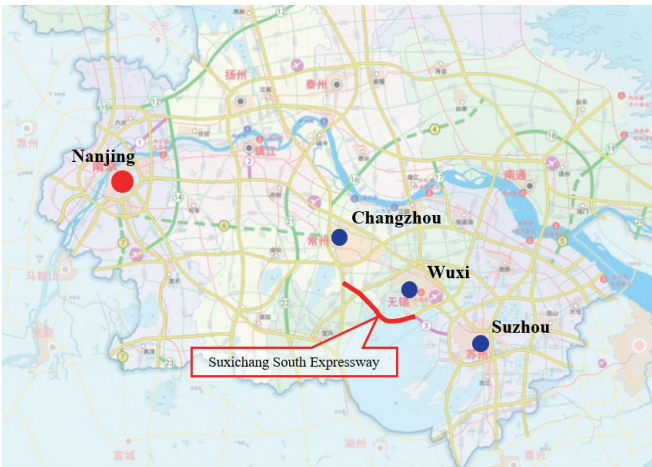


Chart 1.1 The Geographical Location Map of the Project in Jiangsu Province

1.2 Overview of the Project

The Project Company was established on March 14, 2017 in Nanjing by Jiangsu Communications Holdings Co., Ltd. (hereinafter referred to as “Communications Holdings Co.”), Wuxi Communications Industry Group Co., Ltd., and Changzhou Expressway Investment and Development Co., Ltd. Subsequently, the construction of the Project was comprehensively promoted and opened to traffic on December 30, 2021.

1. Project Overview

(1) Project scale

The length of the Project is 43.9km<sup>1</sup>, including Yaoxianshan Tunnel and Taihu Tunnel. Taihu Tunnel is the longest and widest underwater tunnel in China. Along the road, there are 4 interchanges (Yuncun, Taihu-Bay, Mashan, Junzhang), 3 junctions (Qianhuang, Xueyan, Nanquan), and 1 service area (Taihu-Bay service area).

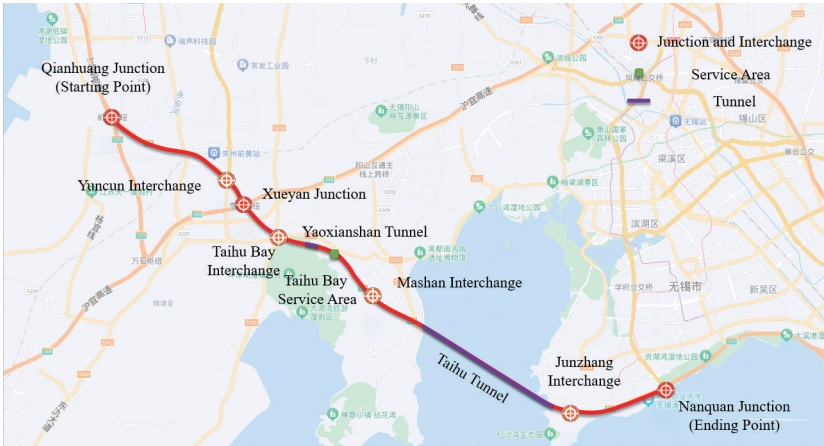


Chart 1.2 Main Facilities along the Project

<sup>1</sup> This data is from the preliminary design documents of the Project and represents the engineering mileage, and it's inconsistent with the toll mileage.

*(2) Route direction*

The Project starts from Qianhuang Junction of Changyi Expressway, crosses rerouted Xilicao River, Changcao Road and Xinchang Railway on the south side of Qianhuang Town, crosses Xiyi Expressway, passes through Panjia Town, Changzhou Taihu-Bay Tourist Resort, and enters into the territory of Mashan in Wuxi through the south of Xueyan Town. It passes through the Taihu Tunnel eastward in Wuxi and finally ends at Nanquan Junction, connecting with Taihu-rim Expressway in Wuxi.

*(3) Main specifications*

The Project adopts the standard of the six-lane expressway. The speed is 120 km/h from Qianhuang Junction to Mashan Interchange and 100 km/h from Mashan Interchange to Nanquan Junction, while the width of the roadbed is 34.5m in total. The Taihu Tunnel adopts the form of the double-holes and one-pipe-gallery, a single hole clearance is 17.45m. The design vehicle load level of the bridges and tunnels is highway-level I. Other specifications is implemented in accordance with the “Technical Standards for Highway Engineering” (JTGB01–2014) and the” Mandatory Provisions of the National Engineering Construction Standards” (highway engineering part). The main technical standards are as follows:

**Table 1–1 Technical Standards for the Project**

<b>Number</b>	<b>Category</b>	<b>Technical standard</b>
1	Highway classification	Expressway
2	Designed speed	120km/h, 100km/h
3	Roadbed width	34.5m
4	Design flood frequency	Specially long span bridge 1/300, The rest 1/100
5	Peak ground acceleration	0.1g
6	Class of vehicle load	Highway – Class 1

*(4) Investment of the Project*

According to the completion audit conducted by the Jiangsu Audit Office, the final approved project cost is 15.818 billion yuan. And the Project has been completed and accepted in January 2024.

## 2. *Road Network Functions*

The Project is a local expressway with prominent functions in the road network, which was determined by the NDRC (National Development and Reform Commission) and the Ministry of Transport to support the “Three Major Strategies”. Based on the analysis of its location and traffic component, the main functions in the expressway network are as follows:

- (1) The parallel diversion line of Huning Expressway. In the planning of the Jiangsu Expressway Network, Huning Expressway is planned as Nanjing’s fifth radiation line, while the Second Ningchang Expressway, Changyi Expressway, the Project, Suxi Expressway, Suzhou Southwest-Ring Expressway and Suhu Expressway is planned as the sixth radiation line, the two passages connecting nodes are basically the same. The Project mainly diverts Huning Expressway’s traffic which starts from Beijing and Anhui directions and ends at Shanghai direction in the road network.
- (2) The intercity passage between Suzhou, Wuxi, and Changzhou. Huning Expressway was the only expressway between the central cities of Changzhou, Wuxi and Suzhou originally. After the completion of the Project, it can serve as an auxiliary intercity passage between the three cities. In addition, Huning Expressway is located in the north side of the three cities, so there are certain detours for the connecting of the southern region in the three cities when utilizing Huning Expressway. The Project is located in the south side of the city center, and the Huning Expressway together constitute a south and a north intercity traffic axis between the center of Suzhou, Wuxi and Changzhou.
- (3) A fast channel for external connection from the southern Wuxi. The Project and Taihu-rim Expressway, Xiyi Expressway, Huning Expressway together form a expressway ring in Wuxi City, and the Project is a part of the southern ring, and it is more convenient to make use of the Project for external links for the users living in the southern Wuxi, especially in Taihu New-city and Mashan area. In addition, the Project is adjacent to Taihu Lake, which can also serve the external connection of Taihu Lake scenic spots in Wuxi.

### 1.3 **Forecast Period**

According to the “The Provincial Government’s Reply on Agreeing to Levy Vehicle Tolls for the Suxichang South Expressway” (Suzhengfu [2021] No. 61) which was issued on December 6, 2021, the Suxichang South Expressway is a commercial toll road, and tolls will be levied from the date of its completion and compliance with the conditions for opening to traffic with a toll period of 25 years. Accordingly, the operation period of the Project is from December 30, 2021 to December 29, 2046.

The forecast period is from the day following the evaluation benchmark date to the end of the toll period of the Project, which is from November 1, 2023 to December 29, 2046, with a total forecast period of approximately 23 years and 2 months.

#### 1.4 Forecast Conclusion

##### 1. *A note on the caliber of the data*

A description of the caliber of traffic flow, toll revenues and operation and maintenance cost in this report is provided below:

**Traffic flow** refers to the number of vehicles passing through a certain road section within a certain period of time. For the roads with multiple sections, the traffic flow is the weighted average of the traffic flow on each road section by its mileage, which includes two calibers, namely, the natural flow (absolute number) and the standard flow (relative number). Therein, the natural flow refers to the natural number of vehicles, the unit is veh. And standard flow refers to the sum-product of natural flow of the different vehicle types and their respective conversion coefficients, the unit is pcu. In this report, the conversion coefficient of each vehicle type is calculated based on the toll rate, taken the value of the ratio between that of the vehicle type and that of P1 or G1. The two calibers correspond to the daily average flow and standard toll flow in the “Monthly Statement of Average Daily Flow of Jiangsu Expressway Section” (B45) issued by Jiangsu Expressway Networking Operation and Management Center (hereinafter referred to as “Networking Center”) every month.

**Toll revenue** refers to the toll charged by the Project Company for vehicles passing through the Project. This toll includes network splitting revenue<sup>2</sup> and whitelist revenue<sup>3</sup>, and is issued monthly in the statement of the Networking Center. Toll revenues are the actual fees paid by users based on the approved toll rates, including value-added tax and the General Highway Coordination and Development Fund.

**Operation and maintenance costs** refer to the operating cost of the main business of the Project Company, which corresponds to the remaining portion of the toll business costs in the financial statements of the Project Company after excluding depreciation, amortization and regulatory fees. Among them, regulatory fees refer to the General Highway Coordinated Development Fund which has been included in the cost statistics after 2023.

<sup>2</sup> The network splitting revenue includes four parts: ETC, MTC, mobile payment and out-of-province revenue.

<sup>3</sup> Whitelist revenue consists of two components: subsidies from the city of Wuxi for some of the vehicles that pass through the Taihu Tunnel, and revenue from the whitelist of the vehicles operated by Kuailu.

To be highlighted, the current and forecasted data on toll revenues and operation and maintenance costs in this report do not take into account the General Highway Co-ordinated Development Fund, and toll revenues are inclusive of value-added tax (VAT) and operation and maintenance costs are exclusive of VAT.

**2. Summary of conclusions on traffic flow, revenues, and operation and maintenance costs**

The annual traffic flow, toll revenue, and operation and maintenance costs of the Project within the forecast period are listed below:

**Table 1–2 Summary Table of the Forecasted Conclusions**

<b>Year</b>	<b>Standard flow</b> <i>(pcu/d)</i>	<b>Toll revenue</b> <i>(10000 yuan/year)</i>	<b>Operation and maintenance costs</b> <i>(10,000 yuan/year)</i>
2023	31,614	62,666	8,921
2023.11–12	23,050	8,736	2,771
2024	47,373	93,469	9,799
2025	62,656	122,022	10,414
2026	72,187	140,256	10,835
2027	69,798	136,752	16,230
2028	81,365	161,034	16,859
2029	99,787	196,470	17,572
2030	111,679	219,660	18,229
2031	110,182	216,865	18,706
2032	85,046	168,746	18,927
2033	89,162	176,361	19,495
2034	93,064	184,020	20,080
2035	96,754	191,251	20,681
2036	116,383	230,030	59,972
2037	119,708	235,893	22,107
2038	122,813	241,958	22,750
2039	125,590	247,364	23,404
2040	127,991	252,735	24,080
2041	130,082	256,112	24,760
2042	131,910	259,646	25,464
2043	133,510	262,733	26,181
2044	134,896	266,145	26,924
2045	136,129	267,789	27,676
2046	137,208	268,384	28,443

*Note:* Revenues and costs at the end of the forecast year are based on the actual number of days charged.

## CHAPTER 2 CURRENT STATUS OF THE PROJECT

## 2.1 Current Status of Traffic Flow

The historical traffic and revenue data in this report are derived from the monthly statistical statements issued by the Networking Center.

## 2.1.1 Cross-sectional Flows

In 2022, the average section flow of the entire Project was 16,291 veh/d, which was 20,784 pcu/d after conversion; in January-October 2023, the average flow of the entire Project was 29,279 veh/d, which was 33,327 pcu/d after conversion. Due to the impact of the pandemic and the short opening time, the traffic flow of 2022 was relatively low. The average daily section flow increased by approximately 60% compared to 2022, with the average daily flow of passenger vehicles nearly doubling and the average daily flow of good vehicles remaining essentially stable.

Table 2–1 Daily Average Traffic Flow of Suxichang South Expressway

Zones	Period	Standard flow (pcu/d)	Natural flow (veh/d)	Passenger vehicles (veh/d)	Goods vehicles (veh/d)
Average	2022	20,784	16,291	13,485	2,806
	Jan.2023–Oct.2023	33,327	29,279	26,485	2,794
	Growth Rate	60.35%	79.72%	96.40%	-0.42%
General road section	2022	20,596	16,046	13,225	2,822
	Jan.2023–Oct.2023	32,986	28,806	25,956	2,850
	Growth Rate	60.16%	79.52%	96.27%	0.99%
Yaoxianshan Tunnel	2022	20,028	15,596	12,829	2,767
	Jan.2023–Oct.2023	31,718	27,961	25,343	2,618
	Growth Rate	58.37%	79.28%	97.55%	-5.39%
Taihu Tunnel	2022	21,421	17,088	14,324	2,765
	Jan.2023–Oct.2023	34,507	30,816	28,164	2,652
	Growth Rate	61.09%	80.33%	96.63%	-4.08%

*Note:* The average for the entire sections is a weighted average based on the toll mileage of each section, as detailed in Section 5.1.

From the perspective of the flow on each section, it is relatively average overall, while that on Taihu Tunnel is slightly higher than the average, and that on Yaoxianshan Tunnel is slightly lower than the average.

From the perspective of vehicle type, the Project is dominated by passenger vehicles, and due to the recovery of private car travel demand after the pandemic, the proportion of passenger vehicles<sup>4</sup> increased from 82.8% in 2022 to 90.5% in 2023. Among them, passenger vehicles are dominated by P1 types, accounting for more than 99%; goods vehicles are dominated by G1, G2 and G6 types, and the proportion of medium-sized goods vehicles is lower, showing a both-ends distribution.

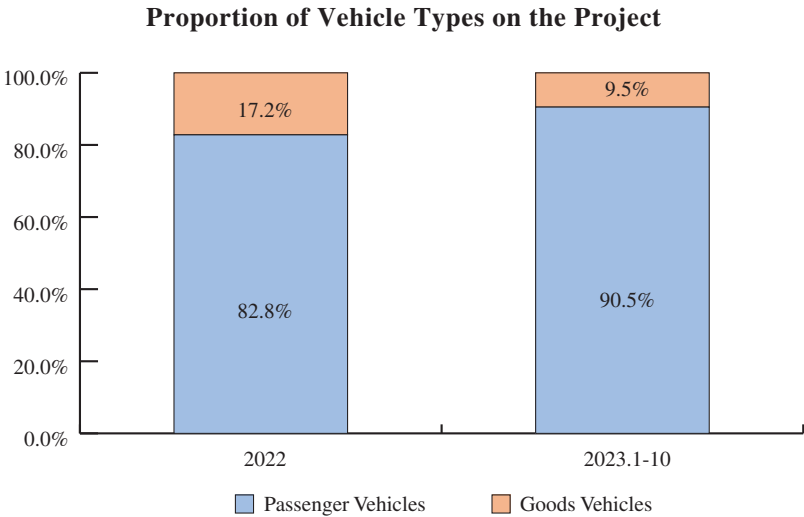


Chart 2.1 Proportion of Passenger and Goods Vehicle types on the Project

Table 2-2 Proportion of Passenger Vehicle on the Project

Year\ Vehicle Type	Total	P1	P2	P3	P4
2022	100%	99.33%	0.17%	0.15%	0.35%
Jan.2023-Oct.2023	100%	99.07%	0.17%	0.27%	0.49%

Table 2-3 Proportion of Goods Vehicle on the Project

Year\ Vehicle Type	Total	G1	G2	G3	G4	G5	G6
2022	100%	33.49%	26.34%	8.92%	9.21%	6.09%	15.95%
Jan.2023-Oct.2023	100%	39.45%	26.38%	7.20%	9.38%	6.42%	11.17%

<sup>4</sup> All proportions of vehicle type in this report are calculated by the natural flow.



### 2.1.2 Toll Station Traffic Flow

There are 4 toll stations along the Project, including Junzhang, Mashan, Taihu-Bay and Yuncun. The average daily flow of the toll stations in 2022 was 12,052 veh/d, which was at a lower level due to the impact of the pandemic and the shorter opening time. The average daily flow of the toll stations from January to October 2023 was 20,663 veh/d, with a year-on-year increase of 74.5%. The toll station is dominated by passenger vehicles, and the ratio of passenger and goods vehicles is about 88:12, of which the average daily flow of passenger vehicles increased by 89.8% year-on-year, and the flow of goods vehicles increased by 8.3% year-on-year. In summary, the flow of passenger vehicles increasing faster and the flow of goods vehicles relatively stable.

**Table 2-4 Total Traffic Flow of Toll Stations on the project (Unit: veh/d)**

Month	Total	Passenger	Goods	Month	Total	Passenger	Goods
		vehicle	vehicle			vehicle	vehicle
Jan.2022	12,291	10,521	1,770	Jan.2023	20,271	18,758	1,514
Feb.2022	17,204	16,046	1,158	Feb.2023	17,495	15,146	2,349
Mar.2022	6,443	4,400	2,043	Mar.2023	19,850	17,146	2,704
Apr.2022	3,632	1,491	2,142	Apr.2023	23,384	20,821	2,563
May.2022	6,726	4,001	2,725	May.2023	22,035	19,582	2,453
Jun.2022	11,807	9,351	2,456	Jun.2023	19,065	16,541	2,524
Jul.2022	11,380	8,988	2,392	Jul.2023	19,078	16,583	2,495
Aug.2022	15,594	13,124	2,469	Aug.2023	20,609	18,101	2,508
Sept.2022	15,699	13,093	2,606	Sept.2023	19,982	17,462	2,520
Oct.2022	18,024	15,614	2,410	Oct.2023	24,567	22,078	2,489
Nov.2022	13,313	10,603	2,711				
Dec.2022	12,884	10,261	2,623				
<b>Average</b>	<b>12,052</b>	<b>9,752</b>	<b>2,299</b>	<b>Average</b>	<b>20,663</b>	<b>18,252</b>	<b>2,411</b>

Daily Average Traffic Flow of Toll Stations on the Project

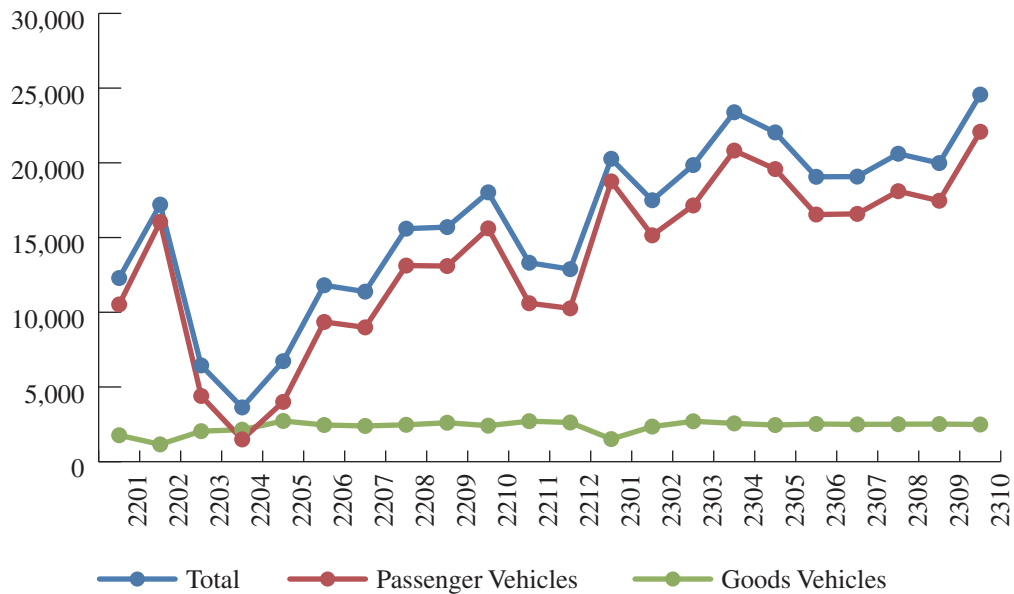


Chart 2.2 Traffic Flow of Toll Stations on the Project (Unit: veh/d)

From the point of view of the traffic flow of each toll station, the overall trend is upward. Among the toll stations, Mashan Station had the largest flow of more than 7,000 veh/d, while Junzhang Station had the smallest.

Table 2-5 Traffic Flow of Each Toll Station on the Project (Unit: veh/d)

Toll station	Junzhang station	Mashan station	Taihu-Bay station	Yuncun station
Jan.2022	1,637	4,704	3,563	2,386
Feb.2022	2,799	7,696	4,269	2,440
Mar.2022	963	1,724	2,872	885
Apr.2022	133	613	2,723	163
May.2022	114	2,503	2,727	1,383
Jun.2022	892	4,321	3,804	2,790
Jul.2022	865	2,395	3,855	4,265
Aug.2022	1,581	4,656	4,060	5,296
Sept.2022	1,535	4,995	3,708	5,461
Oct.2022	1,962	5,803	4,579	5,680
Nov.2022	1,352	4,215	3,249	4,497
Dec.2022	1,308	4,079	3,144	4,352
<b>Average</b>	<b>1,252</b>	<b>3,949</b>	<b>3,542</b>	<b>3,308</b>

Toll station	Junzhang station	Mashan station	Taihu-Bay station	Yuncun station
Jan.2023	2,175	7,317	4,241	6,539
Feb.2023	1,725	6,012	3,771	5,987
Mar.2023	2,217	7,464	4,058	6,111
Apr.2023	2,846	8,263	4,938	7,337
May.2023	2,437	7,620	4,916	7,063
Jun.2023	2,192	6,734	4,082	6,057
Jul.2023	2,086	6,479	4,510	6,003
Aug.2023	2,331	7,148	4,693	6,437
Sept.2023	2,658	6,503	4,097	6,723
Oct.2023	2,734	8,587	6,501	6,745
<b>Average</b>	<b>2,344</b>	<b>7,225</b>	<b>4,591</b>	<b>6,503</b>

Monthly Traffic of Each Toll Station on the Project

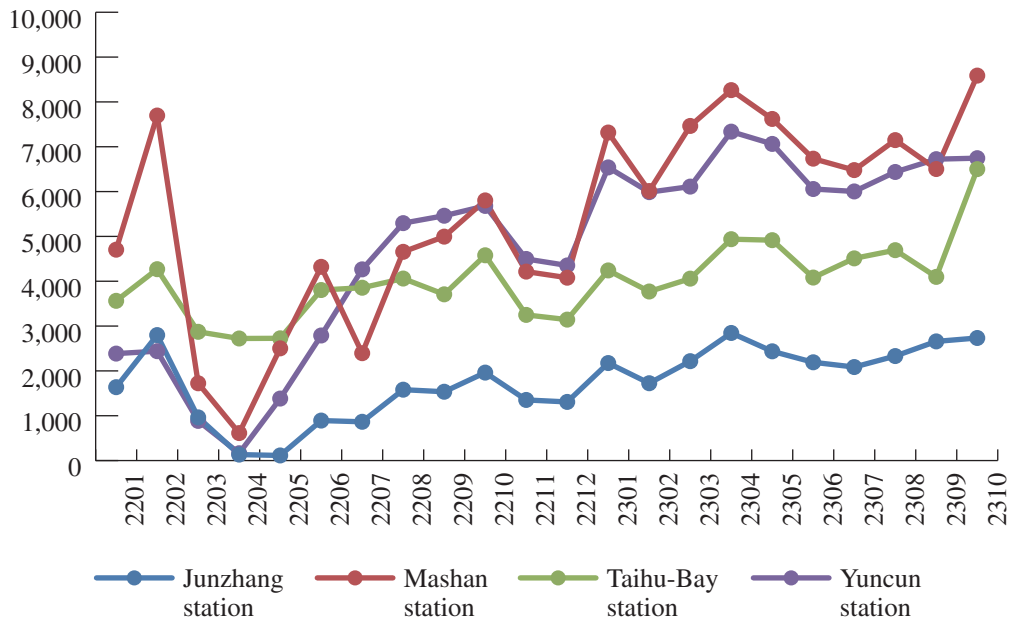


Chart 2.3 Daily Average Traffic Flow by Month of Each Toll Station on the Project (Unit: veh/d)

### 2.1.3 Regional Corridor Traffic Flow

Currently, there are three major lateral expressways in Wuxi, including Yanjiang Expressway, Huning Expressway and Suxichang South Expressway, of which the Suxichang South Expressway was operated at the end of 2021. From 2017 to the present, the flow rate of the Wuxi section within the corridor of southern Jiangsu is shown in the table below.

**Table 2–6 Flow rate of Wuxi section within the Corridor of Southern Jiangsu**  
(Unit: pcu/d)

Year	Huning Expressway	Yanjiang Expressway	Suxichang South Expressway	Total
2017	152,174	51,573		203,746
2018	159,982	54,425		214,407
2019	167,876	55,904		223,780
2020	194,266	65,558		259,825
2021	187,453	66,859		254,312
2022	152,345	64,138	21,421	237,904
2023	193,942	71,233	34,507	299,682

*Note:* We select the section of North-Wuxi Junction to Wuxi Junction in Huning Expressway, the section of Qiaoqi Junction to Qingyang Junction in Yanjiang Expressway, and the section of Taihu Tunnel in the Project. The total data of 2017 doesn't count the Project because it was only operated for 2 days, and the data of each expressway in 2023 is the daily average data calculated from Jan to Oct.

From 2017 to the present, except for the pandemic years of 2020~2022, the corridor traffic flow has maintained a growth trend, with an average growth rate of 6.6% from 2017 to 2023, of which the average growth rate of Huning Expressway and Yanjiang Expressway is 4.1% and 5.5%. In recent years, the section flow of Wuxi section on Huning Expressway has exceeded 150,000 veh/d, and the operating speed during peak hours was less than 60km/h, resulting in higher service pressure. Due to the insufficient capacity of Wuxi section on Huning Expressway, the traffic flow of entire line increased slowly. Wuxi section had become a bottleneck to suppress further growth in traffic flow and revenue. However, the traffic flow of the Project increased rapidly shortly after operating, and the proportion of traffic flow sharing in the corridor has exceeded 10%.

**Table 2-7 The Proportion of Traffic Flow in Wuxi Section of the Southern Jiangsu**  
(Unit: %)

Year	Total		Yanjiang expressway		South expressway		Hujing expressway	
	P	G	P	G	P	G	P	G
2017	76.61	23.39	18.54	6.27			58.06	17.12
2018	77.09	22.91	18.54	6.22			58.54	16.69
2019	77.24	22.76	18.40	6.09			58.84	16.68
2020	76.89	23.11	18.42	5.94			58.47	17.17
2021	73.43	26.57	18.20	6.95			55.24	19.62
2022	70.18	29.82	16.46	8.25	9.59	1.85	44.13	19.71
2023	78.33	21.67	16.83	5.45	13.10	1.23	48.40	14.99

In terms of the structure of vehicle types, all three expressways and their total are also dominated by passenger vehicles, especially the proportion of passenger vehicles on the Project is close to 90%. Except for the pandemic years, the proportion of passenger vehicles is basically stable between 75~80%, with little fluctuation. From the comparison of the data before and after the operation of the Project, the traffic flow on Huning Expressway decreased about 10% in the corridor, which shows that the Project has a more significant diversion effect on Huning Expressway.

## 2.2 Current Status of Toll Revenue

### 2.2.1 Current Status of Toll Rates

#### 1. General user fee rates

According to the “The Provincial Government’s Reply on Agreeing to Levy Vehicle Tolls for the Suxichang South Expressway “(Suzhengfu [2021] No. 61), the toll rate of the Project adopts the method of mileage billing for general road section and independent billing for two tunnels, and the toll rates for each part are shown as follows.

**Table 2–8 Classification Standard for Expressway Vehicle Types**

Passenger vehicle type	Seats	Goods vehicle type	Total number of axles (including suspended axles)
P1	≤9	G1	2 (Vehicle length < 6m, Total mass < 4.5ton)
P2	10–19	G2	2 (Vehicle length ≥ 6m, Total mass ≥ 4.5ton)
P3	≤39	G3	3
P4	≥40	G4	4
		G5	5
		G6	6

**Table 2–9 Toll rates for Suxichang South Expressway**

Section\ Type	P1	P2	P3	P4	G1	G2	G3	G4	G5	G6
General road section	0.550	0.825	1.100	1.100	0.450	0.977	1.350	1.805	1.843	2.200
Taihu tunnel	45	60	90	90	50	105	165	200	210	240
Yaoxianshan tunnel	5	5	10	10	5	10	20	25	25	30

- Note:*
- The general road section is charged on a per-mile basis in yuan/km; the two tunnels are charged on a per-trip basis in yuan/trip.
  - The toll coefficients are converted in accordance with the toll rate ratio of the general road section, of which the coefficients for P1–4 are 1, 1.5, 2, 2, and the coefficients for G1–6 are 1, 2.17, 3, 4.01, 4.10, and 4.89, respectively.

2. *Differentiated toll scheme*

According to the “The Provincial Government’s Reply on Approving the Taihu Tunnel of Suxichang South Expressway to Implement Differential Toll for Passenger Vehicles “(Suzhengfu [2021] No. 62), for non-commercial and ETC equipped of passenger vehicles registered in Wuxi with an authorized carrying capacity of 9 seats or less, when passing through the road section of the S58 Huchang Expressway from Huazhuang Interchange, Nanquan Interchange, Junzhang Interchange to Mashan Interchange, the preferential rate for Taihu Tunnel is 15 yuan per trip, and the discount is valid for 2 years.

According to the Government Purchase Service Agreement signed between Wuxi Municipal Government and Project Company, 5 yuan of the 30 yuan difference in tolls is fixed to be borne by Wuxi Municipality, and the remaining 25 yuan is to be borne by both parties according to the frequency of monthly trips, with 70% borne by the Wuxi Municipal Government for the users with monthly trips less than 30 times, and 30% for users with monthly trips more than 30 times. The specific sharing situation is shown as below.

**Table 2–10 Parties’ Share of Taihu Tunnel Costs under Differentiated Tolls**  
(Unit: yuan)

Undertaking party	Number of passes per month less than 30 passes	Number of passes per month more than 30 passes
	Users	15
Wuxi Government	22.5	12.5
Project Company	7.5	17.5
Total	<u>45</u>	<u>45</u>

*Note:* The subsidy paid by users and the Wuxi Government are included in the toll revenue, while the subsidy paid by the Project Company is not included.

### 2.2.2 Historical Toll Revenue

In 2022, the total toll revenue was 417 million yuan. From January to October in 2023, the toll revenue was 539 million yuan, an increase of 52.3%, with August 2023 being the largest revenue month in history, with monthly revenues exceeding 70 million yuan for the first time.

Since the implementation of the differentiation policy, there have been the 1.017 million preferential vehicles from January 2022 to October 2023, with a daily average of 1,520 vehicles. And the Wuxi Municipal Government's cumulative subsidy is 20.77 million yuan, with an average subsidy amount of 20.4 yuan/veh, and the Project Company's cumulative subsidy is 9.73 million yuan, and the actual subsidy ratio between Wuxi Municipality and the Project Company is 68:32.

The monthly toll revenue and government subsidies since the operation of the Project are shown as below:

**Table 2–11 Historical Toll Revenue of Projects (Unit: yuan)**

Month	Network splitting revenue	Whitelist revenue		Total
		Differentiated revenue	Kuailu operating vehicle	
Jan.2022	58,434,871	1,229,873	51	59,664,794
Feb.2022	28,053,459	622,053	16	28,675,528
Mar.2022	22,905,733	484,955	2,090	23,392,778
Apr.2022	17,332,974	24,525	0	17,357,499
May.2022	21,856,169	281,728	97	22,137,994
Jun.2022	51,450,352	848,040	761	52,299,153
Jul.2022	29,813,597	539,763	3,073	30,356,432
Aug.2022	45,329,694	908,483	1,294	46,239,470
Sept.2022	45,891,958	999,595	90	46,891,643
Oct.2022	26,217,269	784,163	277	27,001,709
Nov.2022	30,835,082	985,825	597	31,821,504
Dec.2022	30,373,393	846,008	0	31,219,400
Jan.2023	62,683,022	795,293	63	63,478,377
Feb.2023	56,456,707	1,052,143	0	57,508,849
Mar.2023	48,210,821	1,394,343	0	49,605,163
Apr.2023	45,184,398	1,260,043	285	46,444,726
May.2023	43,299,202	1,215,315	88	44,514,605
Jun.2023	46,703,544	1,351,325	90	48,054,959
Jul.2023	56,848,144	1,301,925	6	58,150,075
Aug.2023	69,620,889	1,376,428	0	70,997,316
Sept.2023	57,318,714	1,264,300	599	58,583,612
Oct.2023	40,758,286	1,200,273	35	41,958,594
2022 Total	408,494,550	8,555,008	8,346	417,057,904
Jan.2023-Oct.2023				
Total	527,083,728	12,211,385	1,164	539,296,277



### 2.2.3 Composition of Revenue

Toll revenue statistics for the Project by vehicle type and by section are shown below.

#### 1. Composition of vehicle types

The main revenue of the Project was from passenger vehicles, especially after the lifting of pandemic control in 2023. The proportion of passenger vehicles revenue has increased from 61.2% in 2022 to 77.2% in 2023 because the passenger vehicles flow recovered quickly. Passenger vehicles revenue is mainly based on P1. Among the goods vehicles revenue, the revenue of G1, G2, and G6 types is higher, while the proportion of medium-sized goods vehicles is lower.

**Table 2–12 Revenues by Vehicle Types (Unit: Ten thousand yuan)**

Year\Type	2022		Jan.2023-Oct.2023	
	Toll revenue	Proportions	Toll revenue	Proportions
P1	25,534	61.22%	41,641	77.21%
P2	83	0.20%	130	0.24%
P3	88	0.21%	265	0.49%
P4	243	0.58%	537	1.00%
G1	2,203	5.28%	2,166	4.02%
G2	3,301	7.92%	2,496	4.63%
G3	1,821	4.37%	1,065	1.97%
G4	2,176	5.22%	1,730	3.21%
G5	1,614	3.87%	1,443	2.68%
G6	4,656	11.16%	2,467	4.57%
Other	-14	-0.03%	-10	-0.02%
Total	<u>41,705</u>	<u>100.00%</u>	<u>53,930</u>	<u>100.00%</u>

- Note:*
1. Other refers to the total of several items such as refunds, retroactive payments, and adjustments in the report.
  2. The subsidy revenue from differentiated policy has been incorporated into the calculation of revenue for P1 type.
  3. The revenue of Kuailu was relatively small, and it is not split into types in the statement, so it wasn't included in the above table.

## 2. Composition of sections

The Project includes general road section, the Taihu Tunnel and Yaoxianshan Tunnel. The revenue of each part is shown in the following table:

**Table 2–13 Project Toll Revenues by Segment (Unit: Ten thousand yuan)**

Year\Type		General road	Yaoxianshan	Taihu tunnel	Total
		section	tunnel		
2022	Toll revenue	10,117	3,064	28,524	41,706
	Proportions	24.26%	7.35%	68.39%	100.00%
Jan.2023-Oct.2023	Toll revenue	13,395	3,804	36,731	53,930
	Proportions	24.84%	7.05%	68.11%	100.00%

Due to the high toll rates of the two tunnels, the toll revenue accounts for over 3/4 of the total revenue of the Project. Particularly, the Taihu Tunnel accounts for more than 2/3 of the total revenue.

## 2.3 Historical Operation and Maintenance Costs

The operating and maintenance costs correspond to the toll business costs in the financial statements of Project Company, excluding depreciation, amortization, and regulatory fees. According to the financial statement statistics, the toll business cost consists of three major parts: road and bridge maintenance cost, three major system costs and collection business cost, and each cost is analyzed as follows.

### 2.3.1 Operation and maintenance Costs History

Since its operation, the cumulative operation and maintenance costs of the Project are 143,848,700 yuan, with 81,846,500 yuan during January to October 2022 and 61,550,000 yuan during 2023, respectively. The Project has been operated for a relatively short period of time, and some of the works are in the defects liability period, the current operation and maintenance costs are generally at a low level, and fluctuated greatly from month to month. The historical operation and maintenance costs for each year since opening are as follows:

**Table 2–14 Historical Data on Operation and Maintenance Costs  
(Unit: 10,000 yuan)**

Year	2021	2022	2023
Operation and maintenance costs	49.72	8,184.65	6,150.50

### 2.3.2 Analysis of the Various Cost Composition

The Project Company currently adopts a delegated management mode and has entered into a delegated management contract with Ninghu Co, and staff remuneration related to personnel in the operation and maintenance costs, are included in the levy business costs in the form of delegated management costs. In addition, as the Project that operated not long ago, the maintenance operation and related equipment system maintenance costs are low, resulting in the status quo operation and maintenance costs are mainly in the form of levy business costs. The costs of each component are analyzed below:

The cumulative Road and bridge maintenance costs were 24.6265 million yuan, accounting for 17.12%, mainly for road and bridge maintenance fees and technical service fees, which are generally low as the roads have just been opened to traffic.

The cumulative the three major systems costs were 14.0114 million yuan, accounting for 9.74%, mainly for maintenance and repair costs of the monitoring systems, toll systems, and communication systems.

The cumulative cost of levy business incurred were 105.2108 million yuan, accounting for 73.14%. The cost of operations was dominated by five parts, entrusted management fee, water, electricity and gas fees, road network management fee, leasing fee and labor fee, accounting for 60.85%, 19.89%, 5.19%, 5.49% and 5.62%, respectively, or more than 97% in aggregate. The Project contains two tunnels, which resulted in higher electricity costs due to lots of lighting, ventilation and other equipments in the tunnels.

**Table 2–15 Operation and Maintenance Costs (Unit: 10,000 yuan)**

Classification\Year		2021	2022	2023	Total
Toll business costs (Total)	Value	49.72	8,184.65	6,150.50	14,384.87
	Proportion	100.00%	100.00%	100.00%	100.00%
Road and bridge maintenance costs	Value	0.00	1,614.56	848.09	2,462.65
	Proportion	0.00%	19.73%	13.79%	17.12%
Three major system costs	Value	9.40	927.56	464.18	1,401.14
	Proportion	18.91%	11.33%	7.55%	9.74%
Levy business costs	Value	40.32	5,642.53	4,838.23	10,521.08
	Proportion	81.09%	68.94%	78.66%	73.14%

CHAPTER 3 TRAFFIC FORECASTING METHODOLOGY AND ASSUMPTIONS

3.1 Forecasting methodology

3.1.1 Traffic Forecasting Methods

This forecasting work is based on the traffic flow analysis and forecasting method of highway construction projects in the “Method for Preparing Feasibility Research Reports of Highway Construction Projects” issued by the Ministry of Transport in April 2010, using the “four stage forecasting method” based on the OD investigation of motor vehicle. The main steps are:

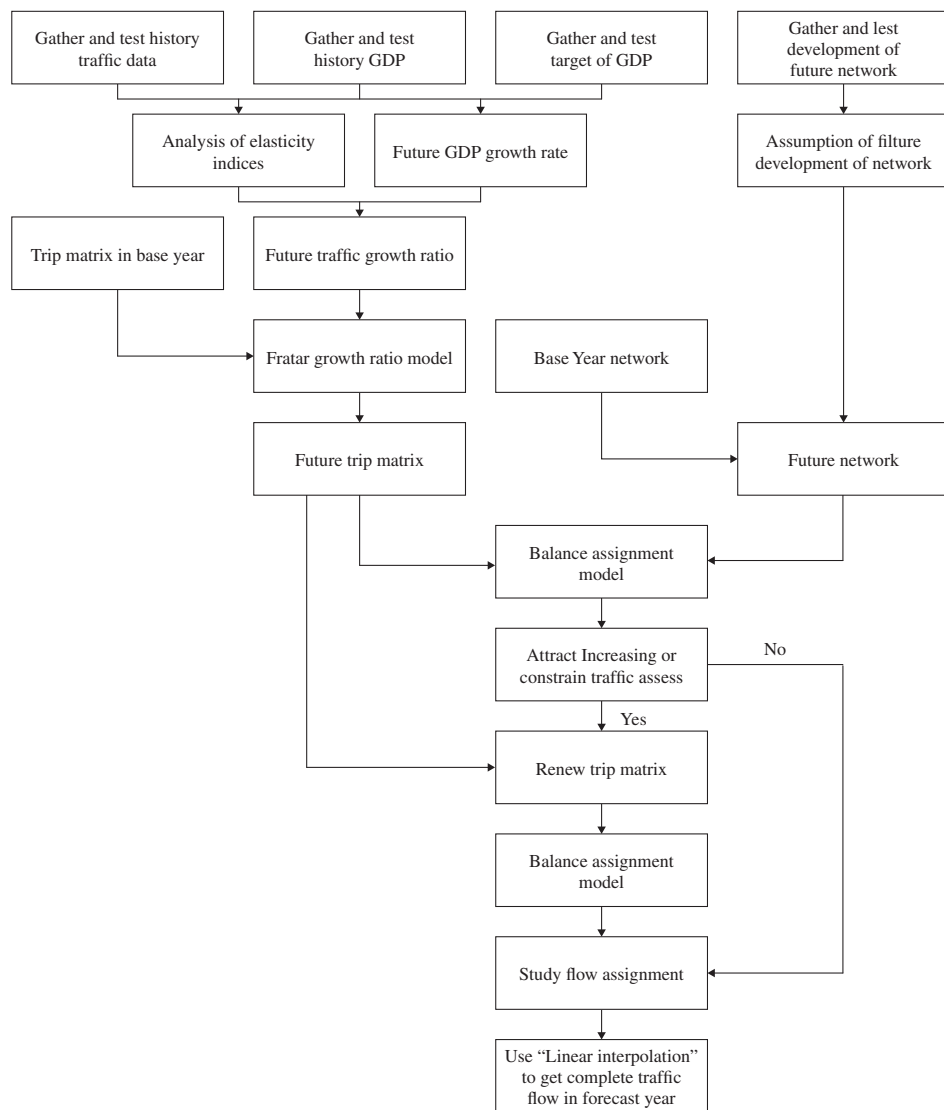


Chart 3.1 Traffic Forecasting Flowchart

1. *Forecasts of Economic and Social Development*

The focus of the economic and social development forecast is to determine, by subdistrict, the future level of development of the main economic and social indicators that have a clear relationship with the traffic demand. The forecasting work is based on the historical and current situation of economic and social development in the region concerned, analyzes and studies the main factors influencing future economic and social development, as well as possible development potential, and uses a combination of quantitative and qualitative methods in conjunction with macroeconomic development strategies and policies defined by the State, as well as the relevant plans for the region.

Forecasting should be integrated with the relevant plans for the area in which the project is located, and one of the following methods should be selected on a case-by-case basis:

- (1) Take the local economic and social development plan as the basic basis for making appropriate supplementary analytical predictions. Attention should be paid to the balanced analysis of the forecast results of each zone with the planning objectives of the entire affected area and even the province concerned;
- (2) The local economic and social development plan is taken as one of the forecasting scenarios, which is combined with the results of the project analysis and forecasting to form the forecasting value interval.

2. *Traffic generation forecast*

The total number of traffic generation (production and attraction) in the zones is a specific reflection of the economic and social development of traffic demand. The forecast of the production and attraction flow should be based on the basic economic and social development trend. Commonly used forecasting methods are growth rate method, correlation analysis method, intensity indicator method. Among them, the growth rate method is most commonly used to determine the growth rate of traffic trips by studying the growth of population or economic indicators.

3. *Traffic distribution forecast*

Traffic distribution forecasting is the process of estimating the distribution of traffic trips between each pair of zones based on the traffic production and attraction. Traffic distribution forecasting methods can be categorized into two types: present state method and integrated model method.

(1) Present state method

There are several models for forecasting the future distribution of traffic trips based on the present OD table, including the Equilibrium Growth Rate Method, Average Growth Rate Method, Detroit Method, and Fratar Method, among which the Fratar Method is the most widely used.

(2) Integrated model method

The integrated model method is a method for Traffic distribution forecast using the quality of regional economic activity and impedance of traffic trips. The main model form is the basic gravity model and its deformation, and the model's prediction parameters and their calibration are more complicated compared to the present state method.

4. *Traffic assignment forecast*

Traffic assignment is the process of using impedances on a highway network to assign the traffic distribution to specific routes. The impedance of routes on a highway network is generally measured using expressway network parameters such as time distance or generalized operating costs. The assignment model should be examined before traffic assignment forecast, and the examination of the assignment model includes the examination of the expressway network descriptive parameters and the examination of the route impedance model, which assigns the base year OD matrix to the base year expressway network, carries out the calibration between the actual survey results and the assignment results, and makes the two coincide with each other by continuously adjusting the parameters.

Commonly used traffic assignment methods include User Equilibrium Assignment Method, All-or-nothing Assignment Method, Shortest-path Iterative Assignment method Considering Capacity Constraints, and Multi-path Probabilistic Assignment Method.

### ***3.1.2 Forecasting Software and its Parameter Selection***

#### *1. Forecasting software*

Traffic forecasting mainly uses TransCAD, a professional traffic forecasting software developed by Caliper, Inc. in the United States, to establish the expressway network model. The forecasting process of traffic generation, traffic distribution and traffic assignment will be measured using the software.

#### *2. Main parameters in the forecast*

The main input parameters in the traffic generation forecast include economic and social indicators, traffic elasticity coefficient, etc.; before the travel distribution forecast the base year OD needs to be calibrated and verified, the input parameters mainly include the road capacity, the current expressway network, etc.; and there are no other parameter inputs in the process of the growth rate method for the distribution forecast; the input parameters for the traffic distribution forecast mainly include the planned expressway network, the road capacity, and the traffic impedance, etc. The input parameters for traffic assignment forecasting mainly include planned expressway network, road capacity, traffic impedance, etc.

In summary, the main input parameters in the forecast include economic and social indicators, traffic elasticity coefficient, road capacity, planned expressway network and traffic impedance, which need to be assumed before the forecast process. In addition, the proportion of vehicle types is an important basis for converting the absolute value of traffic flow to a standard value, which also needs to be forecasted together in the forecast.

## **3.2 Key Assumptions**

### ***3.2.1 Parameters of Economic and Social Development***

Economic and social development is the main factor affecting regional traffic production and attraction the overall scale, and the frequency of economic and social activities will bring about a significant increase in road traffic, so the forecast of economic and social indicators is one of the prerequisites and groundwork for the forecast of traffic flow. According to experience, traffic flow or transportation flow has the most direct correlation with economic development, and the future economic development goals of each region are measured by GDP, which is also selected as the main forecasting object in this forecast.

### 3.2.1.1 Historical Regional GDP Growth

Based on the closeness of the Project to the neighboring regions, this economic and social study divides the neighboring regions into several parts: the cities of Wuxi, Suzhou, Changzhou, Nanjing, Zhenjiang, Middle Jiangsu, North Jiangsu, Shanghai, Zhejiang, Anhui, and Shandong. Each of these regions is considered separately when forecasting GDP growth for future characteristic years, and future traffic generation forecasts will be based on these indicators.

According to the relevant regional statistical yearbook, the statistics of GDP growth rates from 2017 to the first half of 2023 within the Project's main impact area are shown in the table below.

**Table 3–1 Historical GDP growth rates in the regions concerned (Unit: %)**

Region\Year	2017	2018	2019	2020	2021	2022	2023
Wuxi	7.4	7.4	6.7	3.7	8.8	3.0	5.8
Suzhou	7.1	6.8	5.6	3.4	8.7	2.0	4.5
Changzhou	8.1	7.0	6.8	4.5	9.1	3.5	6.1
Nanjing	8.1	8.0	7.8	4.6	7.5	2.1	5.6
Zhenjiang	7.2	3.1	5.8	3.5	9.4	2.9	6.4
Central Jiangsu	8.0	6.9	6.5	3.9	8.8	3.6	6.0
Northern							
Jiangsu	7.2	5.5	6.1	3.5	8.9	3.5	8.6
Shanghai	7.0	6.8	6.0	1.7	8.1	-0.2	9.7
Zhejiang	7.8	7.1	6.8	3.6	8.5	3.1	6.3
Anhui	8.5	8.0	7.5	3.9	8.3	3.5	6.1
Shandong	7.4	6.4	5.5	3.6	8.3	3.9	6.2



## 3.2.1.2 GDP Forecast for Future Characteristic Years

The economic and social development of the region that the Project concerns is the main factor in the traffic growth forecast, in addition to the historical economic development in recent years, this study also refers to the regional national economic and social development of the 14th Five-Year Plan in the relevant content.

## 1. Relevant planning objectives

According to “The Outline of 14th Five-Year Plan for National Economic and Social Development and the Vision of the 2035 for Jiangsu Province”, the province’s gross domestic product (GDP) will grow at an average annual rate of about 5.5% during the 14th Five-Year Plan period, and the per capita GDP will be doubled from the 2020 level by 2035. The planning objectives for major regions within Jiangsu Province and neighboring provinces are shown in the table below.

**Table 3–2 GDP Growth Objectives of the 14th Five-Year Plan for Major Regions and Neighboring Provinces and Municipalities in Jiangsu (Unit: %)**

<b>Region</b>	<b>Plan growth goals</b>	<b>Region</b>	<b>Plan growth goals</b>
Jiangsu	5.5	Central jiangsu region	6.0
Wuxi	6.0	Northern jiangsu region	6.7
Suzhou	6.0	Shanghai	5.0
Changzhou	5.5	Zhejiang	6.0
Nanjing	6.5	Anhui	6.5
Zhenjiang	6.0	Shandong	5.5

*Note:* Middle and Northern Jiangsu are the average values for each city, and the GDP growth objectives in the plans for each city in Jiangsu are higher than or equal to the provincial planning objectives.

2. Trend analysis of the economic situation

China's economic development has experienced a period of high growth for nearly three decades, driven mainly by two major dividends. From the supply side, the internal demographic dividend brought an abundance of cheap labor, which pushed up the savings rate and the potential economic growth rate. From the demand side, the external globalization dividend brought explosive growth in external demand and a massive influx of foreign investment, laying the foundation for an export-oriented growth model. However, from the current point of view, the world economy is recovering with twists and turns in the midst of deep adjustments, and is still in a period of low-speed growth in general. The international environment is grim, trade disputes are intensifying, many contradictions are superimposed, risks and hidden dangers are increasing, and the external dividend is declining at an accelerated pace. At the same time, the domestic population is aging, and the internal demographic dividend is gradually disappearing. This will inevitably lead to a shift in China's economy from high to medium-high growth.

From the point of view of international experience, the "gear shift" after high growth is also an inevitable trend. According to the statistics of the Growth and Development Commission of the World Bank, there are only 13 economies that have maintained a high growth rate of more than 7% for more than 25 consecutive years after the Second World War, excluding such small countries as Botswana, Malta and Oman, the remaining 10 economies basically started to decelerate from the third decade, and the only one that could maintain a growth rate of more than 7% for the fourth decade was Taiwan, and the rest of the economies basically fell to less than 4%. China, on the other hand, has entered its fourth decade of high growth.

A steady decline in economic growth rates is therefore more likely for a considerable period of time in the future.

## 3. Forecast of economic growth indicators in and around the Jiangsu region

“The Outline of 14th Five-Year Plan for National Economic and Social Development and the Vision of the 2035 for Jiangsu Province” proposes that the province’s per capita GDP should be doubled by 2035 from the 2020 level. Taking into account the fact that the resident population of Jiangsu Province has still maintained a slight growth in recent years, as well as the impact of the low base of the actual GDP in 2020 affected by the epidemic, the GDP in 2035 will need to reach at least 2.1~2.15 times of that in 2020. On this basis, excluding growth rates of 8.6%, 2.8%, and 5.8% in 2021–2023 and 6% in 2024–2025, the average growth rate for the remaining 10 years is to reach at least 4.9% or more. After calculation, when the average annual GDP growth rate during 2026–2035 is reduced by about 0.2% per year, the overall GDP growth can reach that average growth rate requirement. After 2036, there is no clear plan or other reliable basis for the GDP of Jiangsu Province, and its growth rate will be referred to the growth rate level of developed countries at the current stage of 2–3%, and reduced by 0.1% per year to 3.0% during 2036–2046.

The GDP forecasts of other relevant regions in this report refer to the average level of Jiangsu province, and are mainly qualitative forecasts, based on the planning objectives of each region and the comprehensive judgment of economic development trends in recent years. The average GDP growth rate of the relevant regions is forecasted as shown in the table below.

**Table 3–3 Forecasted Average GDP Growth Rate in the Main Affected Areas of the Project (Unit: %)**

Region\Year	2024~2025	2026~2030	2031~2035	2036~2040	2041~2046
Wuxi	6.0	5.4	4.4	3.6	3.0
Suzhou	5.8	5.3	4.3	3.5	2.9
Changzhou	5.5	5.0	4.2	3.4	2.8
Nanjing	6.5	5.8	4.6	3.8	3.2
Zhenjiang	5.6	5.1	4.3	3.5	2.9
Central jiangsu region	6.1	5.5	4.5	4.1	3.4
Northern jiangsu region	6.7	6.0	5.0	4.2	3.6
Shanghai	5.0	4.6	3.8	3.2	2.8
Shandong	5.6	4.9	4.0	3.3	2.8
Anhui	6.3	5.6	4.6	3.9	3.4
Zhejiang	5.9	5.4	4.5	3.7	2.9

### 3.2.2 Elasticity Coefficient Assumptions

#### 1. Definition and calculation of elasticity coefficient

The elasticity coefficient is the coefficient of correlation between traffic growth and economic growth. The elasticity coefficient of highway traffic flow with respect to economic indicators is the ratio of the rate of change in traffic flow to the rate of change in economic indicators, and is calculated by the following formula:

$$GV_r = GDP_r * e_{GV}$$

$$PV_r = GDP_r * e_{PV}$$

Where,

GV<sub>r</sub>: Average annual growth rate of goods vehicles traffic in the study area

For example the growth rate for the year is equal to  $GV_r = (GV_t - GV_{t-1})/GV_{t-1}$ .

PV<sub>r</sub>: Annual average growth of passenger vehicles traffic in the study area.

For example the growth rate for the year is equal to  $PV_r = (PV_t - PV_{t-1})/PV_{t-1}$ .

GDP<sub>r</sub>: Average annual growth rate of GDP in the study area

e<sub>GV</sub>: Elasticity coefficient of goods vehicles

e<sub>PV</sub>: Elasticity coefficient of passenger vehicles

According to the formulas above, we can deduce the calculation method between passenger/goods vehicles traffic and GDP. The method is as followings:

$$e_{GV} = \frac{\partial GV / GV}{\partial GDP / GDP}$$

$$e_{PV} = \frac{\partial PV / PV}{\partial GDP / GDP}$$

The elasticity relation of passenger/goods vehicles traffic and GDP corresponds to the below formula:

$$\text{Traffic} = A * \text{GDP}^B \quad (1)$$

Traffic: Traffic flow in the study area

GDP: Gross Domestic Product indicator for the study area

A, B: Calibrating factors

Logarithm on both sides of formula (1), we can get formula (2):

$$\ln(\text{Traffic}) = \ln(A) + B * \ln(\text{GDP}) \quad (2)$$

$$\frac{\partial(\text{Traffic})}{\text{Traffic}} = B * \frac{\partial(\text{GDP})}{\text{GDP}}$$

$$B = \frac{\frac{\partial(\text{Traffic})}{\text{Traffic}}}{\frac{\partial(\text{GDP})}{\text{GDP}}} \quad (\text{Elasticity coefficient})$$

## 2. *Analysis and forecast of the elasticity coefficient*

The development laws of passenger and goods vehicles vary at different stages of economic and social development. In the early stages of economic development, due to the rapid development of heavy industry and basic industries, a large amount of raw materials and primary products need to be transported, resulting in a surge in freight flow. The growth rate of goods vehicles is faster than that of passenger vehicles, and the elasticity coefficient of goods vehicles is generally greater than that of passenger vehicles. With the development of the economy, national revenue and living standards continue to improve, and people's demand for trip continues to increase. Passenger vehicles will maintain a fast growth rate and gradually surpass the growth rate of goods vehicles. Compared to highway goods vehicles, the growth rate of highway passenger vehicles is faster and the growth duration is longer. Therefore, for a considerable period of time, the passenger elasticity coefficient approaches or even exceeds 1.0, and then begin to decline. In the later stages of economic development, the elasticity coefficient of goods vehicles is generally smaller than that of passenger vehicles. The qualitative forecast of the elastic coefficient of passenger and goods vehicles in the affected area of this Project is as follows.

Table 3-4 Elasticity Coefficient of Passenger Vehicles by Region

Region\Year	2024~2025	2026~2030	2031~2035	2036~2040	2041~2046
Wuxi	1.16	1.03	0.91	0.81	0.72
Suzhou	1.14	1.01	0.89	0.79	0.71
Changzhou	1.17	1.05	0.93	0.83	0.73
Nanjing	1.15	1.02	0.90	0.80	0.72
Zhenjiang	1.20	1.06	0.93	0.83	0.74
Central jiangsu region	1.22	1.07	0.96	0.85	0.76
Northern jiangsu region	1.25	1.11	0.98	0.87	0.78
Shanghai	1.12	0.99	0.87	0.77	0.70
Shandong	1.21	1.08	0.96	0.84	0.75
Anhui	1.27	1.13	0.99	0.89	0.79
Zhejiang	1.18	1.05	0.93	0.83	0.73

Table 3-5 Elasticity Coefficients of Goods Vehicles by Region

Region\Year	2024~2025	2026~2030	2031~2035	2036~2040	2041~2046
Wuxi	0.88	0.76	0.66	0.58	0.51
Suzhou	0.86	0.75	0.65	0.57	0.50
Changzhou	0.93	0.79	0.67	0.59	0.52
Nanjing	0.88	0.76	0.66	0.58	0.51
Zhenjiang	1.02	0.89	0.76	0.64	0.56
Central jiangsu region	1.09	0.93	0.79	0.67	0.58
Northern jiangsu region	1.11	0.94	0.81	0.69	0.60
Shanghai	0.84	0.73	0.63	0.56	0.48
Shandong	1.07	0.91	0.77	0.66	0.57
Anhui	1.13	0.95	0.82	0.70	0.61
Zhejiang	0.90	0.77	0.67	0.59	0.53

### 3.2.3 Road Capacity Analysis

#### 1. Normative situation

The calculation of the road capacity is mainly based on the “Technical Standards for Highway Engineering” (JTG B01–2014) issued by the Ministry of Transport of China in 2014. The highway service level is classified into six grades, namely, Grade I to VI. Among them, the maximum service traffic flow of Level III service level corresponds to the design capacity, and the maximum service traffic flow of Level V service level corresponds to the basic capacity. The specific classification criteria are shown in the table below.

**Table 3–6 Grading of Service Level for Expressways**

Service level	$v/C$	Design speed		
		120	100	80
		<b>Maximum service traffic flow (pcu/h/ln)</b>		
I	$v/C \leq 0.35$	750	730	700
II	$0.35 < v/C \leq 0.55$	1200	1150	1100
III	$0.55 < v/C \leq 0.75$	1650	1600	1500
IV	$0.75 < v/C \leq 0.90$	1980	1850	1800
V	$0.90 < v/C \leq 1.00$	2200	2100	2000
VI	$v/C > 1.00$	0~2200	0~2100	0~2000

*Note:*  $v/C$  is the ratio of the maximum service traffic flow to the basic capacity under baseline conditions, and the base capacity is the maximum hourly traffic flow corresponding to the Level of Service V condition.

As the classification of vehicle types and the conversion coefficients for vehicle types in the standards are not consistent with the approved toll standard. According to the sample statistics of the past operation data in the expressway network, the capacity calculated by the toll coefficients is about 5% higher compared with the calculated value of the conversion coefficients in the specifications actually.

## 2. Real capacity measurement

The following formula is used to calculate the real capacity of the expressway:

$$C_r = C_d \times f_{HV} \times f_N \times f_p$$

Where,

$C_r$ : The real capacity of expressways. veh/(h•ln).

$C_d$ : The basic capacity of the expressway section corresponding to the actual driving speed is pcu/(h•ln). When the design speed is 120 and 100 km/h, the basic capacity is set as 2200 and 2100 pcu/(h•ln).

$f_{HV}$ : The correction coefficient of traffic composition to capacity, corrected according to the proportion of each vehicle type in the traffic composition, calculated by the formula:

$$f_{HV} = \frac{1}{1 + \sum P_i (E_i - 1)}$$

Among them,

$P_i$ : Traffic flow of type i as a percentage of total traffic flow.

$E_i$ : Vehicle conversion coefficient for type i.

$f_N$ : The correction coefficient for the number of lanes for expressways with six or more lanes, which is taken as 0.98 and 0.99 for six lanes;

$f_p$ : The overall driver characteristic correction coefficient, which is generally taken as 0.95–1, and this time it is taken as 1.

Since the composition of vehicle types varies from section to section in the expressway network, the capacity in the model cannot be set uniformly according to the natural flow. Therefore, the capacity in the model is expressed as a standardized quantity, and the correction coefficient for the vehicle type is uniformly taken as a rough value of 0.98.



3. *Daily capacity measurement*

$$C=C_r*N/K/D$$

Among them,

*C*: Daily traffic capacity, Unit: pcu/d.

*N*: Number of one-way lanes, taking 2, 3, and 4.

*K*: The peak hour ratio, based on historical survey data, is approximately 0.75–0.85, with a value of 0.80 in this report.

*D*: Directional imbalance coefficient, taken as 0.52 in this report.

In the model, the capacity of expressways is rounded according to the calculated values and set as shown in the table below:

**Table 3–7 Daily Capacity of Expressway (Unit: pcu/d)**

Design speed\Lane	Expressway		
	Eight-lane	Six-lane	Four-lane
120 km/h	210000	160000	110000
100 km/h	200000	150000	100000

### 3.2.4 *Analysis of the Proportion of Vehicle Types*

1. *The development trend of passenger vehicle type*

With the continuous development of the economy, the number of motor vehicles in China and Jiangsu has grown rapidly, strongly supporting the growth of expressway traffic. From the development experience of expressway vehicle type in Jiangsu Province and across the country, it can be seen that the growth rate of passenger vehicles is generally higher than that of goods, leading to a continuous increase in the proportion of passenger vehicles in the expressway network. According to the relevant regional statistical yearbooks, the changes in the number of motor vehicles in the main affected areas of this road from 2017 to 2021 are shown in the table below.

**Table 3–8 Changes in Motor Vehicles Ownership in Jiangsu and Neighboring Provinces (Unit: Ten thousand vehicles)**

Region\Year	2017		2021		Growth rate	
	Passenger vehicle	Goods vehicle	Passenger vehicle	Goods vehicle	Passenger vehicle	Goods vehicle
Jiangsu Province	1,499.72	105.65	2,012.75	152.49	7.6%	9.6%
Shanghai City	328.17	30.81	429.39	33.58	7.0%	2.2%
Anhui Province	605.79	99.79	916.98	140.16	10.9%	8.9%
Zhejiang Province	1,266.84	124.53	1,744.44	172.66	8.3%	8.5%
Shandong Province	1,711.66	210.72	2,409.1	318.13	8.9%	10.8%
Nationwide	18,469.54	2,338.85	26,015.84	3,258.74	8.9%	8.6%

*Note:* The data is sourced from the China Statistical Yearbook.

**Table 3–9 Changes in the Ownership of Private Vehicles in the Five Cities of Southern Jiangsu (Unit: Ten thousand vehicles)**

Region\Year	2017	2018	2019	2020	2021	Average
						growth rate
Nanjing	201.56	207.25	211.19	216.03	222.64	2.5%
Zhenjiang	149.03	161.42	172.24	180.87	189.46	6.2%
Changzhou	49.56	53.78	56.93	59.64	62.32	5.9%
Wuxi	104.76	113.41	120.81	126.68	132.91	6.1%
Suzhou	301.54	329.72	350.49	369.22	390.94	6.7%
Total	<u>806.45</u>	<u>865.58</u>	<u>911.66</u>	<u>952.44</u>	<u>998.27</u>	<u>5.5%</u>

*Note:* The data is sourced from the Jiangsu Statistical Yearbook.

In addition, in recent years, congestion on local urban roads in Southern Jiangsu has been increasing, and the expressway has become one of the choices for regional commuter traffic, with a significant increase in short trips of P1; on the other hand, with the construction of national high-speed railways and local intercity railways, the intercity function of passenger vehicles has gradually weakened, e.g., the completion of Jinghu High Speed Railway (BHSR) and Huning High Speed Railway (HNHSR) had led to a significant decrease in the traffic flow of passenger vehicles (P3 and P4) along the routes. From the development experience of Guangshen Expressway, Huning Expressway and other intercity expressways, the contribution of P1 to the growth of expressway flow reaches more than 80%.

In summary, in future expressway trip, the growth of passenger vehicles will be faster than that of goods vehicles, leading to a continuous increase in the proportion of passenger vehicles. Due to factors such as the further popularization of small passenger vehicles and the construction of intercity railways, the proportion of P1 in all passenger vehicle types will also increase simultaneously.

2. *The development trend of goods vehicle*

Goods vehicles are mainly influenced by freight specialization as well as industrial development.

From the perspective of freight specialization, on the one hand, the transportation cost per unit weight of large goods vehicles is lower, and under an efficient transportation organization model, the large goods vehicles (G6) develop well. On the other hand, small goods vehicles (G1 and G2) have good maneuverability and can better adapt to the present pace of economic development. Express transportation also has a significant promoting effect on the development of small goods vehicles. However, the transportation advantage of medium-sized goods vehicles (G3, G4, G5) continues to decline, and their proportion has decreased due to the significant compression of heavy and light goods vehicles. And from the sales of the goods vehicle market in recent years, its proportion has gradually decreased. From the national statistical yearbook data, the ownership of medium-sized goods vehicles in China has decreased from 2.6975 million in 2010 to 95.88 million in 2021, with an average annual decrease of 9%. During the same period, the number of light and heavy goods vehicles increased.

From the perspective of industrial development, there are significant differences in the demand for goods transportation among different types of industries, especially different types of second industries. For example, the freight demand generated by the unit output value of heavy industry is greater than that of light industry, and the demand for light industry is greater than that of service industry. The quantity and quality of freight demand for different types of products also vary. High value-added “light, thin, short, small” products generate less freight flow than traditional “thick, heavy, long, large” products, but the requirements for transportation quality are very high. The proportion of agriculture, light industry, heavy industry, and service industries in a society and the type structure of their output products directly affect the quantity and quality of freight demand in that society. It can be foreseen that the development of high value-added manufacturing industry will inevitably lead to the development of lightweight goods vehicles, and the development of large equipment and transportation organizations will also lead to the development of heavy-duty goods vehicles.

Therefore, the development trend of the proportion of regional goods vehicles should be a decreasing proportion of medium-sized trucks, which are gradually replaced by other types.

3. *Vehicle type proportion forecast*

The forecast of vehicle types is mainly qualitative, with separate forecast for passenger and goods vehicles. Based on the above analysis, the overall proportion of vehicle types P1 will show a trend of increasing, and other passenger vehicle types decreasing. In terms of the proportion of goods vehicle types, it will also maintain a development trend of developing at both ends and decreasing in the middle.

**Table 3–10 Forecast of the Proportion of Passenger Vehicle Types on the Project**

<b>Year</b>	<b>Total</b>	<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>P4</b>
2023	100.00%	99.09%	0.16%	0.26%	0.48%
2030	100.00%	99.22%	0.14%	0.23%	0.41%
2035	100.00%	99.30%	0.13%	0.20%	0.37%
2040	100.00%	99.39%	0.12%	0.17%	0.32%
2046	100.00%	99.50%	0.10%	0.14%	0.26%

**Table 3–11 Forecast of the Proportion of Goods Vehicle Types on the Project**

<b>Year</b>	<b>Total</b>	<b>G1</b>	<b>G2</b>	<b>G3</b>	<b>G4</b>	<b>G5</b>	<b>G6</b>
2023	100.00%	39.47%	26.38%	7.20%	9.38%	6.39%	11.18%
2030	100.00%	40.54%	26.50%	6.42%	8.66%	6.13%	11.75%
2035	100.00%	41.30%	26.57%	5.86%	8.14%	5.94%	12.19%
2040	100.00%	42.07%	26.67%	5.29%	7.63%	5.73%	12.61%
2046	100.00%	43.00%	26.76%	4.62%	7.02%	5.48%	13.12%

### 3.2.5 Volume Delay Assumptions

The model adopts the volume delay functions (VDF) for expressway network flow assignment. The VDF reflects the road resistance factors considered by drivers in the path selection process, which usually include the actual trip time of the selected path, the length of the route and the tolls, etc. The importance of these road resistance factors is reflected by the weighting coefficients, and the toll and the operating costs which are proportional to trip length, can be convert into time by the value of time. The VDF is generally expressed as follows:

$$T = L/V + [FT + (TPK + VOC) \times L] / VOT$$

Where:  $T$ : Comprehensive costs of road sections (unit: hour)

$L$ : Length of road section (unit: km)

$V$ : Actual driving speed (unit: km/h)

$FT$ : Fixed Toll (unit: yuan)

$TPK$ : Toll Per KM (unit: yuan/km)

$VOC$ : Vehicle operating costs (unit: yuan/km)

$VOT$ : Value of Time (unit: yuan/hour)

Among them, the actual travel time depends on travel speed which changes with the changing of traffic volume, the relationship between them is described by BPR function developed by U.S. Bureau of Public Road. When calculating the network traffic volume iteration and assignment, travel speeds in each road section will be calculated according to the traffic volume in it. BPR function formula is seen as below:

$$t_{cur} = t_0 \times \left( 1 + \alpha \left( \frac{q}{q_{max} \times \gamma} \right)^\beta \right)$$

Where:

$t_{cur}$ : Trip time in road network has been loaded (unit: h);

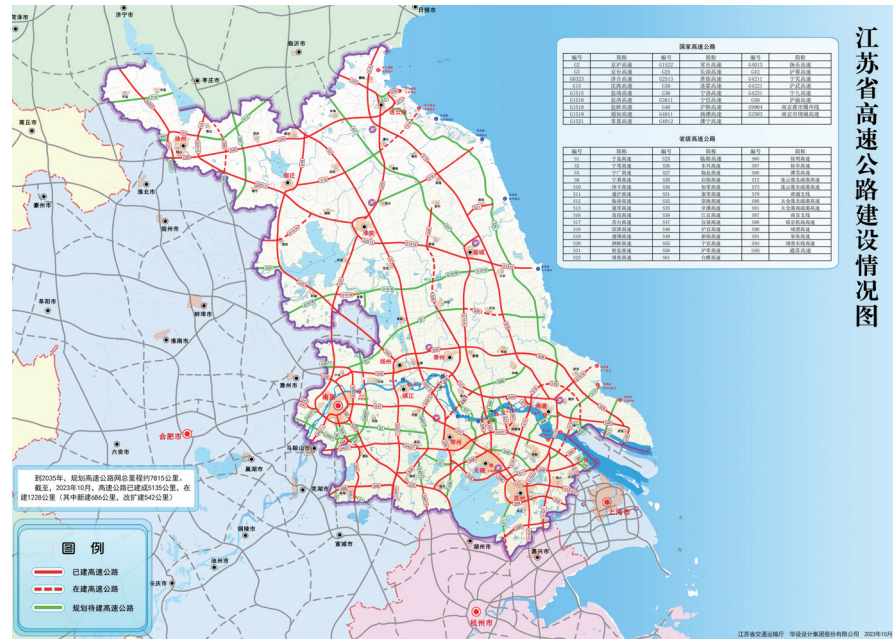
$t_0$ : Free flow trip time (unit: hour), taking the ratio of the length of the road section to the design speed.

- $q$ : Traffic volume on road network (unit: pcu/d).
- $q_{max}$ : Road capacity (unit: pcu/d).
- $\alpha, \beta, \gamma$ : Parameters. The parameters in the model are obtained from our similar consultants and refer to the widely used value at home and abroad. Generally,  $\alpha, \beta, \gamma$  take the values of 0.15, 4, 1.

### ***3.2.6 Integrated Transportation Development Plan***

#### *1. Expressway network planning and construction plan*

According to “The Outline of Jiangsu Province Comprehensive Stereoscopic Transportation Network Plan” issued by the Jiangsu Provincial Party Committee and Provincial Government in 2022, the future expressway will focus on supporting the integrated development of transportation in the Yangtze River Delta world-class urban agglomeration, enhancing the radiation-driven function of the Nanjing as the megacity in Yangtze River Delta, promoting the integration of the north and the south of Yangtze River, serving the high-quality development of the coastal areas, and enhancing the inter-provincial corridor connectivity. Focusing on stock excavation, new high-quality increment and improving the overall layout, the expansion and renovation of busy corridors will be accelerated. By 2035, it is planned to form a expressway network layout of “fifteen rays, six verticals and ten horizontal links”, with a total mileage of about 7100 kilometers. There will be to pre-control the Linhai Expressway, the city ring road, the city’s external links, the passage crossing Yangtze and other expressways in the future vision.



江苏省高速公路建设情况图

Chart 3.2 Layout Plan of Expressway in Jiangsu Province<sup>5</sup>

“Jiangsu Province 14th Five-Year Comprehensive Transportation System Development Plan” has put forward the relevant construction plans for the planning project, the forecast process has also collected the latest information on the projects to be constructed and under construction. The information that has a significant impact on the Project’s flow, is sorted out in the table below:

<sup>5</sup> After the issuance of the “The Outline of Jiangsu Province Comprehensive Stereoscopic Transportation Network Plan” in 2022, the planning of the expressway network is still being continuously adjusted. As of v.2023, the total length of expressways in the province has been 5,135 kilometers, with 1,228 kilometers under construction (including 686 kilometers of new construction and 542 kilometers of renovation and expansion). By 2035, the planned total length will increase from about 7100 kilometers to about 7800 kilometers.

**Table 3–12 List of Expressway Planning and Construction Information that  
Mainly Affects the Project**

Number	Road name	Construction content	Construction period	Impact description
1	Xiyi Expressway	Expansion of the south section, 4 to 8 lanes	2023–2026	During the expansion period, the flow of Xiyi Expressway will decrease, which will have a slight negative impact on the Project. It will be restored after the completion of the expansion.
2	Xitai Expressway	New two-way 6 lanes expressway	2024–2027	After completion and opening to traffic, it will partially divert the flow of Project.
3	Yanjiang Expressway	Full line expansion, 4/6 to 8/10 lanes	2023–2027	During the period, some of the flow will be transferred to the Project, and after the renovation and expansion is completed, the flow will return.
4	Huning Expressway	Not yet clear, considering expansion based on 16 lanes	Not yet clear, assuming construction from 2028 to 2032	During the expansion period, some of the flow will be transferred to the Project, and after the renovation and expansion is completed, the flow will return.
5	Ningchang Expressway Jintan to Wujin section	New two-way 6 lanes expressway	2024–2027	For it's near the starting point of the Project, once completed and opened to traffic, it will attract vehicles from the south region of Changzhou to pass through to the Project.
6	Taichang Expressway	Not yet clear, considering the construction of a new two-way 6 lanes expressway	Not yet clear, considering the full opening of the line by 2036	It's planned to connect to the east side of the Xueyan junction of the Project, and the construction will improve the regional road network connection, and slightly increase traffic flow of the Project.



The construction period of the Xiyi Expressway expansion is from 2023 to 2026. During the expansion period, due to the road access restriction, it reduces the proportion of trips from Yixing area to Wuxi area using the expressway, which slightly negatively affects the Project's flow. The negative impact will be eliminated after the expansion is completed.

The construction period of Xitai Expressway is expected to be from 2024 to 2027, and the completion will add a new lateral channel in the southern Jiangsu, which will form a diversion to the Project. When it open to traffic, the expansion of Yanjiang Expressway will be completed, and the reconstruction and expansion of Huning Expressway will be started, and several factors will have an impact on the Project in 2028 at the same time.

The construction period of Yanjiang Expressway expansion is from June 2023 to November 2027, with a total construction period of 53 months. Among them, the construction of the pilot section started in June 2023, and the full construction of the whole line is expected to start in July 2024. At present, the traffic organization during the construction period after the full commencement of construction has not yet been finalized and stabilized. According to the preliminary construction plan, the Wuxi section of Yanjiang Expressway is proposed to adopt the traffic organization of two-way four lanes to keep the traffic open, and large goods vehicles with more than 3 axles will be restricted. Meanwhile, from March 2024 to May 2025, the pilot section of Jiangyin will be closed in the direction of Shanghai to Nanjing, which will have a greater impact on the lateral passage of the Wuxi section of the South Jiangsu Corridor.

The preliminary research work of Huning Expressway expansion is currently organized to carry out by Ninghu Co., and it is planned to complete the expansion work before the end of its charging period, and the specific construction plan and traffic organization plan during the construction period of the project have not yet been finally clarified. In this forecast, the traffic organization during the expansion period is assumed with reference to the implementation of the previous Jinghu Expressway and Yanjiang Expressway expansion, and after the completion of the expansion, it is assumed to be sixteen lanes in this section, and the construction period of the expansion is assumed to be the period from 2027 to 2031.

The Jintan to Wujin section of the Ningchang Expressway is currently carrying out the preliminary work. It runs eastward from Rulin Town in Jintan on the Fuli Expressway and connects to the Project using the Gehu reserved corridor to Qianhuang Town in Wujin. The total length is about 28.9 kilometers, including about 8.5 kilometers of the cross-lake section. The entire line is planned to adopt the standard construction of a two-way six lane expressway. The construction plan is to commence in 2024 and be completed and opened to traffic by the end of 2027. After the road is completed and opened to traffic, it will attract vehicles from the south region of Changzhou to the Project, further increasing the Project flow.

Taichang Expressway is a project to be included in the planning of expressway network in 2022. At present, the Taizhou section of the project is carrying out the pre-project stage, and the pre-project work of the river crossing and Changzhou section has not yet been carried out, and the construction standard and construction plan are not yet clear. In the forecast, it is assumed that Taichang Expressway will be opened to traffic in 2036 and the standard of six lanes in two-ways. Its ending point is connected to the Project, which will improve the expressway network conditions from the eastern part of Changzhou to the southern part of Wuxi, and will have a slight boost to the traffic flow of the Project.

Judging from the functions and location conditions of the expressway network, among the above expressways, the expansions of Yanjiang Expressway and Huning Expressway have a greater impact on the traffic flow of the Project.

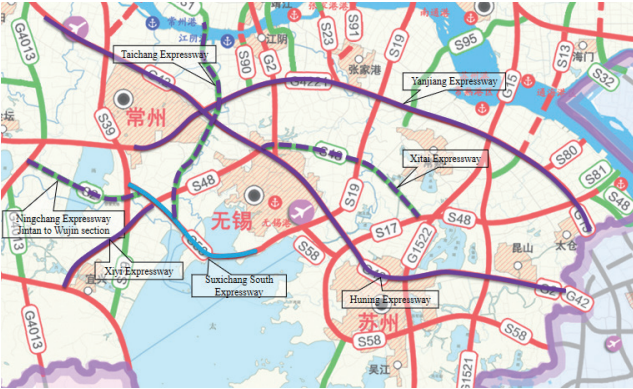


Chart 3.3 Schematic Chart of Main Expressways that impact the Project

2. *Railway transit planning and construction plan*

The Project mainly undertakes passenger transportation function, and the rail transportation facilities that have influence on the flow of the Project are mainly high-speed railroads, intercity railroads of city clusters and urban (suburban) railroads of metropolitan areas. According to The Outline of Jiangsu Province Comprehensive Stereoscopic Transportation Network Plan”, the planning scheme of various types of railways is as follows:

High-speed railway network. The province has planned “six vertical and six horizontal” high-speed railroad network, and the corridor where the Project is located mainly includes Beijing-Shanghai high-speed railway, Shanghai-Nanjing intercity, and South-Yanjiang Railway, etc. At present, these projects have been completed. At present, all these projects have been completed, which will have less impact on the flow of the Project in the future.

Intercity and metropolitan-area (suburban) railroads in city clusters. Suzhou-Wuxi-Changzhou metropolitan area to form the Suzhou, Wuxi, Changzhou as a multi-center of the metropolitan area of the city (suburban) railroad network, to promote the Wuxi-Changzhou-Taizhou, Shanghai-Suzhou-Nantong and other organic links, and promote the formation of a multi-channel pattern into Shanghai. According to the “14th Five Year Plan for Railway Development and Medium to Long Term Railway Network Layout in Jiangsu Province”, the main planned construction projects related to this road are the Yantaixiyi Intercity Railway, and the construction information is shown in the table below.

**Table 3–13 Information Table for Expressway Planning and Construction that Mainly Affects the Project**

Number	Road name	Construction content	Construction period	Impact description
1	Yantaixiyi Intercity railway	High-speed railway	2024–2026	The opening of the railroad will divert the flow of large passenger vehicles between Yixing and Wuxi



**Chart 3.4 Planning of Major Rail Transit Facilities in the South Jiangsu Region**

Currently, the connection between Yixing and Wuxi is dominated by passenger 1 type, with passenger 3 and 4 flows accounting for a very low percentage; at the same time, the percentage of Project flows undertaking the connection between Yixing and Wuxi direction is not high, only about 10%. In addition, according to public information, the Yantaixiyi Railway will set up the Huishan Station in Huishan, Wuxi, which is located on the west side of the city, far away from Taihu New Town, that the Project mainly servers, and is not expected to transfer the traffic flow from the Project.

3. *Local expressways and their construction plans*

According to the “Overall Urban Planning of Wuxi (2016–2035) “and the” Overall Land and Space Planning of Wuxi (2021–2035) “(formula draft)<sup>6</sup>, the local expressways that have a greater impact on the Project are the west extension of Juqu Road and the Suxi Taihu Channel

The west extension of Juqu Road is the planned Taihu-crossing expressway parallel to the Project, passing through Meiliang Lake and connecting with Yima Channel. The route is basically the same as the Project. It is expected to transfer the local traffic in Wuxi undertaken by the Project after its completion.

The Suxi Taihu Channel is an intercity road constructed in the form of local roads in Wuxi and Suzhou after the cancellation of the second phase planning of the Suxichang South Expressway. It starts at the intersection of the Taihu Avenue and Gongshan Road in Suzhou and ends at the north of Nanquan Junction, Lihu Road in Wuxi. After the completion of this road, it will connect with the Project’s ending point and become an important fast intercity channel within the Suzhou, Wuxi and Changzhou. It is expected that the completion of this channel will bring about a significant increase in the traffic flow of the Project, especially for vehicles from the south Suzhou to Changzhou and Wuxi.

At present, both above local expressways have been included in the new round of land and space planning. The Suxi Taihu Tunnel is in the preliminary research stage, while the western extension of Juqu Road does not. The geographical location of the local expressways is shown in the following figure:

<sup>6</sup> Overall Land and Space Planning of Wuxi (2021–2035) has been approved by provincial experts and is currently in the stage of submitting for approval.



Chart 3.5 Planning Map of Juqu Road and Suxi Taihu Channel

At present, the west extension of Juqu Road has not been put on the agenda. And with the increasingly strict national ecological control, it is difficult to build another the Taihu Tunnel near the Project in the near term, so the construction of the west extension of Juqu Road is not considered in the forecast. The Suxi Taihu Channel is speeding up the preliminary work by Suzhou and Wuxi, and the commencement date has not been determined yet. In this assessment, it is assumed that the channel will be completed and open to traffic in 2036.

### 3.2.7 Toll Policy

#### 1. Toll Period

According to the toll approval documents, the toll period deadlines for each expressway in Jiangsu Province are inconsistent. If the existing toll period is strictly followed, the traffic flow on the Project may transfer to the free expressway. Meanwhile, “the Toll Expressways Administration Regulations” are under revision and the future adjustment of the toll policy is uncertain. Considering that there is a large demand for reconstruction and expansion of the expressways constructed earlier in the network, it is more likely that the various expressways will continue to be tolled in the future. It is assumed in the forecast that all expressways will maintain their existing toll status during the forecast period.

#### 2. Charging standards

The following assumptions are made about the toll standard in the forecast:

- (1) For expressways that have been completed and put into operation, the tolls approved remain unchanged.
- (2) For expressways expected to be completed and put into operation before 2025, the expansion expressways and new bridges and tunnels refer to the “Pricing Mechanism for Expressway Tolls in Jiangsu Province” jointly issued by the Jiangsu Provincial Department of Transportation, the Development and Reform Commission and the Department of Finance in 2021. For other newly built general expressways, the basic rates for passengers and goods vehicles are in accordance with 0.55/km and 0.45/km.

- (3) For expressways that are expected to be completed and put into operation before 2030. At present, the pricing mechanism of expressways in Jiangsu Province for the “Tenth Five-Year Plan” is being studied, and the toll rate ceiling of expressways will be further increased. After research, it is expected that the upper limit of the basic rate for passenger vehicles will be adjusted from the existing 0.55 yuan/km to 0.65~0.7 yuan/km, and the basic rate for goods vehicles may be adjusted upward from 0.45 yuan/km simultaneously. The expressways related to the Project are mainly the Yanjiang Expressway and the Xitai Expressway, with the cost per kilometer of the two expressways being approximately 300 million yuan and 500 million yuan, respectively, and the possibility of breaching the established toll rate cap is relatively high. In this forecast, it is assumed that the basic rates for passenger vehicles and goods vehicles of these two expressways will be adjusted to 0.65 yuan/km and 0.55 yuan/km. Other expressways is assumed to remain unchanged under the “14th Five-Year Plan” policy.
- (4) Other expressways. The construction cost of expressway that will be completed and opened to traffic after 2030 will further increase, and it is expected that the average level of toll standards will also increase simultaneously. The long-term construction expressways related to the Project are mainly the expansion of Huning Expressway. According to the preliminary research conducted by the Ninghu Co., the cost per kilometer will reach over 500 million yuan/km. In this forecast, it is assumed that after the completion of the expansion of Huning Expressway, the basic rate of passenger vehicles will be increased to 0.75 yuan/km, and the basic rate of goods vehicles will be 0.55 yuan/km. Other expressways is assumed to remain unchanged under the “14th Five-Year Plan” policy.

As a result of the toll rate increase on the parallel expressway, it is anticipated that the Project’s share of traffic flow within the overall corridor will increase compared to the current status.



3. *Differentiated toll policy for the Project*

The Project has an existing differentiated toll policy until December 31, 2023. At present, Wuxi Municipal Government and Communications Holdings Co. have discussed and signed an agreement on the policy extension plan. According to the agreement, in the future, the Project Company will no longer share the subsidy for differentiation, and the government will pay the subsidy in full, and the other contents will be consistent with the previous scheme.

Generally, the differentiation policy is implemented for a period of less than five years and requires regular dynamic adjustments in conjunction with the effects of implementation. During the course of the transaction, Ninghu Co. has preliminary negotiations with the Wuxi Municipal Government on the future development of the differentiation policy. From the development trend of the policy, Wuxi City will further enhance the benefits to the public by increasing the subsidy amount, expanding the subsidy range, expanding the preferential targets, etc., which will further promote the growth of the traffic flow and revenue of the Project. But, the final scheme has not yet been finalized and it will be subject to further negotiation after the acquisition by Ninghu Co.

Subsequent differentiated policies are assumed in this forecast to remain unchanged from the 2024 continuation scenario, and later expanded scenarios are not considered at this time.

**CHAPTER 4 TRAFFIC FLOW FORECASTING PROCEDURE AND CONCLUSIONS****4.1 Brief description of the forecasting procedure**

Based on the previous forecasting methodology and assumed conditions, the main procedure of this traffic forecasting is as follows:

1. Divide the study area to traffic zones according to the characteristics of the Project, and calculate the base year OD;
2. Establish the expressway network model and calibrate the parameters based on historical data;
3. Calculate the traffic generation for each zone for major years based on future year economic growth rates and elasticity coefficient analysis;
4. Used Fratar method to calculate the future OD distribution in each zone for the major years;
5. Calibrate the expressway network information in the major year, adopt UE Assignment Model to carry out traffic assignment;
6. Calculate the average traffic flow of the Project by sections and vehicle types in each year, and analyze the characteristics and reasons for the changes in traffic flow.

**4.2 Traffic zone division and base year OD****1. Traffic zone division**

According to the administrative division of the area where the Project locates, the structure of regional expressway network and traffic flow characteristics, in line with the principle of zone division with the Project's influenced regions as the main focus and taking into account the surrounding areas, the study area is divided into a total of 24 traffic zones, of which 15 are in the southern Jiangsu, 5 are in the other parts of Jiangsu, and 4 are outside Jiangsu, as shown in the table below.

Table 4–1 Table of Traffic Zone Division

Number	Traffic zone	Number	Traffic zone
1	Wuxi urban area	13	Zhangjiagang
2	Yixing	14	Taicang
3	Jiangyin	15	Changshu
4	Nanjing urban area	16	Nantong
5	Lishui	17	Yangzhou
6	Gaochun	18	Taizhou
7	Zhenjiang Other	19	Lianyungang, Yancheng
8	Jurong	20	Huaian, Suqian, Xuzhou
9	Changzhou urban area	21	Shanghai
10	Jintan	22	Shandong and North
11	Liyang	23	Anhui and West
12	Suzhou urban area and Kunshan	24	Zhejiang and South

In the forecast, each zone is divided into sub-zones based on the service area of the toll station, which are not listed in detail in the report due to their large amount.

## 2. *Base year OD acquisition*

The base year OD is based on the traffic flow data of the section and toll station issued by Networking Center in August 2023. The trips amount between each toll station pairs can be obtained by sample expansion, and then it is added according its zone number to form the base year OD of all traffic zones. The base year OD table is shown in the following table.

Table 4-2 OD Matrix in Base Year 2023(Passenger Vehicle, Unit: pcu/d)

OD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1	1,906	2,448	2,358	975	228	24	376	63	2,523	161	201	1,719	22	92	55	167	392	894	375	438	841	140	836	773
2	2,633	2	129	0	0	0	0	0	0	0	0	1,957	100	106	99	259	0	11	9	0	737	1	0	61
3	2,255	118	541	689	222	25	209	45	1,889	174	176	2,982	120	53	51	159	28	43	22	29	734	9	647	878
4	1,162	0	974	4	0	0	0	0	2	0	0	5,197	782	479	558	698	0	38	1	0	4,679	0	0	645
5	225	0	215	0	0	0	0	0	0	0	0	776	118	49	61	164	0	39	0	0	310	0	0	7
6	22	0	25	0	0	0	0	0	0	0	0	79	16	6	9	25	0	5	0	0	24	0	0	0
7	436	0	268	0	0	0	2	0	0	0	0	1,683	233	111	132	101	0	6	0	0	884	0	0	274
8	80	0	56	0	0	0	0	0	0	0	0	291	41	23	23	38	0	3	0	0	146	0	0	19
9	2,576	0	2,006	1	0	0	0	0	10	0	0	6,853	1,143	456	652	1,704	2	742	208	2	3,196	15	0	1,017
10	168	0	190	0	0	0	0	0	0	1	0	572	110	40	56	146	0	36	2	0	322	0	0	36
11	219	0	180	0	0	0	0	0	0	0	0	665	108	51	52	176	0	47	3	0	285	0	0	1
12	1,912	2,006	3,431	4,239	819	83	1,478	239	6,963	575	651	8	2	0	0	444	1,986	3,312	1,289	2,606	0	897	3,933	168
13	16	82	96	595	124	17	190	34	1,091	96	101	3	1	0	0	34	22	1	1	21	0	3	475	129
14	118	105	77	359	66	7	104	19	486	42	53	0	0	0	0	51	42	11	1	34	0	9	383	20
15	60	92	55	439	78	11	126	20	710	57	55	0	0	0	1	39	30	4	1	29	0	6	381	24
16	142	278	140	469	145	26	54	26	1,667	131	172	311	27	35	25	7	0	0	0	0	343	0	471	141
17	430	0	34	0	0	0	0	0	2	0	0	2,050	35	48	38	1	1	0	0	0	868	0	0	351
18	969	25	57	23	36	6	3	2	729	31	45	3,421	1	11	7	0	0	2	0	0	698	0	74	681
19	493	5	23	1	0	0	0	0	180	2	2	2,101	1	3	5	0	0	0	0	0	181	0	0	389
20	495	0	35	0	0	0	0	0	4	0	0	2,842	30	43	41	0	0	0	0	0	762	0	0	514
21	935	784	996	3,284	504	30	803	120	3,277	314	318	0	0	0	0	469	876	852	52	680	2	360	3,339	42
22	182	0	10	0	0	0	0	0	13	0	0	1,329	3	11	10	0	0	0	0	0	576	0	0	745
23	856	0	670	0	0	0	0	0	0	0	0	3,377	502	342	357	466	0	74	2	0	2,568	0	0	544
24	919	67	1,095	451	10	0	281	16	1,232	51	1	87	144	10	18	150	407	808	274	563	4	702	550	2

Continued Table 4-2 OD Matrix in Base Year 2023(Goods Vehicle, Unit: pcu/d)

OD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1	4,380	619	1,098	424	258	4	194	35	2,040	125	101	3,449	8	230	122	104	266	612	100	298	1,324	486	968	1,262
2	683	0	62	0	0	0	0	0	0	0	0	713	52	91	71	74	0	14	2	0	635	0	0	42
3	1,234	69	192	165	70	10	133	34	1,848	197	152	1,972	93	58	91	102	29	36	18	9	477	29	623	1,646
4	487	0	262	0	0	0	0	0	0	0	0	1,204	229	236	182	105	0	9	0	0	2,150	0	0	273
5	253	0	84	0	0	0	0	0	0	0	0	374	59	64	47	100	0	10	0	0	486	0	0	4
6	5	0	14	0	0	0	0	0	0	0	0	15	6	5	4	7	0	2	0	0	12	0	0	0
7	304	0	188	0	0	0	0	0	0	0	0	768	170	142	127	63	0	1	0	0	762	0	0	342
8	47	0	29	0	0	0	0	0	0	0	0	168	53	24	20	30	0	2	0	0	132	0	0	30
9	2,372	0	1,945	0	0	0	0	0	0	0	0	4,433	1,126	705	872	813	1	706	56	1	2,878	63	1	1,544
10	168	0	221	0	0	0	0	0	0	0	0	407	146	111	131	90	0	28	1	0	315	1	0	42
11	97	0	186	0	0	0	0	0	0	0	0	219	91	55	54	95	0	26	2	0	139	0	0	0
12	2,878	706	2,082	1,111	414	24	589	142	4,171	370	227	1	1	0	0	148	1,239	2,131	173	893	0	1,642	2,947	219
13	6	53	80	184	56	5	120	44	1,046	145	86	1	3	0	0	25	30	1	0	11	0	7	675	134
14	215	80	68	165	64	4	107	14	659	87	57	0	0	0	0	44	49	6	0	18	0	12	645	27
15	100	72	92	145	40	3	91	9	809	103	50	0	0	0	0	26	46	2	2	14	0	15	474	59
16	135	82	132	115	128	7	42	38	905	106	101	176	32	65	48	13	0	0	0	0	232	0	353	170
17	345	0	58	0	0	0	0	0	1	0	0	1,263	63	89	71	1	0	0	0	0	666	0	0	871
18	693	22	39	7	9	2	0	1	762	29	27	2,013	1	3	3	0	0	0	0	0	247	0	38	2,145
19	152	1	12	0	0	0	0	0	56	1	1	345	0	0	1	0	0	0	0	0	42	0	0	565
20	427	0	16	0	0	0	0	0	1	0	0	855	17	34	21	0	0	0	0	0	486	0	0	764
21	1,034	318	486	1,645	494	11	535	104	2,738	292	133	0	0	0	0	241	510	259	8	413	1	653	5,385	74
22	450	0	24	0	0	0	0	0	24	0	0	1,510	6	3	6	0	0	0	0	0	645	0	0	3,228
23	944	0	634	0	0	0	0	0	1	0	0	2,264	556	486	482	332	0	34	1	0	3,739	0	1	361
24	1,396	30	1,811	203	11	0	366	18	1,594	37	0	110	138	7	14	132	783	2,186	263	822	14	3,006	699	0

Continued Table 4–2 OD Matrix in Base Year 2023(Total, Unit: pcu/d)

OD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1	6,286	3,067	3,456	1,399	486	28	570	98	4,563	286	302	5,167	30	322	177	270	658	1,506	474	736	2,165	626	1,804	2,035
2	3,316	2	191	0	0	0	0	0	0	0	0	2,670	153	198	170	333	0	25	11	0	1,372	1	0	103
3	3,489	188	733	855	292	36	342	79	3,737	371	329	4,955	213	111	142	261	57	79	40	37	1,211	37	1,270	2,524
4	1,649	0	1,235	4	0	0	0	0	2	0	0	6,400	1,011	715	741	803	0	47	1	0	6,829	0	0	918
5	478	0	299	0	0	0	0	0	0	0	0	1,149	177	112	108	265	0	48	0	0	796	0	0	11
6	28	0	39	0	0	0	0	0	0	0	0	94	22	10	13	31	0	7	0	0	36	0	0	0
7	740	0	456	1	0	0	2	0	0	0	0	2,451	402	253	258	164	0	7	0	0	1,647	0	0	616
8	128	0	85	0	0	0	0	0	0	0	0	459	94	47	44	68	0	5	0	0	278	0	0	49
9	4,948	0	3,950	1	0	0	0	0	10	0	0	11,286	2,268	1,161	1,524	2,517	3	1,449	264	3	6,074	78	1	2,562
10	336	0	411	0	0	0	0	0	0	1	0	979	256	151	187	237	0	64	3	0	637	1	0	78
11	315	0	365	0	0	0	0	0	0	0	0	885	199	106	107	271	0	73	5	0	424	0	0	1
12	4,790	2,712	5,514	5,350	1,233	107	2,067	382	11,134	945	878	9	2	0	0	592	3,225	5,442	1,462	3,498	0	2,539	6,880	387
13	22	135	176	779	180	23	310	78	2,137	242	187	4	5	0	0	59	52	2	1	32	0	10	1,150	262
14	332	186	145	524	131	11	211	34	1,145	129	110	0	0	0	0	95	91	18	1	52	0	22	1,028	47
15	160	163	146	584	119	14	217	29	1,519	160	105	0	0	0	1	64	77	6	3	43	0	21	855	83
16	277	359	272	584	273	33	95	64	2,571	237	273	487	59	101	73	20	1	0	0	0	575	0	824	311
17	775	0	92	0	0	0	0	0	3	0	0	3,313	97	137	109	1	1	0	0	0	1,534	0	0	1,222
18	1,662	47	96	30	44	7	3	3	1,491	60	72	5,434	2	15	9	0	0	2	0	0	945	0	112	2,826
19	645	6	35	1	0	0	0	0	236	2	2	2,446	2	4	6	0	0	0	0	0	223	0	1	954
20	922	0	50	0	0	0	0	0	5	0	0	3,696	48	77	62	0	0	0	0	0	1,248	0	0	1,278
21	1,970	1,101	1,483	4,929	998	41	1,338	224	6,015	606	452	1	0	0	0	710	1,386	1,112	60	1,092	3	1,013	8,725	116
22	631	1	34	0	0	0	0	0	37	0	0	2,839	9	14	16	0	0	0	0	0	1,221	0	0	3,972
23	1,800	0	1,304	0	0	0	0	0	1	0	0	5,641	1,058	829	839	799	0	107	3	0	6,307	0	1	904
24	2,316	98	2,907	654	21	0	646	34	2,826	88	1	197	283	16	32	283	1,191	2,994	538	1,386	18	3,708	1,248	2

4.3 Modeling and Calibration

4.3.1 Calibration Test Methods

For this forecast, the UE model in TransCAD was used to assign the base year OD matrix to the network, and then the assignment results were compared with the observation data, and the paths between each OD pair were checked. If necessary, the various information data of the expressway network were corrected and the program was re-run to keep correcting the network so that the model could better reflect the current operating pattern of vehicles, and this correction process was repeated until reasonable paths and assigned flows were obtained.

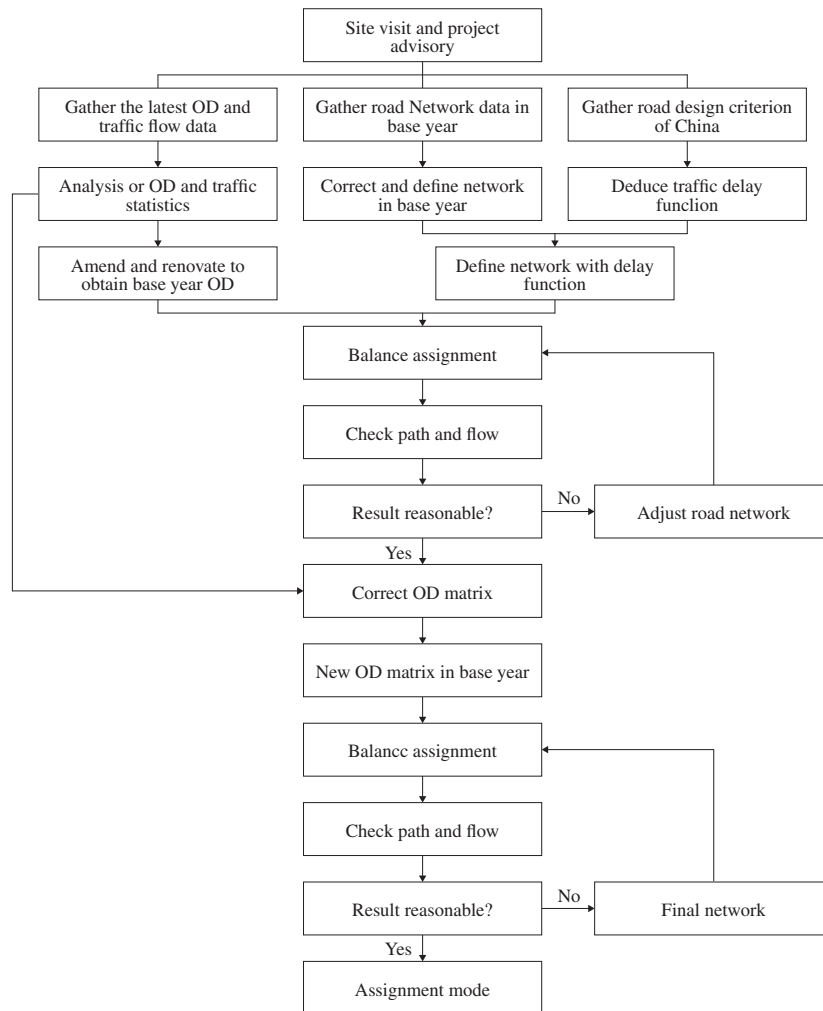


Chart 4.1 Flowchart of Calibration and Testing of the Forecast Model

### 4.3.2 Calibration Test Results

The model was calibrated and tested to better reflect the traffic flow on the Project in base year 2023 as well as neighboring expressways. The goal of the calibration is to make the model assigned values match the actual values as closely as possible.

The following table summarizes the checking results of major expressway links within Project, we can see that the model can better reflect the traffic condition of studied area in base year, which can be a reliable basis for future forecast.

**Table 4–3 Compare of Assignment Value and Observation Value in Base Year**  
(Unit: pcu/d)

Road name	Link	Observation value	Assignment value	Relative error
Suxichang South Expressway	Ending point around the Taihu ->Junzhang	33,674	32,687	-2.93%
	Junzhang->Mashan A	34,507	35,815	3.79%
	Mashan A->Taihu-Bay	31,718	31,522	-0.62%
	Taihu-Bay ->Xueyan junction	35,064	35,909	2.41%
	Xueyan junction ->Yuncun	36,953	35,565	-3.76%
	Yuncun->Qianhuang junction	32,003	32,554	1.72%



#### 4.4 Traffic Generation Forecasting

##### 1. Growth rate of attraction

Based on the assumptions of economic growth rate and elasticity coefficient for the traffic zones, the growth rate of passenger and goods vehicles for each traffic zone is calculated as follows:

**Table 4-4 Future Traffic Growth Rate of Passenger Vehicles**

Number	Region	2024~2025	2026~2030	2031~2035	2036~2040	2041~2046
1	Wuxi urban area	6.96%	5.56%	4.00%	2.90%	2.17%
2	Yixing	6.96%	5.56%	4.00%	2.90%	2.17%
3	Jiangyin	6.96%	5.56%	4.00%	2.90%	2.17%
4	Nanjing urban area	7.48%	5.90%	4.12%	3.04%	2.30%
5	Lishui	7.48%	5.90%	4.12%	3.04%	2.30%
6	Gaochun	7.48%	5.90%	4.12%	3.04%	2.30%
7	Zhenjiang Other	6.72%	5.43%	3.96%	2.94%	2.18%
8	Jurong	6.72%	5.43%	3.96%	2.94%	2.18%
9	Changzhou urban area	6.44%	5.27%	3.87%	2.86%	2.08%
10	Jintan	6.44%	5.27%	3.87%	2.86%	2.08%
11	Liyang	6.44%	5.27%	3.87%	2.86%	2.08%
12	Suzhou urban area and Kunshan	6.61%	5.31%	3.83%	2.80%	2.09%
13	Zhangjiagang	6.61%	5.31%	3.83%	2.80%	2.09%
14	Taicang	6.61%	5.31%	3.83%	2.80%	2.09%
15	Changshu	6.61%	5.31%	3.83%	2.80%	2.09%
16	Nantong	7.44%	5.86%	4.29%	3.46%	2.57%
17	Yangzhou	7.44%	5.86%	4.29%	3.46%	2.57%
18	Taizhou	7.44%	5.86%	4.29%	3.46%	2.57%
19	Lianyungang, Yancheng	8.31%	6.68%	4.87%	3.65%	2.81%
20	Huaian, Suqian, Xuzhou	8.31%	6.68%	4.87%	3.65%	2.81%
21	Shanghai	5.60%	4.53%	3.32%	2.46%	1.94%
22	Shandong and North	6.78%	5.33%	3.80%	2.77%	2.11%
23	Anhui and West	8.00%	6.30%	4.57%	3.45%	2.71%
24	Zhejiang and South	6.96%	5.63%	4.15%	3.05%	2.14%

Table 4–5 Future Traffic Growth Rate of Goods Vehicles

Number	Region	2024~2025	2026~2030	2031~2035	2036~2040	2041~2046
1	Wuxi urban area	5.28%	4.10%	2.90%	2.08%	1.53%
2	Yixing	5.28%	4.10%	2.90%	2.08%	1.53%
3	Jiangyin	5.28%	4.10%	2.90%	2.08%	1.53%
4	Nanjing urban area	5.72%	4.39%	3.02%	2.20%	1.63%
5	Lishui	5.72%	4.39%	3.02%	2.20%	1.63%
6	Gaochun	5.72%	4.39%	3.02%	2.20%	1.63%
7	Zhenjiang Other	5.71%	4.56%	3.24%	2.27%	1.65%
8	Jurong	5.71%	4.56%	3.24%	2.27%	1.65%
9	Changzhou urban area	5.12%	3.97%	2.79%	2.03%	1.48%
10	Jintan	5.12%	3.97%	2.79%	2.03%	1.48%
11	Liyang	5.12%	3.97%	2.79%	2.03%	1.48%
12	Suzhou urban area and Kunshan	4.99%	3.94%	2.79%	2.02%	1.47%
13	Zhangjiagang	4.99%	3.94%	2.79%	2.02%	1.47%
14	Taicang	4.99%	3.94%	2.79%	2.02%	1.47%
15	Changshu	4.99%	3.94%	2.79%	2.02%	1.47%
16	Nantong	6.65%	5.10%	3.53%	2.72%	1.96%
17	Yangzhou	6.65%	5.10%	3.53%	2.72%	1.96%
18	Taizhou	6.65%	5.10%	3.53%	2.72%	1.96%
19	Lianyungang, Yancheng	7.38%	5.66%	4.03%	2.89%	2.16%
20	Huaian, Suqian, Xuzhou	7.38%	5.66%	4.03%	2.89%	2.16%
21	Shanghai	4.20%	3.34%	2.41%	1.79%	1.33%
22	Shandong and North	5.99%	4.49%	3.05%	2.18%	1.60%
23	Anhui and West	7.12%	5.30%	3.79%	2.72%	2.09%
24	Zhejiang and South	5.31%	4.13%	2.99%	2.17%	1.55%

## 2. *Traffic generation of traffic zones in base year*

When forecasting the traffic generation of base year, considering the significant differences in the generation mechanism and service objects of passenger and goods vehicles, the production and attraction of passenger and goods vehicles were calculated separately based on different vehicle types in the research, and finally summarized into the traffic generation of each traffic zone.

The average daily traffic generation in base year for each zone is as follows:

**Table 4–6 Base Year Traffic Production and attraction by Vehicle Type (Unit: pcu/d)**

Number	Name	Passenger vehicle		Goods vehicle	
		P	A	P	A
1	Wuxi urban area	19,208	18,006	18,805	18,505
2	Yixing	6,014	6,105	2,053	2,441
3	Jiangyin	13,660	12,098	9,816	9,288
4	Nanjing urban area	11,530	15,220	4,165	5,137
5	Lishui	2,234	1,965	1,544	1,479
6	Gaochun	229	212	70	69
7	Zhenjiang Other	3,627	4,130	2,177	2,868
8	Jurong	586	722	439	535
9	Changzhou urban area	20,778	20,585	16,656	17,516
10	Jintan	1,635	1,680	1,492	1,662
11	Liyang	1,777	1,788	935	965
	Suzhou urban area and				
12	Kunshan	38,304	37,042	22,259	22,108
13	Zhangjiagang	3,538	3,133	2,850	2,713
14	Taicang	1,971	1,990	2,408	2,324
15	Changshu	2,250	2,218	2,368	2,152
16	Nantong	5,299	4,610	2,545	2,880
17	Yangzhou	3,789	3,858	2,955	3,429
18	Taizhou	6,930	6,820	6,065	6,039
19	Lianyungang, Yancheng	2,240	3,387	627	1,176
20	Huaian, Suqian, Xuzhou	4,402	4,767	2,478	2,621
21	Shanghai	18,163	18,038	15,382	15,336
22	Shandong and North	2,141	2,880	5,917	5,897
23	Anhui and West	11,091	9,758	12,809	9,834
24	Zhejiang and South	7,460	7,843	13,801	13,641
	Total	<u>188,858</u>	<u>188,858</u>	<u>150,615</u>	<u>150,615</u>

### 3. *Traffic production and attraction forecast for each characteristic year*

Based on the forecasts of passenger and goods vehicles growth rates for each zone, the passenger and goods vehicles production and attraction forecasts for each characteristic year are presented here for 2025, 2030, 2035, 2040, and 2046 only due to the large amount of data. The results are as follows.

Table 4-7 Traffic Generation Flow by Traffic Zone in Each Characteristic Year  
(Unit: pcu/d)

Number	Region	2025		2030		2035		2040		2046	
		P	A	P	A	P	A	P	A	P	A
1	Wuxi urban area	42,818	41,110	54,293	52,078	64,462	61,793	73,031	69,971	81,696	78,240
2	Yixing	9,157	9,690	11,804	12,461	14,190	14,954	16,225	17,078	18,304	19,244
3	Jiangyin	26,508	24,135	33,792	30,728	40,283	36,598	45,776	41,560	51,350	46,593
4	Nanjing urban area	17,975	23,320	23,511	30,521	28,409	36,898	32,690	42,473	37,134	48,265
5	Lishui	4,307	3,922	5,577	5,071	6,690	6,076	7,655	6,947	8,651	7,844
6	Gaochun	344	323	450	423	545	511	628	589	714	669
7	Zhenjiang Other	6,564	7,909	8,422	10,131	10,101	12,136	11,542	13,851	12,999	15,583
8	Jurong	1,158	1,420	1,483	1,817	1,775	2,176	2,025	2,482	2,276	2,791
9	Changzhou urban area	41,941	42,674	52,788	53,653	62,442	63,416	70,716	71,773	78,902	80,042
10	Jintan	3,501	3,740	4,397	4,691	5,193	5,534	5,873	6,254	6,546	6,966
11	Liyang	3,046	3,091	3,858	3,913	4,587	4,650	5,215	5,285	5,839	5,916
12	Suzhou urban area and Kunshan	68,073	66,470	86,178	84,097	102,232	99,726	115,890	113,015	129,706	126,457
13	Zhangjiagang	7,163	6,552	9,022	8,242	10,662	9,731	12,051	10,991	13,451	12,260
14	Taicang	4,895	4,823	6,123	6,037	7,198	7,102	8,105	7,999	9,012	8,898
15	Changshu	5,168	4,894	6,480	6,144	7,632	7,244	8,605	8,174	9,582	9,108
16	Nantong	9,012	8,597	11,846	11,273	14,450	13,720	16,944	16,055	19,528	18,464
17	Yangzhou	7,735	8,354	10,126	10,921	12,301	13,251	14,367	15,459	16,493	17,727
18	Taizhou	14,898	14,742	19,482	19,274	23,641	23,386	27,585	27,284	31,635	31,287
19	Lianyungang, Yancheng	3,351	5,330	4,585	7,276	5,768	9,138	6,849	10,836	8,029	12,684
20	Huaian, Suqian, Xuzhou	8,022	8,614	10,900	11,705	13,638	14,646	16,115	17,308	18,796	20,191
21	Shanghai	36,956	36,766	44,971	44,732	51,946	51,668	57,860	57,546	63,957	63,608
22	Shandong and North	9,088	9,908	11,445	12,512	13,435	14,723	15,088	16,566	16,740	18,419
23	Anhui and West	27,634	22,666	36,591	30,059	44,879	36,916	52,228	43,013	60,209	49,648
24	Zhejiang and South	23,839	24,103	29,955	30,319	35,453	35,917	40,144	40,697	44,651	45,294

#### 4.5 Traffic Distribution Forecast

The traffic distribution forecast is to forecast the OD which consists of three main components: trended OD, transferred OD, and induced increase OD.

##### 4.5.1 Forecast Methods and Principles

###### 1. Trend OD analysis

The calculation of the OD matrix for each characteristic year in the future adopts the commonly used growth coefficient method, namely the Fratar method, which uses total forecasting value of the production and attraction as the constraints for the horizontal rows and vertical columns, iteratively refurbishing each column and then each row until reaching the target total for each column and row, ultimately resulting in an OD matrix for each future characteristic year.

The specific form of the Fratar Method is as follows:

$$Q_{ij} = Q_{oij} \cdot G_j \cdot F_i \cdot \frac{L_i + L_j}{2}$$

$$G_j = \frac{Q_{aj}}{Q_{oaj}}$$

$$F_i = \frac{Q_{pi}}{Q_{opi}}$$

$$L_i = \frac{Q_{opi}}{\sum_{j=1}^n (Q_{oij} \cdot G_j)}$$

$$L_j = \frac{Q_{oaj}}{\sum_{i=1}^n (Q_{oij} \cdot F_i)}$$

Where,  $Q_{ij}$ : Future traffic distribution from zone i to j;

$Q_{oij}$ : Present traffic distribution from zone i to j

$G_j$ : Traffic attraction growth rate in Zone i;

$F_i$ : Traffic production growth rate in Zone i;

$Q_{aj}$ : Future traffic attraction in Zone i;

$Q_{oaj}$ : Present traffic attraction in zone j;

$Q_{pi}$ : Future traffic production in Zone i.

$Q_{opi}$ : Present traffic production in Zone i.

$L_i$ : Location coefficient of zone i for all zone j.

$L_j$ : Location coefficient of zone j for all zone i.

The OD of passenger and goods vehicles will be forecasted separately, and summarized to form the overall trend OD for the characteristic year.

2. *Forecasts of transferred and induced OD*

Transferred traffic flow refers to which transferred by other modes of transportation, such as railway, water, and air transportation. Induced traffic flow is the traffic flow induced to be generated as a result of new or improved expressway construction.

In terms of transferred traffic flow, other modes of transportation around the Project are basically stable, and the planned new facility Yantaixiyi Intercity Railway is not consistent with the Project's direction, and only the OD pair between Wuxi and Yixing is affected by this. Considering the location conditions of the railway station in Wuxi city and the traffic component undertaken by the Project, it is expected that the opening of the railroad will have extremely limited impact on the Project, so the transfer traffic flow of other modes will not be considered in this forecast for the time being.

In terms of induced traffic flow, since the Project has been opened for two years, the possibility of large-scale induced traffic increase in the future is relatively small. It should be noted that the Mashan area still has certain potential for land development, and Wuxi City intends to further promote the differentiated policy to reduce the toll of the Taihu Tunnel through government-purchased services, which may induce an increase in the trips from the Mashan area or even Yixing City to Wuxi City and drive the Project's traffic flow to increase. Since there is no definite basis for this, a conservative assumption is made in this forecast, and the induced increase in traffic flow is not considered for the time being also.

#### ***4.5.2 Results of Traffic Distribution Forecast***

The Fratar Method was used to forecast each characteristic year OD, and the forecasted results of traffic distribution are shown in the table below.

Table 4-8 OD Matrix in Characteristic Year 2025 (Unit: pcu/d)

OD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1	6,938	3,551	4,150	1,463	601	35	695	119	5,424	355	351	4,935	25	349	173	313	815	1,878	464	989	1,993	636	2,552	2,309
2	3,813	2	252	0	0	0	0	0	0	0	0	3,147	170	220	198	458	0	60	5	0	1,254	1	0	110
3	3,661	196	837	1,051	361	46	411	76	4,155	417	390	5,452	189	146	151	295	93	104	24	51	1,440	33	1,774	2,781
4	2,187	0	1,440	5	0	0	1	0	2	0	0	7,807	1,233	779	893	936	0	48	1	0	7,063	0	0	923
5	525	0	340	0	0	0	0	0	0	0	0	1,242	197	134	126	302	0	49	0	0	987	0	0	20
6	31	0	43	0	0	0	0	0	0	0	0	110	26	12	15	37	0	8	0	0	41	0	0	0
7	819	0	529	0	0	0	2	0	0	0	0	2,771	451	288	305	140	0	4	0	0	1,761	0	0	838
8	141	0	123	0	0	0	0	0	0	0	0	514	114	47	41	95	0	4	0	0	296	0	0	44
9	5,385	0	4,752	2	0	0	0	0	12	0	0	12,266	2,554	1,285	1,754	3,111	3	1,801	182	6	6,506	40	2	3,012
10	353	0	493	0	0	0	0	0	0	1	0	1,087	302	151	193	300	0	76	2	0	685	0	0	98
11	353	0	415	0	0	0	0	0	0	0	0	959	222	122	120	327	0	86	2	0	485	0	0	1
12	5,763	2,889	5,955	5,736	1,461	118	2,328	430	12,501	1,045	997	9	5	0	0	557	3,519	6,203	1,779	4,006	1	2,891	8,082	198
13	31	152	235	832	207	25	351	81	2,306	251	206	2	5	0	0	62	95	2	1	48	0	8	1,392	262
14	351	209	130	626	139	12	235	43	1,257	157	117	0	0	0	0	113	142	17	3	82	0	14	1,160	16
15	186	173	161	625	129	15	231	39	1,590	188	114	0	0	0	1	79	109	10	4	63	0	15	1,132	30
16	299	357	311	714	334	38	154	63	2,765	251	303	611	66	100	69	23	1	0	0	0	720	0	1,135	283
17	873	0	81	0	0	0	0	0	4	0	0	3,995	70	115	100	1	1	0	0	0	1,686	0	0	1,427
18	1,810	29	102	45	66	9	7	5	1,729	74	89	6,105	2	21	7	0	0	2	0	0	1,225	0	165	3,249
19	931	21	85	2	0	0	0	0	515	6	10	2,681	2	2	6	0	0	0	0	0	108	0	8	954
20	987	0	53	0	0	0	0	0	4	0	0	4,380	43	66	56	0	0	0	0	0	1,343	0	0	1,679
21	2,373	1,459	1,430	6,014	994	44	1,537	256	6,610	668	469	0	0	0	0	646	1,601	1,060	159	1,329	3	1,222	8,878	18
22	833	1	53	0	0	0	0	0	103	1	0	3,154	13	28	27	0	0	0	0	0	1,236	0	0	4,457
23	1,804	0	1,369	0	0	0	0	0	1	0	0	6,424	1,165	978	837	845	0	115	1	0	7,999	0	1	1,127
24	2,372	116	3,170	860	15	0	611	48	2,966	87	1	421	309	52	95	372	1,357	3,372	725	1,448	124	4,227	1,354	2



Table 4-9 OD Matrix in Characteristic Year 2030 (Unit: pcu/d)

OD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1	8,481	4,732	5,218	2,021	811	47	938	159	7,031	463	458	5,707	28	399	199	391	1,125	2,522	659	1,414	2,198	842	3,562	2,674
2	5,065	3	344	0	0	0	0	0	0	0	0	3,955	214	274	248	621	0	87	8	0	1,503	2	0	138
3	4,611	269	1,084	1,497	501	64	571	104	5,550	560	525	6,496	225	172	179	380	132	144	35	76	1,636	45	2,552	3,318
4	3,027	0	2,050	8	0	0	2	0	2	0	0	10,220	1,614	1,010	1,162	1,323	0	73	2	0	8,817	0	0	1,211
5	709	0	472	0	0	0	0	0	0	0	0	1,589	252	170	160	417	0	72	0	0	1,204	0	0	26
6	42	0	60	0	0	0	0	0	0	0	0	141	33	15	19	52	0	12	0	0	51	0	0	0
7	1,106	0	735	0	0	0	4	0	0	0	0	3,541	576	365	387	193	0	7	0	0	2,146	0	0	1,072
8	190	0	169	0	0	0	0	0	0	0	0	653	145	59	52	130	0	7	0	0	358	0	0	56
9	6,995	0	6,350	3	0	0	0	0	16	0	0	15,071	3,137	1,563	2,141	4,127	5	2,571	274	9	7,624	56	2	3,707
10	459	0	661	0	0	0	0	0	0	2	0	1,341	372	185	236	399	0	108	2	0	805	0	0	121
11	462	0	558	0	0	0	0	0	0	0	0	1,186	274	150	148	437	0	124	2	0	572	0	0	1
12	6,693	3,658	7,114	7,531	1,871	151	2,982	548	15,395	1,294	1,236	10	5	0	0	661	4,618	7,918	2,400	5,443	1	3,637	10,718	218
13	36	192	280	1,088	264	32	447	103	2,829	309	254	2	6	0	0	73	124	3	2	65	0	11	1,838	287
14	402	262	154	811	176	15	297	54	1,527	192	143	0	0	0	0	132	184	21	4	109	0	17	1,519	17
15	214	217	190	813	164	19	293	49	1,939	230	139	0	0	0	1	92	142	12	5	85	0	19	1,487	33
16	373	487	400	1,008	460	53	213	87	3,662	334	404	722	78	117	81	29	1	0	0	0	811	0	1,619	335
17	1,210	0	116	0	0	0	0	0	6	0	0	5,235	92	149	130	2	2	0	0	0	2,107	0	0	1,873
18	2,443	43	142	69	98	14	11	7	2,475	106	128	7,795	3	26	9	0	0	4	0	0	1,491	0	255	4,155
19	1,313	32	123	3	0	0	0	0	770	8	15	3,575	3	2	8	0	0	0	0	0	137	0	12	1,275
20	1,418	0	79	0	0	0	0	0	6	0	0	5,952	59	89	76	0	0	0	0	0	1,740	0	0	2,285
21	2,625	1,759	1,628	7,522	1,213	54	1,876	310	7,756	788	554	0	0	0	0	730	2,001	1,289	205	1,720	3	1,464	11,217	19
22	1,111	2	73	0	0	0	0	0	146	2	0	3,978	17	35	34	0	0	0	0	0	1,486	0	0	5,629
23	2,538	0	1,981	0	0	0	0	0	1	0	0	8,547	1,549	1,288	1,106	1,214	0	177	1	0	10,150	0	2	1,502
24	2,773	148	3,813	1,137	19	0	788	61	3,677	108	1	466	342	57	104	444	1,792	4,332	985	1,980	131	5,353	1,807	2

Table 4-10 OD Matrix in Characteristic Year 2035 (Unit: pcu/d)

OD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1	9,771	5,807	6,132	2,529	997	58	1,161	196	8,459	559	555	6,340	32	440	219	458	1,414	3,106	848	1,827	2,365	1,019	4,518	2,984
2	6,203	5	430	0	0	0	0	0	0	0	0	4,670	252	320	291	773	0	114	10	0	1,720	2	0	164
3	5,422	338	1,300	1,912	630	81	722	131	6,816	690	649	7,366	255	194	202	454	169	181	46	100	1,797	55	3,304	3,781
4	3,791	0	2,620	11	0	0	3	0	3	0	0	12,345	1,948	1,210	1,396	1,685	0	98	2	0	10,316	0	0	1,469
5	873	0	593	0	0	0	0	0	0	0	0	1,887	299	201	189	522	0	95	0	0	1,385	0	0	31
6	52	0	75	0	0	0	0	0	0	0	0	168	39	17	23	65	0	15	0	0	58	0	0	0
7	1,370	0	929	0	0	0	5	0	0	0	0	4,230	687	432	460	243	0	9	0	0	2,483	0	0	1,287
8	234	0	213	0	0	0	0	0	0	0	0	776	172	69	61	163	0	9	0	0	413	0	0	67
9	8,427	0	7,803	4	0	0	0	0	20	0	0	17,508	3,642	1,801	2,475	5,056	7	3,310	369	12	8,579	71	3	4,327
10	555	0	814	0	0	0	0	0	0	2	0	1,561	433	213	274	490	0	140	3	0	908	0	0	142
11	560	0	689	0	0	0	0	0	0	0	0	1,385	320	174	172	539	0	160	3	0	647	0	0	2
12	7,457	4,341	8,085	9,115	2,226	180	3,570	653	17,913	1,512	1,447	11	5	0	0	748	5,613	9,428	2,987	6,801	1	4,256	13,146	236
13	39	227	317	1,312	312	38	533	122	3,280	360	297	2	6	0	0	83	150	3	2	80	0	12	2,247	309
14	444	307	173	972	207	18	352	64	1,759	223	165	0	0	0	0	148	222	25	5	135	0	20	1,844	18
15	236	256	214	977	194	23	348	58	2,239	267	162	0	0	0	1	104	171	14	7	106	0	22	1,810	35
16	437	607	477	1,282	575	66	268	108	4,478	410	497	815	88	131	91	34	2	0	0	0	887	0	2,087	379
17	1,523	0	149	0	0	0	0	0	8	0	0	6,355	111	179	157	2	3	0	0	0	2,477	0	0	2,285
18	3,017	56	179	93	129	19	14	10	3,193	137	166	9,283	4	31	11	0	0	5	0	0	1,721	0	346	4,973
19	1,680	44	160	3	0	0	0	0	1,029	11	20	4,412	3	3	9	0	0	0	0	0	164	0	17	1,581
20	1,838	0	104	0	0	0	0	0	8	0	0	7,439	74	111	95	0	0	0	0	0	2,106	0	0	2,870
21	2,831	2,021	1,790	8,813	1,397	62	2,174	358	8,736	891	628	0	0	0	0	801	2,355	1,486	247	2,081	3	1,659	13,318	20
22	1,351	2	90	0	0	0	0	0	185	2	0	4,667	20	40	40	0	0	0	0	0	1,689	0	0	6,635
23	3,236	0	2,576	0	0	0	0	0	2	0	0	10,509	1,903	1,571	1,353	1,574	0	242	2	0	12,088	0	3	1,856
24	3,116	178	4,369	1,387	23	0	952	74	4,314	128	2	505	370	61	112	507	2,196	5,202	1,236	2,495	137	6,318	2,255	3

Table 4-11 OD Matrix in Characteristic Year 2040 (Unit: pcu/d)

OD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1	10,760	6,736	6,865	2,983	1,160	67	1,357	228	9,670	641	637	6,787	34	469	234	519	1,694	3,659	1,025	2,212	2,480	1,171	5,381	3,207
2	7,181	6	506	0	0	0	0	0	0	0	0	5,256	284	359	327	920	0	142	13	0	1,896	3	0	186
3	6,073	398	1,481	2,293	745	96	858	156	7,925	805	758	8,021	278	210	220	523	206	217	57	123	1,916	65	4,002	4,132
4	4,474	0	3,143	14	0	0	3	0	4	0	0	14,162	2,238	1,382	1,599	2,043	0	123	3	0	11,592	0	0	1,692
5	1,017	0	702	0	0	0	0	0	0	0	0	2,136	338	226	213	625	0	118	0	0	1,536	0	0	36
6	60	0	89	0	0	0	0	0	0	0	0	190	44	19	26	77	0	19	0	0	65	0	0	0
7	1,602	0	1,105	0	0	0	6	0	0	0	0	4,808	782	489	522	292	0	11	0	0	2,765	0	0	1,468
8	272	0	252	0	0	0	0	0	0	0	0	878	195	78	69	194	0	11	0	0	457	0	0	76
9	9,642	0	9,077	4	0	0	0	0	24	0	0	19,475	4,056	1,995	2,748	5,943	8	4,052	463	15	9,347	85	4	4,830
10	636	0	949	0	0	0	0	0	0	2	0	1,740	484	237	305	577	0	172	4	0	991	0	0	158
11	643	0	805	0	0	0	0	0	0	0	0	1,548	358	193	191	636	0	197	4	0	708	0	0	2
12	8,001	4,907	8,820	10,473	2,522	204	4,065	741	19,954	1,690	1,619	12	6	0	0	825	6,551	10,822	3,515	8,023	1	4,766	15,256	247
13	42	256	345	1,506	354	43	607	138	3,650	402	331	2	6	0	0	91	175	4	3	95	0	14	2,605	323
14	473	345	187	1,110	233	21	398	72	1,948	247	184	0	0	0	0	162	257	28	5	159	0	22	2,127	19
15	253	288	233	1,118	219	26	394	65	2,484	298	181	0	0	0	1	114	199	17	8	124	0	25	2,092	37
16	494	722	548	1,551	687	79	321	130	5,253	483	585	896	97	143	100	40	2	0	0	0	954	0	2,551	418
17	1,826	0	182	0	0	0	0	0	10	0	0	7,410	130	208	183	3	4	0	0	0	2,829	0	0	2,674
18	3,562	70	215	117	161	23	18	12	3,913	169	204	10,655	4	35	12	0	0	6	0	0	1,934	0	442	5,729
19	2,019	56	196	5	0	0	0	0	1,284	14	25	5,155	4	4	11	0	0	0	0	0	188	0	22	1,854
20	2,231	0	129	0	0	0	0	0	10	0	0	8,776	87	130	112	0	0	0	0	0	2,434	0	0	3,398
21	2,974	2,236	1,912	9,912	1,550	69	2,423	398	9,526	975	688	0	0	0	0	864	2,691	1,669	284	2,403	3	1,818	15,131	20
22	1,559	3	106	0	0	0	0	0	222	3	0	5,235	22	45	45	0	0	0	0	0	1,855	0	0	7,470
23	3,871	0	3,132	0	0	0	0	0	2	0	0	12,219	2,216	1,819	1,570	1,934	0	309	2	0	13,766	0	4	2,166
24	3,364	202	4,796	1,604	26	0	1,091	84	4,836	144	2	530	389	64	117	562	2,580	6,009	1,464	2,962	141	7,119	2,610	3

Table 4-12 OD Matrix in Characteristic Year 2046 (Unit: pcu/d)

OD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1	11,694	7,696	7,584	3,463	1,329	77	1,560	262	10,875	723	719	7,183	36	494	248	577	1,992	4,236	1,221	2,641	2,583	1,330	6,333	3,387
2	8,192	7	587	0	0	0	0	0	0	0	0	5,839	316	397	362	1,074	0	172	16	0	2,073	3	0	206
3	6,710	463	1,663	2,707	868	112	1,003	181	9,061	923	870	8,630	299	225	236	591	247	255	69	149	2,030	75	4,788	4,437
4	5,198	0	3,712	17	0	0	4	0	4	0	0	16,023	2,536	1,557	1,806	2,429	0	153	4	0	12,909	0	0	1,910
5	1,166	0	819	0	0	0	0	0	0	0	0	2,385	379	251	238	733	0	145	0	0	1,688	0	0	40
6	69	0	103	0	0	0	0	0	0	0	0	212	50	22	29	91	0	24	0	0	71	0	0	0
7	1,843	0	1,292	0	0	0	7	0	0	0	0	5,386	878	545	584	344	0	13	0	0	3,049	0	0	1,641
8	311	0	293	0	0	0	0	0	0	0	0	979	217	86	77	228	0	13	0	0	502	0	0	85
9	10,854	0	10,386	5	0	0	0	0	28	0	0	21,348	4,454	2,178	3,008	6,847	10	4,858	571	18	10,085	100	4	5,284
10	717	0	1,087	0	0	0	0	0	0	3	0	1,911	532	259	334	666	0	206	5	0	1,072	0	0	174
11	726	0	925	0	0	0	0	0	0	0	0	1,703	394	212	210	735	0	237	5	0	766	0	0	2
12	8,486	5,471	9,509	11,866	2,821	228	4,561	828	21,898	1,861	1,784	12	6	0	0	896	7,517	12,226	4,088	9,345	1	5,285	17,521	254
13	45	285	372	1,705	395	49	681	154	4,004	443	365	2	7	0	0	99	200	4	3	110	0	15	2,990	332
14	499	383	201	1,250	259	23	444	80	2,125	271	202	0	0	0	0	175	293	32	6	184	0	25	2,429	19
15	267	320	250	1,262	244	29	441	73	2,716	326	198	0	0	0	1	123	227	19	9	144	0	27	2,394	38
16	548	843	619	1,840	804	93	377	152	6,037	557	675	969	105	154	108	45	3	0	0	0	1,016	0	3,068	452
17	2,150	0	218	0	0	0	0	0	12	0	0	8,493	149	238	209	4	5	0	0	0	3,192	0	0	3,058
18	4,132	86	253	146	197	28	22	15	4,696	203	246	12,035	5	39	14	0	0	8	0	0	2,150	0	555	6,456
19	2,395	69	236	6	0	0	0	0	1,576	18	31	5,954	4	4	13	0	0	0	0	0	214	0	29	2,136
20	2,669	0	157	0	0	0	0	0	13	0	0	10,226	102	151	130	0	0	0	0	0	2,792	0	0	3,951
21	3,103	2,453	2,028	11,049	1,705	76	2,675	438	10,285	1,057	746	0	0	0	0	923	3,038	1,855	325	2,754	3	1,984	17,095	20
22	1,779	4	123	0	0	0	0	0	262	3	0	5,815	25	50	50	0	0	0	0	0	2,029	0	0	8,280
23	4,573	0	3,761	0	0	0	0	0	3	0	0	14,057	2,554	2,084	1,804	2,338	0	389	3	0	15,589	0	5	2,486
24	3,569	225	5,173	1,818	29	0	1,224	94	5,309	158	2	547	403	66	121	611	2,961	6,790	1,703	3,451	143	7,896	2,999	3

4.6 Traffic Assignment Forecasts

4.6.1 Traffic assignment methods

This traffic assignment uses the User Equilibrium (UE) model provided by TransCAD to forecast the traffic flow on the road section in question. The UE model assumes that the users are in full control of the expressway network operation information, and that all users choose their routes in accordance with the principle of minimizing their own comprehensive costs, while the comprehensive costs of the users vary according to the quantity of traffic flow on the road section. The comprehensive costs are the volume delay in the previous chapter, taking into account various factors such as trip time, road tolls and operating costs. The assignment process of the UE model can be illustrated in the following figure. The objective function is the integral of the generalized comprehensive costs for all road sections.

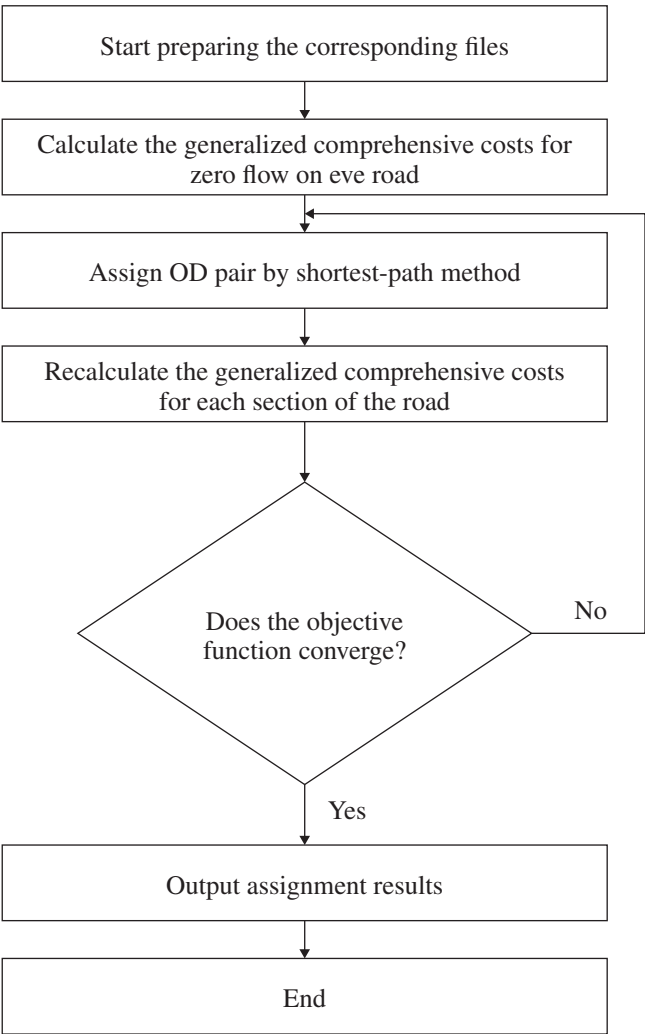


Chart 4.2 Traffic assignment forecast flowchart

#### 4.6.2 Assignment of expressway networks

The forecast assignment expressway network is mainly from the Jiangsu Provincial Expressway Network Planning Map in Chapter 3.2.6, and the ordinary highways and urban expressways related to the Project are included in the assignment network, while the expressway network of each year is set up separately based on the assumptions of the construction plan of the relevant expressways.

### 4.7 Main Forecast Conclusions

#### 1. Annual Traffic flow of each section

According to the forecast, the annual traffic flow of the Project is shown in the table below:

**Table 4–13 Forecasted Annual Traffic Flow of Each Section in the Project (Unit: pcu/d)**

Section	2023	2025	2030	2035	2040	2046
Nanquan to Junzhang	31,925	62,444	112,803	98,165	129,301	138,548
Juzhang to Mashan	32,675	63,338	114,503	100,703	132,211	141,661
Mashan to Taihu-Bay	30,066	58,397	107,172	90,743	120,943	129,563
Taihu-Bay to Xueyan Junction	33,260	62,300	113,164	98,417	129,738	138,895
Xueyan Junction to Yuncun	35,084	70,852	116,493	102,678	135,092	144,628
Yuncun to Qianhuang Junction	30,423	64,803	109,814	94,321	126,165	135,639
<b>Average</b>	31,614	62,656	111,679	96,754	127,991	137,208
Wherein: General road section	31,306	62,593	110,873	95,637	126,829	135,986
Taihu Tunnel	32,675	63,338	114,503	100,703	132,211	141,661
Yaoxianshan Tunnel	30,066	58,397	107,172	90,743	120,943	129,563

*Note:* The data for 2023 and 2046 in the table are averaged over the year.

The Project's traffic flow is forecasted to grow from 31,614 pcu/d in the initial year to 137,208 pcu/d in the final year, with an average annual growth rate of 6.6%. In terms of the traffic flow of the section, the traffic flow of the Taihu Tunnel is slightly higher than the average of the whole line, while that of the Yaoxianshan Tunnel is slightly lower.

## 2. Forecasted traffic flow by year

The annual average daily traffic flow for each year on the Project are shown in the table below:

**Table 4–14 Forecasted Traffic flow of the Project by Year**

Year	Natural flow		Standard flow		Note
	Flow (veh/d)	Growth rate	Flow (pcu/d)	Growth rate	
2023	27,593	69.4%	31,614	52.1%	Low flow in 2022 due to the short operation time and the epidemic effected
2023.11–12	19,178	49.3%	23,050	37.1%	
2024	42,160	52.8%	47,373	49.8%	See text description below
2025	56,933	35.0%	62,656	32.3%	
2026	66,095	16.1%	72,187	15.2%	
2027	63,847	-3.4%	69,798	-3.3%	Completion of the Yanjiang Expressway expansion
2028	73,915	15.8%	81,365	16.6%	Starting of Huning Expressway expansion, Completion of Xitai Expressway and Ningchang Expressway
2029	90,919	23.0%	99,787	22.6%	
2030	101,967	12.2%	111,679	11.9%	
2031	100,805	-1.1%	110,182	-1.3%	
2032	78,070	-22.6%	85,046	-22.8%	Completion of the Huning Expressway expansion
2033	82,002	5.0%	89,162	4.8%	
2034	85,728	4.5%	93,064	4.4%	
2035	89,255	4.1%	96,754	4.0%	
2036	106,896	19.8%	116,383	20.3%	Operation of Suxi Taihu Channel and Changtai Expressway

Year	Natural flow		Standard flow		Note
	Flow (veh/d)	Growth rate	Flow (pcu/d)	Growth rate	
2037	110,071	3.0%	119,708	2.9%	
2038	113,039	2.7%	122,813	2.6%	
2039	115,703	2.4%	125,590	2.3%	
2040	118,021	2.0%	127,991	1.9%	
2041	120,046	1.7%	130,082	1.6%	
2042	121,824	1.5%	131,910	1.4%	
2043	123,387	1.3%	133,510	1.2%	
2044	124,761	1.1%	134,896	1.0%	
2045	125,982	1.0%	136,129	0.9%	
2046	127,061	0.9%	137,208	0.8%	

*Note:* The growth rate is the change rate compared over the same period in the previous year.

The forecasts show a general trend of gradually decreasing flow growth rates on the Project. The primary reasons for the higher flow growth rates from 2024 to 2025 are described below:

- (1) The Project has a relatively short operation time and is still in a period of rapid traffic growth.
- (2) In June 2023, the Jinghu Expressway has been opened to traffic after its expansion. Vehicles from the south of Wufengshan Bridge can pass through the Luoxi Junction to connect to the Project. It is expected that the first half of 2024 will be significantly higher than the first half of 2023. At the same time, Guangjing Expressway is about to be expanded, Vehicles from the south of Wufengshan Bridge will further increase.
- (3) The construction of Yanjiang Expressway expansion will be fully started in 2024, and it is proposed to restrict goods vehicles with more than 3 axles on the whole line, with reference to the experience of Jinghu Expressway expansion, the flow will be transferred by a large proportion during the expansion period, about 50~60%; at the same time, Jiangyin pilot section of Yanjiang Expressway which is basically parallel to the Project, will be constructed in a one-way traffic manner from July, 2024 to July, 2025. There will be a greater degree of overflow from the Yanjiang Expressway.
- (4) The current Wuxi section in Huning Expressway is basically saturated with traffic flow, and it is difficult to carry the growth trend of the traffic and other diversion impacts in the expressway network, during the expansion of Yanjiang Expressway, only the Project has a large surplus capacity to take over the diversion vehicles in the expressway network.



### 3. Traffic flow forecast by vehicle type

The average annual traffic flow of the Project for each year by vehicle type are forecasted as follows:

**Table 4–15 Forecasted Average Traffic Flow of the Project by Vehicle Type (Unit: veh/d)**

Year	Total	P1	P2	P3	P4	G1	G2	G3	G4	G5	G6
2023	27,593	24,578	42	67	122	1,098	734	201	261	179	311
2023.11–12	19,178	16,299	27	45	81	1,075	719	196	256	175	305
2024	42,160	38,226	63	103	186	1,418	946	254	332	228	404
2025	56,933	52,576	85	138	250	1,544	1,026	271	356	246	441
2026	66,095	61,436	97	157	286	1,643	1,089	283	374	259	471
2027	63,847	59,292	92	149	270	1,620	1,069	273	363	253	466
2028	73,915	68,221	104	167	303	2,059	1,355	340	454	318	594
2029	90,919	84,124	126	201	366	2,464	1,615	398	535	377	713
2030	101,967	94,509	139	221	401	2,714	1,774	430	580	411	788
2031	100,805	93,588	135	213	388	2,637	1,718	408	555	395	768
2032	78,070	72,687	102	161	293	1,971	1,281	299	408	292	576
2033	82,002	76,465	106	165	301	2,035	1,318	302	415	298	597
2034	85,728	80,045	108	168	307	2,098	1,355	304	421	304	618
2035	89,255	83,435	110	170	312	2,159	1,389	306	426	310	638
2036	106,896	99,534	129	198	361	2,767	1,775	383	537	393	819
2037	110,071	102,579	130	198	362	2,830	1,811	383	540	397	841
2038	113,039	105,430	130	197	361	2,890	1,843	382	542	402	862
2039	115,703	107,992	130	196	359	2,945	1,872	380	543	405	881
2040	118,021	110,231	130	193	355	2,992	1,897	376	543	407	897
2041	120,046	112,192	129	190	350	3,034	1,917	372	541	408	913
2042	121,824	113,918	128	187	344	3,071	1,935	367	538	409	927
2043	123,387	115,441	126	183	337	3,104	1,950	362	535	409	940
2044	124,761	116,789	124	178	329	3,134	1,963	355	530	408	951
2045	125,982	117,988	122	173	321	3,161	1,974	349	525	407	962
2046	127,061	119,055	120	167	311	3,185	1,983	342	520	406	972

**Table 4–16 Traffic Flow Forecast for General Road Section by Vehicle Type**  
(Unit: veh/d)

Year	Total	P1	P2	P3	P4	G1	G2	G3	G4	G5	G6
2023	27,155	24,090	40	66	120	1,101	751	209	266	180	332
2023.11–12	18,922	15,986	27	44	79	1,080	737	205	261	177	326
2024	41,680	37,631	62	101	183	1,442	981	268	343	233	436
2025	56,611	52,130	84	137	248	1,568	1,063	286	368	251	476
2026	65,792	61,002	96	156	284	1,669	1,128	298	386	265	508
2027	63,238	58,574	91	147	267	1,638	1,103	287	373	257	501
2028	72,980	67,205	102	165	299	2,059	1,383	353	462	320	632
2029	89,915	83,037	124	199	361	2,458	1,645	413	543	378	757
2030	100,897	93,355	137	218	396	2,705	1,805	445	588	412	836
2031	99,674	92,369	133	210	383	2,631	1,750	423	563	396	816
2032	76,844	71,366	100	158	288	1,979	1,313	312	417	295	616
2033	80,722	75,087	104	162	296	2,044	1,351	315	424	301	638
2034	84,396	78,613	106	165	302	2,107	1,389	317	430	307	660
2035	87,873	81,952	108	167	306	2,168	1,424	319	435	313	681
2036	105,517	98,041	127	195	356	2,770	1,814	398	547	396	873
2037	108,655	101,048	128	195	357	2,833	1,850	398	550	400	896
2038	111,591	103,865	128	194	356	2,893	1,883	397	552	405	918
2039	114,227	106,397	128	193	354	2,948	1,913	395	553	408	938
2040	116,522	108,611	128	190	350	2,995	1,938	391	553	410	956
2041	118,528	110,552	127	187	345	3,037	1,959	387	551	411	972
2042	120,290	112,261	126	184	339	3,074	1,977	382	548	412	987
2043	121,838	113,770	124	180	332	3,107	1,992	376	544	412	1,001
2044	123,201	115,107	122	175	324	3,136	2,005	369	539	411	1,013
2045	124,414	116,297	120	170	316	3,163	2,016	363	534	410	1,025
2046	125,488	117,357	118	165	307	3,187	2,026	355	529	409	1,035

Table 4–17 Traffic Flow Forecast for Taihu Tunnel by Vehicle Type (Unit: veh/d)

Year	Total	P1	P2	P3	P4	G1	G2	G3	G4	G5	G6
2023	29,013	26,129	46	69	131	1,095	689	178	247	175	254
2023.11–12	20,034	17,300	29	47	86	1,068	672	173	241	170	248
2024	43,878	40,238	66	108	195	1,363	855	217	303	215	318
2025	58,292	54,251	87	142	258	1,486	929	232	325	232	347
2026	67,468	63,144	100	162	294	1,582	986	242	341	245	371
2027	66,086	61,808	96	155	281	1,579	981	237	335	242	372
2028	77,047	71,556	109	175	318	2,068	1,281	304	432	313	489
2029	94,284	87,703	131	210	381	2,489	1,537	358	512	373	590
2030	105,550	98,316	144	229	417	2,747	1,691	387	557	408	654
2031	104,606	97,618	140	222	404	2,663	1,633	367	531	391	636
2032	82,200	77,059	108	171	311	1,955	1,195	264	384	284	468
2033	86,322	81,035	112	175	319	2,018	1,231	266	390	290	485
2034	90,226	84,801	114	178	325	2,081	1,265	268	396	296	502
2035	93,922	88,367	117	181	330	2,141	1,297	270	401	301	518
2036	111,598	104,525	135	207	380	2,769	1,673	341	510	386	672
2037	114,897	107,701	136	208	380	2,832	1,706	341	513	390	690
2038	117,982	110,673	137	207	379	2,893	1,737	340	515	395	707
2039	120,746	113,341	137	205	377	2,948	1,764	338	516	398	722
2040	123,150	115,668	136	203	373	2,995	1,788	335	515	400	736
2041	125,247	117,705	135	200	367	3,037	1,807	332	514	401	749
2042	127,082	119,493	134	196	361	3,075	1,824	327	511	402	760
2043	128,691	121,066	132	191	353	3,108	1,838	322	508	402	771
2044	130,109	122,458	130	186	345	3,138	1,850	317	503	401	781
2045	131,361	123,691	128	181	336	3,165	1,861	311	499	400	790
2046	132,470	124,787	125	176	326	3,190	1,870	305	494	399	798

Table 4–18 Traffic Flow Forecast for Yaoxianshan Tunnel by Vehicle Type (Unit: veh/d)

Year	Total	P1	P2	P3	P4	G1	G2	G3	G4	G5	G6
2023	26,341	23,511	42	70	112	1,042	681	184	250	175	274
2023.11–12	18,252	15,567	26	43	77	1,015	664	180	244	170	267
2024	39,419	35,854	59	96	174	1,299	846	225	307	216	342
2025	53,263	49,305	79	129	234	1,417	920	241	330	233	375
2026	61,815	57,579	91	148	268	1,509	977	251	346	245	401
2027	59,824	55,640	86	139	253	1,505	971	246	340	242	401
2028	70,487	65,046	99	159	289	1,996	1,283	319	444	318	534
2029	87,185	80,656	121	193	351	2,401	1,539	376	526	379	644
2030	97,937	90,758	133	212	385	2,650	1,694	406	572	413	714
2031	96,487	89,557	129	204	371	2,569	1,636	385	545	397	694
2032	73,334	68,255	96	151	276	1,887	1,198	277	394	288	511
2033	77,001	71,776	99	155	283	1,949	1,234	280	401	295	530
2034	80,474	75,113	101	158	288	2,009	1,268	282	406	301	548
2035	83,761	78,270	103	160	292	2,067	1,301	284	411	306	566
2036	101,132	94,112	122	187	342	2,678	1,680	359	524	392	736
2037	104,108	96,964	123	187	342	2,740	1,713	359	528	397	755
2038	106,893	99,635	123	186	341	2,799	1,745	358	530	401	774
2039	109,389	102,035	123	185	339	2,852	1,772	356	531	405	791
2040	111,562	104,130	123	183	336	2,898	1,796	353	531	407	806
2041	113,459	105,966	122	180	331	2,939	1,816	349	529	408	820
2042	115,121	107,579	120	176	325	2,975	1,832	344	526	409	833
2043	116,582	109,003	119	172	318	3,008	1,847	339	523	409	844
2044	117,871	110,263	117	168	311	3,037	1,859	334	518	408	855
2045	119,010	111,382	115	163	302	3,063	1,870	328	514	407	865
2046	120,023	112,381	113	158	294	3,088	1,879	321	508	406	874

## CHAPTER 5 TOLL REVENUE FORECAST

## 5.1 Revenue Forecasting Methodology

1. *Forecasting methodology*

The Project contains three types of toll facilities, including the general road section, the Taihu Tunnel and the Yaoxianshan Tunnel in the mainline, with different toll rates and billing methods, and it is necessary to summarize the tolls of each type of facility to form the toll revenue of the Project.

The formula for calculating the toll revenue of the general road section is as follows: annual toll amount = traffic flow of each type of vehicle × corresponding toll rate × number of days of annual toll collection × toll mileage × toll adjustment coefficient;

The formula for calculating the toll revenue of the two tunnels is as follows: annual toll amount = traffic flow of each type of vehicle × corresponding toll rate × number of toll days per year × toll adjustment coefficient.

Among them, the traffic flow of each vehicle type is taken from the forecast traffic flow by type in the previous chapter, the number of annual toll days is the actual number of toll days in each year during the forecast period (61 days in the first year, 365 days in regular years, 366 days in leap years, and 363 days in the final year). The toll rates are described in detail in Chapter 2.2.1 and 3.2.7; and the toll mileage and the toll adjustment coefficients are explained as follows.

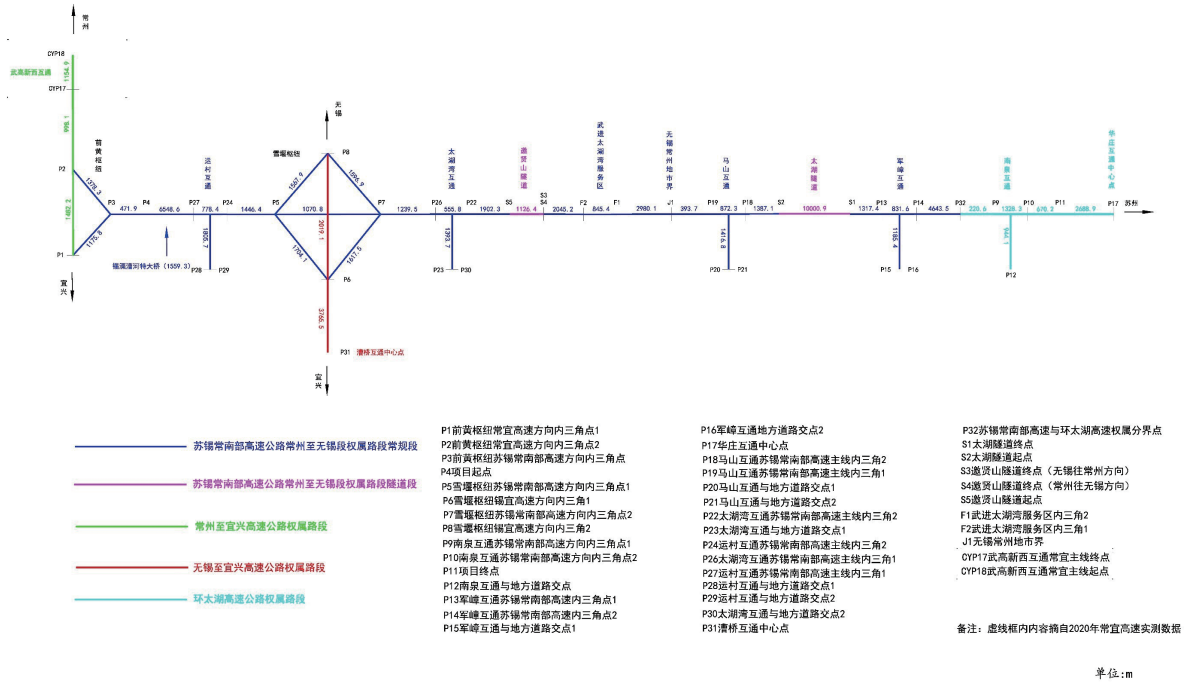
2. **Toll mileage**

The toll mileage is taken from the simplified calculation chart of the toll mileage of the Project provided by the Networking Center. The total toll mileage of the Project is 55.30 km, of which the toll mileage of the mainline is 40.46 km (including 29.33 km of the general road section, 10.00 km of the Taihu Tunnel, 1.13km of Yaoxianshan Tunnel), and the toll mileage of the ramp is 14.84 km. In calculating the revenue, the mileage is taken from the mainline toll mileage in the table below (points P3 to P32 in the figure).

Table 5-1 Toll Mileage for the Mainline of the Project (Unit: meter)

Start point	End point	Mileage	Start point	End point	Mileage
Qianhuang junction	Yuncun interchange	7,020.5	Yaoxianshan tunnel	Mashan interchange	6,264.4
Yuncun interchange		778.4	Mashan interchange		872.3
Yuncun interchange	Xueyan junction	1,446.4	Mashan interchange	Taihu tunnel	1,387.1
Xueyan junction		1,070.8	Taihu tunnel		10,000.9
Xueyan junction	Taihu-Bay interchange	1,239.5	Taihu tunnel	Junzhang interchange	1,317.4
Taihu-Bay interchange		555.8	Junzhang interchange		831.6
Taihu-Bay interchange	Yaoxianshan tunnel	1,902.3	Junzhang interchange	End point	4,643.5
Yaoxianshan tunnel		1,126.4	Total		40,457.3

苏锡常南部高速公路常州至无锡段计费里程计算简化图



### 3. Toll adjustment coefficient

The toll adjustment coefficient mainly considers the impact of differentiation policies, free P1 vehicles during holidays, ramp collections, ETC discounts, cash rounding, and others. Due to the varying degrees of policy impact on vehicles passing through different months, in the first year of the evaluation it is calculated by fitting the flow and revenue data from November to December 2022, while in the remaining years it is calculated by fitting the flow and revenue data from November 2022 to October 2023. The Toll Standards and adjustment coefficients are shown in the table below.

**Table 5–2 Calculation of Toll Adjustment Coefficients for the First Year**

Section/Type		P1	P2	P3	P4	G1	G2	G3	G4	G5	G6
General road section ( <i>yuan/km</i> )	Actual rate	0.59	0.94	1.11	1.23	0.43	0.87	1.30	1.56	1.62	2.07
	Fee standards	0.550	0.825	1.100	1.100	0.450	0.977	1.350	1.805	1.843	2.200
	Adjustment coefficient	1.075	1.134	1.006	1.115	0.964	0.892	0.961	0.863	0.879	0.942
Taihu tunnel ( <i>yuan/once</i> )	Actual rate	41.8	59.4	65.1	86.5	41.6	80.2	125.7	154.7	166.6	188.2
	Fee standards	45.0	60.0	90.0	90.0	50.0	105.0	165.0	200.0	210.0	240.0
	Adjustment coefficient	0.928	0.991	0.723	0.961	0.831	0.764	0.762	0.774	0.793	0.784
Yaoxianshan tunnel ( <i>yuan/once</i> )	Actual rate	4.76	4.88	7.28	9.77	4.23	7.86	15.36	19.34	19.86	23.68
	Fee standards	5.0	5.0	10.0	10.0	5.0	10.0	20.0	25.0	25.0	30.0
	Adjustment coefficient	0.953	0.975	0.728	0.977	0.846	0.786	0.768	0.774	0.794	0.789

Table 5–3 Calculation of Toll Adjustment Coefficients for Remaining Years

Section/Type		P1	P2	P3	P4	G1	G2	G3	G4	G5	G6
General road section (yuan/km)	Actual rate	0.47	0.91	1.15	1.20	0.47	0.89	1.36	1.60	1.81	2.24
	Fee standards	0.550	0.825	1.100	1.100	0.450	0.977	1.350	1.805	1.843	2.200
	Adjustment coefficient	0.848	1.100	1.043	1.092	1.050	0.912	1.009	0.888	0.981	1.017
Taihu tunnel (yuan/once)	Actual rate	34.0	58.3	77.4	85.8	45.4	81.8	130.8	157.8	187.4	200.4
		(34.8)									
	Fee standards	45.0	60.0	90.0	90.0	50.0	105.0	165.0	200.0	210.0	240.0
	Adjustment coefficient	0.756	0.972	0.860	0.954	0.909	0.779	0.793	0.789	0.892	0.835
		(0.772)									
Yaoxianshan tunnel (yuan/once)	Actual rate	3.80	4.84	8.73	9.58	4.62	8.01	16.02	19.74	22.33	25.24
	Fee standards	5.0	5.0	10.0	10.0	5.0	10.0	20.0	25.0	25.0	30.0
	Adjustment coefficient	0.761	0.967	0.873	0.958	0.924	0.801	0.801	0.789	0.893	0.841

*Note:* In Table 5–3 the values in the brackets of the Taihu Tunnel section and Passenger 1 type are calculated after canceling the differential policy subsidy from Project Company, and the coefficients are for revenue calculation from 2024 to 2046. The values outside the brackets are under the shared subsidy, which means that after canceling the subsidy sharing, the average revenue can increase by about 0.8 yuan per vehicle.

As can be seen from the above table, the adjustment coefficient for P1 is smaller than that for other types, especially the two tunnels, mainly because of the substantial increase in traffic flow during holidays when P1 is free; the adjustment coefficient for the general road section is larger than that of the two tunnels because the 14.8 kilometers of the ramp mileage is included in the general road section tolls, and there is even a case in which the adjustment coefficient for some of the types is larger than 1.



## 5.2 Results of Revenue Forecast

## 1. Summary of Revenue

The calculated toll revenues by year for the Project are shown in the table below:

**Table 5–4 Forecasted Revenue by Year for the Project (Unit: 10,000 yuan)**

Year	General road section	Taihu tunnel	Yaoxianshan tunnel	Total
2023	15,607	42,632	4,427	62,666
2023.11–12	2,212	5,901	623	8,736
2024	23,401	63,660	6,408	93,469
2025	31,064	82,553	8,405	122,022
2026	35,838	94,761	9,657	140,256
2027	34,478	92,907	9,367	136,752
2028	40,133	109,700	11,201	161,034
2029	49,157	133,552	13,761	196,470
2030	55,043	149,203	15,414	219,660
2031	54,277	147,443	15,145	216,865
2032	41,859	115,397	11,490	168,746
2033	43,770	120,588	12,003	176,361
2034	45,689	125,815	12,516	184,020
2035	47,502	130,748	13,001	191,251
2036	57,409	156,781	15,840	230,030
2037	58,890	160,766	16,237	235,893
2038	60,419	164,891	16,648	241,958
2039	61,788	168,561	17,015	247,364
2040	63,145	172,209	17,381	252,735
2041	64,002	174,502	17,608	256,112
2042	64,904	176,895	17,847	259,646
2043	65,690	178,987	18,056	262,733
2044	66,555	181,302	18,288	266,145
2045	66,983	182,408	18,398	267,789
2046	67,146	182,802	18,436	268,384
Total	<u>1,201,354</u>	<u>3,272,332</u>	<u>330,745</u>	<u>4,804,431</u>

*Note:* The final year forecast is calculated based on the actual number of days charged, and the total number is the cumulative value from November 1, 2023 to December 29, 2046, the same below.

The toll revenue of the Project will increase from 0.63 billion yuan in 2023 to 2.68 billion yuan in the last year. The cumulative toll revenue within the forecast period will reach 48.04 billion yuan, of which the Taihu Tunnel revenue is 32.72 billion yuan, accounting for 68.1%.

## 2. Revenue forecast by vehicle type

The toll revenue for the Project passenger and goods vehicles is shown in the table below:

**Table 5-5 Forecasted Revenue by Year for the Project (Unit: 10,000 yuan)**

Year	Passenger vehicle revenue	Goods vehicle revenue	Total
2023	49,230	13,436	62,666
2023.11-12	6,665	2,071	8,736
2024	76,584	16,885	93,469
2025	103,777	18,245	122,022
2026	120,930	19,326	140,256
2027	117,639	19,113	136,752
2028	136,286	24,748	161,034
2029	166,984	29,486	196,470
2030	187,295	32,365	219,660
2031	185,643	31,222	216,865
2032	145,747	22,999	168,746
2033	152,803	23,558	176,361
2034	159,854	24,166	184,020
2035	166,519	24,732	191,251
2036	198,202	31,828	230,030
2037	203,594	32,299	235,893
2038	209,133	32,825	241,958
2039	214,097	33,267	247,364
2040	219,013	33,722	252,735
2041	222,178	33,934	256,112
2042	225,473	34,173	259,646
2043	228,360	34,373	262,733
2044	231,532	34,613	266,145
2045	233,142	34,647	267,789
2046	233,836	34,548	268,384
Total	<u>4,145,286</u>	<u>659,145</u>	<u>4,804,431</u>

The cumulative passenger vehicles toll revenue for the Project over the forecast period is calculated to be 41.45 billion yuan and the cumulative goods vehicles toll revenue is calculated to be 6.59 billion yuan, with passenger vehicles revenue accounting for 86.3 percent of the total.

## CHAPTER 6 FORECAST OF OPERATION AND MAINTENANCE COSTS

### 6.1 Cost Forecasting Methodology

In this assessment, it is assumed that the Project Company will follow the current outsourcing service by entrusted management mode, and the operation and maintenance costs such as staff remuneration and other expenses related to personnel will be included in the levy business costs in the form of entrusted management fee. At the same time, the operation and maintenance costs are divided into three major components (excluding depreciation, amortization and regulatory fees), namely road and bridge maintenance costs, three major system costs and levy business costs, in accordance with the caliber of the Company's financial statements, and the forecasting parameters for each of these components are described below:

#### 1. *Road and bridge maintenance costs*

The costs of road and bridge maintenance mainly include road and bridge maintenance fees as well as technical consulting fees.

##### (1) *Road and bridge maintenance*

According to "Jiangsu Provincial Expressway Maintenance Management Measures", expressway maintenance work mainly includes minor maintenance work, major and medium maintenance work.

Minor maintenance work mainly refers to maintenance or repair for the expressways and their appurtenances to keep them in good condition always. It mainly includes pavement sweeping, divider cleaning, refurbishment of road shoulders, slopes, drainage facilities dredging, ground pumping, minor pavement distress treatment, bridge expansion joint cleaning, cleaning of signs and guardrails along the road, and localized repairs. The costs are stable and are assumed to use 2022 as the base year at a 3% annual growth rate in this assessment.

Major and medium maintenance work mainly refers to medium-term and long-term comprehensive repairs which are carried out for the expressway or its appurtenances with large damages in order to fully restore to the original design standard, and it also refers to the local improvement and individual construction in the original technical grade in order to gradually improve expressway capacity. For example, it concludes comprehensive pavement renovation to reach the service lifecycle and restore its original design state, and timely repair to ensure its normal use when significantly damaged by the floods, earthquakes and other disasters. In the actual process, the time and scale of maintenance works are uncertain, so the main work content of road maintenance works during the operating period of the project is assumed in this assessment as follows:

- **Pavement Maintenance Work:** Generally, the corresponding work plan and program are formulated according to the annual road test and evaluation report, and the early routine practice is to carry out a pavement overhaul every 10 to 12 years. Considering the very low proportion of heavy vehicles in the Project and the further promotion of preventive maintenance at this stage, the cycle of pavement overhaul should be extended. Referring to the experience of other projects in Jiangsu, it is assumed that the overhaul works will be carried out once during the operation period and implemented in the 15th year of opening, i.e. 2036. The cost is based on the current price of 200 yuan/m<sup>2</sup>, taking into account an annual increase of 2%.
- **Equipment maintenance work:** renewed every 10 years, starting in the sixth year, for a total amount based on the budgeted amount, share evenly over each year, and taking into account annual increases of 2%.
- **Other ancillary works:** road markings are renewed every three years with a balanced annual apportionment, taking into account an annual increase of 2%; guardrails are renewed once during the operating period with a balanced annual apportionment, taking into account an annual increase of 2%.

(2) *Technical consulting fees*

The technical advisory fee is calculated as 3.05% of the road and bridge maintenance Fee, which is the ratio of the cumulative technical consulting fees to the cumulative road and bridge maintenance fees for the January 2022 – October 2023 period.

**2. Three major system costs**

The costs are primarily for routine maintenance and repair of electrical and mechanical facilities and are based on a 3% annual increase using 2022 as the base year in the assessment. The upgrades to the three systems have been included in the maintenance work costs (equipment maintenance work) of the road and bridge maintenance costs.

**3. Levy Business cost**

The levy business costs mainly include entrusted management fee, water, electricity and gas fees, leasing fee, road network management fee, labor fee and others.

- The entrusted management fee is based on 2022, and are valued at 8% in 2023 with reference to the year-on-year growth rate from January to October; it is calculated on the basis of an annual growth rate of 5% in 2024–2025, and 3% per annual thereafter.
- The water, electricity and gas fees are calculated based on the year 2022, taking into account the fact that some of the tunnel equipment has not been commissioned in the near future, and are subject to annual increases of 10%, 5% and 3% for the years 2023–2025, 2026–2030 and thereafter, respectively.
- Leasing and labor fees increase based on 2022 by an annual growth rate of 2%.
- The road network management fee is calculated as 0.6% of the current year's toll revenue, which is the ratio of the cumulative amount of the network management fee to that of toll revenue for the January 2022 – October 2023 period.
- Other costs are based on the cumulative number from January 2022 to October 2023, as the forecast value for November–December 2023 after averaging monthly, and then increase by an annual growth rate of 2% thereafter.

## 6.2 Conclusion of Costs Forecast

The forecasted operation and maintenance costs and their components for each year of the Project are shown in the table below:

**Table 6-1 Forecast of Operation and Maintenance Costs by Year for the Project**  
(Unit: 10,000 yuan)

Year	Levy business costs	Three major system costs	Road and bridge maintenance costs	Total
2023	6,244	955	1,722	8,921
2023.11-12	1,406	491	874	2,771
2024	6,765	984	2,050	9,799
2025	7,292	1,014	2,108	10,414
2026	7,623	1,044	2,168	10,835
2027	7,829	1,075	7,326	16,230
2028	8,210	1,108	7,541	16,859
2029	8,666	1,141	7,765	17,572
2030	9,061	1,175	7,993	18,229
2031	9,266	1,210	8,230	18,706
2032	9,206	1,247	8,474	18,927
2033	9,487	1,284	8,724	19,495
2034	9,775	1,322	8,983	20,080
2035	10,070	1,362	9,249	20,681
2036	10,559	1,403	48,010	59,972
2037	10,858	1,445	9,804	22,107
2038	11,168	1,488	10,094	22,750
2039	11,479	1,533	10,392	23,404
2040	11,800	1,579	10,701	24,080
2041	12,117	1,626	11,017	24,760
2042	12,445	1,675	11,344	25,464
2043	12,776	1,726	11,679	26,181
2044	13,121	1,777	12,026	26,924
2045	13,464	1,831	12,381	27,676
2046	13,809	1,886	12,748	28,443
Total	238,252	32,426	241,681	512,359

**Table 6-2 Details of Forecasted Operation and Maintenance Costs of the Project**  
(Unit: 10,000 yuan)

Number	Project	2023.11-												
		2023	12	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1	Levy business costs	6,243	1,406	6,765	7,292	7,623	7,829	8,210	8,666	9,061	9,266	9,206	9,487	9,775
1.1	Entrusted management fee	3,719	761	3,905	4,101	4,224	4,350	4,481	4,615	4,754	4,896	5,043	5,194	5,350
1.2	Water, electricity, and gas fees	1,308	408	1,439	1,582	1,662	1,745	1,832	1,923	2,020	2,080	2,143	2,207	2,273
1.3	Leasing fee	299	47	305	311	318	324	330	337	344	351	358	365	372
1.4	Road network management fee	373	52	561	732	842	821	966	1,179	1,318	1,301	1,012	1,058	1,104
1.5	Labor fee	356	113	363	370	377	385	393	400	408	417	425	433	442
1.6	Others	188	25	192	196	200	204	208	212	217	221	225	230	234
2	Three major system costs	955	491	984	1,014	1,044	1,075	1,108	1,141	1,175	1,210	1,247	1,284	1,322
2.1	Maintenance and repair fee	955	491	984	1,014	1,044	1,075	1,108	1,141	1,175	1,210	1,247	1,284	1,322
3	Road and bridge maintenance costs	1,722	874	2,050	2,108	2,168	2,326	7,541	7,765	7,993	8,230	8,474	8,724	8,983
3.1	Minor work fee	1,643	848	1,692	1,743	1,795	1,849	1,904	1,961	2,020	2,081	2,143	2,207	2,274
3.2	Major and medium work fee	0	0	297	303	309	5,260	5,414	5,574	5,737	5,906	6,080	6,259	6,443
3.2.1	Pavement work fee	0	0	0	0	0	0	0	0	0	0	0	0	0
3.2.2	Equipment work fee	0	0	0	0	0	4,945	5,093	5,246	5,403	5,565	5,732	5,904	6,081
3.2.3	Road marking work fee	0	0	160	163	166	170	173	177	180	184	187	191	195
3.2.4	Guardrail work fee	0	0	137	140	142	145	148	151	154	157	160	164	167
3.3	Technical consulting fees	79	26	61	62	64	217	223	230	236	243	251	258	266
4	Total	8,920	2,771	9,799	10,414	10,835	16,230	16,859	17,572	18,229	18,706	18,927	19,495	20,080

Continued Table 6-2 Details of Forecasted Operation and Maintenance Costs of the Project (Unit: 10,000 YUAN)

Number	Project	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
1	Levy business costs	10,070	10,559	10,858	11,168	11,479	11,800	12,117	12,445	12,776	13,121	13,464	13,809
1.1	Entrusted management fee	5,511	5,676	5,846	6,022	6,202	6,389	6,580	6,778	6,981	7,190	7,406	7,628
1.2	Water, electricity, and gas fees	2,341	2,412	2,484	2,558	2,635	2,714	2,796	2,880	2,966	3,055	3,147	3,241
1.3	Leasing fee	380	387	395	403	411	419	427	436	445	454	463	472
1.4	Road network management fee	1,148	1,380	1,415	1,452	1,484	1,516	1,537	1,558	1,576	1,597	1,607	1,610
1.5	Labor fee	451	460	469	479	488	498	508	518	528	539	550	561
1.6	Others	239	244	249	254	259	264	269	275	280	286	291	297
2	Three major system costs	1,362	1,403	1,445	1,488	1,533	1,579	1,626	1,675	1,726	1,777	1,831	1,886
2.1	Maintenance and repair fee	1,362	1,403	1,445	1,488	1,533	1,579	1,626	1,675	1,726	1,777	1,831	1,886
3	Road and bridge maintenance costs	9,249	48,010	9,804	10,094	10,392	10,701	11,017	11,344	11,679	12,026	12,381	12,748
3.1	Minor work fee	2,342	2,412	2,485	2,559	2,636	2,715	2,796	2,880	2,967	3,056	3,147	3,242
3.2	Major and medium work fee	6,633	44,178	7,029	7,236	7,449	7,669	7,895	8,128	8,367	8,614	8,868	9,129
3.2.1	Pavement work fee	0	37,350	0	0	0	0	0	0	0	0	0	0
3.2.2	Equipment work fee	6,264	6,452	6,645	6,845	7,050	7,261	7,479	7,704	7,935	8,173	8,418	8,671
3.2.3	Road marking work fee	199	203	207	211	215	219	224	228	233	238	242	247
3.2.4	Guardrail work fee	170	174	177	181	184	188	192	196	200	204	208	212
3.3	Technical consulting fees	274	1,420	290	299	307	317	326	336	345	356	366	377
4	Total	20,681	59,972	22,107	22,750	23,404	24,080	24,760	25,464	26,181	26,924	27,676	28,443



## 1. The proposed amendments to the Articles of Association are as follows:

Number	Original Articles	Amended Articles
1.		<b>All references to the Mandatory Provisions and Listing Rules are deleted</b>
2.		<p><b>The term “其它” in the original articles is a typo and now amended to “其他” in the Chinese version</b></p> <p><b>The term “帳” in the original articles is a typo and now amended to “賬” in the Chinese version</b></p> <p><b>(These amendments are only applicable to the Chinese version)</b></p>
3.		<b>The punctuation marks at the end of each subparagraphs are uniformly amended as “;” or “.”</b>
4.	<p>Clause 1 of Article 1.2</p> <p>The Company is a joint stock limited company incorporated pursuant to the Company Law of the People’s Republic of China (the “Company Law”), the Special Regulations of the State Council on the Overseas Offer and Listing of Shares by Joint Stock Limited Companies (the “Special Regulations”), and other relevant laws and administrative regulations of the People’s Republic of China (the “PRC”).</p>	<p>Clause 1 of Article 1.2</p> <p>The Company is a joint stock limited company incorporated pursuant to the Company Law of the People’s Republic of China (the “Company Law”), the Special Regulations of the State Council on the Overseas Offer and Listing of Shares by Joint Stock Limited Companies (<del>the</del> “Special Regulations”), and <u>other</u> relevant laws and administrative regulations of the People’s Republic of China (the “PRC”).</p>
5.	<p>Article 1.8 Other senior managements referred to in the Articles of Association include general managers, deputy general managers, Secretary to the Board, and financial controller of the Company.</p>	<p>Article 1.8 Other senior managements referred to in the Articles of Association include <del>general managers, deputy general</del> managers, Secretary to the Board, and financial controller of the Company.</p>

Number	Original Articles	Amended Articles
6.	<p>Article 1.10 The Articles of Association were formulated mainly in accordance with the Company Law, the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) (Zheng Wei Fa [1994] No. 21) (證委發[1994]21號文) (the “Mandatory Provisions”) promulgated on 27 August 1994 by the Securities Commission of the State Council and the State Commission for Restructuring the Economic System, the Letter of Opinions on Supplementary Amendment to Articles of Association of Companies to be Listed in Hong Kong (關於到香港上市公司對公司章程作補充修改的意見的函) (Zheng Jian Hai Han [1995] No. 1) (證監海函[1995]1號) promulgated on 3 April 1995 by the Overseas Listing Department of the CSRC and the Department of Production System under the State Commission for Structural Reform, and the Circular of the CSRC Concerning Issuance of the Guidelines on Articles of Association of Listed Companies (關於發佈&lt;上市公司章程指引的通知&gt;) on 16 December 1997. Any amendment to the Articles of Association involving the Mandatory Provisions shall be handled pursuant to Article 23.2 hereof.</p>	<p>Article 1.10 The Articles of Association were formulated mainly in accordance with the Company Law, <del>the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) (Zheng Wei Fa [1994] No. 21) (證委發[1994]21號文) (the “Mandatory Provisions”) promulgated on 27 August 1994 by the Securities Commission of the State Council and the State Commission for Restructuring the Economic System, the Letter of Opinions on Supplementary Amendment to Articles of Association of Companies to be Listed in Hong Kong (關於到香港上市公司對公司章程作補充修改的意見的函) (Zheng Jian Hai Han [1995] No. 1) (證監海函[1995]1號) promulgated on 3 April 1995 by the Overseas Listing Department of the CSRC and the Department of Production System under the State Commission for Structural Reform, and the Circular of the CSRC Concerning Issuance of the Guidelines on Articles of Association of Listed Companies (關於發佈&lt;上市公司章程指引的通知&gt;) on 16 December 1997</del> <u>the Securities Law and other relevant laws, regulations, administrative rules and industry standards, and as amended from time to time in accordance with the revisions of the aforementioned relevant legal documents.</u> Any amendment to the Articles of Association involving the Mandatory Provisions shall be handled pursuant to <u>Articles 23.2, 24.1 and 24.2</u> hereof.</p>

Number	Original Articles	Amended Articles
7.	<p data-bbox="400 283 676 310">Clause 2 of Article 1.12</p> <p data-bbox="400 370 884 736">A shareholder may take action against the Company pursuant to the Company's Articles of Association, and vice versa. A shareholder may also take action against another shareholder, and may take action against the directors, supervisors, managers and other senior management of the Company pursuant to the Company's Articles of Association.</p>	<p data-bbox="911 283 1187 310">Clause 2 of Article 1.12</p> <p data-bbox="911 370 1394 910">A shareholder may take action against the Company pursuant to the Company's Articles of Association, and <del>vice versa</del> <u>the Company may take action against the shareholders, directors, supervisors, managers and other senior management pursuant to the Company's Articles of Association.</u> A shareholder may also take action against another shareholder, and may take action against the directors, supervisors, managers and other senior management of the Company pursuant to the Company's Articles of Association.</p>

Number	Original Articles	Amended Articles
8.	<p>Clause 2 of Article 2.2</p> <p>The Company’s scope of business includes: retail of petroleum products; repairs of automobiles; accommodations, catering, sale of food stuffs; and retail and rental of books and magazines (only by approved branch entities for the above-mentioned businesses). General business items: construction and maintenance of expressways; collection of toll charges from vehicles using the expressways under prescribed regulations; storage; technical consultancy; sales of daily necessities, textiles, groceries, hardware, AC electrical products, chemical products (hazardous chemical products excluded), automobile parts and components, motor parts and components; equipment leasing, property leasing and site leasing.</p>	<p>Clause 2 of Article 2.2</p> <p><u>As registered according to the laws, The</u> Company’s scope of business includes: retail of petroleum products; repairs of automobiles; accommodations, catering, sale of food stuffs; and retail and rental of books and magazines (only by approved branch entities for the above-mentioned businesses). General business items: construction and maintenance of expressways; collection of toll charges from vehicles using the expressways under prescribed regulations; storage; technical consultancy; sales of daily necessities, textiles, groceries, hardware, AC electrical products, chemical products (hazardous chemical products excluded), automobile parts and components, motor parts and components; equipment leasing, property leasing and site leasing; <u>sales of electromechanical vehicle charging, operation of electric vehicle charging infrastructure, centralized fast charging stations, and sales of new energy vehicle battery swapping facilities.</u></p>
9.	<p>Article 3.1 There must, at all times, be ordinary shares in the Company. The Company may, according to its needs and subject to the approval by the companies’ approval authority authorised by the State Council, create other classes of shares.</p>	<p>Article 3.1 <u>The shares of the Company shall take the form of share certificates.</u> There must, at all times, be ordinary shares in the Company. The Company may, according to its needs and subject to the approval by the companies’ approval authority authorised by the State Council, create other classes of shares.</p>

Number	Original Articles	Amended Articles
10.	<p>Clause 1 of Article 3.5</p> <p>Subject to the approval of the securities regulatory authority of the State Council, the Company may issue shares to domestic and foreign investors.</p>	<p>Clause 1 of Article 3.5</p> <p><del>Subject to the approval of the</del> <u>Upon completion of the registration or filing procedures with CSRC securities</u> <del>regulatory authority of the State Council in accordance with the law,</del> the Company may issue shares to domestic and foreign investors.</p>
11.	<p>Article 3.11 The Company's proposal for the issuance of overseas-listed foreign-invested shares and domestic-invested shares, upon approval by the competent securities regulatory authorities of the State Council, may be implemented by the Board through separate offerings.</p>	<p><b>The entire article is deleted</b></p>
12.	<p>Article 3.12 Where the Company issues overseas-listed foreign-invested shares and domestic-invested shares respectively within the total number of shares as stated in the issuance proposal, the respective shares shall be subscribed for in full at one time. If they cannot be subscribed for in full at one time under special circumstances, these shares may be issued in several offerings subject to the approval of the securities regulatory authority of the State Council.</p>	<p>Article 3.12<del>1</del><u>1</u> Where the Company issues overseas-listed foreign-invested shares and domestic-invested shares respectively within the total number of shares as stated in the issuance proposal, the <del>respective</del> shares shall be subscribed for in full at one time. If they cannot be subscribed for in full at one time under special circumstances, these shares may be issued in several offerings subject to the approval of the <del>securities regulatory authority of the State Council</del> CSRC.</p>
13.	<p>Article 3.13 Upon completion of the issue of overseas-listed foreign-invested shares and PRC-listed domestic-invested shares as stated in Article 3.8, the Company's registered capital was RMB5,037,747,500.</p>	<p>Article 3.13<del>2</del><u>2</u> Upon completion of the issue of overseas-listed foreign-invested shares and PRC-listed domestic-invested shares as stated in Article <del>3.8</del><u>3.10</u>, the Company's registered capital was RMB5,037,747,500.</p>

Number	Original Articles	Amended Articles
14.	<p>Article 3.14 The Company or its subsidiaries (including subordinate entities under the Company) shall not, by way of gift, advance payment, guarantee, compensation, loans or other means, provide any financial assistance to a person who acquires or proposes to acquire the shares in the Company.</p>	<p><b>The entire article is deleted</b></p>
15.	<p>Article 3.15 The Company may, based on its operation and business requirements, approve an increase of its capital in accordance with the relevant provisions of the Articles of Association.</p> <p>The Company may increase its capital in the following manners:</p> <ol style="list-style-type: none"> <li>(1) offering new shares for subscription to non-specific investors;</li> <li>(2) placing new shares to existing shareholders;</li> <li>(3) distributing new shares to existing shareholders;</li> </ol>	<p>Article 3.15<del>3</del> The Company may, based on its operation and business requirements, <del>approve an increase of its capital in accordance with the relevant provisions of the Articles of Association.</del> <u>in accordance with the relevant laws and regulations, and subject to the respective resolution of the General Meeting of Shareholders, increase its capital by any of the following methods:</u></p> <p><del>The Company may increase its capital in the following manners:</del></p> <ol style="list-style-type: none"> <li>(1) <del>offering new shares for subscription to non-specific investors</del> <u>public offering of shares;</u></li> <li>(2) <del>placing new shares to existing shareholders</del> <u>non-public offering of shares;</u></li> <li>(3) distributing new <u>bonus</u> shares to existing shareholders;</li> </ol>

Number	Original Articles	Amended Articles
	<p>(4) other methods as permitted by laws and administrative regulations;</p> <p>(5) capitalizing its capital reserve;</p> <p>(6) other means as approved by the CSRC.</p> <p>The Company’s increase of capital by issuing new shares shall, after being approved pursuant to the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations.</p>	<p><del>(4)</del> <del>other methods as permitted by laws and administrative regulations;</del></p> <p><del>(5)</del> capitalizing its capital reserve;</p> <p><del>(6)</del> other means as approved by <u>laws, administrative regulations and the CSRC.</u></p> <p>The Company’s increase of capital by issuing new shares shall, <del>after being approved pursuant to the provisions of the Articles of Association,</del> be conducted in accordance with the procedures stipulated by the relevant laws, administrative regulations, <u>relevant rules and regulations and the Articles of Association.</u></p>
16.	Article 3.16 After increase of its capital, the Company shall file the change with relevant authorities for registration and make relevant announcement.	<b>The entire article is deleted</b>
17.	Article 3.17 Unless otherwise provided by laws and administrative regulations, shares of the Company are freely transferable and are not subject to any lien.	<b>The entire article is deleted</b>

Number	Original Articles	Amended Articles
18.	<p>Article 4.1 Pursuant to the requirements under the Party Constitution, the Company shall set up the Communist Party of China Party Committee of Jiangsu Expressway Company Limited (the “Party Committee”), consisting of one secretary and certain deputy secretaries and members. The terms of reference and procedures for appointment and dismissal shall be determined by Party organizations at higher levels. The Party Committee shall play the core leadership role and core political role, providing direction, managing the overall situation and ensuring implementation. The working organs of the Party shall be established, equipped with sufficient staff to deal with Party affairs and provided with sufficient funds to operate the Party organization so as to support the Party organization in carrying out its work.</p> <p>.....</p>	<p>Article 4.1 Pursuant to the requirements under the Party Constitution, the Company shall set up the Communist Party of China Party Committee of Jiangsu Expressway Company Limited (the “Party Committee”), consisting of one secretary and certain deputy secretaries and members. The terms of reference and procedures for appointment and dismissal shall be determined by Party organizations at higher levels. The Party Committee <u>of the state-owned enterprise</u> shall play the <del>core</del> leadership role <del>and core political role</del>, providing direction, managing the overall situation and ensuring implementation. <u>Members of the Party Committee who meet the relevant conditions can serve in the Board and the senior management level after following legal procedures; members of the Board and the senior management who are Party Members can serve in the Party Committee after following relevant regulations and procedures.</u> The working organs of the Party shall be established, equipped with sufficient staff to deal with Party affairs and provided with sufficient funds to operate the Party organization so as to support the Party organization in carrying out its work.</p> <p>.....</p>
19.	<p><b>Chapter V Reduction of Capital and Repurchase of Shares</b></p>	<p><b>Chapter V <del>Reduction of Capital and</del> Repurchase of Shares</b></p>



Number	Original Articles	Amended Articles
20.	<p>Article 5.1 In accordance with the provisions of the Articles of Association, the Company may reduce its registered capital.</p>	<b>The entire article is deleted</b>
21.	<p>Article 5.2 The Company shall prepare a balance sheet and an inventory of assets when it reduces its registered capital.</p> <p>The Company shall notify its creditors within ten days of the date of the Company's resolution for reduction of registered capital and shall publish an announcement for at least 3 times in newspapers within thirty days from the date of such resolution. A creditor of the Company shall be entitled, within thirty days from the date of receipt of the notice from the Company or, in case of a creditor who has not received such notice, within ninety days from the date of the first announcement, to require the Company to repay its debts or provide a corresponding guarantee for such debt.</p> <p>The registered capital of the Company following the reduction of capital shall not be less than the statutory minimum amount.</p>	<b>The entire article is deleted</b>

Number	Original Articles	Amended Articles
22.	<p>Article 5.3 In the following circumstances, the Company may repurchase shares of the Company in accordance with laws, administrative regulations, departmental rules and the Articles of Association:</p> <p>(1) to cancel shares for the purpose of reducing the capital of the Company;</p> <p>.....</p> <p>(5) to use the shares for the purpose of conversion by corporate bonds which are convertible into shares issued by the Company;</p> <p>(6) where it is necessary to safeguard the value of the Company and the interests of its shareholders;</p> <p>(7) other circumstances where the laws and administrative regulations so permit.</p> <p>The Company shall not acquire the Company’s shares save and except for the aforesaid conditions.</p>	<p>Article 5.31 <del>In the following circumstances,</del>  <del>the Company may not repurchase shares of the Company except in one of the following circumstances in accordance with laws, administrative regulations, departmental rules and the Articles of Association:</del></p> <p>(1) to cancel shares for the purpose of reducing the <u>registered</u> capital of the Company;</p> <p>.....</p> <p>(5) to use the shares for the purpose of conversion by corporate bonds which are convertible into shares issued by <u>the Company</u>;</p> <p>(6) where it is necessary to safeguard the value of <u>the Company</u> and the interests of its shareholders;.</p> <p><del>(7)</del></p> <p><u>Article 5.2 The Company may repurchase its shares by an open and centralized transaction method or other method allowed by other circumstances the laws and administrative regulations and the CSRC so permit.</u></p> <p><del>The Company shall not acquire its shares save and except for the aforesaid conditions.</del></p>

Number	Original Articles	Amended Articles
	<p>Where the Company acquires its shares pursuant to the circumstances as stated in items (3), (5) and (6) of this Article, the repurchase shall be conducted through public and centralized trading.</p> <p>Where the Company acquires its shares pursuant to the circumstances as stated in items (1) and (2) of this Article, it shall be approved by way of a resolution at the Company's general meeting. Where the Company acquires its shares pursuant to circumstances as stated in items (3), (5) and (6) of this Article, it shall obtain approval of more than two-thirds of the directors present at the meeting of the Board by way of a resolution as stipulated in the Articles of Association or authorized by the general meeting.</p> <p>Where the Company acquires its shares pursuant to the provisions in this Article, such shares shall be cancelled within ten days from the date of acquisition in case of the circumstances as stated in item (1), (2) and (4); and such shares shall be held by the entrusts other than the Company in case of the circumstance as stated in item (3); where the shares of the Company are held by the Company, such shares shall not exceed 10% of the Company's total issued shares and shall be transferred or cancelled within three years; and all the repurchased shares shall be cancelled in case of the circumstances as stated in item (5) and item (6).</p>	<p>Where the Company acquires its shares pursuant to the circumstances as stated in items (3), (5) and (6) of <del>Clause 1</del> of this Article <u>5.1</u>, the repurchase shall be conducted through public and centralized trading.</p> <p><u>Article 5.3</u> Where the Company acquires its shares pursuant to the circumstances as stated in items (1) and (2) of <del>Clause 1</del> of this Article <u>5.1</u>, it shall be approved by way of a resolution at the Company's general meeting. Where the Company acquires its shares pursuant to circumstances as stated in items (3), (5) and (6) of <del>Clause 1</del> of this Article <u>5.1</u>, it shall obtain approval of more than two-thirds of the directors present at the meeting of the Board by way of a resolution as stipulated in the Articles of Association or authorized by the general meeting.</p> <p>Where the Company acquires its shares pursuant to <del>this Clause 1</del> of Article <u>5.1</u>, <u>such shares shall be cancelled within 10 days from the date of acquisition in case of the circumstances as stated in item (1); such shares shall be transferred or cancelled within six months ten days from the date of acquisition</u> in case of the circumstances as stated in items <del>(1), (2)</del> and (4); <del>and such shares shall be held by the entrusts other than the Company</del> in case of the circumstance as stated in items (3), (5) and (6); <u>and</u> where the shares of the Company are held by the Company, such shares shall not exceed 10% of the Company's total issued shares and shall be transferred or cancelled within three years; <del>and all the repurchased shares shall be cancelled in case of the circumstances as stated in item (5) and item (6).</del></p>

Number	Original Articles	Amended Articles
	<p>The Company may, with the approval of the relevant competent authority of the State, repurchase Shares in one of the following manners:</p> <p>(1) making a general offer of repurchase of shares from all its shareholders on a pro rata basis;</p> <p>(2) repurchasing shares through public dealing on a stock exchange;</p> <p>(3) repurchasing through an off-market agreement.</p>	<p><del>The Company may, with the approval of the relevant competent authority of the State, repurchase Shares in one of the following manners:</del></p> <p><del>(1) making a general offer of repurchase of shares from all its shareholders on a pro rata basis;</del></p> <p><del>(2) repurchasing shares through public dealing on a stock exchange;</del></p> <p><del>(3) repurchasing through an off-market agreement.</del></p>
23.	<p>Article 5.4 The Company may, with the approval of the relevant competent authority of the State for repurchasing its shares, repurchase Shares in one of the following manners:</p> <p>(1) making a general offer of repurchase of shares to all its shareholders on a pro rata basis;</p> <p>(2) repurchasing shares through public dealing on a stock exchange;</p> <p>(3) repurchasing through an off-market agreement.</p>	<p><b>The entire article is deleted</b></p>

Number	Original Articles	Amended Articles
24.	<p data-bbox="400 283 879 740">Article 5.5 Where the Company repurchases its shares through an off-market agreement, it shall seek prior approval of the shareholders at a general meeting in accordance with the Articles of Association. The Company may release or vary a contract so entered into by the Company or waive its rights thereunder with prior approval by shareholders at a general meeting obtained in the same manner.</p> <p data-bbox="400 800 879 995">The contract to repurchase shares as referred to in the preceding paragraph includes, but not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase shares.</p> <p data-bbox="400 1055 879 1166">The Company shall not assign a contract to repurchase its shares or any of its right thereunder.</p>	<p data-bbox="911 283 1241 314"><b>The entire article is deleted</b></p>

Number	Original Articles	Amended Articles
25.	<p>Article 5.6 Shares repurchased in accordance with the law by the Company shall be cancelled within the period prescribed by laws and administrative regulations, and the Company shall apply to the original company registration authority for registration change of its registered capital.</p> <p>The aggregate par value of the cancelled shares shall be deducted from the Company’s registered capital.</p> <p>Upon completion of reduction of its registered capital and change of registration with the company registration authority, the Company shall make the relevant announcement.</p>	<p><b>The entire article is deleted</b></p>

Number	Original Articles	Amended Articles
26.	<p>Article 5.7 Unless the Company is in the course of liquidation, it must comply with the following provisions in respect of repurchase of its issued shares:</p> <p>(1) where the Company repurchases its shares at par value, payment shall be made out of book balance of the distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose;</p> <p>(2) where the Company repurchases its shares at a premium to the par value, payment up to the par value shall be made out of the book balance of the distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose; Payment of the portion in excess of the par value shall be effected as follows:</p> <p>(i) if the shares being repurchased were issued at par value, payment shall be made out of the book balance of the distributable profits of the Company;</p>	<p><b>The entire article is deleted</b></p>

Number	Original Articles	Amended Articles
	<ul style="list-style-type: none"><li data-bbox="475 283 884 1123">(ii) if the shares being repurchased were issued at a premium to the par value, payment shall be made out of the book balance of the distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose; provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased nor the current amount of the Company’s share premium account or capital reserve account (as the case may be) (including the premiums from the fresh issue);</li><li data-bbox="400 1183 884 1336">(3) payment by the Company in consideration of the followings shall be made out of the Company’s distributable profits:<ul style="list-style-type: none"><li data-bbox="475 1395 884 1464">(i) acquisition of rights to repurchase shares of the Company;</li><li data-bbox="475 1523 884 1634">(ii) variation of any contract for repurchasing shares of the Company;</li><li data-bbox="475 1693 884 1810">(iii) release of any of the Company’s obligation under any contract for repurchasing its shares.</li></ul></li></ul>	



Number	Original Articles	Amended Articles
	<p>(4) after the Company's registered share capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value of the shares which have been repurchased shall be transferred to the Company's share premium account or capital reserve account (as the case may be).</p>	
27.	<p>Article 6.1 The Company and its subsidiaries shall not, by any other means at any time, provide any form of financial assistance to a person who is acquiring or is proposing to acquire shares of the Company. The said acquirer of shares of the Company includes a person who directly or indirectly incurs any obligations resulting from the acquisition of shares of the Company.</p> <p>The Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer for the purpose of reducing or discharging the obligations assumed by that person.</p> <p>This provision does not apply to the circumstances as stated in Article 6.3 of this Chapter.</p>	<p>Article 6.1 The Company <del>and/or</del> its subsidiaries (<u>including affiliates of the Company</u>) shall not, by <del>any other means</del> <u>at any time way of gift, advance payment, guarantee, compensation or loans</u>, provide any form of <del>financial</del> assistance to a person who is acquiring or is proposing to acquire shares of the Company. <del>The said acquirer of shares of the Company includes a person who directly or indirectly incurs any obligations resulting from the acquisition of shares of the Company.</del></p> <p><del>The Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer for the purpose of reducing or discharging the obligations assumed by that person.</del></p> <p>This provision does not apply to the circumstances as stated in Article 6.3 of this Chapter.</p>

Number	Original Articles	Amended Articles
28.	<p>Article 6.2 The financial assistance as referred to in this Chapter includes, but not limited to, the followings:</p> <p>(1) gift;</p> <p>.....</p> <p>(4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.</p> <p>.....</p>	<p>Article 6.2 The financial assistance as referred to in this Chapter includes, but not limited to, the followings:</p> <p>(1) <u>grant/gift</u>;</p> <p>.....</p> <p>(4) <u>advance payment, compensation and any other</u> form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.</p> <p>.....</p>
29.	<p>Article 7.2 The share certificates shall be signed by the Chairman of the Board. Where the stock exchange on which the shares of the Company are listed requires other senior managements to sign on the share certificates, the share certificates shall also be signed by such senior managements. The share certificates shall take effect after being affixed, or affixed by imprinting, with the seal of the Company. The share certificates shall only be affixed with the Company’s seal under the authorisation of the Board. The signatures of the Chairman of the Company or other relevant senior management members on the share certificates may also be in printed form.</p>	<p>Article 7.2 The share certificates shall be signed by the Chairman of the Board. Where the stock exchange on which the shares of the Company are listed requires <u>managers and</u> other senior managements to sign on the share certificates, the share certificates shall also be signed by such senior managements. The share certificates shall take effect after being affixed, or affixed by imprinting, with the seal of the Company. The share certificates shall only be affixed with the Company’s seal under the authorisation of the Board. The signatures of the Chairman of the Company or other relevant senior management members on the share certificates may also be in printed form.</p>

Number	Original Articles	Amended Articles
30.	<p>Article 7.6 Different parts of the register of shareholders shall not overlap one another. No transfer of the shares registered in any part of the register shall, during the existence of that registration, be registered in any other part of the register of shareholders.</p> <p>Alteration or rectification of each part of the register of shareholders shall be made in accordance with the laws of the place where the register of shareholders is maintained.</p>	<p>Article 7.6 Different parts of the register of shareholders shall not <u>overlap</u> one another. No transfer of the shares registered in any part of the register shall, during the existence of that registration, be registered in any <u>other</u> part of the register of shareholders.</p> <p>Alteration or rectification of each <u>part</u> of the register of shareholders shall be made in accordance with the laws of the place where the register of shareholders is maintained.</p>
31.	<p>Article 7.7</p> <p>(3) All PRC-listed domestic-invested shares may be legally transferred, but shall be subject to the following requirements:</p> <p>(i) The Company does not accept any shares of the Company as the subject of a pledge;</p> <p>.....</p>	<p>Article 7.7 <b>The original item (2) (i), (ii), (iii), (iv), (v) and (vi) of Clause 1 are renumbered as item (2) (a), (b), (c), (d), (e) and (f) of Clause 1</b></p> <p>(3) All PRC-listed domestic-invested shares may be legally transferred, but shall be subject to the following requirements:</p> <p>(i) The Company does not accept any shares of the Company as the subject of a pledge;</p> <p>.....</p>

Number	Original Articles	Amended Articles
	<p>(iii) During their tenure in office, the directors, supervisors and senior management members of the Company shall regularly report to the Company their shareholdings and shall not transfer more than 25% of the total number of shares held by them per year. The shares held by them shall not be transferred within one year from the date the shares of the Company being listed and traded on the stock exchange(s). The aforesaid person(s) shall not transfer the shares of the Company held by them within six months commencing from the termination of their service;</p>	<p>(iii) <del>During their tenure in office,</del> <u>The directors, supervisors, managers and other</u> senior management members of the Company shall <u>regularly</u> report to the Company their shareholdings <u>and changes thereof</u>, and shall not transfer more than 25% of the total number of shares <u>of the same class</u> held by them per year. The shares held by them shall not be transferred within one year from the date the shares of the Company being listed and traded on the stock exchange(s). The aforesaid person(s) shall not transfer the shares of the Company held by them within six months commencing from the termination of their service;</p>

Number	Original Articles	Amended Articles
	<p>(iv) Any gains from sale of shares in the Company by any directors, supervisors, senior management members or shareholders holding 5% or more of the shares with voting rights in the Company within six months after their purchase of the same, and any gains from purchase of shares in the Company by any of the aforesaid parties within six months after sale of the same shall be disgorged and paid to the Company. The Board of the Company shall forfeit such gains from the abovementioned parties. However, if a securities company holds 5% or more shares by buying the remaining shares subject to sale pursuant to an underwriting arrangement, the six-month limitation for selling the said shares shall not apply thereunder;</p> <p>.....</p>	<p>(iv) Any gains from sale of shares in the Company by any directors, supervisors, <u>managers</u>, senior management members or shareholders holding 5% or more of the shares <del>with voting rights</del> in the Company within six months after their purchase of the same, and any <u>gains income</u> from purchase of shares in the Company <u>or other securities with the nature of equity</u> by any of the aforesaid parties within six months after sale of the same shall be disgorged and paid to the Company. The Board of the Company shall forfeit such gains from the abovementioned parties. However, if a securities company holds 5% or more shares by buying the remaining shares subject to sale pursuant to an underwriting arrangement, <del>the six-month limitation for selling the said shares shall not apply thereunder;</del> <u>and other circumstances stipulated by the CSRC are excluded.</u></p>

Number	Original Articles	Amended Articles
		<p><u>Shares or other securities with an equity nature held by directors, supervisors, senior management members and natural person shareholders referred to in the preceding clause shall include the shares or other securities with the nature of equity held by their spouses, parents or children, and those held through the accounts of others.</u></p> <p>.....</p>
32.	<p>Article 7.8 Transfers may not be entered in the register of shareholders within thirty days prior to the date of a shareholders’ general meeting or within five days before the record date set by the Company for the purpose of distribution of dividends.</p> <p>If laws, administrative regulations, departmental rules, standard documents and stock exchanges or regulatory authority in the listing place of the Company’s shares stipulate the period of closure of the register of members prior to the holding of a shareholders’ general meeting or the record date for the purpose of distribution of dividends, those provisions shall prevail.</p>	<p>Article 7.8 Transfers may not be entered in the register of shareholders within <del>thirty</del> <u>twenty</u> days prior to the date of a shareholders’ general meeting or within five days before the record date set by the Company for the purpose of distribution of dividends.</p> <p>If laws, administrative regulations, departmental rules, standard documents and stock exchanges or regulatory authority in the listing place of the Company’s shares stipulate the period of closure of the register of members prior to the holding of a shareholders’ general meeting or the record date for the purpose of distribution of dividends, those provisions shall prevail.</p>

Number	Original Articles	Amended Articles
33.	<p>Article 7.9 When the Company intends to convene a shareholders' general meeting, distribute dividends, liquidate and engage in other activities that involve determination of shareholdings, the Board shall designate a day to be the record date. Shareholders whose names appear in the register of shareholders at the end of the record date are shareholders of the Company.</p>	<p>Article 7.9 When the Company intends to convene a shareholders' general meeting, distribute dividends, liquidate and engage in other activities that involve determination of <u>identification of shareholders shareholdings</u>, the Board <u>or the convener of the shareholders' general meeting</u> shall <u>determine a designate a day to be the</u> record date. Shareholders whose names appear in the register of shareholders <u>after the close of trading of the shares on at the end of the</u> record date are <u>shareholders of the Company</u> shall be entitled to the rights and benefits in connection therewith.</p>
34.	<p>Article 7.10 Any person who objects to the register of shareholders and requests to have his name entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register.</p>	<p>Article 7.10 <u>The register of shareholders must be made available for inspection by shareholders.</u> Any person who objects to the register of shareholders and requests to have his name entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register <u>if the Company disagrees.</u></p>

<b>Number</b>	<b>Original Articles</b>	<b>Amended Articles</b>
35.	<p>Article 7.11 Any shareholder who is registered in, or any person who requests to have his name entered in, the register of shareholders may, if his relevant share certificates (the “Original Certificates”) are lost, apply to the Company for a replacement share certificate in respect of such shares (the “Relevant Shares”).</p> <p>If a holder of the domestic-invested shares loses his/her share certificates and applies for their replacement, it shall be dealt with in accordance with relevant provisions of the Company Law.</p> <p>If a holder of the overseas-listed foreign-invested shares loses his/her share certificates and applies for their replacement, it shall be dealt with in accordance with the laws, stock exchange rules or other relevant regulations of the place where the original copy of the Company’s register of holders of overseas-listed foreign-invested shares is maintained.</p>	<p>Article 7.11 Any shareholder who is registered in, or any person who requests to have his name entered in, the register of shareholders may, if his relevant share certificates (the “Original Certificates”) are lost, apply to the Company for a replacement share certificate in respect of such shares (the “Relevant Shares”).</p> <p>If a holder of the domestic-invested shares loses his/her share certificates and applies for their replacement, it shall be dealt with in accordance with relevant provisions of the Company Law.</p> <p>If a holder of the overseas-<u>listed</u> foreign-invested shares loses his/her share certificates and applies for their replacement, it shall be dealt with in accordance with the laws, stock exchange rules or other relevant regulations of the place where the original copy of the Company’s register of holders of overseas-listed foreign-invested shares is maintained.</p>



Number	Original Articles	Amended Articles
	<p>In the case that the Company listed in Hong Kong, the issue of replacement certificates to holders of overseas-listed foreign-invested shares shall comply with the following requirements:</p> <p>(1) the applicant shall submit an application to the Company in prescribed form accompanied by a notarial act or statutory declaration, containing:</p> <p>(i) the grounds upon which the application is made and the circumstances and evidence of the loss of the share certificates; and</p> <p>(ii) the declaration that no any other person is entitled to have his name entered in the registered as the shareholder in respect of the Relevant Shares.</p> <p>(2) no statement has been received by the Company from a person other than the applicant declaring that his name shall be entered into the register of shareholders in respect of the Relevant Shares before the Company came to a decision to issue the replacement certificates.</p>	<p><del>In the case that the Company listed in Hong Kong, the issue of replacement certificates to holders of overseas-listed foreign-invested shares shall comply with the following requirements:</del></p> <p><del>(1) the applicant shall submit an application to the Company in prescribed form accompanied by a notarial act or statutory declaration, containing:</del></p> <p><del>(i) the grounds upon which the application is made and the circumstances and evidence of the loss of the share certificates; and</del></p> <p><del>(ii) the declaration that no any other person is entitled to have his name entered in the registered as the shareholder in respect of the Relevant Shares.</del></p> <p><del>(2) no statement has been received by the Company from a person other than the applicant declaring that his name shall be entered into the register of shareholders in respect of the Relevant Shares before the Company came to a decision to issue the replacement certificates.</del></p>

Number	Original Articles	Amended Articles
	<p>(3) the Company shall, if it decides to issue a replacement certificate to the applicant, make an announcement of its intention to issue the replacement certificate in such newspapers designated by the Board; The announcement shall be made at least once every thirty days in a period of ninety days.</p> <p>(4) the Company shall, prior to the publication of its announcement of intention to issue a replacement certificate, deliver to the stock exchange on which its shares are listed a copy of the announcement to be published. The Company may publish the announcement upon receipt of confirmation from such stock exchange that the announcement has been exhibited at the premises of the stock exchange. The announcement shall be exhibited at the premises of the stock exchange for a period of ninety days.</p> <p>In case an application to issue a replacement certificate has been made without the consent of the registered holder of the Relevant Shares, the Company shall send by post to such registered shareholder a copy of the announcement to be published.</p>	<p><del>(3) the Company shall, if it decides to issue a replacement certificate to the applicant, make an announcement of its intention to issue the replacement certificate in such newspapers designated by the Board; The announcement shall be made at least once every thirty days in a period of ninety days.</del></p> <p><del>(4) the Company shall, prior to the publication of its announcement of intention to issue a replacement certificate, deliver to the stock exchange on which its shares are listed a copy of the announcement to be published. The Company may publish the announcement upon receipt of confirmation from such stock exchange that the announcement has been exhibited at the premises of the stock exchange. The announcement shall be exhibited at the premises of the stock exchange for a period of ninety days.</del></p> <p><del>In case an application to issue a replacement certificate has been made without the consent of the registered holder of the Relevant Shares, the Company shall send by post to such registered shareholder a copy of the announcement to be published.</del></p>

Number	Original Articles	Amended Articles
	<p>(5) if, upon expiration of the 90-day period referred to in items (3) and (4) of this Article, the Company has not received from any person any objection to issuance of the replacement share certificate, the Company may issue a replacement share certificate to the applicant according to his application.</p> <p>(6) where the Company issues a replacement certificate under this Article, it shall forthwith cancel the Original Certificate and enter the cancellation and issuance in the register of shareholders accordingly.</p> <p>(7) all expenses relating to the cancellation of an Original Certificate and the issuance of a replacement share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until a reasonable guarantee is provided by the applicant for such expenses.</p> <p>(8) the newspapers referred to in item (3) of this Article regarding announcement of issuance of replacement certificates shall include at least one Chinese and one English newspaper published in Hong Kong.</p>	<p><del>(5) if, upon expiration of the 90-day period referred to in items (3) and (4) of this Article, the Company has not received from any person any objection to issuance of the replacement share certificate, the Company may issue a replacement share certificate to the applicant according to his application.</del></p> <p><del>(6) where the Company issues a replacement certificate under this Article, it shall forthwith cancel the Original Certificate and enter the cancellation and issuance in the register of shareholders accordingly.</del></p> <p><del>(7) all expenses relating to the cancellation of an Original Certificate and the issuance of a replacement share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until a reasonable guarantee is provided by the applicant for such expenses.</del></p> <p><del>(8) the newspapers referred to in item (3) of this Article regarding announcement of issuance of replacement certificates shall include at least one Chinese and one English newspaper published in Hong Kong.</del></p>

Number	Original Articles	Amended Articles
36.	Article 7.12 Where the Company issues a replacement certificate pursuant to the Articles of Association, the name of a bona fide purchaser who acquires the aforementioned new share certificate or a shareholder who thereafter registers as the owner of such shares (in the case where he is a bona fide purchaser) shall not be removed from the register of shareholders.	<b>The entire article is deleted</b>
37.	Article 7.13 The Company shall not be liable for any damages sustained by any person by reason of the cancellation of the original certificate or the issuance of the replacement certificate, unless the claimant proves that the Company had acted fraudulently.	<b>The entire article is deleted</b>
38.	<p>Article 8.3 Holders of ordinary shares of the Company shall be entitled to the following rights:</p> <ol style="list-style-type: none"> <li>(1) the right to receive dividends and other distributions in proportion to the number of shares held;</li> <li>(2) the right to attend or appoint a proxy to attend shareholders' general meetings and to exercise the corresponding voting right thereat;</li> <li>(3) the right to supervise and manage the Company's business operations, and to present proposals or raise inquiries;</li> <li>(4) the right to transfer shares in accordance with laws, administrative regulations and provisions of the Articles of Association;</li> </ol>	<p>Article 8.3 Holders of ordinary shares of the Company shall be entitled to the following rights:</p> <ol style="list-style-type: none"> <li>(1) the right to <del>receive</del> <u>obtain</u> dividends and <del>other</del> distributions in proportion to the number of shares held;</li> <li>(2) the right to <u>request, convene, preside over,</u> attend or appoint a proxy to attend shareholders' general <u>meetings</u> and to exercise the <u>corresponding</u> voting right thereat <u>according to laws</u>;</li> <li>(3) the right to supervise <del>and manage</del> the Company's <del>business</del> operations, and to present proposals or raise inquiries;</li> <li>(4) the right to transfer, <u>grant or pledge</u> shares <u>held by him/her</u> in accordance with laws, administrative regulations and provisions of the Articles of Association;</li> </ol>

Number	Original Articles	Amended Articles
	<p>(5) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:</p> <p>(i) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;</p> <p>(ii) the right to inspect and copy, subject to payment of a reasonable charge;</p> <p>(A) all parts of the register of shareholders;</p> <p>(B) personal particulars of the directors, supervisors, managers and other senior management members of the Company, including:</p> <p>(a) present and former names and any aliases;</p> <p>(b) principal address (residential);</p> <p>(c) nationality;</p> <p>(d) primary and all other part-time occupations and duties;</p> <p>(e) identification documents and its number;</p>	<p><b>The original items (5), (7) and (8) are deleted and replaced with the following contents:</b></p> <p>(5) <u>the right to inspect the Articles of Association, register of shareholders, corporate bond counterfoils, minutes of shareholders' general meetings, resolutions of the meetings of the Board of directors, resolutions of the meetings of the Supervisory Committee, and financial reports;</u></p> <p>(7) <u>the shareholders disagreeing with the merger or separation resolution passed at the shareholders' general meeting are entitled to demand the Company to acquire their shares;</u></p> <p>(8) <u>other rights conferred by laws, administrative regulations, departmental rules and the Articles of Association.</u></p>

Number	Original Articles	Amended Articles
	<p>(C) state of the share capital of the Company;</p> <p>(D) reports stating the aggregate par value, quantity, maximum and minimum price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose;</p> <p>(E) minutes of the shareholders' general meetings.</p> <p>(6) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining assets of the Company according to the number of shares held;</p> <p>(7) other rights conferred by laws, administrative regulations and the Articles of Association.</p> <p>(8) the right to propose to convene, preside over and attend shareholders' general meetings and to exercise the corresponding voting right thereat;</p>	

Number	Original Articles	Amended Articles
	<p>(9) the right to grant or pledge the shares held, in accordance with laws, administrative regulations and the Articles of Association;</p> <p>(10) subject to payment of reasonable charges, the right to inspect and copy corporate bond counterfoils, financial reports, resolutions of Board meetings and Supervisory Committee meetings;</p> <p>(11) with respect to shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company, the right to demand the Company to acquire the shares held by them;</p>	<p><b>The original items (9), (10) and (11) are deleted</b></p>
<p>39.</p>	<p>Article 8.5 Holders of ordinary shares of the Company shall assume the following obligations:</p> <p>(1) to comply with the Articles of Association;</p> <p>.....</p>	<p>Article 8.5 Holders of ordinary shares of the Company shall assume the following obligations:</p> <p>(1) to comply with <u>laws, administrative regulations and</u> the Articles of Association;</p> <p>.....</p> <p><b>The original item (3) is renumbered as item (5)</b></p> <p><b>The original item (4) is renumbered as item (3)</b></p> <p><b>The original item (5) is renumbered as item (4)</b></p>

Number	Original Articles	Amended Articles
40.	<p data-bbox="400 283 879 485">Article 9.2 The term “controlling shareholder” as referred to in the preceding article means a person satisfying any one of the following conditions:</p> <p data-bbox="400 538 879 697">(1) any person acting on his own or in concert with other parties has the power to elect half or more of the Board members;</p> <p data-bbox="400 751 879 953">(2) any person acting on his own or in concert with other parties has the power to exercise or control the exercise of 30 per cent or more of the voting rights of the Company;</p> <p data-bbox="400 1006 879 1166">(3) any person acting on his own or in concert with other parties holds 30 per cent or more of the outstanding shares of the Company;</p> <p data-bbox="400 1219 879 1378">(4) any person acting on his own or in concert with other parties has de facto control of the Company in any other manner.</p>	<b>The entire article is deleted</b>
41.		<b>The original Articles 9.3 to 9.6 are renumbered as Articles 9.2 to 9.5</b>



Number	Original Articles	Amended Articles
42.	<p>Article 10.2 The shareholders' general meeting shall exercise the following functions and powers:</p> <p>(2) to elect and replace directors and decide on matters relating to their remuneration;</p> <p>(3) to elect and replace supervisors who are representatives of shareholders and decide on matters relating to the remuneration of supervisors;</p> <p>.....</p> <p>(13) to consider the motions raised by shareholders holding not less than 3% (inclusive) of the Company's shares attached with voting rights;</p> <p>.....</p> <p>(16) to decide on changes to the Company's form;</p> <p>(17) to consider and approve newly-added guarantee items under Article 10.3;</p> <p>.....</p> <p>(20) to consider share incentive schemes.</p>	<p>Article 10.2</p> <p><b>The original items (2) and (3) are deleted</b></p> <p><b>The original item (15) is renumbered as item (2)</b></p> <p><b>The original items (4) to (8) are renumbered as items (3) to (7)</b></p> <p><b>The original item (16) is renumbered as item (8)</b></p> <p>(13) to consider the motions raised by shareholders holding not less than 3% (inclusive) of the Company's shares attached with voting rights;</p> <p>(17) to consider and approve newly-added guarantee items under Article 10.3;</p> <p><b>The original items (18) and (19) are renumbered as items (15) and (16)</b></p> <p>(20) to consider share incentive schemes and employee stock ownership plans;</p> <p><b>The original item (14) is renumbered as item (18)</b></p>

Number	Original Articles	Amended Articles
43.		<p>Article 10.3 The following guarantees provided to third parties by the Company shall be subject to consideration and approval at general meetings:</p> <p>.....</p> <p><b>Item (3) is newly added:</b></p> <p>(3) <u>the amount of guarantee provided by the Company within one year exceeds 30% of the Company’s last audited total assets;</u></p> <p><b>The original items (3) to (5) are renumbered as items (4) to (6)</b></p>
44.	<p>Article 10.5 Shareholders’ general meetings shall be classified into annual general meetings and extraordinary general meetings. Shareholders’ general meetings shall be convened by the Board. Annual general meetings are held once every year and within six months from the close of the preceding financial year.</p> <p>.....</p>	<p>Article 10.5 Shareholders’ general meetings shall be classified into <u>annual</u> general meetings and extraordinary general meetings. Shareholders’ general meetings shall be convened by the Board. <u>Annual</u> general meetings are held once every year and within six months from the close of the preceding financial year.</p> <p>.....</p>

Number	Original Articles	Amended Articles
45.	<p data-bbox="384 283 895 314">Article 10.6</p> <p data-bbox="384 368 895 995">(1) A twenty days’ prior written notice for convening the annual general meeting and a fifteen days’ prior written notice for convening the extraordinary general meeting shall be given to notify shareholders whose names appear in the register of shareholders of the matters proposed to be considered and the date and place of the meeting. Shareholders who intend to attend the meeting shall serve their written replies on the Company seven days prior to the date of the meeting.</p> <p data-bbox="384 1066 895 1087">.....</p> <p data-bbox="384 1140 895 1549">(4) For the purpose of the notice mentioned herein, the dispatch date shall be the date on which the Company or the share registrar appointed by the Company delivers relevant notice at post offices for dispatch, instead of the date on which shareholders are deemed to have received the relevant notice as stated in Article 25.1.</p>	<p data-bbox="895 283 1406 314">Article 10.6</p> <p data-bbox="895 368 1406 995">(1) A twenty-one days’ prior written notice for convening the annual general meeting and a fifteen-days’ prior written notice for convening the extraordinary general meeting shall be given to notify shareholders whose names appear in the register of shareholders of the matters proposed to be considered and the date and place of the meeting. Shareholders who intend to attend the meeting shall serve their written replies on the Company seven days prior to the date of the meeting.</p> <p data-bbox="895 1066 1406 1087">.....</p> <p data-bbox="895 1140 1406 1634">(4) For the purpose of the notice mentioned herein, <u>if any shareholder has requested or is deemed to have requested to receive communications from the Company by post,</u> the dispatch date shall be the date on which the Company or the share registrar appointed by the Company delivers relevant notice at post offices for dispatch, instead of the date on which shareholders are deemed to have received the relevant notice as stated in Article 25.1<u>3.</u></p>

Number	Original Articles	Amended Articles
46.	<p>Article 10.9 The notice of a general meeting shall satisfy the following requirements:</p> <p>(1) it shall be in written form;</p> <p>(2) it shall specify the place, date and time of the meeting;</p> <p>(3) it shall set out the matters to be discussed at the meeting;</p> <p>(4) it shall provide shareholders with such information and explanation as are necessary for them to make informed decisions in connection with the matters to be discussed. This principle shall include (but shall not be limited to), where the Company proposes to merge with another company, repurchase its shares, restructure share capital or undergo other reorganization, the requirement for the specific terms and contracts (if any) of the proposed transaction shall be provided and the reasons for and effects of the same shall be properly explained;</p>	<p>Article 10.9 <b>The entire article is deleted and replaced with the following contents</b></p> <p><u>The notice of a general meeting shall include the following contents:</u></p> <p>(1) <u>time, place, and duration of the meeting;</u></p> <p>(2) <u>matters and motions to be considered at the meeting;</u></p> <p>(3) <u>clear statement that all ordinary shareholders (including preference shareholders with restored voting rights) are entitled to attend the general meeting, and may appoint a proxy in writing to attend the meeting and vote on his/her behalf and that such proxy needs not be a shareholder of the Company;</u></p> <p>(4) <u>registration date for shareholders who are entitled to attend the general meeting;</u></p>

Number	Original Articles	Amended Articles
	<p>(5) it shall contain a disclosure of the nature and extent, if any, of the material interests of any director, supervisor, managers, and other senior management members in the matters to be discussed and the difference of the effect which the matters to be discussed on such director, supervisor, managers and other senior management members in their capacity as shareholders and on that of the other shareholders of the same class;</p> <p>(6) it shall contain the full text of any special resolution proposed to be passed at the meeting;</p> <p>(7) it shall contain a clear statement that a shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote at the meeting on his behalf and that such proxies need not be shareholders;</p> <p>(8) it shall specify the time and place for delivery of the written confirmation slip and proxy form for the relevant meeting;</p> <p>(9) it shall state the registration date for shareholders who are entitled to attend the general meeting;</p> <p>(10) it shall state the names and telephone numbers of the contact persons in connection with the meeting.</p>	<p>(5) <u>names and telephone numbers of the contact persons in connection with the meeting;</u></p> <p>(6) <u>time and procedure of voting via internet or by other means.</u></p> <p><u>Details of all proposals shall be fully and completely disclosed in the notice of the general meeting and its supplementary notice. In the event that independent directors are required to express their opinions on the matters to be discussed, a notice of general meeting or a supplementary notice shall, when given, also disclose the opinions and reasons of the independent directors.</u></p> <p><u>The commencement time of voting via internet or by other means shall not be earlier than 3:00 p.m. of the day preceding the date of the onsite general meeting or later than 9:30 a.m. of the date of the onsite general meeting, and shall not conclude earlier than 3:00 p.m. of the date of the onsite general meeting.</u></p> <p><u>The interval between the share record date and the date of the meeting shall be no more than seven working days. Once the share record date is confirmed, no change shall be made thereto.</u></p>

Number	Original Articles	Amended Articles
47.	<p data-bbox="400 283 879 314">Clause 1 of Article 10.10</p> <p data-bbox="400 368 879 655">The notice of a general meeting shall be served on registered shareholders (regardless of whether they are entitled to vote at the general meeting) by hand or by prepaid mail. The addresses of the recipients shall be such addresses as shown in the register of shareholders.</p> <p data-bbox="400 836 879 1208">The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authorities of the State Council. Once such an announcement is published, all holders of the domestic-invested shares shall be deemed to have received the relevant notice of the general meeting.</p>	<p data-bbox="911 283 1386 314">Clause 1 of Article 10.10</p> <p data-bbox="911 368 1386 783">The notice of a general meeting shall be served on registered shareholders (regardless of whether they are entitled to vote at the general meeting) <u>by way of announcement or as permitted by the stock exchanges where the Company's shares are listed</u> <del>by hand or by prepaid mail</del>. The addresses of the recipients shall be such addresses as shown in the register of shareholders.</p> <p data-bbox="911 836 1386 1378">The announcement referred to in the preceding paragraph <u>shall be published on the website of the stock exchanges and the media meeting the requirements specified by the securities regulatory authorities of the State Council</u>. <del>shall be published in one or more newspapers designated by the securities regulatory authorities of the State Council</del>. Once such an announcement is published, all holders of the domestic-invested shares shall be deemed to have received the relevant notice of the general meeting.</p>

Number	Original Articles	Amended Articles
48.	<p>Article 10.14 Any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or more persons (who may not be shareholders) to act as his proxy to attend and vote at the meeting on his behalf. The proxy(ies) so appointed by the shareholder may, pursuant to the instructions of the shareholder, exercise the following rights:</p> <p>(1) the right which the shareholder may speak at the meeting;</p> <p>(2) the right to demand a poll alone or jointly with others;</p> <p>(3) the right to exercise voting rights on a show of hands or on a poll, provided that where more than one proxy is appointed, the proxies may only exercise such voting rights on a poll.</p>	<p>Article 10.14 Any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one <del>or more</del> persons (who may not be a shareholders) to act as his proxy to attend and vote at the meeting on his behalf. The proxy(ies) so appointed by the shareholder may, pursuant to the instructions of the shareholder, exercise the following rights:</p> <p>(1) the right <del>which of</del> the shareholder <del>may to</del> speak at the meeting;</p> <p>(2) the right to <del>vote</del> demand a poll alone or jointly with others; <del>;</del></p> <p>(3) <del>the right to exercise voting rights on a show of hands or on a poll, provided that where more than one proxy is appointed, the proxies may only exercise such voting rights on a poll.</del></p>
49.	<p>Clause 3 of Article 10.15</p> <p>Shareholders may attend in person or appoint proxies to attend and vote at general meetings on their behalf.</p>	<p>Clause 3 of Article 10.15</p> <p>Shareholders may attend in person or appoint proxies to attend and vote at general meetings on their behalf. <u>The legal person shareholders shall be deemed attending the meeting in person by the legal representative or proxy of the legal person shareholders attending the meeting.</u></p>

Number	Original Articles	Amended Articles
50.	<p>Article 10.16 Individual shareholders who attend the meeting in person shall present their identity cards together with the shareholding evidence. In the case of attendance by proxies, the proxies shall present valid proof of their identities, the letter of authorisation from shareholders and the shareholding.</p> <p>Where a shareholder is a legal person, its legal representative or proxy authorized by its legal representative shall attend the meeting on behalf of such legal person. In case of attendance by legal representatives, they shall present their identity cards, valid certificates of their capacities of legal representatives and the shareholding evidence; in the case of attendance by proxies, the proxies shall present their identity cards, the letter of authorisation duly issued by the legal representatives of the legal person and the shareholding evidence.</p>	<p>Article 10.16 Individual shareholders who attend the meeting in person shall present their identity cards <del>together with the shareholding evidence</del> <u>or other document or certification of identification or share account card</u>. In the case of attendance by proxies, the proxies shall present valid proof of their <del>identities;</del> <u>valid identity cards,</u> and <u>the</u> letter of authorisation from <u>shareholders</u> <del>and the shareholding</del>.</p> <p>Where a shareholder is a legal person, its legal representative or proxy authorized by its legal representative shall attend the meeting on behalf of such legal person. In case of attendance by legal representatives, they shall present their identity cards, valid certificates of their capacities of legal representatives <del>and the shareholding evidence;</del> in the case of attendance by proxies, the proxies shall present their identity cards, the letter of authorisation <u>in writing</u> duly issued by the legal representatives of the legal person <del>and the shareholding evidence</del>.</p>
51.	<p>Article 10.17 The instrument appointing a proxy by shareholders shall be in writing under the hand of the appointer or his attorney duly authorised in writing; where the appointer is a legal person, either under the common seal of such legal person or under the hands of its director or attorney duly authorised.</p>	<p>Article 10.17 The instrument appointing a proxy by shareholders shall be in writing <u>(including the proxy form provided by the Company for designated shareholders' general meetings)</u> under the hand of the appointer or his attorney duly authorised in writing; where the appointer is a legal person, either under the common seal of such legal person or under the hands of its director or attorney duly authorised.</p>



Number	Original Articles	Amended Articles
52.	Article 10.20 Any form issued to a shareholder by the Board for use by him for appointing a proxy shall allow the shareholder to freely instruct the proxy to cast vote in favour of or against each resolution dealing with the businesses to be transacted at the meeting. Such a form shall contain a statement that, in the absence of instructions by the shareholder, the proxy may vote as he thinks fit.	Article 10.20 Any form issued to a shareholder by the Board for use by him for appointing a proxy shall allow the shareholder to freely instruct the proxy to cast vote in favour of or against each resolution dealing with the businesses to be transacted at the meeting. Such a form shall contain a statement that, in the absence of <u>specific</u> instructions by the shareholder, <u>whether</u> the proxy may vote as he thinks fit.
53.	Article 10.22  (1) registration book for attending the general meeting shall be prepared by the Company. The registration book shall set forth the names of attendees (or the attending units), residential address, number of voting shares held or represented, and name of the appointer (or the appointing unit), etc.  .....	Article 10.22  (1) <u>R</u> egistration book for attending the general meeting shall be prepared by the Company. The registration book shall set forth the names of attendees (or <u>the attending entities</u> ), <u>identification number</u> , <u>residential</u> address, number of voting shares held or represented, and name of the appointer (or the appointing unit), etc.  .....

Number	Original Articles	Amended Articles
	<p>(4) The Company shall formulate the rules of procedures for general meetings, which stipulate procedures for convening general meetings and voting procedures, including the notice, registration, consideration of proposed motions, voting, vote counting, announcement of voting results, formation of meeting resolutions, keeping and signing of meeting minutes, and announcement, as well as the authorisation principle by the general meetings to the Board and the specific powers so authorised. The rules of procedures for general meetings shall constitute an appendix to the Article of Association, which shall be proposed by the Board and approved by the general meeting.</p>	<p><b>The original item (4) is deleted</b></p>
54.	<p>Article 10.23</p> <p>(1) There shall be two types of resolutions of shareholders’ general meetings, namely ordinary resolutions and special resolutions.</p> <p>An ordinary resolution must be passed by votes representing more than one-half of the voting rights represented by the shareholders (including proxies) present at the meeting.</p>	<p>Article 10.23</p> <p>(1) There shall be two types of resolutions of shareholders’ general meetings, namely ordinary resolutions and special resolutions.</p> <p>An ordinary resolution must be passed by votes representing <del>more than one-half a</del> <u>majority</u> of the voting rights represented by the shareholders (including proxies) present at the meeting.</p>

Number	Original Articles	Amended Articles
	<p>A special resolution must be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.</p> <p>.....</p> <p>(3) For matters relating to general meeting resolutions, where any shareholder is required to abstain from voting on any specific resolution, or is restricted to vote only in favour of or only against any specific resolution pursuant to relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote cast by such shareholder or his proxy in violation of such requirements or restrictions shall not be counted in the voting results.</p>	<p>A special resolution must be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.</p> <p>.....</p> <p>(3) For matters relating to general meeting resolutions, where any shareholder <u>holding voting rights has a material interest in the individual transaction or arrangement to be voted, and</u> is required to abstain from voting on any specific resolution, or is restricted to vote only in favour of or only against any specific resolution pursuant to <u>PRC regulations or relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</u>, any vote cast by such shareholder or his proxy in violation of such requirements or restrictions shall not be counted in the voting results.</p>

Number	Original Articles	Amended Articles
55.	<p>Article 10.25 The Board, independent directors, and shareholders satisfying the relevant conditions may publicly solicit voting rights of the shareholders. Information including the specific voting intention shall be fully disclosed to the persons whose voting rights are being solicited. Soliciting voting rights of the shareholders by compensation or disguised compensation is prohibited. In soliciting voting rights, the Company shall not impose a minimum shareholding proportion requirement.</p>	<p>Article 10.25 The Board, independent directors, <u>shareholders holding more than one percent of the voting shares or investor protection institutions established in accordance with laws, administrative regulations or the provisions of the CSRC</u> and <del>shareholders satisfying the relevant conditions</del> may publicly solicit voting rights of the shareholders. Information including the specific voting intention shall be fully disclosed to the persons whose voting rights are being solicited. Soliciting voting rights of the shareholders by compensation or disguised compensation is prohibited. <u>Except for statutory conditions, in</u> soliciting voting rights, the Company shall not impose a minimum shareholding proportion requirement.</p>

Number	Original Articles	Amended Articles
56.	<p>Article 10.26 Voting at a shareholders' meeting shall be taken on a show of hands unless a poll is (before or after any vote by show of hands) demanded by the following persons:</p> <ol style="list-style-type: none"> <li data-bbox="400 538 804 570">(1) the chairman of the meeting;</li> <li data-bbox="400 625 884 740">(2) at least two shareholders entitled to vote in person or proxies with voting rights;</li> <li data-bbox="400 795 884 995">(3) one or more shareholders (including proxies) individually or jointly holding 10% or more of all shares carrying voting rights at such meeting.</li> </ol> <p>Unless a poll is so demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolutions at the meeting.</p> <p>The demand for a poll may be withdrawn by the person who demands the same.</p>	<p>Article 10.26 <b>The entire article is deleted and replaced with the following contents:</b></p> <p><u>The voting at the shareholders' general meeting shall be taken by way of registered poll.</u></p>

Number	Original Articles	Amended Articles
57.	<p>Article 10.27 A poll demanded on such matters as the election of chairman or the adjournment of the meeting, shall be taken forthwith. A poll demanded on any other matters shall be taken at such time as the chairman may direct, and the meeting may proceed to discuss other matters, while the results of the poll to be taken shall still be deemed to be a resolution of that meeting.</p> <p>The voting results shall be announced as soon as practicable.</p>	<b>The entire article is deleted</b>
58.	<p>Article 10.28 On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his votes for or against in the same way.</p>	<b>The entire article is deleted</b>
59.	<p>Article 10.29 In the case of equality of votes, whether by show of hands or on a poll, the chairman of the meeting shall be entitled to a casting vote.</p>	<b>The entire article is deleted</b>
60.		<b>The original Articles 10.30 to 10.31 are renumbered as Articles 10.27 to 10.28</b>
61.	<p>Article 10.32 Unless a general meeting is suspended or no resolution can be adopted due to force majeure or other special reasons, no proposal shall be set aside or rejected for voting at the general meeting.</p>	<p>Article 10.32<del>29</del> <u>In addition to the cumulative voting system, the general meeting shall resolve all the proposals separately. Where there are different proposals for the same matter, such proposals shall be voted on in the chronological order in which they are presented.</u> Unless a general meeting is suspended or no resolution can be adopted due to force majeure or other special reasons, no proposal shall be set aside or rejected for voting at the general meeting.</p>

Number	Original Articles	Amended Articles
62.	<p>Article 10.33 Where material issues affecting the interests of small and medium investors are being considered at the general meeting, the votes cast by small and medium investors shall be counted separately. The results of separately counted votes shall be publicly disclosed in a timely manner.</p>	<p>Article 10.33<del>0</del> Where material issues affecting the interests of small and medium investors are being considered at the general meeting, the votes cast by small and medium investors shall be counted separately. The results of separately counted votes shall be publicly disclosed in a timely manner.</p> <p><u>No voting rights shall be attached to the shares held by the Company, and such shares shall not be counted among the total number of voting shares held by the shareholders present at a shareholders' general meeting.</u></p> <p><u>Shareholders, who purchase the voting shares of the Company in violation of provisions of the first clause and the second clause of Article 63 of the Securities Law, shall not exercise the voting rights of the shares that exceed the prescribed ratio within 36 months after such purchase, and such shares shall not be counted among the total number of shares with voting rights at a shareholders' general meeting.</u></p>
63.		<p><b>The original Article 10.34 is renumbered as Article 10.31</b></p>

Number	Original Articles	Amended Articles
64.	<p data-bbox="400 278 879 544">Article 10.35 The following matters shall not be implemented or applied for unless they have been approved by the Company's shareholders' general meeting and passed by more than half of the public shareholders with voting rights present at the general meeting:</p> <ol data-bbox="400 587 879 1747" style="list-style-type: none"> <li data-bbox="400 587 879 970">(1) any issue of new shares by the Company to the public (including issue of overseas-listed foreign-invested shares or warrants of other natures), issue of convertible corporate debentures, placing of shares to existing shareholders (except such placing where the controlling shareholders have provided an undertaking to fully subscribe for the shares in cash before the general meeting is convened);</li> <li data-bbox="400 1012 879 1193">(2) major asset restructuring in which the total purchase price for the assets is 20% (or more) higher than the audited net book value of such assets;</li> <li data-bbox="400 1236 879 1353">(3) repayment of debts due to the Company by any shareholder with his shares in the Company;</li> <li data-bbox="400 1395 879 1513">(4) overseas listing of any of the Company's subsidiaries which are material to the Company;</li> <li data-bbox="400 1555 879 1747">(5) such other relevant issues which may have a material impact on the interests of the public shareholders during the development of the Company.</li> </ol> <p data-bbox="400 1789 879 1938">Where a general meeting is convened to consider the abovementioned matters, the Company shall provide shareholders with access to online voting.</p>	<p data-bbox="911 278 1374 342"><b>The original Articles 10.35 and 10.36 are deleted</b></p>



Number	Original Articles	Amended Articles
	<p>Article 10.36 In such cases as provided for in the foregoing article, upon servicing notice convening of a general meeting by the Company, such general meeting notice should be published again within three days after the registration date.</p>	
65.		<p><b>The original Articles 10.37 to 10.39 are renumbered as Articles 10.32 to 10.34</b></p>
66.	<p>Article 10.40 The following procedures shall be complied with by shareholders requesting for convening of extraordinary general meetings or class meetings:</p> <p>(1) two or more shareholders holding in aggregate more than 10% (including 10%) of voting shares at such proposed meeting may request the Board to convene an extraordinary general meeting or class meeting by signing and submitting one or more written requisitions with the same format and contents and specifying the agenda of the meeting. An extraordinary general meeting or class meeting shall be convened by the Board as soon as practicable upon receipt of the aforesaid written requisition. The aforesaid proportion of shareholding shall be calculated on the date on which the relevant shareholders submit the written requisition.</p>	<p>Article 10.40<del>35</del><u>35</u> The following procedures shall be complied with by shareholders requesting for convening of extraordinary general meetings or class meetings:</p> <p>(1) <del>two</del> <u>one</u> or more shareholders holding in aggregate more than 10% <del>(including 10%)</del> of voting shares at such proposed meeting, <u>on a one vote per share basis</u>, may request the Board to convene an extraordinary general meeting or class meeting <u>or add resolutions to a meeting agenda</u> by signing and submitting one or more written requisitions with the same format and contents and specifying the agenda of the meeting. An extraordinary general meeting or class meeting shall be convened by the Board as soon as practicable upon receipt of the aforesaid written requisition. The aforesaid proportion of shareholding shall be calculated on the date on which the relevant shareholders submit the written requisition.</p>

Number	Original Articles	Amended Articles
	<p>(2) if the Board fails to dispatch a notice of convening such meeting within thirty days upon receipt of the aforesaid written requisition, the shareholders submitting such request may convene such meeting by themselves within four months of the receipt of such requisition by the Board. The procedures for convening such meeting should follow those for convening a general meeting of shareholders by the Board as similar as practicable.</p> <p>All reasonable expenses incurred by shareholders arising from convening and holding the aforesaid meeting by shareholders due to the Board's failure to hold such meeting in response to the aforesaid requisition shall be borne by the Company. Such expenses shall be deducted from the amounts due by the Company to the director(s) who have neglected their duties.</p>	<p><b>The original item (2) is deleted</b></p> <p><b>The original items (3) and (4) are renumbered as items (2) and (3)</b></p>
67.		<p><b>The original Articles 10.41 to 10.44 are renumbered as Articles 10.36 to 10.39</b></p>
68.	<p>Article 10.45 The chairman of the meeting shall be responsible for the determination of whether a resolution is passed. His decision, which is final and conclusive, shall be announced at the meeting and recorded in the minute book.</p>	<p><b>The entire article is deleted</b></p>

Number	Original Articles	Amended Articles
69.	<p>Article 10.46 If the chairman of the meeting has any doubt as to the voting results of resolutions put to the vote of the meeting, he may have the votes counted. If the chairman of the meeting fails to have the votes counted, any shareholder who is present in person or by proxy and who objects to the result announced by the chairman of the meeting may demand that the votes be counted immediately after the declaration of the result, the chairman of the meeting shall have the votes counted immediately.</p>	<p>Article 10.46<u>0</u> If the <del>chairman</del> <u>presider</u> of the meeting has any doubt as to the voting results of resolutions put to the vote of the meeting, he may have the votes counted. If the <del>chairman</del> <u>presider</u> of the meeting fails to have the votes counted, any shareholder who is present in person or by proxy and who objects to the result announced by the <del>chairman</del> <u>presider</u> of the meeting may demand that the votes be counted immediately after the declaration of the result, the <del>chairman</del> <u>presider</u> of the meeting shall have the votes counted immediately.</p>
70.	<p>Article 10.47 If the votes are counted at the general meeting, the counting results shall be recorded into the minutes of the meeting.</p> <p>The minutes, shareholders' attendance lists and proxy forms shall be kept at the Company's corporate domicile.</p> <p>The above minutes, attendance lists and proxy forms shall not be destroyed within ten years.</p>	<p><b>The entire article is deleted</b></p>
71.		<p><b>The original Article 10.48 is renumbered as Article 10.41</b></p>
72.	<p>Article 10.49 Through various ways and means including making full use of information technology, the Company shall increase the public shareholders' participation into the general meeting, provided that the legibility and validity of such a meeting are ensured.</p>	<p>Article 10.49<u>2</u> Through various ways and means including making full use of information technology, the Company shall increase the public shareholders' participation into the general meeting, provided that the legibility and validity of such a meeting <u>and the shareholders' right to speak at the meeting</u> are ensured.</p>

Number	Original Articles	Amended Articles
73.	<p>Article 10.50 The Board of directors, independent directors and eligible shareholders are entitled to solicit votes from other shareholders in respect of the shareholders’ general meeting. Voting rights shall be solicited free of charge and sufficient information shall be disclosed to the shareholders subject to soliciting.</p>	<p><b>The entire article is deleted</b></p>
74.	<p>Article 10.51</p> <p>(1) The shareholders’ general meeting shall maintain minutes of the meeting, and the secretary to the Board of directors shall be responsible for the minutes. Minutes of the meeting shall include the followings: time, place, agenda of meeting and the name of the convener; names of the chairman of the meeting, directors, supervisors, manager and other senior management present at the meeting; number of shareholders and proxies present at the meeting, total number of the shares with voting rights held by them, and the percentage of shares with voting rights held by them over the total number of shares of the Company; process of consideration for each motion, the salient points of speaking and voting results; reply or explanation to shareholders’ questions or recommendations; names of the lawyer, counting officers and the scrutinizer; such other matters as required to be included in the minutes under the Articles of Association.</p> <p>.....</p>	<p>Article 10.51<u>43</u></p> <p>(1) The shareholders’ general meeting shall maintain minutes of the meeting, and the secretary to the Board of directors shall be responsible for the minutes. Minutes of the meeting shall include the followings: time, place, agenda of meeting and the name of the convener; names of the chairman of the meeting, directors, supervisors, manager and other senior management present at the meeting; number of shareholders and proxies present at the meeting, total number of the shares with voting rights held by them, and the percentage of shares with voting rights held by them over the total number of shares of the Company; process of consideration for each motion, the salient points of speaking and voting results; reply or explanation to shareholders’ questions or recommendations; names of the lawyer, counting officers and the scrutinizer; such <u>other</u> matters as required to be included in the minutes under the Articles of Association.</p> <p>.....</p>

Number	Original Articles	Amended Articles
75.	<p>Article 11.4 Shareholders of the affected class, whether or not otherwise entitled to vote at general meetings, shall nevertheless be entitled to vote at class meetings in respect of matters concerning paragraphs (2) to (8), (11) and (12) of Article 11.2, but interested shareholder(s) shall not be entitled to vote at such class meetings.</p> <p>“Interested shareholder(s)” as mentioned in the preceding paragraph means:</p> <p>(1) in the case of a repurchase of shares by pro rata offers to all shareholders or public dealing on a stock exchange under Article 5.3, a “controlling shareholder” within the meaning of Article 9.1 in these Articles of Association;</p> <p>.....</p>	<p>Article 11.4 Shareholders of the affected class, whether or not otherwise entitled to vote at general meetings, shall nevertheless be entitled to vote at class meetings in respect of matters concerning paragraphs (2) to (8), (11) and (12) of Article 11.2<del>3</del>, but interested shareholder(s) shall not be entitled to vote at such class meetings.</p> <p>“Interested shareholder(s)” as mentioned in the preceding <del>paragraph</del><u>clause</u> means:</p> <p>(1) in the case of a repurchase of shares by pro rata offers to all shareholders or public dealing on a stock exchange under Article 5.3, a “controlling shareholder” within the meaning of Article <del>9-1</del><u>26.3</u> in these Articles of Association;</p> <p>.....</p>

Number	Original Articles	Amended Articles
76.	<p>Article 11.9 The special voting procedures for class meetings do not apply to the following circumstances:</p> <p>(1) where the Company issues, upon the approval by a special resolution of it's shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20 per cent of each of its existing issued domestic invested shares and overseas-listed foreign-invested shares;</p> <p>(2) where plans in respect of the issuance of domestic invested shares and overseas-listed foreign-invested shares at the time of establishment of the Company are completed within 15 months commencing from the date of approval by the Securities Commission of the State Council.</p>	<p>Article 11.9 The special voting procedures for class meetings do not apply to the following circumstances:</p> <p>(1) —where the Company issues, upon the approval by a special resolution of it's shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20 per cent of each of its existing issued domestic invested shares and overseas-listed foreign-invested shares;</p> <p>(2) —where plans in respect of the issuance of domestic invested shares and overseas-listed foreign-invested shares at the time of establishment of the Company are completed within 15 months commencing from the date of approval by the Securities Commission of the State Council.</p>
77.	<p>Article 12.1 The Company shall establish a Board of directors. The Board comprises of 13 directors, of which 5 shall be independent directors. The Board shall have one Chairman.</p>	<p>Article 12.1 The Company shall establish a Board of directors. The Board comprises of 13 directors, of which 5 shall be independent directors, <u>and at least one accounting professional</u>. The Board shall have one Chairman.</p>

Number	Original Articles	Amended Articles
78.	<p data-bbox="384 278 895 310">Article 12.3</p> <p data-bbox="384 363 895 927">(7) Prior to the maturity of his term, a director could be removed from his office by the general meeting. In the event that the terms of directors fall upon expiration whereas new members of the Board are not re-elected in time, the existing directors shall continue to perform their duties in accordance with laws, administrative regulations and rules of regulatory authorities and the Articles of Association until the re-elected directors assume their office;</p>	<p data-bbox="895 278 1406 310">Article 12.3</p> <p data-bbox="895 363 1406 927">(7) Prior to the maturity of his term, a director could be removed from his office <u>by</u> the general meeting. In the event that the terms of directors fall upon expiration whereas new members of the Board are not re-elected in time, the existing directors shall continue to perform their duties in accordance with laws, administrative regulations and rules of regulatory authorities and the Articles of Association until the re-elected directors assume their office;</p>
79.	<p data-bbox="384 966 895 998">Article 12.5</p> <p data-bbox="384 1051 895 1157">(1) The Board is accountable to general meetings of shareholders and exercises the following functions and powers:</p> <p data-bbox="384 1215 895 1236">.....</p> <p data-bbox="384 1300 895 1406">(iv) to formulate the Company’s proposed annual preliminary and final financial budgets;</p> <p data-bbox="384 1470 895 1576">(v) to formulate the Company’s profit distribution plan and plan for recovery of losses;</p> <p data-bbox="384 1640 895 1821">(vi) to formulate proposals for increases or reductions of the Company’s registered capital and the issue of corporate debentures;</p>	<p data-bbox="895 966 1406 998">Article 12.5</p> <p data-bbox="895 1051 1406 1157">(1) The Board is accountable to general meetings of shareholders and exercises the following functions and powers:</p> <p data-bbox="895 1215 1406 1236">.....</p> <p data-bbox="895 1300 1406 1406">(iv) to <u>formulate</u> the Company’s proposed annual preliminary and final financial budgets;</p> <p data-bbox="895 1470 1406 1576">(v) to <u>formulate</u> the Company’s profit distribution plan and plan for recovery of losses;</p> <p data-bbox="895 1640 1406 1864">(vi) to <u>formulate</u> proposals for increases or reductions of the Company’s registered capital and the issue of corporate debentures <u>or other securities for listing</u>;</p>

Number	Original Articles	Amended Articles
	<p>(vii) to draw up plans for the merger, division or dissolution of the Company;</p> <p>(viii) to appoint or dismiss the Company’s manager, and based on the manager’s nominations, to appoint or dismiss the deputy managers and financial controller of the Company and decide on their remuneration;</p> <p>(ix) to formulate the Company’s basic management system;</p> <p>.....</p> <p>(xi) to draw up plans for material acquisition or disposal of the Company;</p> <p>.....</p> <p>(xiii) to determine the investments, acquisition and disposal of assets, external guarantees, trust asset management and related party transactions of the Company within the authorisation of the general meeting;</p> <p>.....</p>	<p>(vii) to <u>draw up</u> plans for the <u>purchase of shares of the Company or merger</u>, division or dissolution of the Company <u>and alteration of corporate form of the Company</u>;</p> <p>(viii) to appoint or dismiss the Company’s manager, <u>secretary to the Board and other members of senior management and determine their remuneration and matters related to their rewards and penalties</u>; and based on the manager’s nominations, to appoint or dismiss <del>the</del> deputy managers and financial controller of the Company and determine their remuneration <u>and matters related to their rewards and penalties</u>;</p> <p>(ix) to <u>formulate</u> the Company’s basic management system, and to determine the establishment of the <u>Company’s internal management organization</u>;</p> <p>.....</p> <p>(xi) to <u>draw up</u> plans for material acquisition or disposal of the Company;</p> <p>.....</p> <p>(xiii) to determine the investments, acquisition and disposal of assets, external guarantees, trust asset management, related party transactions <u>and external donation</u> of the Company within the authorisation of the general meeting;</p> <p>.....</p>



Number	Original Articles	Amended Articles
	<p>(2) Save for the Board’s resolutions in respect of the matters specified in items (vi), (vii), (xi) and (xii) which shall be passed by two-thirds or more of the directors, the Board’s resolutions in respect of any other aforesaid matters may be passed by half or more of the directors.</p>	<p>(2) Save for the Board’s resolutions in respect of the matters specified in items (vi), (vii), (xi) <del>and (xii)</del> which shall be passed by <u>more than</u> two-thirds <del>or more</del> of the directors, the Board’s resolutions in respect of any other aforesaid matters may be passed by <del>half or more a</del> <u>majority</u> of the directors.</p>
<p>80.</p>	<p>Article 12.8</p> <p>(1) If the Board proposes to dispose of fixed assets, the expected value of which, when aggregated with the value of fixed assets disposed of within four months before the proposed disposal, exceeds 33% of fixed assets value as set out in the latest balance sheet considered by the general meetings, the Board shall not dispose or consent to dispose of such fixed assets until approved by the general meeting.</p> <p>(2) The term of “disposal of fixed assets” referred to in this article means (among other things) transferring interests in certain assets, but not including provision of guarantees with the fixed assets.</p> <p>(3) Validity of transactions regarding fixed assets disposal by the Company will not be affected due to a breach of first clause of this article.</p>	<p>Article 12.8</p> <p><b>The original items (1), (2) and (3) are deleted</b></p> <p><b>The original item (4) is renumbered as item (1)</b></p> <p><b>Item (C) is newly added to renumbered item (2):</b></p> <p>(52) The following matters shall be subject to approval by two-thirds or more of the members of the Board of directors by voting and shall be put forward to the general meeting for consideration and approval:</p> <p>.....</p> <p><u>(C) the amount of guarantee provided by the Company within one year exceeds 30% of the Company’s last audited total assets;</u></p> <p>.....</p> <p><b>The original items (5) (C), (D) and (E) are renumbered as items (2) (D), (E) and (F)</b></p>

Number	Original Articles	Amended Articles
81.	<p>Article 12.9 The Board of directors shall define the authority for investments, acquisition and disposal of assets, mortgage of assets, external guarantees, trust asset management and related party transactions, and establish strict review and decision-making procedures; the Board of directors shall engage relevant experts and professionals to conduct appraisal for major investments and propose it to the shareholders’ general meeting for approval.</p>	<p>Article 12.9 The Board of directors shall define the authority for investments, acquisition and disposal of assets, mortgage of assets, external guarantees, trust asset management, and related party transactions and external donation, and establish strict review and decision-making procedures; the Board of directors shall engage relevant experts and professionals to conduct appraisal for major investments and propose it to the shareholders’ general meeting for approval.</p>
82.	<p>Article 12.10</p> <p>.....</p> <p>In the event that the Chairman is unable to exercise his power, the Chairman may designate a director to exercise such powers on his behalf.</p> <p>(6) to procure the implementing the resolutions of the Board meeting.</p>	<p>Article 12.10</p> <p>.....</p> <p><del>In the event that the Chairman is unable to exercise his power, the Chairman may designate a director to exercise such powers on his behalf.</del></p> <p>(6) to procure the implementing the resolutions of the Board meeting.</p> <p><u>In the event that the Chairman is unable to exercise his power, a director jointly elected by more than half of the Board of Directors shall perform the duties of the Chairman.</u></p>

Number	Original Articles	Amended Articles
83.	<p>Article 12.11 Meetings of the Board of directors shall be held at least twice every year and convened by the Chairman.</p> <p>In the event of any urgent matters, upon requisition by one-third or more of the directors, or half or more of independent directors or by the manager, an extraordinary meeting of the Board of directors may be convened.</p> <p>In case of any urgent matters, when proposed by the shareholders representing 10% or more of the voting rights or by the Supervisory Committee, an extraordinary meeting of the Board of directors may be held.</p>	<p>Article 12.11 Meetings of the Board of directors shall be held at least twice every year and convened by the Chairman.</p> <p><del>In the event of any urgent matters, upon requisition by one-third or more of the directors, or half or more of independent directors or by the manager, an extraordinary meeting of the Board of directors may be convened.</del></p> <p><del>In case of any urgent matters, when proposed by the shareholders representing 10% or more of the voting rights or by the Supervisory Committee, an extraordinary meeting of the Board of directors may be held.</del></p> <p><u>When proposed by the shareholders representing <del>10%</del> one-tenth or more of the voting rights, members of one-third or more of the Board of Directors or by the Supervisory Committee, an extraordinary meeting of the Board of directors may be held.</u></p> <p><u>The Chairman of the Board of Directors shall convene and preside over the meetings of the Board of Directors within ten days of receipt of the proposal.</u></p>

Number	Original Articles	Amended Articles
84.	<p>Article 12.12</p> <p>(2) When convening an extraordinary Board meeting for urgent matters, the Chairman shall instruct the Company Secretary to notify all directors, managers and supervisors the meeting time, venue and manner by way of telex, telegram, fax or by hand with no less than 2 days and no more than 10 days prior to the extraordinary Board meeting.</p>	<p>Article 12.12</p> <p>(2) <del>When convening</del> <u>If an</u> extraordinary Board meeting <u>is convened</u> for <del>urgent matters</del>, the Chairman shall instruct the Company Secretary to notify all directors, managers and supervisors the meeting time, venue and manner by way of telex, telegram, fax or by hand with no less than 2 days and no more than 10 days prior to the extraordinary Board meeting.</p> <p><b>Item (5) is newly added:</b></p> <p><u>(5) Notices of Board meeting shall set out the following contents: the date and venue of the meeting; duration of the meeting; subject and proposals of meeting; date on which the notice is issued.</u></p>
85.	<p>Article 12.13 The Board meeting may not be held unless half or more of the directors are present.</p> <p>Each director has one vote. Without prejudice to the Clause (2) of Article 12.5, resolutions of the Board shall be passed by more than half of all directors.</p> <p>In case of equivalency between the dissenting votes and affirmative vote, without prejudice to Clause (1) (vi) of Article 12.5, the Chairman has the right to cast one more vote.</p>	<p>Article 12.13 The Board meeting may not be held unless <del>half or more</del> <u>a majority</u> of the directors are present.</p> <p>Each director has one vote. Without prejudice to the Clause (2) of Article 12.5, resolutions of the Board shall be passed by <del>more than half</del> <u>a majority</u> of all directors.</p> <p><del>In case of equivalency between the dissenting votes and affirmative vote, without prejudice to Clause (1) (vi) of Article 12.5, the Chairman has the right to cast one more vote.</del></p>

Number	Original Articles	Amended Articles
86.	<p data-bbox="384 278 895 310">Article 12.17</p> <p data-bbox="384 363 895 693">(1) A director shall attend Board meetings in person, Where a director is unable to be present for any reason, he/she may appoint other director in writing to attend the meeting on his/her behalf. The scope of authorities shall be specified in the power of attorney.</p>	<p data-bbox="895 278 1406 310">Article 12.17</p> <p data-bbox="895 363 1406 949">(1) A director shall attend Board meetings in person. Where a director is unable to be present for any reason, he/she may appoint other director in writing to attend the meeting on his/her behalf. <u>The name of the attorney, the matters that the proxy director is authorised to deal with, the scope of authorities and the validity period shall be specified in the power of attorney, and the appointor shall sign or affix his/her seal to the power of attorney.</u></p>

Number	Original Articles	Amended Articles
87.	<p data-bbox="384 278 552 310">Article 12.21</p> <p data-bbox="384 363 456 395">.....</p> <p data-bbox="384 449 887 693">(4) The Board of directors shall establish four committees, namely the Strategic Committee, Nomination, Remuneration and Appraisal Committee and Audit Committee, and formulate their respective detailed operating rules.</p>	<p data-bbox="895 278 1062 310">Article 12.21</p> <p data-bbox="895 363 967 395">.....</p> <p data-bbox="895 449 1398 1938">(4) The Board of directors shall establish four committees, namely the Strategic Committee, <u>the Nomination Committee</u>, <u>the Remuneration and Appraisal Committee</u> and <u>the Audit Committee</u>, and formulate their respective detailed operating rules. <u>In particular, independent directors shall constitute a majority of the Nomination Committee and the Remuneration and Appraisal Committee, who shall serve as the convenor. The members of the Audit Committee shall be directors who do not serve as senior management of the Company, a majority of whom shall be independent directors, and the accounting professional among the independent directors shall serve as the convener. Independent directors shall attend meetings of special committees in person, and if an independent director is unable to attend the meeting in person due to whatever reasons, he/she shall review meeting materials in advance to form a clear opinion, and authorise another independent director in writing to attend on his/her behalf. An independent director may, in the course of fulfilling his/her duties, bring significant matters of the listed company within the scope of the duties and responsibilities of special committees to the attention of the special committees for discussion and deliberation in a timely manner in accordance with the procedures when becoming aware of such matters.</u></p>

Number	Original Articles	Amended Articles
		<p>(5) <u>Where a special committee of the Board convenes a meeting, the Company shall provide the relevant materials and information no later than three days prior to the convening of the meeting of the special committee in principle. The listed company shall keep the above meeting information for at least ten years. If two or more independent directors are of the view that the meeting materials are incomplete, the demonstrations are insufficient or not provided in a timely manner, they may propose in writing to the special committee of the Board to postpone the convening of the meeting or postpone the discussion of the matter in question, and the special committee of the Board shall adopt such proposal and report to the Board.</u></p>
88.		<p><b>Articles 12.22, 12.23 and 12.24 are newly added:</b></p> <p><u>Article 12.22 The Audit Committee of the Board of the Company is responsible for monitoring and auditing the Company’s financial information and its disclosure, supervising and evaluating the internal and external financial reporting system, risk management and internal control, and the following matters shall be submitted to the Board for consideration with the approval of a majority of the members of the Audit Committee:</u></p>

Number	Original Articles	Amended Articles
		<p>(1) <u>disclosure of financial information in the financial accounting reports and periodic reports, and the internal control evaluation reports;</u></p> <p>(2) <u>engagement or dismissal of the accounting firm that undertakes the business of auditing of the listed company;</u></p> <p>(3) <u>appointment or dismissal of the financial controller of the listed company;</u></p> <p>(4) <u>changes in accounting policies, accounting estimates or correction of significant accounting errors for reasons other than changes in accounting standards;</u></p> <p>(5) <u>other matters stipulated by laws, administrative regulations, requirements of the CSRC, the listing rules and the Articles of Association.</u></p> <p><u>The Audit Committee meets at least once a quarter, and may convene an extraordinary meeting upon the proposal of two or more members, or when the convener deems necessary. Meetings of the Audit Committee shall be held with the attendance of at least two-thirds of the members. The Committee shall convene meetings at least twice a year with the accounting firm for the business of auditing the listed company.</u></p>



Number	Original Articles	Amended Articles
		<p data-bbox="895 283 1406 697"><u>Article 12.23 The Nomination Committee of the Board of the Company is responsible for drawing up criteria and procedures for the selection of directors and senior management, selecting and reviewing the candidates for directors and senior management and their qualifications for appointment, and making recommendations to the Board in respect of the following matters:</u></p> <ul data-bbox="895 751 1406 1166" style="list-style-type: none"><li data-bbox="895 751 1406 783">(1) <u>nomination or removal of directors;</u></li><li data-bbox="895 836 1406 910">(2) <u>appointment or dismissal of senior management;</u></li><li data-bbox="895 963 1406 1166">(3) <u>other matters stipulated by laws, administrative regulations, requirements of the CSRC, listing rules and the Articles of Association.</u></li></ul> <p data-bbox="895 1219 1406 1506"><u>If the Board does not adopt or does not fully adopt the recommendations of the Nomination Committee, it shall record the opinion of the Nomination Committee and the specific reasons for its non-adoption in the resolution of the Board and disclose the same.</u></p>

Number	Original Articles	Amended Articles
		<p data-bbox="895 283 1406 697"><u>Article 12.24 The Remuneration and Appraisal Committee of the Board of the Company is responsible for formulating standards for and conducting assessment on directors and senior management, formulating and reviewing remuneration policies and plans for directors and senior management, and making recommendations to the Board on the following matters:</u></p> <ol data-bbox="895 751 1406 1555" style="list-style-type: none"><li data-bbox="895 751 1406 825">(1) <u>remuneration of directors and senior management;</u></li><li data-bbox="895 878 1406 1123">(2) <u>to formulate or change equity incentive plans and employee stock ownership plans, and to ensure that incentive objects are granted rights and the conditions for exercising their rights are met;</u></li><li data-bbox="895 1176 1406 1293">(3) <u>to arrange for directors and senior management shareholding plans for proposed subsidiary spin-off;</u></li><li data-bbox="895 1347 1406 1555">(4) <u>other matters stipulated in laws, administrative regulations, requirements of the CSRC, the listing rules and the Articles of Association of the Company.</u></li></ol> <p data-bbox="895 1608 1406 1938"><u>If the Board does not adopt or does not fully adopt the recommendations of the Remuneration and Appraisal Committee, it shall record the opinion of the Remuneration and Appraisal Committee and the specific reasons for its non-adoption in the resolution of the Board and disclose the same.</u></p>

Number	Original Articles	Amended Articles
89.		<b>The original Articles 12.22–12.24 are renumbered as Articles 12.25–12.27.</b>
90.	<p>Article 13.1 Independent directors shall represent 1/3 or more of the Board of directors, including at least one qualified accounting expert. An independent director shall perform his duties faithfully to protect the Company’s interests especially the lawful interests of public shareholders from damage.</p> <p>An independent director shall perform his duties independently and free from the influence of the Company’s substantial shareholders, de facto controller or any of entities or individuals that is interested in the Company or its substantial shareholders or de facto controller. The independent directors shall perform his duties in accordance with laws, administrative regulations and rules of regulatory authorities.</p>	<p><b>The original Article 13.1 is deleted and replaced with the following:</b></p> <p><u>Article 13.1 The Company shall set up a working system for independent directors. The independent director system shall be in compliance with laws, administrative regulations, requirements of the CSRC and rules of the stock exchange, and shall be conducive to the sustainable and compliance development of the Company, and shall not be detrimental to the interests of the Company. The Company shall provide the necessary safeguards for independent directors to perform their duties in accordance with the law.</u></p> <p><u>The Board of the Company shall consist of at least one-third independent directors, including at least one accounting professional. Independent directors shall faithfully perform their duties and safeguard the interests of the Company, with particular attention to ensuring that the legitimate rights and interests of public shareholders are not jeopardized.</u></p>

Number	Original Articles	Amended Articles
		<p><u>The independent directors shall attend the Board meetings in person. If they are unable to attend the meeting in person for any reason, they shall review the meeting materials in advance, form a clear opinion, and appoint other independent directors in writing to attend the meeting on their behalf. If an independent director fails to attend Board meetings in person or by proxy for two consecutive times, the Board shall, within thirty days from the date of occurrence of such fact, propose to convene a shareholders' general meeting to remove such independent director from his/her duties.</u></p> <p><u>The on-site working time of the independent directors in the Company shall not less than fifteen days each year.</u></p>
91.		<p><b>Article 13.2 is newly-added:</b></p> <p><u>Article 13.2 Independent directors must remain independent.</u></p> <p><u>The qualifications for appointment and election procedures for independent directors shall be in compliance with laws, administrative regulations, regulations of the CSRC and business rules and requirements of the stock exchange.</u></p>

Number	Original Articles	Amended Articles
92.	Article 13.2 The Board of Directors, Supervisory Committee, or shareholders individually or jointly holding 1% or more of the issued shares of the Company are entitled to nominate candidates for independent directors to be elected at the general meetings.	<p><b>The original Article 13.2 is renumbered as Article 13.3:</b></p> <p><u>Article 13.23</u> The Board of Directors, Supervisory Committee, or shareholders individually or jointly holding 1% or more of the issued shares of the Company are entitled to nominate candidates for independent directors to be elected at the general meetings. <u>In the event two or more independent directors are to be elected at a shareholders’ general meeting of the Company, a cumulative voting mechanism shall be implemented; the votes of the minority shareholders shall be counted and disclosed separately. A nominator shall not nominate any person in whom he or she has an interest or any other closely related person who may affect the independent performance of duties of a candidate for independent director.</u></p> <p><u>The Nomination Committee of the Board shall examine the qualifications of the nominee and form a clear opinion on the examination.</u></p>

Number	Original Articles	Amended Articles
93.	<p>Article 13.3 Major related party transactions, appointment or dismissal of the accounting firms are subject to prior consent by more than half of the independent directors before submission for discussion by the Board of directors. Proposal of the independent directors to the Board of directors for convening an extraordinary general meeting and a meeting of the Board of directors, and to publicly solicit voting rights from other shareholders before the convening of general meeting are subject to approval by more than half of the independent directors. Upon their unanimous consent, independent directors may independently engage external auditors and consultants to provide auditing and consultancy services on specific matters at the expenses of the Company.</p> <p>Article 13.4 Independent directors shall attend meetings of the Board of directors on time, and shall keep themselves informed of the production and operation of the Company and conduct active investigation to obtain the particulars and information required for decision-makings. Independent directors shall submit an annual work report of all independent directors to the annual general meeting of the Company, stating their performance of duties.</p>	<p><b>The original Articles 13.3, 13.4 and 13.5 are deleted</b></p>

Number	Original Articles	Amended Articles
	<p>Article 13.5 The Company shall establish a operating system for independent directors. The secretary to the Board of directors shall assist and cooperate with independent directors in their discharge of duties. The Company shall undertake that independent directors will enjoy the same right to information as other directors, will be provided with relevant and timely materials and information and will be reported about the operation of the Company regularly and that site visits will be organised for independent directors as necessary.</p>	
94.	<p>Article 13.6 The term of office for independent directors shall be the same as other directors of the Company, and they may stand for re-election upon expiry of their term, provided that the term of office of an independent director shall not exceed six years in succession. Before expiry of their term, independent directors shall not be dismissed without proper reasons. In case of an independent director being dismissed before expiry of his or her term, the Company shall disclose it as a special discloseable matter.</p>	<p><b>The original Article 13.6 is renumbered as Article 13.4:</b></p> <p>Article 13.64 The term of office for independent directors shall be the same as other directors of the Company, and they may stand for re-election upon expiry of their term, provided that the term of office of an independent director shall not exceed six years in succession. <del>Before expiry of their term, independent directors shall not be dismissed without proper reasons. In case of an independent director being dismissed before expiry of his or her term, the Company shall disclose it as a special discloseable matter.</del></p>

Number	Original Articles	Amended Articles
95.	<p>Article 13.7 Independent directors may resign before expiry of their term. Independent directors shall submit to the Board of directors a written resignation stating any situation relating to their resignation or which they consider to be necessary to draw to the attention of the shareholders and creditors of the Company.</p> <p>Should the resignation of independent directors results in the number of independent directors or members of the Board of directors falling below the statutory or minimum requirement as stipulated in the Articles of Association, the resigning independent directors shall continue to perform their duties in accordance with the laws, administrative regulations and the Articles of Association until the independent directors who are elected in the by-election assume their offices. The Board of Directors shall convene a shareholders’ general meeting within two months to elect such independent directors to fill the casual vacancy. The resigning independent directors may cease to perform their duties if a shareholders’ general meeting is not held within the two months’ period.</p>	<p><b>The entire article is deleted</b></p>



Number	Original Articles	Amended Articles
96.		<p><b>Articles 13.5–13.10 are newly added</b></p> <p><u>Article 13.5 Independent directors may resign before expiry of their term. The Company may also terminate his/her duties in accordance with statutory procedures. The resignation, dismissal and by-election of an independent director shall be in compliance with laws, administrative regulations, regulations of the CSRC and regulations and requirements of the listing rules of the stock exchange.</u></p> <p><u>Article 13.6 The following matters shall be submitted to the Board for consideration after having being approved by a majority of all independent directors of the Company:</u></p> <ul style="list-style-type: none"><li data-bbox="895 1136 1406 1208">(1) <u>related party transactions that require to be disclosed;</u></li><li data-bbox="895 1268 1406 1383">(2) <u>the proposal of the Company and the relevant related parties to change or waive their undertakings;</u></li><li data-bbox="895 1442 1406 1600">(3) <u>decisions made and measures taken by the board of directors of the acquired company in respect of the acquisition;</u></li><li data-bbox="895 1659 1406 1866">(4) <u>other matters stipulated by laws, administrative regulations, requirements of the CSRC, listing rules and the Articles of Association.</u></li></ul>

Number	Original Articles	Amended Articles
		<p data-bbox="911 278 1390 353"><u>Article 13.7 The independent directors shall perform the following duties:</u></p> <p data-bbox="911 406 1390 566">(1) <u>to participate in the decision-making of the Board and to express clear opinions on the matters discussed;</u></p> <p data-bbox="911 619 1390 1204">(2) <u>to supervise the matters listed in Articles 12.22, 12.23, 12.24 and 13.6 of the Articles of Association regarding potential material conflicts of interest among the Company and its controlling shareholders, de facto controllers, directors and senior management, and to urge the Board to make decisions in line with the interests of the Company as a whole, and to protect the legitimate rights and interests of the minority shareholders;</u></p> <p data-bbox="911 1257 1390 1502">(3) <u>to provide professional and objective recommendation on the Company's operation and development, and to promote the enhancement of decision-making level of the Board;</u></p> <p data-bbox="911 1555 1390 1757">(4) <u>other duties as stipulated by laws, administrative regulations, requirements of the CSRC, listing rules and the Articles of Association.</u></p>

Number	Original Articles	Amended Articles
		<p data-bbox="911 283 1390 395"><u>Article 13.8 The independent directors shall exercise the following special powers:</u></p> <p data-bbox="911 453 1390 608"><u>(1) to independently appoint intermediary organizations to conduct audits, consultations or verifications on specific matters of the Company;</u></p> <p data-bbox="911 666 1390 778"><u>(2) to propose to the Board the convening of an extraordinary general meeting;</u></p> <p data-bbox="911 836 1390 906"><u>(3) to propose to the Board the convening of a Board meeting;</u></p> <p data-bbox="911 963 1390 1076"><u>(4) to openly solicit shareholders' rights from shareholders in accordance with the law;</u></p> <p data-bbox="911 1134 1390 1289"><u>(5) to express independent opinions on matters that may jeopardize the interests of the listed company or the minority shareholders;</u></p> <p data-bbox="911 1347 1390 1544"><u>(6) other functions and powers as stipulated in laws, administrative regulations, requirements of the CSRC and listing rules, and the Articles of Association.</u></p> <p data-bbox="911 1602 1390 1757"><u>To exercise the functions and powers as set forth in items 1 to 3, the independent director(s) shall obtain the consent of a majority of all independent directors.</u></p>

Number	Original Articles	Amended Articles
		<p><u>Regarding the exercises of the functions and powers as set forth in Clause 1 by independent directors, the Company shall disclose that in a timely manner. In the event that the above functions and powers fail to exercise normally, the Company shall disclose the specific details and reasons therefor.</u></p> <p><u>Article 13.9 The Company shall convene meetings attended by all independent directors (hereinafter referred to as the “Special Meetings of Independent Directors”) on a regular or irregular basis.</u></p> <p><u>The Special Meetings of Independent Directors shall be convened and presided by an independent director jointly elected by a majority of the independent directors; if the convenor is not performing his/her duties or is unable to perform his/her duties, two or more independent directors may convene the meeting on their own and elect a representative to preside over the meeting.</u></p> <p><u>Article 13.10 The independent directors shall submit annual duty reports to the annual general meeting of the Company to explain the fulfillment of their duties. The contents of the annual duty report shall comply with the provisions and requirements of laws, administrative regulations, regulations of the CSRC and rules and requirements of the stock exchange.</u></p> <p><u>The annual duty reports of the independent directors shall be disclosed no later than the issuance of the notice of the annual general meeting of the Company.</u></p>

Number	Original Articles	Amended Articles
97.	<p>Article 14.1 The Company shall have one secretary to the Board (“<b>Company Secretary</b>”). The Company Secretary is a senior management member of the Company.</p>	<p>Article 14.1 The Company shall have one secretary to the Board (“<b>Company Secretary</b>”) <u>who is responsible for matters such as the preparation of the shareholders’ general meeting and the Board meeting of the Company, keeping the documents and managing the shareholders’ materials of the Company and disclosing information.</u> The Company Secretary is a senior management member of the Company.</p> <p><u>The secretary to the Board shall abide by the relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association.</u></p>
98.	<p>Article 14.3 Directors or other senior management may also act as the Company Secretary. The accountants of accounting firm appointed by the Company shall not concurrently act as the secretary to the Board.</p>	<p>Article 14.3 Directors, <u>manager</u> or other senior management may also act as the Company Secretary. The accountants of accounting firm appointed by the Company shall not concurrently act as the secretary to the Board.</p>
99.	<p>Article 15.2 Persons assuming offices other than director and supervisor of the controlling shareholder and of the de facto controller of the Company shall not assume the offices of senior management of the Company.</p>	<p>Article 15.2 Persons assuming offices other than director and supervisor of the controlling shareholder and of the de facto controller of the Company shall not assume the offices of senior management of the Company.</p> <p><u>A member of the senior management of the Company shall only receive remunerations from the Company, such remuneration shall not be paid by the controlling shareholders.</u></p>

Number	Original Articles	Amended Articles
100.	<p>Article 15.4 The manager shall be accountable to the Board and exercise the following functions and powers:</p> <p>.....</p> <p>(3) to decide on the establishment of the Company’s internal management structure;</p> <p>.....</p> <p>(8) to personally (or appoint a deputy manager to) convene and preside over the business meetings of the manager which the manager, deputy managers and other management members shall attend;</p>	<p>Article 15.4 The manager shall be accountable to the Board and exercise the following functions and powers:</p> <p>.....</p> <p>(3) to <del>decide on</del> <u>formulate proposals for</u> the establishment of the Company’s internal management structure;</p> <p>.....</p> <p>(8) to personally (or appoint a deputy manager to) convene and preside over the business meetings of the manager which the manager; <del>deputy managers</del> and other <u>senior</u> management members shall attend;</p>

Number	Original Articles	Amended Articles
101.	<p>Article 16.2 The Supervisory Committee comprises of 5 supervisors, one of which acts as the chairman of Supervisory Committee. Supervisors shall be elected at the shareholders' general meeting. The term of office of the supervisors is three (3) years. At the expiry of his term of office, the supervisor is eligible for re-election and reappointment. The supervisors are elected by means of cumulative voting mechanism. In the supervisor(s) election, the number of votes held by each shareholder shall equal the product of the number of his/her shares held multiplied by the number of supervisors he is entitled to elect; each shareholder has the right to cast all his/her votes to one, two or more supervisor candidates, or to all supervisor candidates at his/her discretion. The candidate(s) with the most votes shall be elected as supervisor(s).</p>	<p>Article 16.2 <b>Clause 1 is amended:</b></p> <p>The Supervisory Committee comprises of 5 supervisors, one of which acts as the chairman of Supervisory Committee. Supervisors shall be elected at the shareholders' general meeting. The term of office of the supervisors is three (3) years. At the expiry of his term of office, the supervisor is eligible for re-election and reappointment. <u>Supervisors shall ensure the truthfulness, accuracy and completeness of the information disclosed by the Company, and sign written confirmation opinion on regular reports.</u> <del>The supervisors are elected by means of cumulative voting mechanism. In the supervisor(s) election, the number of votes held by each shareholder shall equal the product of the number of his/her shares held multiplied by the number of supervisors he is entitled to elect; each shareholder has the right to cast all his/her votes to one, two or more supervisor candidates, or to all supervisor candidates at his/her discretion. The candidate(s) with the most votes shall be elected as supervisor(s).</del></p> <p><b>Clause 2 and clause 3 are newly added:</b></p>

Number	Original Articles	Amended Articles
	<p>The appointment and dismissal of the chairman of the Supervisory Committee shall be passed by votes of two-thirds or more of its members.</p>	<p><u>Any failure of a supervisor to be promptly re-elected upon the expiration of his/her term of office, or any resignation of a supervisor within his/her term of office resulting in the number of members of the Supervisory Committee being lower than the statutory quorum, then such former supervisor shall, before the newly elected supervisor take office, continue to perform his/her duties in accordance with laws, administrative regulations and the Articles of Association.</u></p> <p><u>The supervisors are elected by means of cumulative voting mechanism. In the supervisor(s) election, the number of votes held by each shareholder shall equal the number of his/her shares held multiplied by the number of supervisors he/she is entitled to elect; each shareholder has the right to cast all his/her votes to any supervisor candidate, or to all supervisor candidates at his/her discretion or to cast all votes to two or more supervisor candidates. The candidate(s) with the most votes shall be elected as supervisor(s).</u></p> <p><b>The second last clause is amended:</b></p> <p><u>The appointment and dismissal of the chairman of the Supervisory Committee shall be passed by votes of <del>two-thirds or more of its members</del> the majority of all supervisors. Where the chairman of the Supervisory Committee is unable to or fails to discharge his/her duties, more than one half of the supervisors shall nominate a supervisor to convene and preside over the meeting.</u></p>



Number	Original Articles	Amended Articles
102.	<p>Article 16.5 The Supervisory Committee shall hold at least two meetings every year, which shall be convened by the chairman of Supervisory Committee.</p> <p>An extraordinary meeting of the Supervisory Committee may be convened by requisition of supervisors.</p>	<p>Article 16.5 The Supervisory Committee shall hold at least <u>one two</u> meetings every <u>six months</u> year, which shall be convened by the chairman of Supervisory Committee.</p> <p>An extraordinary meeting of the Supervisory Committee may be convened by requisition of supervisors.</p>
103.	<p>Article 16.6 The Supervisory Committee shall be accountable to the shareholders' general meeting and exercise the following functions and powers in accordance with law:</p> <p>.....</p> <p>The supervisors shall attend Board meetings as non-voting participants.</p>	<p>Article 16.6 The Supervisory Committee shall be accountable to the shareholders' general meeting and exercise the following functions and powers in accordance with law:</p> <p>.....</p> <p><del>The supervisors shall attend Board meetings as non-voting participants.</del></p>
104.	<p>Article 16.7</p> <p>(2) Resolutions of the Supervisory Committee shall be passed by two-thirds or more of its members.</p>	<p>Article 16.7</p> <p>(2) Resolutions of the Supervisory Committee shall be passed by <u>two-thirds or more than half</u> of its members.</p>
105.	<p>Article 16.11 A supervisor shall perform his duties faithfully in accordance with laws, administrative regulations and the Articles of Association.</p> <p>.....</p>	<p>Article 16.11 A supervisor shall <del>perform his duties faithfully in accordance with</del> <u>abide by</u> laws, administrative regulations and the Articles of Association, <u>and shall perform his/her obligations faithfully and diligently and discharge his/her supervisory duties in good faith.</u> A supervisor shall <u>not abuse his/her authority of office to obtain bribes or other illegal income and not misappropriate the property of the Company.</u></p> <p>.....</p>

Number	Original Articles	Amended Articles
106.	Article 17.3  (4) not to expropriate shareholder's individual interests, including (without limitation to) distribution rights and voting rights, except for the restructuring plan of the Company submitted to general meeting according to the Articles of Association.	Article 17.3  (4) not to expropriate shareholder's individual interests, including (without limitation to) distribution rights and voting rights, except for the restructuring plan of the Company submitted to general meeting according to the Articles of Association.
107.	Article 17.8 Save for circumstances prescribed in Article 17.16 of the Articles of Association, a director, supervisor, manager and other senior management member of the Company may be relieved of liability for specific breaches of his duty by the informed consent of shareholders given at a general meeting.	<b>The entire article is deleted</b>

Number	Original Articles	Amended Articles
108.	<p>Article 17.9 Where a director, supervisor, manager or other senior management member of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement (other than his contract of service with the Company) with the Company, he shall declare the nature and extent of his interests to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal thereof is otherwise subject to the approval of the Board.</p> <p>Unless the interested director, supervisor, manager or other senior management member of the Company discloses his interests in accordance with the preceding sub-paragraphs of this Article and the contract, transaction or arrangement is approved by the Board at a meeting in which the interested director, supervisor, manager or other senior management member of the Company is not counted as part of the quorum and abstain from voting, the contract, transaction or arrangement in which that director, supervisor, manager or other senior management member is materially interested is voidable at the instance of the Company except as against a bona fide party thereto who does not have notice of the breach of duty by the interested senior officer.</p>	<p><b>The entire article is deleted</b></p>

Number	Original Articles	Amended Articles
	For the purposes of this Article, a director, supervisor, manager or other senior management member of the Company is deemed to be interested in a contract, transaction or arrangement in which his associate is interested.	
109.	Article 17.10 Where a director, supervisor, manager or other senior management member of the Company gives to the Board a notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of which may subsequently be entered by the Company, such notice shall be deemed for the purposes of the preceding paragraphs of this Article to be a sufficient declaration of his interests, so far as the content stated in such notice is concerned, provided that such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of the Company.	<b>The entire article is deleted</b>
110.	Article 17.11 The Company shall not in any manner pay taxes for or on behalf of its directors, supervisors, manager or other senior management members.	<b>The entire article is deleted</b>

Number	Original Articles	Amended Articles
111.	<p data-bbox="400 283 879 602">Article 17.12 The Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with, the making of a loan to a director, supervisor, manager or other senior management member of the Company or of the Company's parent company or any of their respective associates.</p> <p data-bbox="400 655 879 729">However, the following transactions are not subject to such prohibition:</p> <ol data-bbox="400 783 879 1519" style="list-style-type: none"><li data-bbox="400 783 879 900">(1) the provision by the Company of a loan or a guarantee for a loan to its subsidiary;</li><li data-bbox="400 953 879 1519">(2) the provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds to any of its directors, supervisors, manager or other senior management members to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of a service contract approved by the shareholders in general meeting;</li></ol>	<p data-bbox="911 283 1241 314"><b>The entire article is deleted</b></p>

<b>Number</b>	<b>Original Articles</b>	<b>Amended Articles</b>
	<p>(3) the Company may make a loan or provide a guarantee in connection with the making of a loan to any of the relevant directors, supervisors, manager or other senior management members or their respective associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the giving of guarantees.</p>	
112.	<p>Article 17.13 A loan made by the Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.</p>	<p><b>The entire article is deleted</b></p>
113.	<p>Article 17.14 A loan guarantee provided by the Company in breach of Article 17.12 (1) shall be unenforceable against the Company, provided that:</p> <p>(1) the lender failed to acknowledge of the circumstance that he provided a loan to the directors, supervisors, manager and other senior management of the Company or its parent company; or</p> <p>(2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.</p>	<p><b>The entire article is deleted</b></p>

Number	Original Articles	Amended Articles
114.	Article 17.15 For the purposes of the foregoing provisions of this Chapter, a guarantee includes an undertaking of liabilities or property provided to secure the performance of obligations by the obligor.	<b>The entire article is deleted</b>
115.	Article 17.16 In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor, manager and other senior management members of the Company is in breach of his duties to the Company, the Company is entitled to:  (1) claim damages against the director, supervisor, manager and other senior management members in compensation for losses sustained by the Company as a result of such breach;  (2) rescind any contract or transaction entered into by the Company with the director, supervisor, manager and other senior management members or with a third party (where such third party knows or should know that such director, supervisor, manager and other senior management members have breached their duties);  (3) demand the director, supervisor, manager and other senior management members to surrender the profits made by him in breach of his duties;	<b>The entire article is deleted</b>

Number	Original Articles	Amended Articles
	<p>(4) recover any monies received by the director, supervisor, manager and other senior management members which should have been otherwise received by the Company, including (without limitation) commissions;</p> <p>(5) demand payment of the interest earned or which may have been earned by the director, supervisor, manager and other senior management members on the monies that should have been paid to the Company.</p> <p>(6) take legal proceedings to claim the properties arising from the breach of duties by the director, supervisor, manager and other senior management staff.</p>	
116.	<p>Article 17.17 The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with a director or supervisor wherein his remuneration are stipulated, including;</p> <p>(1) remuneration in respect of his service as director, supervisor or senior management member of the Company;</p> <p>(2) remuneration in respect of his service as director, supervisor or senior management member of any subsidiary of the Company;</p>	<p><b>The entire article is deleted</b></p>



Number	Original Articles	Amended Articles
	<p>(3) remuneration for providing management services for the Company and its subsidiaries;</p> <p>(4) compensation for loss of office, or as consideration for or in connection with his retirement from office.</p> <p>Except pursuant to a contract entered into mentioned above, no proceedings may be brought by a director or supervisor against the Company for any benefits in respect of the matters mentioned in this Article.</p>	
117.	<p>Article 17.18 The contract concerning remuneration entered into between the Company and its directors or supervisors should provide that in the event of a takeover of the Company, the Company’s directors and supervisors shall, subject to the prior approval of the shareholders in general meeting, have the right to receive compensation or other payment for loss of office or retirement. A takeover of the Company as referred to above means:</p> <p>(1) a takeover offer made by any person to all shareholders; or</p> <p>(2) an offer made by any person with a view to becoming a “controlling shareholder” as defined in Article 9.2.</p>	<p><b>The entire article is deleted</b></p>

Number	Original Articles	Amended Articles
	<p>If the relevant director or supervisor does not comply with this Article, any sum so received by him shall belong to those persons who have sold their shares as a result of the said offer made. The expenses incurred in distributing that sum pro rata amongst those persons shall be borne by the relevant director or supervisor and shall not be paid out of that sum.</p>	
118.		<p><b>The original Article 17.19 is renumbered as Article 17.8</b></p>
119.	<p>Article 18.2 At the end of each financial year, the Company shall prepare a financial report which shall be examined and verified in accordance with laws.</p>	<p>Article 18.2 At the end of each financial year, the Company shall prepare a financial report which shall be examined and verified in accordance with laws.</p> <p><u>The Company shall submit and disclose the annual report to the CSRC and the stock exchange within four months after the end of a financial year. The Company shall submit and disclose the interim report to the relevant authorities authorized by the CSRC and the stock exchange within two months from the end of the first half of a financial year.</u></p> <p><u>The aforesaid annual report and interim report shall be prepared in accordance with the relevant laws, administrative rules and requirements of the CSRC and the stock exchange.</u></p>

Number	Original Articles	Amended Articles
120.	<p>Article 18.5 The Board shall place before the shareholders at every annual general meeting such financial reports as are required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company.</p>	<p>Article 18.5 The Board shall <del>place</del> <u>lay</u> before the shareholders at every <u>annual</u> general meeting such financial reports as are required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company.</p>
121.	<p>Article 18.6 The Company's financial reports should be available for shareholder's inspection at the Company 20 days before the annual general meeting. Each shareholder shall be entitled to receive such financial reports mentioned in the Chapter.</p> <p>The Company should post the above-mentioned reports to the shareholders of overseas listed foreign invested shares with prepaid mail at least 21 days before the annual general meeting; addressed to the address set out in the register of shareholders.</p>	<p>Article 18.6 The Company's financial reports should be available for shareholder's inspection at the Company 20 days before the <u>annual</u> general meeting. Each shareholder shall be entitled to receive such financial reports mentioned in the Chapter.</p> <p>The Company should post the above-mentioned reports to the shareholders of overseas-listed foreign-invested shares <u>with by electronic means, prepaid mail or e-mail</u> at least 21 days before the <u>annual</u> general meeting; addressed to the address set out in the register of shareholders <u>or e-mail address or account number</u>.</p>
122.	<p>Article 18.10 The Company shall not keep accounts other than those provided by law. The accounting accounts of the Company are available to directors and supervisors for inspection.</p>	<p>Article 18.10 The Company shall not keep <u>accounts</u> other than those provided by law. <u>Assets of the Company shall not be deposited in an account maintained in any individual's name.</u> The <u>accounting accounts</u> of the Company are available to directors and supervisors for inspection.</p>

Number	Original Articles	Amended Articles
123.	<p data-bbox="400 283 539 310">Article 19.6</p> <p data-bbox="400 368 456 395">.....</p> <p data-bbox="400 453 884 1123">(3) capitalisation into additional share capital of the Company. With the approval of the shareholders by way of a special resolution in general meeting, the Company may capitalise the reserve fund into share capital, and issue bonus shares to shareholders pro rata to their existing shareholdings or increase the par value of the shares. However, when the statutory reserve fund is capitalised into share capital, the amount remaining in such statutory reserve fund shall not be less than 25% of the registered capital of the Company.</p>	<p data-bbox="908 283 1046 310">Article 19.6</p> <p data-bbox="908 368 963 395">.....</p> <p data-bbox="908 453 1391 868">(3) capitalisation into additional share capital of the Company. <del>With the approval of the shareholders by way of a special resolution in general meeting, the Company may capitalise the reserve fund into share capital, and issue bonus shares to shareholders pro rata to their existing shareholdings or increase the par value of the shares.</del></p> <p data-bbox="983 925 1391 1293">However, <u>the capital reserve shall not be used for off-setting the loss of the Company.</u> <del>w</del>When the statutory reserve fund is capitalised into share capital, the amount remaining in such statutory reserve fund shall not be less than 25% of the registered capital of the Company.</p>

Number	Original Articles	Amended Articles
124.	<p data-bbox="400 283 879 357">Article 19.7 Decision-making procedures for profit distribution of the Company:</p> <p data-bbox="400 410 456 431">.....</p> <p data-bbox="400 495 879 1081">(4) If profit is recorded in the reporting period but the Board of the Company does not put forth a cash profit distribution proposal, reasons therefor, the use of capital that may otherwise be distributed as dividends but has been retained by the Company and anticipated gains and details of consideration and voting at the Board meetings shall be disclosed in the Company’s regular reports, and independent directors shall express independent opinions thereon.</p> <p data-bbox="400 1134 456 1155">.....</p>	<p data-bbox="911 283 1390 357">Article 19.7 Decision-making procedures for profit distribution of the Company:</p> <p data-bbox="911 410 967 431">.....</p> <p data-bbox="911 495 1390 1166">(4) If profit is recorded in the reporting period <u>and its accumulated undistributed profit is a positive figure</u>, but the Board of the Company does not put forth a cash profit distribution proposal, reasons therefor, the use of capital that may otherwise be distributed as dividends but has been retained by the Company and anticipated gains and details of consideration and voting at the Board meetings shall be disclosed in the Company’s regular reports, and independent directors shall express independent opinions thereon.</p> <p data-bbox="911 1219 967 1240">.....</p>

Number	Original Articles	Amended Articles
125.	<p>Article 19.8 Profit distribution policy of the Company:</p> <p>(1) The Company adopts a consistent and stable profit distribution policy, which emphasizes investors’ reasonable investment return while ensuring the Company’s continuous development. The Company’s profit distribution shall not exceed the accumulated distributable profits or damage the Company’s ability to continue operations. After the profit distribution plan has been resolved at the general meeting, the Board shall complete the dividend (or share) distribution within 2 months after the date of the general meeting.</p> <p>.....</p>	<p>Article 19.8 Profit distribution policy of the Company:</p> <p>(1) The Company adopts a consistent and stable profit distribution policy, which emphasizes investors’ reasonable investment return while ensuring the Company’s continuous development. The Company’s profit distribution shall not exceed the accumulated distributable profits or damage the Company’s ability to continue operations. <del>After the profit distribution plan has been resolved at the general meeting, the Board shall complete the dividend (or share) distribution within 2 months after the date of the general meeting.</del></p> <p>.....</p> <p><b>The deletion of clause (1) is converted into a new clause (5):</b></p> <p>(5) <u>After the profit distribution plan has been resolved at the general meeting, the Board shall complete the dividend (or share) distribution within two months after the date of the general meeting.</u></p>

Number	Original Articles	Amended Articles
126.	<p>Article 20.1 The Company shall appoint an independent firm of certified public accountants which is qualified under the relevant regulations of the State to audit the Company’s annual financial reports and review the Company’s other financial reports.</p> <p>The first firm of certified public accountants of the Company may be appointed at the inaugural meeting of the Company before the first annual general meeting and the certified public accountants firm so appointed shall hold office until the conclusion of the first annual general meeting.</p> <p>.....</p>	<p>Article 20.1 The Company shall appoint an <del>independent</del> firm of certified public accountants which is qualified under the <del>relevant</del> regulations of the <u>Securities Law State</u> to audit <u>its financial statements</u>, the Company’s annual financial reports and review the Company’s other financial reports <u>verify its net assets and provide other related consultancy services</u>.</p> <p>The first firm of certified public accountants of the Company may be appointed at the inaugural meeting of the Company before the first <u>annual</u> general meeting and the certified public accountants firm so appointed shall hold office until the conclusion of the first annual general meeting.</p> <p>.....</p>
127.	<p>Article 20.2 The certified public accountants firm appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholders at which the appointment is made until the conclusion of the next annual general meeting.</p>	<p>Article 20.2 The certified public accountants firm appointed by the Company shall hold office <del>from the conclusion of the annual general meeting of shareholders at which the appointment is made until the conclusion of the next annual general meeting</del> <u>for one year, which can be re-appointed.</u></p>

Number	Original Articles	Amended Articles
128.		Article 20.3  <b>New clause is added:</b>  <u>The Company guarantees that it will provide the certified public accountants firm with true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information without any objection, omission or falsification.</u>
129.	Article 20.4 Before the convening of the shareholders’ general meeting, the Board may fill any casual vacancy in the office of the certified public accountants firm, but while any such vacancy continues, the surviving or continuing firm, if any, may act.	Article 20.4 <u>The engagement of a certified public accountants firm by the Company shall be determined at the shareholders’ general meeting.</u> Before <u>the determination</u> <del>the convening of</del> <u>at</u> the shareholders’ general meeting, the Board <del>shall not appoint</del> <u>may fill any casual vacancy in the office of the certified public accountants firm, but while any such vacancy continues, the surviving or continuing firm, if any, may act.</u>
130.	Article 20.6 The remuneration of a certified public accountants firm or the manner in which such firm is to be remunerated shall be determined by the shareholders in general meeting. The remuneration of a certified public accountants firm appointed by the Board shall be determined by the Board.	Article 20.6 The remuneration of a certified public accountants firm or the manner in which such firm is to be remunerated shall be determined by the shareholders in general meeting. <del>The remuneration of a certified public accountants firm appointed by the Board shall be determined by the Board.</del>



Number	Original Articles	Amended Articles
131.	<p>Article 20.7 The Company’s appointment of, removal of and non-reappointment of a certified public accountants firm shall be resolved by shareholders in general meeting. The resolution of the shareholders at general meeting shall be filed with the securities regulating authority of the State Council.</p> <p>Where any resolution is proposed to be passed by shareholders at general meeting concerning the appointment of a certified public accountants firm which is not an incumbent firm to fill a casual vacancy in the office of certified public accountants firm, the re-appointment of a certified public accountants firm which was appointed by the Board of directors of the Company to fill a casual vacancy, or the removal of a certified public accountants firm before the expiration of its terms of office, the following provisions shall apply:</p> <p>.....</p>	<p>Article 20.7 The Company’s appointment of, removal of and non-reappointment of a certified public accountants firm shall be resolved by shareholders in general meeting. The resolution of the shareholders at general meeting shall be filed with the securities regulating authority of the State Council.</p> <p>Where any resolution is proposed to be passed by shareholders at general meeting concerning the appointment of a certified public accountants firm which is not an incumbent firm to fill a casual vacancy in the office of certified public accountants firm, the re-appointment of a certified public accountants firm <del>which was nominated for appointment</del> appointed by the Board of directors of the Company to fill a casual vacancy, or the removal of a certified public accountants firm before the expiration of its terms of office, the following provisions shall apply:</p> <p>.....</p>
132.	<p>Article 20.8</p> <p>(1) Prior to the removal or the non-renewal of the appointment of a certified public accountants firm, notice of such removal or non-renewal shall be given to the certified public accountants firm concerned in advance and such firm shall be entitled to make representation at the shareholders’ general meeting. Where the certified public accountants firm resigns from its post, it shall make clear to the shareholders’ general meeting whether there has been any impropriety on the part of the Company.</p>	<p>Article 20.8</p> <p>(1) Prior to the removal or the non-renewal of the appointment of a certified public accountants firm, notice of such removal or non-renewal shall be given to the certified public accountants firm concerned in advance and such firm shall be entitled to make representation at the shareholders’ general meeting. Where the certified public accountants firm resigns from its post, it shall make clear to the shareholders’ general meeting whether there has been any impropriety on the part of the Company.</p>

Number	Original Articles	Amended Articles
133.	<p>Article 22.1</p> <p>.....</p> <p>For holders of the overseas-listed foreign-invested shares listed in Hong Kong, the aforesaid document shall also be sent by post.</p>	<p>Article 22.1</p> <p>.....</p> <p>For holders of the overseas-listed foreign-invested shares listed in Hong Kong, the aforesaid document shall also be sent by post <u>or by electronic means.</u></p>
134.	<p>Article 22.2 Companies may be merged through merger by absorption or through the establishment of a newly merged entity.</p> <p>Where there is a merger, the parties to the merger shall enter into a merger agreement, and prepare balance sheets and lists of property. The Company shall notify its creditors within a period of 10 days from the date of the resolution approving the merger and make at least three newspaper announcements of the merger within 30 days of that date.</p> <p>After the merger, claims and liabilities of parties to the merger shall be borne by the continuing company or the newly established company.</p>	<p>Article 22.2 Companies may be merged through merger by absorption or through the establishment of a newly merged entity.</p> <p><u>A company that absorbs other company is known as merger by absorption whereby the company being absorbed shall be dissolved. The merger of two or more companies by the establishment of a new company is known as merger by establishment of a new company whereby the companies being merged shall be dissolved.</u></p> <p>Where there is a merger, the parties to the merger shall enter into a merger agreement, and prepare balance sheets and lists of property. The Company shall notify its creditors within a period of 10 days from the date of the resolution approving the merger and make <del>at least</del> <u>three</u> newspaper announcements of the merger within 30 days of that date.</p>

Number	Original Articles	Amended Articles
		<p><u>Creditors may, within 30 days of receipt of the notice or within 45 days of the date of the announcement in the case of failure of receipt of the notice, require the Company to pay its debts in full or to provide a corresponding guarantee for such debt.</u></p> <p>After the merger, claims and liabilities of parties to the merger shall be borne by the continuing company or the newly established company.</p>
135.	<p>Article 22.3 When the Company is divided, its assets shall be split up accordingly.</p> <p>Where there is a division, the parties to the division shall enter into a division agreement, and prepare its balance sheet and list of properties. The Company shall notify its creditors within a period of 10 days from the date of the resolution approving the division and make at least three newspaper announcements of the division within 30 days of that date.</p> <p>Liabilities prior to the division shall be borne by the post-division companies pursuant to relevant agreement.</p>	<p>Article 22.3 When the Company is divided, its assets shall be split up accordingly.</p> <p>Where there is a division, the parties to the division shall enter into a division agreement, and prepare its balance sheet and list of properties. The Company shall notify its creditors within a period of 10 days from the date of the resolution approving the division and make <del>at least three</del> newspaper announcements of the division within 30 days of that date.</p> <p><del>Liabilities prior to the division shall be borne by the post-division companies pursuant to relevant agreement.</del></p>
136.		<p><b>The original Article 22.5 is renumbered as Article 22.4</b></p> <p><b>The original Article 22.4 is renumbered as Article 22.5</b></p>

Number	Original Articles	Amended Articles
137.	<p data-bbox="384 278 544 310">Article 22.6</p> <p data-bbox="384 363 456 395">.....</p> <p data-bbox="384 449 887 1034">The Company shall notify its creditors within ten days from the date of the Company’s resolution on reduction of registered capital and shall publish an announcement in the newspaper at least three times within thirty days from the date of such resolution. A creditor has the right, within thirty days of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within forty-five days from the date of the announcement, to require the Company to repay its debt or provide a corresponding guarantee for such debt.</p>	<p data-bbox="895 278 1054 310">Article 22.6</p> <p data-bbox="895 363 967 395">.....</p> <p data-bbox="895 449 1398 1034">The Company shall notify its creditors within ten days from the date of the Company’s resolution on reduction of registered capital and shall publish an announcement in the newspaper <del>at least three times</del> within thirty days from the date of such resolution. A creditor has the right, within thirty days of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within forty-five days from the date of the announcement, to require the Company to repay its debt or provide a corresponding guarantee for such debt.</p>

Number	Original Articles	Amended Articles
138.	<p>Article 23.1 The Company shall be dissolved and liquidated in accordance with relevant laws in the case of any of the following circumstances:</p> <p>.....</p> <p>(4) the Company is lawfully ordered to close down due to its violation of laws or administrative regulations;</p> <p>.....</p>	<p>Article 23.1 The Company shall be dissolved and liquidated in accordance with relevant laws in the case of any of <u>due to</u> the following <u>reasons</u> circumstances:</p> <p><b>The original item (5) is renumbered as item (1)</b></p> <p><b>The original items (1) and (2) are renumbered as items (2) and (3)</b></p> <p><b>The original item (3) is deleted</b></p> <p>(4) <u>the business license of the Company is lawfully revoked, the Company is ordered to close down or deregistered</u> due to its violation of laws or administrative regulations;</p> <p>.....</p>

Number	Original Articles	Amended Articles
139.	<p>Article 23.2 Where the Company is dissolved under subparagraphs (1) and (2) of the preceding Article, a liquidation committee shall be set up within fifteen (15) days of the occurrence of the dissolution events, and its members shall be determined by shareholders at a general meeting by way of ordinary resolution.</p> <p>Where the Company is dissolved pursuant to subparagraph of the preceding Article, the people’s court shall, according to the relevant laws, organise to form a liquidation committee comprising the shareholders, relevant authorities and relevant professionals to carry out liquidation procedures.</p> <p>Where the Company is dissolved pursuant to subparagraph of the preceding Article, the competent authority shall organise to form a liquidation committee comprising the shareholders, relevant authorities and relevant professionals to carry out liquidation procedures.</p> <p>Where the Company is dissolved under item (5) and (6) of the preceding Article, the liquidation committee shall consist of persons as determined by the Board or the shareholders’ general meeting.</p>	<p>Article 23.2 Where the Company is dissolved under <u>subparagraphs items</u> (1), and (2), (4) and (5) of the preceding Article <u>23.1</u>, a liquidation committee shall be set up within fifteen days of the occurrence of the dissolution events, <u>to carry out liquidation procedure</u> and <del>its members shall be determined by shareholders at a general meeting by way of ordinary resolution.</del></p> <p><del>Where the Company is dissolved pursuant to subparagraph (3) of the preceding Article, the people’s court shall, according to the relevant laws, organise to form a liquidation committee comprising the shareholders, relevant authorities and relevant professionals to carry out liquidation procedures.</del></p> <p><del>Where the Company is dissolved pursuant to subparagraph (4) of the preceding Article, the competent authority shall organise to form a liquidation committee comprising the shareholders, relevant authorities and relevant professionals to carry out liquidation procedures.</del></p> <p><del>Where the Company is dissolved under item (5) and (6) of the preceding Article;</del> <u>The liquidation committee shall consist of persons as determined by the Board or the shareholders’ general meeting. If a liquidation committee to carry out liquidation procedure is not set up within the specified time limit, the creditors may apply to the people’s court to designate relevant persons to form a liquidation committee to carry out liquidation procedure.</u></p>

Number	Original Articles	Amended Articles
140.	<p>Article 23.3 Where the Board proposes to liquidate the Company (other than due to that the Company has declared its bankruptcy), the Board shall include a statement in its notice convening a shareholders’ general meeting for such purpose to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay its debts in full within twelve (12) months from the commencement of the liquidation.</p> <p>Upon the passing of the resolution by the shareholders in general meeting for the liquidation of the Company, all functions and powers of the Board shall cease immediately.</p> <p>The liquidation committee shall act in accordance with the instructions of the shareholders’ general meeting to make a report at least once every year to the shareholders’ general meeting on the committee’s receipts and payments, the business of the Company and the progress of the liquidation and to present a final report to the shareholders’ general meeting upon completion of the liquidation.</p>	<p><b>The entire article is deleted and replaced with the following contents:</b></p> <p>Article 23.3 <u>Upon the occurrence of the situation mentioned in item (1) of Article 23.1, the Company may continue to exist by amending the Articles of Association.</u></p> <p><u>Amendments to the Articles of Association in accordance with the preceding clause shall be approved by not less than two-thirds of the voting rights held by the shareholders present at the shareholders’ general meetings.</u></p>

Number	Original Articles	Amended Articles
141.	<p>Article 23.4 The liquidation committee shall notify creditors within a period of 10 days from the date of its establishment and make at least three newspaper announcements of the liquidation within 60 days of that date. Claims of creditors shall be registered by the liquidation committee.</p>	<p>Article 23.4 The liquidation committee shall notify creditors within a period of 10 days from the date of its establishment and make <del>at least three</del> newspaper announcements of the liquidation within 60 days of that date. <u>Creditors shall, within thirty (30) days after receipt of the notice, or for those who do not receive the notice, within forty-five (45) days from the date of the announcement, declare their claims to the liquidation committee.</u> Claims of creditors shall be registered by the liquidation committee.</p> <p><u>When declaring their claims, creditors shall explain relevant particulars of their claims and provide supporting materials. The liquidation committee shall register the claims.</u></p> <p><u>During the period when creditors declare their claims, no settlement shall be made to any creditors by the liquidation committee.</u></p>
142.	<p>Article 23.5 During the liquidation period, the liquidation committee shall exercise the following functions and duties:</p> <p>.....</p> <p>(4) to settle outstanding taxes;</p> <p>.....</p>	<p>Article 23.5 During the liquidation period, the liquidation committee shall exercise the following functions and duties:</p> <p>.....</p> <p>(4) to settle outstanding taxes <u>and the taxes incurred during the liquidation process;</u></p> <p>.....</p>



Number	Original Articles	Amended Articles
143.	<p>Article 23.6 After the completion of ascertaining assets of the Company and the preparation of the balance sheets and a list of assets, the liquidation committee shall prepare a liquidation proposal and submit the same to the general meeting or relevant competent authorities for their approval.</p>	<p>Article 23.6 After the completion of ascertaining assets of the Company and the preparation of the balance sheets and a list of assets, the liquidation committee shall prepare a liquidation proposal and submit the same to the general meeting or <del>relevant competent authorities</del> <u>the people’s court</u> for their approval.</p>
144.	<p>Article 23.8 After the shareholders’ meeting resolves to dissolve the Company or the Company is lawfully announced bankrupt or ordered to close down, no one is allowed to dispose the Company’s assets without the permit of liquidation committee. During the liquidation, the Company shall not carry out new operating activities.</p> <p>Upon being paid the liquidation fee in priority, the liquidation committee shall repay with the Company’s assets by the following order:</p> <p>(1) outstanding wages, labour insurance premiums and statutory compensation;</p> <p>(2) outstanding tax;</p> <p>(3) the debts of the Company;</p> <p>.....</p>	<p>Article 23.8 After the shareholders’ meeting resolves to dissolve the Company or the Company is lawfully announced bankrupt or ordered to close down, no one is allowed to dispose the Company’s assets without the permit of liquidation committee. During the liquidation, the Company <u>shall continue to exist, but shall not carry out new operating activities that are not related to the liquidation.</u></p> <p>Upon being paid the liquidation fee in priority, the liquidation committee shall repay with the Company’s assets by the following order:</p> <p>(1) outstanding wages, <del>labour</del> <u>social</u> insurance premiums and statutory compensation;</p> <p>(2) outstanding tax;</p> <p>(3) the debts of the Company;<u>;</u></p> <p><u>The Company’s assets shall not be distributed to the shareholders before repayment of the Company’s debts in full in accordance with the preceding clause.</u></p> <p>.....</p>

Number	Original Articles	Amended Articles
145.	<p>Clause 2 of Article 23.9</p> <p>Members of the liquidation committee shall not take advantage of their position to receive bribes or other illegal income, or misappropriate the assets of the Company.</p> <p>.....</p>	<p>Clause 2 of Article 23.9</p> <p>Members of the liquidation committee shall not take advantage of their position to receive bribes or other illegal income, or misappropriate/<u>infringe</u> the assets of the Company.</p> <p>.....</p>
146.	<p>Article 23.11 Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, a statement of the receipts and payments and a financial account, which shall be verified by a PRC certified public accountant and submitted to the general meeting or relevant competent authorities for confirmation.</p> <p>The liquidation committee shall within thirty days after such confirmation by the general meeting or relevant competent authorities, submit the documents mentioned above to the companies registration authority and apply for deregistration of the Company and publish an announcement in respect of the termination of the Company.</p>	<p>Article 23.11 Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, a <del>statement of the receipts and payments and a financial account, which shall be verified by a PRC certified public accountant and submitted</del> <u>it to the general meeting or the people's court relevant competent authorities for confirmation, submit it to the companies registration authority and apply for deregistration of the Company and publish an announcement in respect of the termination of the Company.</u></p> <p><del>The liquidation committee shall within thirty days after such confirmation by the general meeting or relevant competent authorities, submit the documents mentioned above to the companies registration authority and apply for deregistration of the Company and publish an announcement in respect of the termination of the Company.</del></p>

Number	Original Articles	Amended Articles
147.	<p>Article 24.2 Any amendment to the Articles of Association involving anything set out in the Mandatory Provisions shall become effective upon approval by the department in charge of companies approval affairs authorised by the State Council and by the Securities Commission of the State Council. If there is any changes relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with the laws.</p>	<p>Article 24.2 <u>Where</u> <del>Any</del> amendment to the Articles of Association <u>resolved by the shareholders' general meeting is subject to review and involving anything set out in the Mandatory Provisions shall become effective upon approval of competent authorities, the amendment shall be submitted to the competent authorities for approval; by the department in charge of companies approval affairs authorised by the State Council and by the Securities Commission of the State Council. <u>If</u> there is any changes relating to the registered particulars of the Company <u>involved in amendments to the Articles of Association,</u> application shall be made for registration of the changes in accordance with the laws.</u></p>
148.		<p><b>Articles 24.3–24.4 are newly added</b></p> <p><u>Article 24.3 The Board of Directors shall amend the Articles of Association in accordance with the resolution approved at the shareholders' general meeting and the opinions from the competent authorities.</u></p> <p><u>Article 24.4 Amendments to the Articles of Association that are subject to compulsory disclosure under the laws and regulations, such amendments shall be announced in compliance with the requirements accordingly.</u></p>

Number	Original Articles	Amended Articles
149.		<p><b>Article 25.1 is newly added</b></p> <p><u>Article 25.1</u> Notices of the Company shall be delivered in any of the following <u>manners:</u></p> <p>(1) <u>by hand;</u></p> <p>(2) <u>by mail;</u></p> <p>(3) <u>by public announcement;</u></p> <p>(4) <u>by electronic means; and/or</u></p> <p>(5) <u>other means in accordance with the Articles of Association.</u></p>
150.	<p>Article 25.1 (1) Unless otherwise provided herein, notices, information or written statement issued by the Company to the holders of the overseas-listed foreign-invested shares in Hong Kong shall be delivered by hand or by prepaid mail to the registered address of each of such shareholders.</p> <p>.....</p>	<p>Article 25.1<del>2</del> (1) Unless otherwise provided herein, notices, information or written statement issued by the Company to the holders of the overseas-listed foreign-invested shares in Hong Kong shall be delivered <u>by electronic means, or</u> by hand or by prepaid mail to the registered address of each of such shareholders<del>;</del>, <u>or delivered by electronic means to its registered e-mail address or account number.</u></p> <p>.....</p>
151.		<p><b>The original Articles 25.2 and 25.3 are renumbered as Articles 25.3 and 25.4</b></p>

<b>Number</b>	<b>Original Articles</b>	<b>Amended Articles</b>
152.	Article 25.4 Notice convening the shareholders' general meeting of the Company shall be dispatched to the holders of foreign-invested shares by hand or by mail; and notify holders of domestic shares by announcement.	Article 25.4 <del>5</del> Notice convening the shareholders' general meeting of the Company shall be dispatched to the holders of foreign-invested shares by hand <del>or</del> by mail <u>or by electronic means</u> ; and notify holders of domestic shares by announcement.
153.		<b>The original Articles 25.5 and 25.6 are renumbered as Articles 25.6 and 25.7</b>
154.	Article 25.7 Where notice is sent by hand, receiver shall sign (or seal) on reply slip, and such signing date shall be the serving date; for notice sent by mail, the first business day from the notice is deposited at the post office shall be the serving date; for notice served by announcement, the date when the announcements is first published shall be the serving date	Article 25.7 <del>8</del> Where notice is sent by hand, receiver shall sign (or seal) on reply slip, and such signing date shall be the serving date; for notice sent by mail, the first business day from the notice is deposited at the post office shall be the serving date; for notice served by announcement <u>or by electronic means</u> , the date when the announcements is first published shall be the serving date
155.		<b>The original Articles 25.8 and 25.9 are renumbered as Articles 25.9 and 25.10</b>

Number	Original Articles	Amended Articles
156.	<p data-bbox="400 278 879 310"><b>Chapter XXVI Settlement of Disputes</b></p> <p data-bbox="400 368 879 570">Article 26.1 The Company and its shareholders, directors, supervisors, manager or other senior management members shall act according to the following principles to settle disputes:</p> <p data-bbox="400 627 879 1549">(1) Whenever any disputes or claims arise between holders of the overseas-listed foreign-invested shares or holders of domestic-invested shares and the Company, holders of the overseas-listed foreign-invested shares or holders of domestic-invested shares and the Company's directors, supervisors, manager or other senior management members, or holders of the overseas-listed foreign-invested shares and holders of domestic-invested shares, based on the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.</p>	<p data-bbox="911 278 1182 310"><b>The chapter is deleted</b></p>

Number	Original Articles	Amended Articles
	<p>(2) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.</p> <p>If a claimant elects arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to be held in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.</p> <p>(3) If any disputes or claims of rights prescribed in subparagraph above are referred to arbitration, the laws of the People's Republic of China shall apply, save as otherwise provided in laws and administrative regulations.</p> <p>(4) The award of an arbitration body shall be final and conclusive and binding on all parties.</p>	

Number	Original Articles	Amended Articles
157.		<p><b>The original Chapter 27 is renumbered as Chapter 26</b></p> <p><b>The original Articles 27.1, 27.2 and 27.3 are renumbered as Articles 26.1, 26.2 and 26.3</b></p>
158.	<p>Article 27.3 In these Articles of Association .....</p> <p>.....</p> <p>In these Articles of Association, the meaning of “not less than”, “within”, “not more than” includes the underlying number, while “less than”, “beyond”, “lower than”, “more than” does not include the underlying number.</p>	<p>Article <del>27</del>6.3 In these Articles of Association .....</p> <p>.....</p> <p><u>Electronic means refers to the way in which the Company provides and/or dispatches corporate communications to shareholders in accordance with the requirements of the Hong Kong listing rules. The Company may use any electronic means by posting of information on the Company’s website for the dispatch or provision of corporate communications to the Company’s shareholders in accordance with the requirements of the relevant law and regulations and the requirements of the Hong Kong listing rules as amended from time to time.</u></p> <p>In these Articles of Association, the meaning of “not less than”, “within”, “not more than” includes the underlying number, while “less than”, “beyond”, “lower than”, “more than” does not include the underlying number.</p>



2. The proposed amendments to the Procedural Rules for the Shareholders’ General Meeting are as follows:

No.	Original Articles	Amended Articles
1.	<p>4.2.2 Whether the Company convenes an annual general meeting, it shall send a written notice 20 days before the meeting and when the Company convenes an extraordinary general meeting, it shall send a written notice 15 days before the meeting, to notify shareholders whose names appear in the register of shareholders of the matters proposed to be considered and the date and place of the meeting. In calculating the notice period, the day of the meeting and the date of notification shall not be included. The Company provides a network to facilitate shareholders’ participation in the shareholders’ general meeting. Shareholders participating in the shareholders’ general meeting in the above manner are deemed to be present.</p>	<p>4.2.2 Whether the Company convenes an annual general meeting, it shall send a written notice 21 days before the meeting and when the Company convenes an extraordinary general meeting, it shall send a written notice 15 days before the meeting, to notify shareholders whose names appear in the register of shareholders of the matters proposed to be considered and the date and place of the meeting. In calculating the notice period, the day of the meeting and the date of notification shall not be included. The Company provides a network to facilitate shareholders’ participation in the shareholders’ general meeting. Shareholders participating in the shareholders’ general meeting in the above manner are deemed to be present.</p>
2.	<p>5.1 Independent Directors shall have the right request the board of directors to convene an extraordinary general meeting. For the proposal of Independent Directors seeking to convene a general meeting, the board of directors shall give its written feedback on agreeing or disagreeing to convene an extraordinary general meeting within 10 days after receiving the proposal in accordance with the provisions of laws, administrative regulations and the Articles of Association.</p> <p>.....</p>	<p>5.1 <u>Upon the consent of a majority of all Independent Directors,</u> Independent Directors shall have the right request the board of directors to convene an extraordinary general meeting. For the proposal of Independent Directors seeking to convene a general meeting, the board of directors shall give its written feedback on agreeing or disagreeing to convene an extraordinary general meeting within 10 days after receiving the proposal in accordance with the provisions of laws, administrative regulations and the Articles of Association.</p> <p>.....</p>

3. The proposed amendments to the Procedural Rules for the Board of Directors are as follows:

No.	Original Articles	Amended Articles
1.	<p data-bbox="400 331 459 357">2.1.1</p> <p data-bbox="475 427 523 449">.....</p> <p data-bbox="475 506 884 832">The shareholders of the Company or the employees of shareholders' units, the internal staff of the Company, associates of the Company or any person who has an interest with the management of the Company shall not serve as independent directors.</p>	<p data-bbox="909 331 968 357">2.1.1</p> <p data-bbox="984 427 1032 449">.....</p> <p data-bbox="984 506 1393 789"><del>The shareholders of the Company or the employees of shareholders' units, the internal staff of the Company, associates of the Company or any person who has an interest with the management of the Company shall not serve as independent directors.</del></p> <p data-bbox="984 846 1393 1385"><u>Replaced with: Independent directors of the Company refer to directors who do not take up any position in the Company other than serving as directors, and do not have any direct or indirect relationship of interest with the Company, its substantial shareholders and de facto controller, or a relationship that is likely to impede and affect their independent and objective judgment.</u></p>

No.	Original Articles	Amended Articles
2.	2.1.3  (5) A director may concurrently serve as manager or other senior management position (excluding the position of supervisors). The number of directors holding positions concerning the operations and management of the Company shall not exceed one-third of the total number of directors.	2.1.3  (5) A director may concurrently serve as manager or other senior management position (excluding the position of supervisors). <del>The number of directors holding positions concerning the operations and management of the Company shall not exceed one-third of the total number of directors.</del> <u>The total number of directors being members of senior management of the Company and employees' representatives shall not exceed one half of the total number of directors of the Company.</u>

No.	Original Articles	Amended Articles
3.	<p data-bbox="400 266 882 378">6.3.2 An extraordinary Board meeting may be held under any of the following circumstances:</p> <ol data-bbox="475 438 882 1236" style="list-style-type: none"> <li data-bbox="475 438 882 591">1. when jointly proposed by more than one-third (inclusive of one-third) of the directors;</li> <li data-bbox="475 651 882 719">2. when proposed by the supervisory committee;</li> <li data-bbox="475 778 882 846">3. when proposed by the general manager;</li> <li data-bbox="475 906 882 1059">4. when proposed by more than one-half (inclusive of one-half) of the independent directors;</li> <li data-bbox="475 1119 882 1236">5. shareholders holding more than 10% of the voting rights.</li> </ol>	<p data-bbox="911 266 1393 378">6.3.2 An extraordinary Board meeting may be held under any of the following circumstances:</p> <ol data-bbox="986 438 1393 1236" style="list-style-type: none"> <li data-bbox="986 438 1393 591">1. when jointly proposed by more than one-third (inclusive of one-third) of the directors;</li> <li data-bbox="986 651 1393 719">2. when proposed by the supervisory committee;</li> <li data-bbox="986 778 1393 846">3. when proposed by the general manager;</li> <li data-bbox="986 906 1393 1059">4. when proposed by <del>more than one-half (inclusive of one-half) of the</del> <u>a majority of all</u> independent directors;</li> <li data-bbox="986 1119 1393 1236">5. shareholders holding more than 10% of the voting rights.</li> </ol>

## 4. The proposed amendments to the Working Rules for Independent Directors are as follows:

No.	Original Articles	Amended Articles
1.		Renumbering the number of chapters
2.	<b>Chapter 1 General Provisions</b>	<del>Chapter 1</del> General Provisions
3.	<p><b>Article 1</b> In order to further improve the corporate governance structure of the Company and to promote the standardized operation of the Company, in accordance with “The Company Law of the People’s Republic of China” (“the Company Law”), Articles of Association (“Articles of Association”) of Jiangsu Expressway Company Limited (“the Company”), “Guidance notes for the Independent Director of the Listed Companies” (“Guidance Notes”) issued by China Securities Regulatory Commission, “Guidelines for Corporate Governance of Listed Companies” (“Corporate Guidelines”) and with reference to the other relevant laws and regulations, the Company formulates the working rules of the independent director of Jiangsu Expressway Company Limited (“these Rules”).</p>	<p><del>Article 1</del> In order to further improve the corporate governance structure of the Company and to promote the standardized operation of the Company, in accordance with “The Company Law of the People’s Republic of China” (“the Company Law”), <u>“The Securities Law of the People’s Republic of China” (the “Securities Law”), “The Opinions of the General Office of the State Council on Reforming the Independent Director System of Listed Companies”, “The Measures for the Administration of Independent Directors of Listed Companies” (the “Measures for Independent Directors”), “the Rules Governing the Listing of Stocks on Shanghai Stock Exchange”, the</u> Articles of Association (“Articles of Association”) of Jiangsu Expressway Company Limited (“the Company”), <del>“Guidance notes for the Independent Director of the Listed Companies” (“Guidance Notes”) issued by China Securities Regulatory Commission, “Guidelines for Corporate Governance of Listed Companies” (“Corporate Guidelines”)</del> and with reference to the other relevant laws and regulations, the Company formulates the working rules of the independent director of <u>the Company Jiangsu Expressway Company Limited (“these Rules”).</u></p>

No.	Original Articles	Amended Articles
4.	<b>Chapter 2 Independent Director</b>	<u>Chapter 2</u> Independent Director
5.	<b>Article 2</b> The Company sets up a system of independent directors in accordance with law. Of the members of the Board, five (5) shall be independent directors, accounting for one third of all members of the Board. One of the independent directors shall be an accounting professional.	<del>Article 2.1</del> The Company sets up a system of independent directors in accordance with law. Of the members of the Board, <del>four (4)</del> <u>five (5)</u> shall be independent directors, accounting for one third of all members of the Board. <u>At least</u> <del>One</del> of the independent directors shall be an accounting professional.  <u>The board of directors of the Company shall establish the Audit Committee. The members of the Audit Committee shall be directors who do not serve as senior management of the Company, a majority of whom shall be independent directors, and the accounting professional among the independent directors shall serve as the convener.</u>  <u>The board of directors of the Company shall establish the Nomination Committee, the Remuneration and Appraisal Committee, the Strategic Committee and such other committees. Independent directors shall constitute a majority of the Nomination Committee and the Remuneration and Appraisal Committee, an independent director who shall serve as the convener.</u>

No.	Original Articles	Amended Articles
	<p><b>Article 3</b> An independent director of the Company shall not hold any positions in the Company other than the position of director, and shall not have any relationship with the Company and its major shareholders which may impede them from making independent and objective judgment.</p>	<p><del>Article 3</del> An independent director of the Company <u>refers to a director who shall not hold any positions in the Company other than the position of director, and shall not have any <u>relationship of direct or indirect interest</u> with the Company, <u>and its major shareholders and de facto controller, or relationship that is likely to which may impede them from making and affect his/her independent and objective judgment.</u></u></p> <p><u>An independent director shall perform his/her duties independently and free from the influence of the Company’s substantial shareholders, de facto controller and other entities or individuals.</u></p>
6.	<p><b>Article 4</b> An independent director owes fiduciary and diligence duties to the Company and all shareholders. An independent director shall comply with the requirements of the relevant laws and regulations, “Guidance Note” and the Articles of Association of the Company, shall conscientiously carry out their duties and safeguard the overall interests of the Company, and shall particularly pay attention that the legal interests of minor shareholders shall not be subject to infringement.</p>	<p><del>Article 4.2</del> An independent director owes fiduciary <u>and diligence</u> duties <u>of loyalty and diligence</u> to the Company and all shareholders. <del>An independent director,</del> shall comply with the requirements of the relevant laws and <u>administrative regulations, “Guidance Note”the requirements of the China Securities Regulatory Commission (the “CSRC”), the rules of the stock exchanges and the requirements of the Articles of Association of the Company,</u> shall conscientiously carry out their duties, <u>play a role in participating in decision-making, providing supervision and check-and-balance as well as professional advices to the board of directors and safeguardsafeguarding</u> the overall interests of the Company, and shall particularly pay attention that <u>protecting the legal-legitimate interests of minor shareholders</u> <del>shall not be</del> subject to infringement.</p>

No.	Original Articles	Amended Articles
	An independent director shall carry out his duties independently, without being subject to the influence from any major shareholders and beneficial controlling party of the Company, or other units or individuals who have common interests with the Company	An independent director shall carry out his duties independently, without being subject to the influence from any major shareholders and beneficial controlling party of the Company, or other units or individuals who have common interests with the Company.
7.	<b>Article 5</b> An independent director shall in principle be allowed to serve concurrently as independent director for a maximum of five (5) listed companies, and shall ensure that he has sufficient time and energy to effectively carry out their duties as an independent director.	<del>Article 5.3</del> An independent director shall in principle be allowed to serve concurrently as independent director for a maximum of five (5) <u>three (3)</u> listed companies, and shall ensure that he/ <u>she</u> has sufficient time and energy to effectively carry out their <u>his/her</u> duties as an independent director.
8.	<b>Article 6</b> If it occurs that the independent director do not comply with the condition for independence or other conditions which render the independent director not suitable to perform their duties, and as a result the number of independent directors of the Company falls below the number required by the “Guidance Note”, the Company shall fill all of the vacancies as required.	<b>The entire article is deleted</b>
9.	<b>Chapter 3 Conditions for Appointment of an Independent Director</b>	<del>Chapter 3</del> Conditions for Appointment of an Independent Director



No.	Original Articles	Amended Articles
10.	<p><b>Article 7</b> An independent director shall have qualifications appropriate to the performance of his duties. An independent director shall meet the following basic conditions:</p> <p>(1) to have the qualifications to hold office as a director of the Company according to relevant requirements of laws and administrative regulations;</p> <p>(2) to have the independence required by the “Guidance Note”;</p> <p>(3) to have basic knowledge of the Company’s operation, to be familiar with the relevant laws, administrative regulations, rules and regulations;</p> <p>(4) to have more than five years’ work experience in law, economics or other experience required to perform the duties of an independent director;</p> <p>(5) to have other conditions required by the Articles of Association of the Company.</p>	<p><del>Article 7.1</del> An independent director shall have qualifications appropriate to the performance of his duties. An independent director shall meet the following basic conditions:</p> <p>(1)3.1.1 to have the qualifications to hold office as a director of the Company according to <u>the</u> relevant requirements of laws and administrative regulations;</p> <p>(2)3.1.2 to <del>have</del> <u>meet</u> the independence <u>requirements required by stipulated under Article 3.2 of the “Guidance Note”</u> <u>these Rules</u>;</p> <p>(3)3.1.3 to have basic knowledge of the Company’s operation, to be familiar with the relevant laws, <u>administrative regulations, and</u> rules and regulations;</p> <p>(4)3.1.4 to have more than five years’ work experience <u>in law, economics or other experience in the fields of laws, accounting or economics, etc.</u> required to perform the duties of an independent director;</p> <p>3.1.5 <u>to possess good personal integrity and have no records of major breach of trust or other negative records;</u></p> <p>(5)3.1.6 to have <u>fulfilled</u> other conditions required by <u>laws, administrative regulations, the requirements of the CSRC, the rules of the stock exchanges and</u> the Articles of Association of the Company.</p>

No.	Original Articles	Amended Articles
11.	<p><b>Article 8</b> An independent director shall be independent. None of the following persons may serve as an independent director:</p> <p>(1) persons working in the Company or its subsidiary and their lineal relatives and near relatives (lineal relatives are spouse, parents, children, etc.; near relatives are siblings, in-laws, siblings' spouses, spouse's siblings, etc.);</p> <p>(2) persons who directly or indirectly hold 1% or above of the issued share capital of the Company or who are natural person shareholders amongst the top ten shareholders of the Company or their lineal relatives members;</p> <p>(3) persons working in a shareholder's unit which holds 5% or above of the issued share capital of the Company or in the units of the top five shareholders of the company or their lineal relatives;</p>	<p><del>Article 8</del><u>3.2</u> An independent director shall <del>be</del><u>maintain his</u> independence. None of the following persons may serve as an independent director:</p> <p><del>(1)</del><u>3.2.1</u> persons working in the Company or its subsidiary and their <del>lineal relatives</del><u>lineal relatives, spouses, parents, children</u> and near relatives (lineal relatives are spouse, parents, children, etc.; near relatives are siblings, in-laws, siblings' spouses, <u>spouses' parents, spouse's siblings, children's spouses, parents of children's spouses</u>, etc.);</p> <p><del>(2)</del><u>3.2.2</u> persons who directly or indirectly hold 1% or above of the issued share capital of the Company or who are natural person shareholders amongst the top ten shareholders of the Company or their <del>lineal relatives members</del><u>lineal relatives, spouses, parents, children</u>;</p> <p><del>(3)</del><u>3.2.3</u> persons working in a shareholder's unit which holds 5% or above of the issued share capital of the Company or in the units of the top five shareholders of the company or their <del>lineal relatives</del><u>lineal relatives, spouses, parents and children</u>;</p> <p><u>3.2.4</u> <u>Persons working in the affiliates of the Company's controlling shareholders or de facto controllers and their spouses, parents and children</u>;</p>

No.	Original Articles	Amended Articles
		<p data-bbox="986 261 1396 661"><u>3.2.5</u> <u>Persons having material business dealings with the Company and its controlling shareholders, de facto controllers or their respective affiliates, or persons working in entities that have material business dealings with the Company, and their controlling shareholders or de facto controllers;</u></p> <p data-bbox="986 710 1396 1264"><u>3.2.6</u> <u>Persons providing financial, legal, consulting, sponsorship and other services for the Company, its controlling shareholders, de facto controllers or their respective affiliates, including but not limited to all the members of the project teams, the reviewing officers at all levels, the signatory (ies) of the reports, the partners, directors, senior management and the persons in charge of the intermediary (ies) providing the services;</u></p> <p data-bbox="986 1312 1396 1487"><del>(4)</del><u>3.2.7</u> <u>persons falling under the conditions mentioned in the three preceding paragraphs during in the latest twelve (12) months;</u></p> <p data-bbox="986 1536 1396 1896"><del>(5)</del><u>3.2.8</u> <u>persons who provides financial, legal and consultancy services to the Company and its subsidiary;Persons who are deemed as not independent under laws, administrative regulations, the requirements of the CSRC, the rules of the stock exchanges and the Articles of Association of the Company;</u></p>

No.	Original Articles	Amended Articles
	<p>(6) other persons as set out in the Articles of Association of the Company;</p> <p>(7) other persons confirmed by China Securities Regulatory Commission.</p>	<p><del>other persons as set out in the Articles of Association of the Company;</del></p> <p><del>other persons confirmed by China Securities Regulatory Commission</del></p> <p><u>“material business dealings” mentioned in the preceding paragraphs refer to matters that need to be submitted to the general meeting for consideration in accordance with the provisions of the rules governing the listing of securities and the Articles of Association; “working” refers to acting as directors, supervisors, senior management and other staff.</u></p> <p><u>Affiliates of the Company’s controlling shareholders and de facto controllers as set out in Articles 3.2.4 to 3.2.6 of the preceding paragraphs (Affiliates refer to enterprises that are directly or indirectly controlled by the relevant entities), exclude enterprises that are controlled by the same state-owned asset management entity as the Company and do not constitute a related party relationship with the Company under the relevant provisions.</u></p> <p><u>The independent directors shall conduct an annual self-examination of their independence and submit such examination results to the board of directors. The board of directors shall evaluate the independence of the existing independent directors annually and issue a special opinion, and disclose the same in the annual report.</u></p>
12.	<b>Chapter 4 Nomination, Election and Replacement of an Independent Director</b>	<del>Chapter 4</del> Nomination, Election and Replacement of an Independent Director

No.	Original Articles	Amended Articles
13.	<p><b>Article 9</b> The Board of the Company, the Supervisory Committee, shareholders jointly or severally holding 1% or above of the issued share capital of the Company may nominate candidate for the office of an independent director. Election shall be made in a shareholders’ general meeting.</p>	<p><del>Article 94.1</del> The Board of the Company, the Supervisory Committee, shareholders jointly or severally holding 1% or above of the issued share capital of the Company may nominate candidate for the office of an independent director. Election shall be made in a shareholders’ general meeting.</p> <p><u>Investor protection institutions established in accordance with laws may publicly request the shareholders to entrust it to exercise the right to nominate independent directors on their behalf.</u></p> <p><u>The nominator specified in clause 1 shall not nominate any person in whom he or she has an interest or any other closely related person who may affect the independent performance of duties of a candidate for independent director.</u></p>

No.	Original Articles	Amended Articles
14.	<p><b>Article 10</b> Nominator of an independent director shall obtain consent from the parties being nominated before nomination. The nominator shall have a thorough understanding of the profession, academic qualifications, title, career history and all part-time positions of the parties being nominated, and shall express opinions regarding the qualifications and independence of such parties as an independent director. Parties being nominated shall declare to the public that they do not have any relationship which will impede them from making independent and objective judgment on the Company. Before the convening of the shareholders' general meeting for the election of an independent director, the Board of the Company shall announce the above contents according to regulations.</p>	<p><del>Article 10</del><sup>10.2</sup> Nominator of an independent director shall obtain consent from the parties being nominated before nomination. The nominator shall have a thorough understanding of the profession, academic qualifications, title, career history and all part-time positions of the parties being nominated <u>and that whether the parties being nominated have any major records of breach of trust or other negative records</u>, and shall express opinions regarding the qualifications <u>and independence</u> <del>the</del> <u>independence and other conditions</u> of such parties as an independent director. Parties being nominated shall declare to the public that they do not have any relationship which will impede them from making independent and objective judgment on the Company <u>their independence and other conditions as an independent director</u>. Before the convening of the shareholders' general meeting for the election of an independent director, the Board of the Company shall announce the above contents according to regulations.</p>

No.	Original Articles	Amended Articles
15.	<p><b>Article 11</b> Before the convention of the shareholders' general meeting for the election of an independent director, the Company shall at the same time submit information related to the parties being nominated to China Securities Regulatory Commission, the agency of China Securities Regulatory Commission in the locality where the Company is located and the stock exchange on which the securities of the Company are listed and traded. Any objection of the Board of the Company regarding the relevant conditions of the parties being nominated shall at the same time be expressed in writing to the Board.</p>	<p><del>Article 11.3</del> <u>The Nomination Committee of the Company shall examine the qualifications of the persons being nominated for the offices and form a clear opinion on the examination.</u></p> <p><del>The Company shall, b</del><u>Before the convention of the shareholders' general meeting for the election of an independent director, the Company shall at the same time disclose relevant contents in accordance with Article 4.2 of these Rules and the preceding Articles, submit information related to the parties being nominated to China Securities Regulatory Commission, the agency of China Securities Regulatory Commission in the locality where the Company is located and the relevant materials on all the candidates for independent directors to the stock exchange on which the securities of the Company are listed and traded, all the relevant materials submitted shall be true, accurate and complete. Any objection of the Board of the Company regarding the relevant conditions of the parties being nominated shall at the same time be expressed in writing to the Board.</u></p> <p><u>If the stock exchange(s) raise(s) an objection, the Company shall disclose the same in a timely manner, and the Company shall not submit it to the shareholders' general meeting for election. If it has been submitted to the shareholders' general meeting for consideration, the proposal shall be withdrawn.</u></p>

No.	Original Articles	Amended Articles
16.	<p>China Securities Regulatory Commission shall review the qualifications of appointment and independence of the independent director within 15 working days.</p> <p>Parties being nominated and against whom China Securities Regulatory Commission lodges an objection may become candidates for the office of directors of the Company but not candidates for the office of an independent director. During the shareholders' general meeting for the election of an independent director, the Board shall state whether objection has been raised by China Securities Regulatory Commission against the independent director candidate.</p>	<p><del>China Securities Regulatory Commission shall review the qualifications of appointment and independence of the independent director within 15 working days.</del></p> <p><del>Parties being nominated and against whom China Securities Regulatory Commission lodges an objection may become candidates for the office of directors of the Company but not candidates for the office of an independent director. During the shareholders' general meeting for the election of an independent director, the Board shall state whether objection has been raised by China Securities Regulatory Commission against the independent director candidate.</del></p> <p><u>4.4 A cumulative voting system shall be implemented for the election of more than two independent directors at the general meeting of the Company.</u></p> <p><u>The votes of minority shareholders shall be counted and disclosed separately.</u></p>
17.	<p><b>Article 12</b> The term of office of an independent director shall be three (3) years, renewable on re-election, provided that the renewed term shall not be more than six (6) years.</p>	<p><del>Article 12.5</del> The term of office of an independent director shall be <u>three (3) yearsthe same as that of other directors,</u> renewable on re-election, provided that the renewed term shall not be more than six (6) years.</p> <p><u>A person who has served as an independent director of the Company for six consecutive years shall not be nominated as a candidate for the office of independent director of the Company within 36 months from the date of such fact.</u></p>



No.	Original Articles	Amended Articles
18.	<p><b>Article 13</b> If an independent director fails to attend in person three Board meetings consecutively, the Board shall propose to the shareholders' general meeting for his dismissal. Except for the above circumstances and other circumstances stipulated by the Company Law, an independent director shall not be removed from office before expiry of its term without proper reason. Any dismissal prior to expiry of the term shall be disclosed by the Company as a special disclosure item. An independent director who has been so dismissed and considers the reason of dismissal as improper may make a public statement.</p>	<p><del>Article 13</del><sup>4.6</sup> If an independent director fails to attend in person three Board meetings consecutively, the Board shall propose to the shareholders' general meeting for his dismissal. Except for the above circumstances and other circumstances stipulated by the Company Law, an independent director shall not be removed from office before expiry of its term without proper reason. Any dismissal prior to expiry of the term shall be disclosed by the Company as a special disclosure item. An independent director who has been so dismissed and considers the reason of dismissal as improper may make a public statement.</p> <p><u>Before the expiration of the term of office of an independent director, the Company may terminate his/her office in accordance with legal procedures. In case of early dismissal of an independent director, the Company shall disclose the specific reasons and basis therefor in a timely manner. If the independent director has raised any objections, the Company shall disclose them in a timely manner.</u></p>
19.		<p><b>Newly added:</b></p> <p><u>4.7 If an independent director fails to comply with the provisions of Article 3.1.1 and Article 3.1.2 of these Rules, he/she shall immediately cease to perform his/her duties and resign from his/her position. If no resignation is tendered, the board of directors shall, as soon as it knows or ought to have known of the occurrence of such fact, remove him/her from office in accordance with the regulations.</u></p>

No.	Original Articles	Amended Articles
20.		<p data-bbox="906 261 1059 293"><b>Newly added:</b></p> <p data-bbox="906 342 1394 932"><u>4.8</u> <u>In the event that resignation or dismissal of an independent director as a result of circumstances breaching the provisions of the preceding Article, resulting in the proportion of independent directors on the board of directors or its special committees not complying with the provisions of these Rules or the Articles of Association, or if there is a lack of accounting professional among the independent directors, the Company shall complete the by-election of such independent director within sixty days from the date of the occurrence of the aforesaid fact.</u></p>

No.	Original Articles	Amended Articles
21.	<p><b>Article 14</b> An independent director may resign before expiry of his term. An independent director shall submit a written resignation report to the Board stating any circumstances relating to his resignation or circumstances he considers as necessary to bring to the attention of the shareholders and creditors of the Company. If the number of independent directors of the Company falls short of the minimum requirement of the “Guidance Note” because of the resignation of such independent director, his resignation shall become effective only after the vacancy is filled by the succeeding independent director.</p>	<p><del>Article 14</del><sup>9</sup> An independent director may resign before expiry of his term. An independent director shall submit a written resignation report to the Board stating any circumstances relating to his resignation or circumstances he considers as necessary to bring to the attention of the shareholders and creditors of the Company. <u>The Company shall disclose the reasons for and concerns of the resignation of the independent director.</u> If the number of independent directors of the Company <u>will</u> <del>falls short of the minimum</del> <u>fail to meet</u> the requirement of the “Guidance Note” <del>these Rules</del> <u>or the Articles of Association</u> because of due to the resignation of such independent director, his resignation shall become effective only after the vacancy is filled by the succeeding independent director: <u>or if there is a lack of accounting professionals among the independent directors due to resignation of such independent director, the independent director who intends to resign shall continue to perform his/her duties until the date on which a new independent director is appointed. The Company shall complete the by-election of independent director within sixty days from the date of such resignation.</u></p>
22.	<p><b>Chapter 5 Functions and powers of an independent director</b></p>	<p><del>Chapter 5</del> Functions and powers of an independent director</p>

No.	Original Articles	Amended Articles
23.	<p><b>Article 15</b> In order to bring the functions of an independent director into full play, an independent director shall have the following special duties and powers in addition to the duties and powers of directors conferred by the Company Law and other relevant laws and regulations:</p> <p>(1) Material connected transactions shall be approved by the independent directors before submitting to the Board for discussions; before making decision, the independent directors may engage intermediary institution to provide independent financial consultant report as a basis for his decision-making;</p> <p>(2) to propose to the Board regarding engagement or dismissal of an accounting firm;</p> <p>(3) to propose the convening of extraordinary general meeting to the Board;</p> <p>(4) to propose the convening of Board meeting;</p> <p>(5) to engage independent external audit institution and consultancy institution;</p> <p>(6) An independent director may publicly collect voting rights from shareholders before the convening of a shareholders' general meeting.</p>	<p><b>The original texts are entirely deleted and replaced with:</b></p> <p><u>5.1 An independent director shall perform the following duties:</u></p> <p><u>5.1.1 to participate in the decision making of the board of directors and express clear opinions on matters discussed;</u></p> <p><u>5.1.2 to supervise potential material conflicts of interest between the Company and its controlling shareholders, de facto controllers, directors and senior management as set out in Article 6.5, Article 6.8, Article 6.9 and Article 6.10 of these Rules to ensure that the decisions of the board of directors are in line with the interests of the Company as a whole, and to protect the legitimate rights and interests of minority shareholders;</u></p> <p><u>5.1.3 to provide professional and objective advice on the operation and development of the Company and promote the enhancement of the decision-making level of the board of directors;</u></p> <p><u>5.1.4 other duties as stipulated by laws, administrative regulations, CSRC regulations and the Articles.</u></p>

No.	Original Articles	Amended Articles
		<p data-bbox="895 263 1406 331"><u>5.2</u> An independent director shall exercise the following special powers:</p> <p data-bbox="986 385 1406 534"><u>5.2.1</u> to independently engage intermediaries to audit, consult or verify specific matters of the Company;</p> <p data-bbox="986 587 1406 693"><u>5.2.2</u> to propose for the convening of extraordinary general meetings to the board of directors;</p> <p data-bbox="986 746 1406 810"><u>5.2.3</u> to propose for the convening of board meetings;</p> <p data-bbox="986 863 1406 970"><u>5.2.4</u> to publicly solicit shareholders' rights from shareholders in accordance with the law;</p> <p data-bbox="986 1023 1406 1172"><u>5.2.5</u> to express independent opinions on matters that may jeopardize the rights and interests of the Company or minority shareholders;</p> <p data-bbox="986 1225 1406 1374"><u>5.2.6</u> other powers as stipulated by laws, administrative regulations, CSRC regulations and the Articles.</p> <p data-bbox="895 1427 1406 1661"><u>In the event that an independent director exercises any of the powers listed in the first item to the third item of the preceding paragraph, the exercise of such powers shall be subject to the approval of a majority of all independent directors.</u></p> <p data-bbox="895 1715 1406 1938"><u>The Company shall disclose in a timely manner if an independent director exercises the powers listed in item (1). If the aforementioned powers cannot be exercised properly, the Company shall disclose the specific circumstances and reasons thereof.</u></p>

No.	Original Articles	Amended Articles
24.	<b>Article 16</b> An independent director shall obtain consent from more than half of all independent directors before exercising the above-mentioned functions and powers.	<b>The entire article is deleted</b>
25.	<b>Article 17</b> If the above-mentioned proposals have not been adopted or the above-mentioned functions and powers cannot be exercised properly, the Company shall disclose the relevant circumstances.	<b>The entire article is deleted</b>
26.	<b>Article 18</b> Independent directors shall account for more than half of the positions of the Nominating, Salary and Review Committee and Audit Committee.	<b>The entire article is deleted</b>
27.	<b>Chapter 6 Expression of Independent Opinion</b>	<del>Chapter 6</del> Expression of independent opinion Mode of Performance of Independent Director
28.	<p><b>Article 19</b> Apart from performing the above-mentioned duties and powers, an independent director shall also form an independent opinion to the Board of the Company or shareholders' general meetings in respect of the following matters:</p> <ol style="list-style-type: none"> <li>(1) Nomination, appointment and dismissal of a director;</li> <li>(2) Engagement or dismissal of any senior management staff;</li> <li>(3) Remuneration of directors and senior management staff of the Company;</li> <li>(4) Current or pending debts owed by, or other capital dealings between the shareholders or the beneficial controlling party of the Company or their associated enterprises and the Company, the aggregate amount of which is in excess of \$3 million or higher than 5% of the latest audited net assets of the Company;</li> </ol>	<p><b>All original texts of Articles 19, 20 and 21 are deleted and replaced with:</b></p> <p><b>6.1</b> <u>Prior to the convening of a board meeting, the independent directors may communicate with the secretary to the board to enquire about the matters to be considered, request for supplementary materials, and offer opinions and suggestions. The board of directors and relevant officers shall carefully study the questions, requests and opinions raised by the independent directors and provide timely feedback to the independent directors on the implementation of amendments to proposals and other matters.</u></p>

No.	Original Articles	Amended Articles
	<p>(5) Matters considered by the independent director as potentially detrimental to the interests of minor shareholders;</p> <p>(6) Other matters required by the Articles of Association.</p>	<p><u>6.2</u> <u>Independent directors shall attend meetings of the board of directors in person. If the independent directors are unable to attend the meeting in person for any reason, he/she shall review the meeting materials in advance, form a clear opinion and appoint other independent directors in writing to attend the meeting on his/her behalf. If an independent director fails to attend the board meeting in person for two consecutive times and does not entrust other independent directors to attend on his/her behalf, the board of directors shall propose to convene a general meeting within thirty days from the date of occurrence of such fact to remove such independent director from his office.</u></p> <p><u>6.3</u> <u>If an independent director votes against or abstains from voting on a proposal of the board of directors, he/she shall state the specific reasons and grounds, the legal compliance of the matters involved in the proposal, the possible risks, and the impact on the rights and interests of the Company and the minority shareholders. The Company shall disclose the dissenting opinions of the independent directors at the same time as the disclosure of the board resolutions, which shall be specified in the board resolutions and the meeting minutes.</u></p>

No.	Original Articles	Amended Articles
	<p><b>Article 20</b> An independent director shall express one of the following opinions in respect of the above-mentioned matters:</p> <p>6.2.1 agree;</p> <p>6.2.2 have reservations, with reasons stated;</p> <p>6.2.3 disagree, with reasons stated;</p> <p>6.2.4 cannot express any opinion, with the impediments stated.</p> <p><b>Article 21</b> If the relevant matters are matters which shall be disclosed, the Company shall make an announcement of the opinions of the independent directors. If the independent directors hold different opinions and cannot reach a consensus, the Board shall disclose the different opinions of the independent directors respectively.</p>	<p><u>6.4</u> <u>Independent directors shall pay continuous attention to the implementation of board resolutions relating to the matters set out in Article 6.5, Article 6.8, Article 6.9 and Article 6.10 of these Rules, and shall report to the board of directors in a timely manner and may request the Company to make a written explanation if they find that there is any violation of laws, administrative regulations, CSRC regulations, the rules of the stock exchanges and the provisions of the Articles of Association or any violation of the resolutions of the general meetings and the board of directors. Where disclosure matters are involved, the Company shall disclose them in a timely manner. If the Company fails to give an explanation or make timely disclosure in accordance with the provisions of the preceding paragraph, the independent directors may report to the CSRC and stock exchange(s).</u></p> <p><u>6.5</u> <u>The following matters shall be submitted to the board of directors for consideration after being approved by the majority of all independent directors of the Company:</u></p> <p><u>6.5.1</u> <u>related party transactions that are discloseable;</u></p> <p><u>6.5.2</u> <u>changes in or waivers of commitments by the Company and related parties;</u></p> <p><u>6.5.3</u> <u>decisions made and measures taken by the board of directors of the acquired company in relation to the acquisition;</u></p>



No.	Original Articles	Amended Articles
		<p data-bbox="986 263 1394 412">6.5.4 <u>other matters as prescribed by laws, administrative regulations, CSRC regulations and the Articles.</u></p> <p data-bbox="911 463 1394 655">6.6 <u>The Company shall hold meetings attended by the independent directors only (“Special Meetings of Independent Directors”) on a regular or irregular basis.</u></p> <p data-bbox="986 706 1394 1495">6.6.1 <u>Items (1) to (3) of Clause 1 of Article 5.2 of these Rules: to independently appoint intermediary organizations to conduct audits, consultations or verifications on specific matters of the Company; to propose to the Board the convening of an extraordinary general meeting; to propose to the Board the convening of a Board meeting; and the matters set out in Article 6.5, which shall be considered by the special meetings of independent directors. The special meeting of independent directors may study and discuss other matters of the listed company as required.</u></p>

No.	Original Articles	Amended Articles
		<p data-bbox="986 263 1394 810"><u>6.6.2</u> <u>Special meetings of independent directors shall be convened and presided over by an independent director jointly elected by the majority of the independent directors; the term of office of the convenor is the same as the term of office of its independent directors; if the convenor fails or is unable to perform his/her duties, two or more independent directors may convene and elect a representative to preside over the meeting on their own.</u></p> <p data-bbox="986 868 1394 1172"><u>6.6.3</u> <u>The notice of meeting and materials shall be dispatched to each independent director within three working days prior to the special meeting of independent directors, which may be held by on-site and video modes.</u></p> <p data-bbox="986 1229 1394 1534"><u>6.6.4</u> <u>Minutes of special meeting of independent directors shall be made in accordance with regulations, and the opinions of independent directors shall be stated in the minutes. Independent directors shall sign and confirm the minutes.</u></p>

No.	Original Articles	Amended Articles
		<p><u>6.7</u> <u>The independent directors shall perform their duties in the special committees of the Board of the Company in accordance with laws, administrative regulations, the regulations of the CSRC, the rules of the stock exchanges and the Articles of Association. The independent Directors shall attend the meetings of the special committees in person, and if they are unable to attend the meetings in person for any reason, they shall review the materials of the meetings in advance, form a clear opinion, and entrust other independent directors in writing to attend the meetings on their behalf. If an independent director is concerned about a material matter of the Company within the scope of the duties of the special committees in the performance of his or her duties, he/she may bring the matter to the special committees for discussion and consideration in a timely manner in accordance with the procedures. The Company shall, in accordance with the provisions of these Rules, make provisions in the Articles of Association of the Company regarding the composition and duties of the special committees and formulate the working procedures of the special committees, specifying the composition of the special committees, their term of office, scope of duties, rules of procedure, preservation of files and other relevant matters. Where the relevant competent department of the State Council makes other provisions on the convenor of the special committees, such provisions shall apply.</u></p>

No.	Original Articles	Amended Articles
		<p data-bbox="895 246 1406 670"><u>6.8</u> The Audit Committee of the board of directors of the Company is responsible for monitoring and auditing the Company’s financial information and its disclosure, supervising and evaluating the internal and external financial reporting system, risk management and internal control, and the following matters shall be submitted to the board of directors for consideration upon the approval by a majority of the members of the Audit Committee:</p> <p data-bbox="895 702 1406 883"><u>6.8.1</u> disclosure of financial information in the financial accounting reports and periodic reports, and the internal control evaluation reports;</p> <p data-bbox="895 915 1406 1053"><u>6.8.2</u> engagement or dismissal of the accounting firm that undertakes the business of auditing of the listed company;</p> <p data-bbox="895 1085 1406 1202"><u>6.8.3</u> appointment or dismissal of the financial controller of the listed company;</p> <p data-bbox="895 1234 1406 1436"><u>6.8.4</u> changes in accounting policies, accounting estimates or correction of significant accounting errors for reasons other than changes in accounting standards;</p> <p data-bbox="895 1468 1406 1968"><u>6.8.5</u> other matters stipulated by laws, administrative regulations, requirements of the CSRC, the listing rules and the Articles of Association. The Audit Committee meets at least once a quarter, and may convene an extraordinary meeting upon the proposal of two or more members, or when the convener deems necessary. The quorum of the meetings of the Audit Committee shall be at least two-thirds of the members.</p>

No.	Original Articles	Amended Articles
		<p data-bbox="895 263 1406 655"><u>6.9</u> The Nomination Committee of the board of directors of the Company is responsible for drawing up criteria and procedures for the selection of directors and senior management, selecting and reviewing the candidates for directors and senior management and their qualifications for appointment, and making recommendations to the Board in respect of the following matters:</p> <p data-bbox="986 704 1406 774"><u>6.9.1</u> nomination or removal of directors;</p> <p data-bbox="986 825 1406 895"><u>6.9.2</u> appointment or dismissal of senior management;</p> <p data-bbox="986 946 1406 1093"><u>6.9.3</u> other matters stipulated by laws, administrative regulations, requirements of the CSRC and the Articles of Association.</p> <p data-bbox="986 1144 1406 1455"><u>If the board of directors does not adopt or does not fully adopt the recommendations of the Nomination Committee, it shall record the opinion of the Nomination Committee and the specific reasons for its non-adoption in the resolution of the board of directors and disclose the same.</u></p>

No.	Original Articles	Amended Articles
		<p data-bbox="895 263 1406 655"><u>6.10</u> The Remuneration and Appraisal Committee of the board of directors of the Company is responsible for formulating standards for and conducting assessment on directors and senior management, formulating and reviewing remuneration policies and plans for directors and senior management, and making recommendations to the Board on the following matters:</p> <p data-bbox="895 704 1406 774"><u>6.10.1</u> remuneration of directors and senior management;</p> <p data-bbox="895 823 1406 1093"><u>6.10.2</u> to formulate or change equity incentive plans and employee stock ownership plans, and to ensure that incentive objects are granted rights and the conditions for exercising their rights are met;</p> <p data-bbox="895 1142 1406 1293"><u>6.10.3</u> to arrange for directors and senior management shareholding plans for proposed subsidiary spin-off;</p> <p data-bbox="895 1342 1406 1540"><u>6.10.4</u> other matters stipulated in laws, administrative regulations, requirements of the CSRC and the Articles of Association of the Company.</p> <p data-bbox="895 1589 1406 1938">If the board of directors does not adopt or does not fully adopt the recommendations of the Remuneration and Appraisal Committee, it shall record the opinion of the Remuneration and Appraisal Committee and the specific reasons for its non-adoption in the resolution of the board of directors and disclose the same.</p>

No.	Original Articles	Amended Articles
		<p data-bbox="911 261 1394 587"><u>6.11</u> <u>Independent directors shall spend no less than 15 days per year for on-site work in the Company. In addition to attending general meetings, meetings of the board of directors and its special committees, and the special meetings of independent directors as required, the independent directors may perform their duties by various means.</u></p> <p data-bbox="986 636 1394 774"><u>6.11.1</u> <u>Obtaining information on the operations of listed company on a regular basis, and preparing information handover records;</u></p> <p data-bbox="986 823 1394 923"><u>6.11.2</u> <u>Listening to reports from the management, and recording meeting minutes;</u></p> <p data-bbox="986 972 1394 1225"><u>6.11.3</u> <u>Communicating with intermediaries, such as the head of the internal auditor and the accounting firm that undertakes the audit services of the Company, and recording meeting minutes;</u></p> <p data-bbox="986 1274 1394 1374"><u>6.11.4</u> <u>Conducting on-site inspections, and recording inspection reports;</u></p> <p data-bbox="986 1423 1394 1523"><u>6.11.5</u> <u>Communicating with the minority shareholders, and recording the communication.</u></p> <p data-bbox="911 1572 1394 1898"><u>6.12</u> <u>The board of directors of the Company and its special committees and the special meeting of independent directors shall prepare the meeting minutes in accordance with regulations, and the opinions of independent directors shall be set out therein. The independent directors shall sign and confirm the minutes.</u></p>

No.	Original Articles	Amended Articles
		<p data-bbox="986 263 1394 895"><u>Independent directors shall prepare work records, recording in detail the performance of their duties. Information obtained by independent directors in the course of performing their duties, minutes of relevant meetings, communications records with the Company and staff of intermediaries, etc., form an integral part of the work records. For important contents in the work records, independent directors may require the secretary to the board and other relevant personnel to sign and confirm, and the Company and relevant personnel shall cooperate accordingly.</u></p> <p data-bbox="986 949 1394 1136"><u>The work records of the independent directors and the information provided by the Company to the independent directors shall be kept for at least ten years.</u></p> <p data-bbox="911 1189 1394 1459">6.13 <u>The Company shall improve the communication mechanism between the independent Directors and the minority shareholders, and independent Directors may verify the issues raised by the investors with the listed company in a timely manner.</u></p>



No.	Original Articles	Amended Articles
		<p data-bbox="911 263 1394 491"><u>6.14</u> <u>Independent directors shall submit their annual work report at the annual general meeting of the Company to explain their performance of duties. The annual report on work shall include the following contents:</u></p> <p data-bbox="986 544 1394 732"><u>6.14.1</u> <u>number of times, ways and votes of attending the meetings of the board of directors, and number of times attending the general meetings;</u></p> <p data-bbox="986 785 1394 972"><u>6.14.2</u> <u>participation in the work of the special committees of the board of directors and the special meeting of independent directors;</u></p> <p data-bbox="986 1025 1394 1293"><u>6.14.3</u> <u>consideration on the matters listed in Article 6.5, Article 6.8, Article 6.9 and Article 6.10 of these Rules and the execution of the special powers of independent directors listed in Article 5.2 of these Rules;</u></p> <p data-bbox="986 1347 1394 1698"><u>6.14.4</u> <u>information on major matters, methods and results of communication with the internal auditor and the accounting firm that undertakes the Company's auditing service in respect of the Company's financial and business conditions;</u></p> <p data-bbox="986 1751 1394 1817"><u>6.14.5</u> <u>communication with minority shareholders;</u></p> <p data-bbox="986 1870 1394 1936"><u>6.14.6</u> <u>time, content and other matters of on-site work at the Company;</u></p>

No.	Original Articles	Amended Articles
		<p data-bbox="986 263 1394 331"><u>6.14.7 other circumstances in the performance of duties.</u></p> <p data-bbox="1059 385 1394 612"><u>The annual work report of independent directors shall be disclosed no later than five working days when the Company gives notice of its annual general meeting.</u></p> <p data-bbox="986 666 1394 853"><u>The annual work report of independent directors shall be submitted to the Company no later than five working days before the Company issues notice of its annual general meeting.</u></p> <p data-bbox="986 906 1394 1055"><u>The independent directors are required to perform their duties and report their work at the general meeting, respectively.</u></p> <p data-bbox="911 1108 1394 1295"><u>6.15 Independent directors shall continue to strengthen the study of securities laws, regulations and rules and continuously improve their ability to perform their duties.</u></p>
29.	<b>Chapter 7 Rights of an independent director</b>	<del>Chapter 7</del> <u>RightsSafeguarding the performance of duties of an independent director</u>

No.	Original Articles	Amended Articles
30.	<p><b>Article 22</b> The Company shall guarantee that the independent directors have the same right of knowledge as other directors. For all matters which the Board has made decision on, the Company shall within the legal time limit notify the independent directors in advance and provide sufficient information in this regard. If the independent directors consider the information to be insufficient, they may request for supplementary information. When 2 or more independent directors consider the information as insufficient or the grounds of argument as unclear, they may jointly propose to the Board in writing to postpone a Board meeting or defer the consideration of such matters. The Board shall accede to such proposal. Information provided by the Company to the independent directors shall be kept by the Company and the independent directors for at least 5 years.</p>	<p><del>Article 22</del><sup>1</sup> The Company shall guarantee that the independent directors have the same right of knowledge as other directors. For all matters which the Board has made decision on, the Company shall within the legal time limit notify the independent directors in advance and provide sufficient information in this regard. If the independent directors consider the information to be insufficient, they may request for supplementary information. When 2 or more independent directors consider the information as insufficient or the grounds of argument as unclear, they may jointly propose to the Board in writing to postpone a Board meeting or defer the consideration of such matters. The Board shall accede to such proposal. Information provided by the Company to the independent directors shall be kept by the Company and the independent directors for at least 5 years.</p> <p><u>To ensure the independent director exercises his/her powers and functions effectively, the Company shall report the Company's operation condition regularly to the independent directors, provide them with information, and set up or co-operate with them in carrying out field inspections and other work.</u></p> <p><u>The Company may organize independent directors to participate in research and discussion before the board of directors considers major and complex matters, fully listen to the opinions of independent directors, and provide timely feedback to independent directors on the adoption of their opinions.</u></p>

No.	Original Articles	Amended Articles
31.	<p><b>Article 23</b> The Company shall provide necessary working conditions for the independent directors to perform their duties. When the independent directors perform their duties and powers, the Secretary to the Board of the Company shall actively provide assistance, such as background information and provision of materials. The independent opinions, proposals and written statements of the independent directors shall be announced. The Secretary to the Board shall promptly arrange with the stock exchange for the announcement.</p>	<p><del>Article 23</del><sup>2</sup> The Company shall provide necessary working conditions for the independent directors to perform their duties. When the independent directors perform their duties and powers, the Secretary to the Board of the Company shall actively provide assistance, such as background information and provision of materials. The independent opinions, proposals and written statements of the independent directors shall be announced. The Secretary to the Board shall promptly arrange with the stock exchange for the announcement.</p> <p><u>The Company shall provide the independent directors with all necessary conditions and personnel support for performance of their duties, and designate the secretary to the board and personnel to assist the independent directors in the performance of their duties.</u></p> <p><u>The secretary to the board shall ensure that there is a smooth flow of information between the independent directors and other directors, senior management and other relevant officers, and that the independent directors have access to adequate resources and necessary professional advice in the performance of their duties.</u></p>

No.	Original Articles	Amended Articles
32.	<p><b>Article 24</b> When the independent directors perform their duties and powers, the relevant personnel of the Company shall actively cooperate with them. They shall not refuse, obstruct, withhold information or interfere with the independent performance of duties and powers by the independent directors.</p>	<p><del>Article 24.3</del> When the independent directors perform their duties and powers, the relevant <u>directors, senior management and other relevant</u> personnel of the Company shall actively cooperate with them. They shall not refuse, obstruct, withhold <u>relevant information</u> or interfere with the independent performance of duties and powers by the independent directors.</p> <p><u>Where an independent director encounters obstacle(s) in the exercise of his/her powers in accordance with the law, he/she may explain the situation to the board of directors, request the directors, senior management and other relevant officers to be co-operative, and record the specific circumstances and resolutions of the obstacle(s) in the work records; where he or she still fails to remove the obstruction, he/she may report to the CSRC and stock exchanges. Where the performance of duties by an independent director involves information required to be disclosed, the Company shall handle the disclosure in a timely manner; where the Company refuses to disclose, the independent director may directly apply for disclosure or report to the CSRC and stock exchange.</u></p>

No.	Original Articles	Amended Articles
33.		<p data-bbox="895 263 1406 293"><b>Newly added:</b></p> <p data-bbox="895 342 1406 1093"><u>7.4 The Company shall issue notices of board meetings to independent directors in a timely manner, provide relevant meeting materials no later than the deadline for notification of board meetings stipulated in laws, administrative regulations, CSRC regulations or the Articles of Association, and provide independent directors with effective communication channels. If a special committee of the board of directors convenes a meeting, the Company shall, in principle, provide relevant materials and information no later than three days before the special committee meeting. The Company shall keep the abovementioned meeting materials for at least ten years.</u></p> <p data-bbox="895 1146 1406 1538"><u>When two or more independent directors consider that the meeting-related materials are incomplete, evidence is insufficient or not provided in a timely manner, they may request the board of directors to postpone the convention of meeting or postpone the discussion of the matter, in writing. The board of directors shall accept accordingly.</u></p> <p data-bbox="895 1589 1406 1938"><u>Meetings of the Board and special committees are held on-site as a rule. On the premise of ensuring that all participating Directors are able to fully communicate and express their opinions, the meeting may be held by video conference, telephone or other means in accordance with the procedures when necessary.</u></p>

No.	Original Articles	Amended Articles
34.	<b>Article 25</b> The cost of engagement of intermediary institution and other costs related to the performance of duties and powers by the independent directors shall be borne by the Company	<del>Article 25</del> <sup>7.5</sup> The cost of engagement of intermediary institution and other costs related to the performance of duties and powers by the independent directors shall be borne by the Company
35.	<b>Article 26</b> The Company shall pay appropriate allowance to the independent directors. The standard of allowance shall be formulated in a budget by the Board. Such budget shall be examined and approved by the shareholders' meeting and disclosed in the annual report of the Company. Apart from the above-mentioned allowance, the independent directors shall not obtain other additional and non-disclosed benefits from the Company, its major shareholders or its interested organization and persons.	<del>Article 26</del> <sup>7.6</sup> The Company shall pay appropriate allowance to the independent directors <u>appropriate to the duties they undertake</u> . The standard of allowance shall be formulated in a <u>budget plan</u> by the Board. Such budget shall be examined and approved by the shareholders' meeting and disclosed in the annual report of the Company. Apart from the above-mentioned allowance, the independent directors shall not obtain other <del>additional and non-disclosed</del> benefits from the Company, its major shareholders or its interested organization and persons.
36.	<b>Article 27</b> With approval of the shareholders in general meeting, the Company may establish a system of liability indemnity for the independent directors, so as to reduce the risks which may be incurred by the independent directors in the normal performance of duties and powers.	<del>Article 27</del> <sup>7.7</sup> With approval of the shareholders in general meeting, the Company may establish a system of liability indemnity for the independent directors, so as to reduce the risks which may be incurred by the independent directors in the normal performance of duties and powers.
37.	<b>Article 27</b> Any matters not covered by this system shall be handled in accordance with the provisions of the "Articles of Association" of the Company, "Guidance Note" and other relevant laws and regulations.	<del>Article 27</del> <sup>8.1</sup> Any matters not covered by this system shall be handled in accordance with the provisions of the "Articles of Association" of the Company, <del>"Guidance Note"</del> <u>"Measures for Independent Directors"</u> and other relevant laws and regulations.
38.	<b>Article 28</b> This system shall be implemented after being considered and approved by the shareholders in general meeting of the Company. This system shall be interpreted and amended by the Board of the Company.	<del>Article 28</del> <sup>8.2</sup> This system shall be implemented after being considered and approved by the shareholders in general meeting of the Company. This system shall be interpreted and amended by the Board of the Company.

**1. RESPONSIBILITY STATEMENT**

This 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 this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

**2. SHARE CAPITAL****Authorised and issued share capital**

As at the Latest Practicable Date, the authorised and issued share capital of the Company was as follows:

*RMB***Authorised share capital**

1,222,000,000 H Shares	1,222,000,000
3,815,747,500 Domestic Shares	3,815,747,500

**5,037,747,500****Issued share capital**

1,222,000,000 H Shares	1,222,000,000
3,815,747,500 Domestic Shares	3,815,747,500

**5,037,747,500**



### 3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, no Director or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) to be entered in the register referred to therein; or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code set out in Appendix C3 to the Hong Kong Listing Rules, to be notified to the Company and the Stock Exchange.

### 4. DISCLOSURE OF INTEREST UNDER DIVISION 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### Number of A Shares

Name of shareholders	Capacity	Directly interested	Number of A shares	Percentage of A shares (total shares)
Jiangsu Communications Holding Company Limited	Other	Yes	2,742,578,825 (L)	71.88 % (54.44%) (L)
China Merchants Expressway Other Network & Technology Holdings Co., Ltd <sup>(1)</sup>	Other	Yes	589,059,077 (L)	15.44% (11.69%) (L)

## Number of H Shares

Name of shareholders	Capacity	Directly interested	Number of A shares	Percentage of H shares (total shares)
Mitsubishi UFJ Financial Group, Inc.	Interest of controlled corporation <sup>(2)</sup>	No	67,410,845(L)	5.52%(1.34%) (L)
BlackRock, Inc.	Interest of controlled corporation <sup>(3)</sup>	No	109,282,888(L) 2,398,000(S)	8.94%(2.17%) (L) 0.20%(0.05%) (S)
JP Morgan Chase & Co.	Interest of controlled corporation/investment manager/custodian-corporation/approved lending agent <sup>(4)</sup>	No	73,625,857(L) 7,494,000(S) 51,516,517(P)	6.03%(1.46%) (L) 0.61%(0.15%) (S) 4.22%(1.02%) (P)
Citigroup Inc.	Interest of controlled corporation/approved lending agent/custodian-corporation <sup>(5)</sup>	No	61,398,134(L) 296,000(S) 61,035,073(P)	5.02%(1.22%) (L) 0.02%(0.01%) (S) 4.99%(1.21%) (P)

Notes: (L) Long position; (S) Short position; (P) Lending pool

- (1) China Merchants Group Limited was deemed to be interested in the Company by virtue of its controlling interest in its subsidiary, China Merchants Expressway Network.
- (2) Mitsubishi UFJ Financial Group, Inc was deemed to be interested in the Company by virtue of its indirectly wholly-owned subsidiaries.
- (3) BlackRock, Inc. was deemed to be interested in the long position of a total of 109,282,888 H Shares of the Company and in the short position of 2,398,000 H Shares (of which 1,612,000 H Shares were held through cash settled (off exchange) derivatives) by virtue of its control over a number of corporations, which were indirectly wholly-owned by BlackRock, Inc., except the following:
  - (a) BlackRock Holdco 6, LLC was indirectly owned as to 90% by BlackRock, Inc. BlackRock Holdco 6, LLC held interests in the Company through its indirectly wholly-owned subsidiaries as follows:
    - (i) BlackRock Institutional Trust Company, National Association held 15,007,876 H Shares (long position) and 2,244,000 H Shares (short position) of the Company.
    - (ii) BlackRock Fund Advisors held 58,114,000 H Shares (long position) of the Company.

- (b) BR Jersey International Holdings L.P. was indirectly owned as to 86% by BlackRock, Inc. BR Jersey International Holdings L.P. held interests in the Company through its indirectly wholly-owned subsidiaries as follows:
- (i) BlackRock Japan Co., Ltd. held 1,776,883 H Shares (long position) of the Company.
  - (ii) BlackRock Investment Management (Australia) Limited held 564,000 H Shares (long position) of the Company.
  - (iii) BlackRock Asset Management North Asia Limited held 1,109,312 H Shares (long position) of the Company.
  - (iv) BlackRock (Singapore) Limited held 561,505 H Shares (long position) of the Company.
- (c) BlackRock Canada Holdings LP, was indirectly owned as to 99.9% by BR Jersey International Holdings L.P. (see note 3(b) above). BlackRock Canada Holdings LP held interests in the Company through its indirectly wholly-owned subsidiary, BlackRock Asset Management Canada Limited, which held 2,378,000 H Shares (long position) of the Company.
- (d) BlackRock Group Limited was indirectly owned as to 90% by BR Jersey International Holdings L.P. (see note 3(b) above). BlackRock Group Limited held interests in the Company through its directly or indirectly wholly-owned subsidiaries as follows:
- (i) BlackRock (Netherlands) B.V. held 5,506,146 H Shares (long position) of the Company.
  - (ii) BlackRock Advisors (UK) Limited held 5,058,000 H Shares (long position) of the Company.
  - (iii) BlackRock Asset Management Ireland Limited held 11,553,865 H Shares (long position) of the Company.
  - (iv) BLACKROCK (Luxembourg) S.A. held 194,000 H Shares (long position) of the Company.
  - (v) BlackRock Investment Management (UK) Limited held 1,353,299 H Shares (long position) of the Company.
  - (vi) BlackRock Fund Managers Limited held 1,632,002 H Shares (long position) of the Company.
  - (vii) BlackRock Asset Management (Schweiz) AG held 16,000 H Shares (long position) of the Company.

- (4) JPMorgan Chase & Co. was deemed to be interested in the long position of a total of 73,625,857 H Shares of the Company (of which 412,122 H Shares were held through cash settled (off exchange) derivatives) and the short position of 7,494,000 H Shares (of which 7,032,000 H Shares were held through cash settled (off exchange) derivatives). JPMorgan Chase & Co. held interests in the following capacities:

Capacity	Number of shares (long position)	Number of shares (short position)	Number of shares (lending pool)
Interest of controlled corporation	12,378,321	7,494,000	–
Investment manager	9,218,519	–	–
Person having a security interest in shares	512,500	–	–
Approved lending agent	–	–	51,516,517

- (5) Citigroup Inc. was deemed to be interested in the long position of a total of 61,398,134 H Shares of the Company (of which 288,000 H Shares were held through cash settled (off exchange) derivatives) and short position of 296,000 H Shares of the Company (of which 296,000 H Shares were held through cash settled (off exchange) derivatives). Citigroup Inc. held interests in the following capacities:

Capacity	Number of shares (long position)	Number of shares (short position)	Number of shares (lending pool)
Interest of controlled corporation	363,061	296,000	–
Approved lending agent	–	–	61,035,073

Save as disclosed above, as far as the Company knows, as at the Latest Practicable Date, there is no any other person required to be disclosed pursuant to the SFO.

## 5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding service contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

## 6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses, which would be considered to compete or would likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Hong Kong Listing Rules.

**7. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS CONTRACTS**

None of the Directors of the Company has any interest in any assets which had since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up) and up to the Latest Practicable Date, been 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.

**8. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP**

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which would be significant in relation to the business of the Group.

**9. EXPERTS QUALIFICATION AND CONSENT**

The qualification of the experts who have been named in this circular and have given opinions or advice which are contained herein is set out below:

<b>Name</b>	<b>Qualification</b>
China Securities (International) Corporate Finance Company Limited	Licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
Somerley Capital Limited	Licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
Kroll (HK) Limited	Independent professional business valuer
KPMG Huazhen LLP	Public Interest Entity Auditor recognised in accordance with the Accounting and Financial Reporting Council Ordinance
Jiangsu Weixin Engineering Consulting Company Limited	Independent professional PRC traffic consultant

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of the experts was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, directly or indirectly, in any asset which had been, since 31 December, 2022, being the date to which the latest published audited financial statements of the Group 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.

#### **10. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

#### **11. MISCELLANEOUS**

- (a) The PRC registered office of the Company is at 6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC. The Hong Kong registered office of the Company is at 17th Floor, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong.
- (b) The registrar and transfer office of H Shares of the company is Hong Kong Registrars Limited, Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (c) The secretary to the Board of the Company is Mr. Yao Yongjia, an affiliated person of The Hong Kong Institute of Chartered Secretaries.

**12. DOCUMENT ON DISPLAY**

Copies of the following documents are available on display on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.jsexpressway.com>) from the date of this Circular up to and including the date of the EGM:

- (a) the Equity Transfer Agreement and the Supplemental Agreement;
- (b) this Circular;
- (c) the Letter from the Independent Board Committee, the full text of which as set out on pages 54 to 55 of this Circular;
- (d) the Letter from the Independent Financial Advisor, the full text of which as set out on pages 56 to 84 of this Circular;
- (e) the Valuation Report, the full text of which as set out in Appendix 1 to this Circular;
- (f) the Report from KPMG Huazhen LLP, the full text of which as set out in Appendix II to this Circular;
- (g) the Letter on Profit Forecast of the Target Company from the Financial Advisor, the full text of which as set out in Appendix III to this Circular; and
- (h) the Report from the Traffic Consultant, the full text of which as set out in Appendix IV to this Circular.

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# NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

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江蘇寧滬高速公路股份有限公司  
**JIANGSU EXPRESSWAY COMPANY LIMITED**

*(Established in the People's Republic of China as a joint-stock limited company)*

**(Stock Code: 00177)**

## NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

### Important Notice:

- Date of the EGM: 18 April 2024
- Online voting for the EGM: Shanghai Stock Exchange Online Voting System for Shareholders' Meetings.

**NOTICE IS HEREBY GIVEN** that the 2024 first extraordinary annual general meeting (the “**EGM**”) of Jiangsu Expressway Company Limited (the “**Company**”) convened by the board (the “**Board**”) of directors (the “**Directors**”) of the Company will be held on Thursday, 18 April 2024 at 3:00 p.m. at 6 Xianlin Avenue, Nanjing, Jiangsu Province, the People's Republic of China. Please note the following:

### I. INFORMATION OF THE GENERAL MEETING

- (1) Type and Session of General Meeting: 2024 First EGM
- (2) Convener: the Board
- (3) Voting method: voting on site and online voting (for holders of A shares of the Company)
- (4) Date, time and venue for on-site voting
  - Date and time: 18 April 2024 at 3:00 p.m.
  - Venue: 6 Xianlin Avenue, Nanjing, Jiangsu Province, the People's Republic of China



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## NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

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- (5) System, commencement and ending time and date of online voting

Online voting system: Shanghai Stock Exchange Online Voting System for Shareholders' Meetings

Commencement and ending time of online voting: From 18 April 2024 to 18 April 2024

Voting period for online voting: via the voting platform of the trading system of Shanghai Stock Exchange Online Voting System: the trading hours on the date of the EGM, i.e. 9:15 a.m.–9:25 a.m., 9:30 a.m.–11:30 a.m. and 1:00 p.m.–3:00 p.m.

via internet platform: 9:15 a.m.–3:00 p.m. on the date of the EGM

- (6) Margin trading, short selling and refinancing<sup>#</sup>, agreed repurchase accounts and Shanghai-Hong Kong Stock Connect Investors voting procedure: voting involving margin trading, short selling and refinancing, agreed repurchase accounts as well as by Shanghai-Hong Kong Stock Connect Investors should be conducted in accordance with regulations including “Self-Regulating Meeting Guidelines No. 1 for Companies Listed on the Shanghai Stock Exchange – Operating Standards”.

- (7) Regarding solicitation of voting rights from shareholders

Not applicable

<sup>#</sup> refer to the margin trading, short selling and refinancing activities under the “Pilot Measures for Supervision and Administration of Refinancing Business”

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## NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

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### II. RESOLUTIONS TO BE CONSIDERED AT THE EGM

#### Resolutions by non-cumulative poll

The following resolutions shall be considered by way of an ordinary resolution:

1. To approve the acquisition of 65% equity interest of 江蘇蘇錫常南部高速公路有限公司 (Jiangsu Suxichang South Expressway Company Limited) (the “**Target Company**”) from 江蘇交通控股有限公司 (Jiangsu Communications Holding Limited) (“**Jiangsu Communications Holding**”) (the “**Acquisition**”) and to authorise the Board of Directors of the Company or such person(s) as authorised by the Board of Directors of the Company to take such action and to do such acts as necessary and appropriate (including the execution of such necessary and appropriate document(s)) for the implementation of the Acquisition.

\* *On 26 January 2024, the Company (as the purchaser and transferee) entered into the Equity Transfer Agreement with Jiangsu Communications Holding (as the vendor and transferor) and the Target Company in respect of the Acquisition. On 1 March 2024, the Company, Jiangsu Communications Holding and the Target Company entered into the Supplemental Agreement to amend the payment terms of the Equity Transfer Agreement and set out the terms of the performance compensation undertakings.*

*For A Shareholders, please refer to the announcements of the Company dated 29 January 2024 and 2 March 2024 for details of the Equity Transfer Agreement and the Supplemental Agreement, and the Acquisition.*

*For H Shareholders, please refer to the circular of the Company dated 6 March 2024 for details of the Equity Transfer Agreement and the Supplement Agreement, and the Acquisition.*

2. To approve the amendments to the Working Rules of the Independent Directors (the “**Amendments to the Working Rules of the Independent Directors**”).

The following resolutions shall be considered by way of special resolutions:

3. To approve the amendments to the Company’s Articles of Association (the “**Amendments to the Articles of Association**”).
4. To approve the amendments to the Company’s Rules of Procedure for Shareholders Meetings (the “**Amendments to the Rules of Procedure for Shareholders Meetings**”).
5. to approve the amendments to the Company’s Rules of Procedure for the Board Meetings (the “**Amendments to the Rules of Procedure for Board Meetings**”).

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## NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

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### III. MATTERS OF CONCERN FOR VOTING AT THE EGM

1. Shareholders of the Company who would like to cast his or her vote through the Shanghai Stock Exchange Online Voting System for Shareholders' General Meetings may either log in the voting platform of the trading system (through the terminus of any specified securities trading company) or the internet voting platform (website: vote.sseinfo.com) to vote. Any investor who logs in the internet voting platform to vote for the first time is required to have his or her identity as a shareholder verified. For details, please refer to the instructions for the internet voting platform on the website.
2. Any shareholder of the Company holding more than one shareholder's account may vote using any of the said accounts through the Shanghai Stock Exchange Online Voting System for Shareholders' General Meetings. After voting, such a shareholder is deemed to have cast his or her votes in the same way in respect of all the ordinary or preference shares of the same class held under his or her said accounts.
3. If the same vote is cast more than once by way of voting in the physical meeting, via Shanghai Stock Exchange Online Voting System or otherwise, the vote first in time prevails.
4. Submission can only be made after the shareholder has voted on all the resolutions.

### IV. ENTITLEMENT TO ATTENDANCE AND VOTING

1. Holders of A shares of the Company who are registered with the Shanghai Branch of China Securities Depository & Clearing Corporation Limited or Caochangmen Outlet of Huatai Securities Co., Ltd. (the former Jiangsu Securities Depository Company (江蘇證券登記公司)) as at the close of trading of the afternoon session on 10 April 2024 (details as set out in the following table) and holders of H shares of the Company who are registered with Hong Kong Registrars Limited as at 4:30 p.m. on 10 April 2024 are entitled to attend the EGM after complying with the necessary registration procedures; and may appoint prox(ies) in writing to attend and vote at the EGM. Such prox(ies) need not be shareholder(s) of the Company.

<b>Class of shares</b>	<b>Stock Code</b>	<b>Stock Short Name</b>	<b>Record Date</b>
A Shares	600377	寧滬高速	10 April 2024

2. Directors, supervisors and senior management of the Company;
3. lawyers engaged by the Company; and
4. other persons: auditors of the Company and other persons invited by the Board.

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## NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

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### V. REGISTRATION FOR ATTENDING THE EGM

1. Shareholders of the Company who are registered with the Shanghai Branch of China Securities Depository & Clearing Corporation Limited or Caochangmen Outlet of Huatai Securities Co., Ltd. (the former Jiangsu Securities Depository Company (江蘇證券登記公司)) as at the close of trading of the afternoon session on Wednesday, 10 April 2024, and shareholders of H shares of the Company who are registered with Hong Kong Registrars Limited as at 4:30 p.m. on Wednesday, 10 April 2024 are entitled to attend and vote at the EGM, provided that such shareholders shall complete and **delivered the confirmation slip to the Company no later than Monday, 15 April 2024**. Further details are set out in the confirmation slip.
2. Registration of transfers of H shares will be suspended by the Company from 19 March 2024 to 18 April 2024 (both days inclusive). Shareholders of H shares who wish to be eligible to attend and vote at the EGM must deliver their instruments of transfer together with the relevant share certificates to Hong Kong Registrars Limited, the Registrar of H shares of the Company, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, **no later than 4:30 p.m. on Monday, 18 March 2024**.
3. A shareholder who has the right to attend and vote at the EGM is entitled to appoint a proxy (whether or not a shareholder) to attend and vote on his/her behalf. A shareholder (or his/her proxy) is entitled to cast one vote for each share he/she holds or represents. Upon completion and delivery of the form of proxy, a shareholder (or his/her proxy) may attend and vote at the EGM. Nevertheless, the appointment of the proxy will be deemed to have been revoked by the shareholder. A domestic shareholder (or his/her proxy) shall present his/her shareholder account number to attend the meeting. A domestic corporate shareholder shall present its shareholding confirmation if its shareholder account had not yet been changed.
4. The instrument appointing a proxy must be in writing under the hand of the shareholder or his/her attorney duly authorised in writing. In the event that such instrument is signed by an attorney of the shareholder, an authorisation that authorised such signatory shall be notarised. To be valid, such notarised authorisation together with the form of proxy must be delivered to the Secretariat Office of the Board of the Company, or in case of holders of H shares of the Company, must be deposited at Hong Kong Registrars Limited, the Registrar of H shares of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time appointed for the holding of the EGM (being **no later than 3:00 p.m. on Wednesday, 17 April 2024 (Hong Kong/Beijing time)**).

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## NOTICE OF 2024 FIRST EXTRAORDINARY GENERAL MEETING

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### VI. MISCELLANEOUS

1. The EGM will last for half a day. Shareholders and their proxies attending the EGM will be responsible for their own accommodation, travelling and other expenses.
2. Contact address: Secretariat Office of the Board, 6 Xianlin Avenue,  
Nanjing, Jiangsu Province, the People's Republic of China  
  
Postal code: 210049  
  
Telephone: (86) 25-8436 2700 ext. 301815 or (86) 25-8446 4303 (direct line)  
  
Fax: (86) 25-8420 7788
3. The resolutions will be passed by way of poll.
4. In case during the electronic voting period for holders of A shares, there occurs any material event which affects the voting system, the proceedings of the First EGM shall be conducted in accordance with notice published on such date.
5. The form of proxy and confirmation slip for the EGM will be despatched to holders of H Shares with the circular of the Company dated 6 March 2024.

By Order of the Board  
**Yao Yongjia**  
*Company Secretary*

Nanjing, the PRC, 6 March 2024