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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)

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

THE ACQUISITION

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 of 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.

Completion of the Acquisition is subject to fulfilment of conditions precedent, including but not limited to, the other shareholders of Suxichang South Expressway Company having waived the pre-emptive rights to acquire the Target Equity, the approval by the independent shareholders at a general meeting of the Company and the transferor having completed the necessary approval/filing procedures for the transfer of equity interest in compliance with the regulations of the relevant state-owned assets supervision and administration department and other competent/regulatory authorities.

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), a related party of the Company, the transaction constitutes a related party transaction. Pursuant to Articles 6.3.7 and 6.3.9 of the Shanghai Listing Rules, as the total amount of this transaction to the absolute value of the Company's latest audited net assets is higher than 5%, 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.

This 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.

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 also constitute 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.

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

Transaction	Connected Persons	Period	Value
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

The above transactions also constitute related party transactions of the Company. Given the total amount of all the above related parties transactions after the Completion (together with the same type of business provided to the Group) would not reach 0.5% of the absolute value of the Company's latest audited net assets, they do not trigger and are exempt from the related parties transaction disclosure requirements of the Shanghai Listing Rules.

INDEPENDENT FINANCIAL ADVISOR AND SHAREHOLDERS MEETING

The Company (with the approval of the Independent Board Committee, comprising only of all the independent non-executive directors of the Company) has appointed Somerley Capital Limited as the independent financial adviser to provide advice to the Independent Board Committee and the independent shareholders on this transaction and to confirm that it is normal business practice for agreement with more than three years to be of such duration. It is expected that a circular containing, among other things, details of the transaction and other information required by the Hong Kong Listing Rules will be despatched to H Shareholders within 15 business days after the publication of this announcement (i.e. on or before 21 February 2024).

The transactions contemplated under the Equity Transfer Agreement will be considered, and if thought fit, approved by independent shareholders at the general meeting of the Company to be held on or around 18 April 2024.

POTENTIAL ACQUISITION

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.

WARNING

As the Acquisition is subject to fulfilment of certain conditions precedent. The acquisition of 65% and the proposed acquisition of 22.8% equity interests in Suxichang South Expressway Company may or may not materialized. Shareholders and investors should exercise caution when dealing in the securities of the Company.

Important Notes:

1. Name of investment target: 65% equity interest of Jiangsu Suxichang South Expressway Co., Ltd. (hereinafter referred to as the “**Suxichang South Expressway Company**” or “**Target Company**”).
2. Investment amount: RMB5,200,650,000 million.
3. This transaction constitutes a related party transaction. In the past 12 months, Jiangsu Ninghu Investment Development Co., Ltd., a wholly-owned subsidiary of Jiangsu Expressway Company Limited (hereinafter referred to as the “**Company**”, together with its subsidiaries are collectively referred to as the “**Group**”) transferred its 100% equity interest in Ninghu Commercial Factoring (Guangzhou) Co., Ltd., 80% of which to Jiangsu Communications Holding Company Limited (hereinafter referred to as “**Jiangsu Communications Holding**”) and 20% of which to Jiangsu Yunshan Capital Management Co., Ltd., at an aggregate consideration of RMB348.6 million.
4. This related party transaction does not constitute a major asset reorganization as stipulated in the Administrative Measures for Major Asset Restructuring of Listed Companies.
5. This transaction requires further approval and other related procedures: (1) the other shareholders of Suxichang South Expressway Company having waived the pre-emptive rights to acquire the Target Equity, (2) the approval by the independent shareholders at general meeting of the Company and (3) the transferor having completed the necessary approval/filing procedures for the transfer of equity interest in compliance with the regulations of the relevant state-owned assets supervision and administration departments and other competent/regulatory authorities.
6. Risk warning: There may be business development risks, policy risks and other related risks in this transaction. Investors are advised to pay attention to investment risks.

I. EQUITY TRANSFER 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 and Jiangsu Communications Holding (as the vendor and transferor) (hereinafter referred to as the “**Acquisition**”), 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.

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 Industry Group Co., Ltd. (無錫市交通產業集團有限公司) (hereinafter referred to as “**Wuxi Transportation**”) and Changzhou Expressway Investment Development Co., Ltd. (常州高速公路投資發展有限公司) (hereinafter referred to as “**Changzhou Expressway Investment**”) jointly appointed 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) (hereinafter referred to as “**State-owned Asset Valuer**”) to conduct an asset valuation of the Target Equity as of 31 October 2023 (hereinafter referred to as the “**Valuation Date**”). According to the asset valuation report entitled “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 Co., Ltd., Wuxi Transportation Industry Group Co., Ltd. and Changzhou Expressway Investment Development Co., Ltd.” (Reference number: Huaya Zhengxin Review [2024] No. B12-0007) (hereinafter referred to as 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. 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.

The Company appointed Kroll (HK) Limited (hereinafter referred to as “**Valuation Consultant**”) to assess the value of the Target Equity in accordance with international standards and requirements (hereinafter referred to as the “**Valuation Report**”). The preliminary 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 Valuation Report will be set out in the circular to be despatched to H Shareholders.

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.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited hereinafter referred to as 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 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 this announcement, conditions (v) and (vi) have been fulfilled.

7. 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.

The consideration for the first phrase shall be RMB1.8 billion (hereinafter referred to as "**First Phrase Consideration**") and shall be paid within 5 business days after the aforementioned conditions precedent are fulfilled. The remaining consideration (hereinafter referred to as "**Second Phrase Consideration**") shall be paid within 90 days after the Completion Date. Interest will be incurred for the deferred payment of the Second Phrase Consideration. Interest shall be payable at the prevailing 1-year loan prime rate market quotation published by the National Interbank Funding Center (authorised by the People's Bank of China) on the 20th day of each month during the deferred payment period which commences from the next date after the Completion Date and ends on the actual payment date of the Second Phrase Consideration.

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

As at the date of this announcement, 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 and severally liable for the losses and claims (if any) the Company may suffer as a result of such late contribution of registered capital to Suxichang South Expressway Company.

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.
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 Assets Evaluation 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 Jiangsu Weixin Engineering Consulting Company Limited (江蘇緯信工程諮詢有限公司), 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 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.

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.
- (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.

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 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.

State-owned Asset Valuer confirms that during the period from the Valuation Date to the date of this announcement, 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 date of this announcement, 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.

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 [#]
Net assets at the end of the latest accounting period (2022):	RMB299,683,763,862.43 [#]
Revenue from operations for the latest accounting period (2022):	RMB93,171,065,453.75 [#]
Net profit for the latest accounting period (2022):	RMB11,620,621,124.71 [#]

* 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 date of this announcement, 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.

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 date of this announcement, the shareholders of Suxichang South Expressway Company are as follows:

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

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:

	<i>(RMB Yuan)</i>		
	For the year ended 31 December	For the ten months ended	
	2021[#]	2022[^]	31 October 2023[^]
Revenue ¹	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 ²	(2,040,806.13)	(320,637,941.31)	(170,389,285.85)
Profits and total comprehensive profits	(2,040,806.13)	(320,637,941.31)	(170,389,285.85)
	As at 31 December	As at	
	2021[#]	2022[^]	31 October 2023[^]
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 ³	7,062,512,387.79	7,141,893,351.49	7,463,033,065.64

[#] audited financial statements by Zhongxinghua Certified Public Accountants LLP, statutory auditors of Target Company who has issued a standard unqualified opinion

[^] 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.

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. (hereinafter referred to as “**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).
- (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.

Suxichang South Expressway Company has obtained fixed asset loans from 6 commercial banks and China Development Bank for the construction of Suxichang South Expressway. Currently, the total loan amount is approximately RMB5.57832 billion. Jiangsu Communications Holding has been providing guarantees for the relevant bank loans. 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.

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 (hereinafter referred to as “**Suxichang South Expressway**” or “**Target 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).

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 expressways 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

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 commencement of operation :	30 December 2021
Date of completion and acceptance:	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.

Toll standards for Mount Yaoxian 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 <i>(Note)</i>	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 officially opened 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 preliminary assessment 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.

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 Jiangsu Weixin Engineering Consulting Co., Ltd. (江蘇緯信工程諮詢有限公司) (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.

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

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.

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.

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.

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 traffic consultant report, the Valuation Report, the report issued by the reporting accountants of the Company and the confirmation letter from the financial advisor as required under Rules 14.60A(2) and 14.60A(3) of the Hong Kong Listing Rules, the letter from the independent financial advisor and the letter from the independent board committee will be set out in the circular to be despatched to H Shareholders within 15 business days after the publication of this announcement (i.e. on or before 21 February 2024).

V. REASONS AND BENEFITS OF THE ACQUISITION AND THE FINANCIAL IMPACT ON THE COMPANY

Reasons and Benefits of the Acquisition

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.

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.

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 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.

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 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.

VI. CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION

Upon completion of the transfer of Target Equity, Suxichang South Expressway Company will become a subsidiary of the Company, the entrustment of the ordinary operation and management matters (excluding the service areas and petrol stations) of Suxichang South Expressway Company to the Company, the entrustment of management of service areas of Suxichang South Expressway Company to Yangtze Commerce and Energy Company, a wholly-owned subsidiary of the Company, and 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 will constitute related parties transactions/continuing connected transactions of the Company. In accordance with Rules 14A.60 of the Hong Kong Listing, the transactions that will become continuing connected transactions of the Company upon completion are disclosed below:

Continuing Connected Transactions subject to disclosure

(1) Deposits with Finance Company

As at the date of the Equity Transfer Agreement (i.e. 26 January 2024), the deposit amount of Suxichang South Expressway Company with Jiangsu Communications Holding Group Finance Co., Ltd. (the “**Finance Company**”) is RMB125,942,056.67. From the Completion Date, for the purpose of centralising the management of the deposit amounts, Suxichang South Expressway Company will be included in the Group’s deposit balance limit under the Financial Services Agreement between the Company and the Finance Company in effect at the material time.

(2) Jiangsu Expressway Network Operation and Management Co., Ltd.

On 9 January 2023, Suxichang South Expressway Company and Jiangsu Expressway Network Operation and Management Co., Ltd. (hereinafter referred to as “**Network Operation Company**”) entered into an agreement in respect of road network management services. The term and maximum agreement amounts of the continuing connected transaction between Suxichang South Expressway Company and Network Operation Company are as follows:

Currency: RMB

Project	Performance period	Amount to be incurred in 2024	Amount to be incurred in 2025	Total	Amount incurred in 2023
Road network management services	From 1 January 2023 to 31 December 2025	8,500,000	9,300,000	17,800,000	2,006,013
Total		<u>8,500,000</u>	<u>9,300,000</u>	<u>17,800,000</u>	<u>2,006,013</u>

The fees chargeable by Network Operation Company shall be determined jointly by all member units through the annual meeting of the Road Network Management Committee. Network Operation Company shall charge road network management fees to the members of the road network based on the toll revenue and the such fees shall be no more than 0.2% for cash income and no more than 1.5% for non-cash income. Such fee standard is lower than the price set out by Official Response of the Jiangsu Provincial Price Bureau on the Network Service Fee Standards of Expressways (Su Jia Fu [2008] No. 204) (i.e. no more than 0.2% for cash income and 2% for non-cash income).

The fees under the agreement shall be paid by Suxichang South Expressway Company with its own funds or financing funds in line with the use of funds after receiving the relevant services on a monthly basis.

(3) Jiangsu Tongxingbao Smart Transport Technology Co.

Suxichang South Expressway Company entered into agreements with Jiangsu Expressway Engineering Maintenance Technology Co., Ltd. (hereinafter referred to as “**Maintenance Technology Company**”) in respect of SD-WAN network maintenance, cloud dispatch technology services and road network technology services respectively on 13 December 2021, 24 May 2023 and 13 January 2023.

The term and maximum agreement amounts of the continuing connected transaction between Suxichang South Expressway Company and Tongxingbao Company are as follows:

Currency: RMB

Project	Performance period	Amount to be incurred in 2025	Amount to be incurred in 2024	Amount incurred in 2023	Amount incurred in 2022
SD-WAN network maintenance (including mobile payment, license plate cloud migration services and technology services)	From 13 December 2021 to 31 December 2024	Not applicable	433,096	512,596	820,562
Cloud dispatch technology services	From 1 May 2023 to 30 April 2024	Not applicable	106,073.33	212,146.66	Not applicable
Road network technology services (including ETC and mobile payment services and mobile payment technology for clearance of obstacles)	From 1 May 2023 to 31 December 2025	5,600,000	5,000,000	4,400,000	Not applicable
Total		<u>5,600,000</u>	<u>5,539,169.33</u>	<u>5,124,742.66</u>	<u>820,562</u>

In respect of network system service fees on cloud dispatch technology services, SD-WAN network maintenance mobile payment, license plate cloud migration services and technology services, Suxichang South Expressway Company engaged an independent third party construction cost consultation entity with the qualification of the Measures for the Administration of Construction Cost Consultation Entity issued by the Ministry of Construction of the People's Republic of China to review and report the review results. The contract price of the project of Tongxingbao Company was the lower than the price quoted according to the requirements of Suxichang South Expressway Company or the price reported by the construction cost consultation entity engaged by Suxichang South Expressway Company. The maximum amounts of the agreement were estimated having regards to the utilization in previous year and the expected utilization of the term of the agreement. The pricing method and basis of each of the above services ensured the fairness of the pricing of the transactions.

The aforesaid service fees for mobile payment and license plate cloud migration services has been paid in a single installment by Suxichang South Expressway Company with its own funds or financing funds in line with the use of funds in December 2021. As for the cloud dispatch technology services, SD-WAN network maintenance and technology services, those fees shall be paid by Suxichang South Expressway Company with its own funds or financing funds in line with the use of funds after receiving the relevant services on a semi-annual basis.

The road network technology service fee related to ETC and mobile payment shall be charged at 0.35% of the electronic toll amount of non-cash vehicle toll, as approved by the Jiangsu Expressway Network Operation and Management Committee, comprising representatives of the expressway members of Jiangsu Expressway Network. Such fee standard was set after arm's length negotiations between the Committee and Tongxingbao Company after taking into account the costs and fees of Tongxingbao Company as the service provider. The price is lower than the 2% cap set by the Price Bureau of Jiangsu Province. The maximum amount of the agreement was estimated based on the expected traffic volume and the increasing usage trend of trucks. The fees shall be paid by the Target Company with its own funds or financing funds in line with the use of funds after receiving the relevant services on a monthly basis.

The road network technology service fee related to the mobile payment technology for clearance of obstacles is charged at 0.35% of the annual clearance services fee (i.e. the actual costs incurred for clearance of the roads in the event of malfunctions or traffic accidents). The maximum amount specified in the agreement is calculated by Suxichang South Expressway Company based on clearance service fees incurred in recent years and the traffic volume situation. The fees shall be paid by the Target Company with its own funds or financing funds in line with the use of funds after receiving the relevant services on a monthly basis.

Continuing Connected Transaction with a Term of More Than Three Years

(4) Jiangsu Sundian Road & Bridge Co., Ltd

On 24 March 2021, Suxichang South Expressway Company entered into an agreement with Jiangsu Sundian Road & Bridge Co., Ltd. (hereinafter referred to as “**Xiandai R&B Company**”) in respect of Taihu Tunnel and Mount Yaoxian Tunnel pavement construction and maintenance integration project and maintenance on CX-23 Section. The total amount of agreement was RMB39,845,585.98.

The term and maximum agreement amounts of the continuing connected transaction between Suxichang South Expressway Company and Xiandai R&B Company are as follows:

Currency: RMB

Project	Taihu Tunnel and Mount Yaoxian Tunnel Pavement construction and maintenance integration project and maintenance on CX-23 Section (hereinafter referred as “Road Maintenance Agreement”)
Amount incurred in 2021	1,962,179.94
Amount incurred in 2022	1,962,179.94
Amount incurred in 2023	1,962,179.94
Amount to be incurred in 2024	3,931,763.905
Amount to be incurred in 2025	4,304,023.48
Amount to be incurred in 2026	4,304,023.48
Amount to be incurred in 2027	4,676,283.055
Amount to be incurred in 2028	4,676,283.055
Amount to be incurred in 2029	5,048,542.63
Amount to be incurred in 2030	5,420,802.205
Total	38,248,261.63

According to the Road Maintenance Agreement, Xiandai R&B Company is responsible for maintenance of the tunnel road surface within the CX-23 Section, as well as the overpass on Wuyang Road and the road surface on the Luma Highway branch line upon the completion of the construction works. The construction was completed in November 2021. According to the Road Maintenance Agreement, Xiandai R&B Company would provide maintenance services for a period of ten years after the completion and acceptance date of the new construction project. The total contractual amount for the maintenance phase is RMB39,845,585.98.

Xiandai R&B Company was awarded the Road Maintenance Agreement after its successful tender bid administered by the Transport Construction Bureau. The maximum amounts of the agreement were estimated having regards to the expected volume of services required by the road conditions. The fees under the agreement shall be paid by Suxichang South Expressway Company with its own funds or financing funds in line with the use of funds after receiving the relevant services on a quarterly basis.

As the remaining term of the Road Maintenance Agreement exceeds three years, pursuant to the Shanghai Listing Rules, the Company shall submit this proposal to the Board for consideration every three years.

Exempted Continuing Connected Transactions

In addition, Suxichang South Expressway Company will also be conducting continuing connected transactions with the below associates of Jiangsu Communications Holding, such transactions are fully exempt from the requirements of connected transactions:

(5) Jiangsu Kuailu Motor Transport Co., Ltd.

On 1 May 2023, the Company entered into an agreement with Jiangsu Kuailu Motor Transport Co., Ltd. (hereinafter referred to as “**Kuailu Company**”) in respect of the commuter shuttle service.

The term and maximum agreement amounts of the continuing connected transaction between Suxichang South Expressway Company and Kuailu Company are as follows:

Currency: RMB

Project	Performance Period	Amount to be incurred in 2024	Amount incurred in 2023
Commuter shuttle service	From 1 May 2023 to 30 April 2024	1,046,580	2,093,000
Total		<u>1,046,580</u>	<u>2,093,000</u>

The fees for commuter shuttle services was determined through price inquiry and comparison. The maximum amounts under the agreement were estimated based on the transportation requirements. The fees under the agreements will be paid by Suxichang South Expressway Company with its own funds or financing funds in line with the use of funds after receiving the relevant services on a quarterly basis.

(6) Jiangsu Communications Holding Commercial Operation Management Co., Ltd.

The term and maximum agreement amounts of the continuing connected transaction between Suxichang South Expressway Company and Jiangsu Communications Holding Commercial Operation Management Co., Ltd. (hereinafter referred to as “**Communications Holding Commercial Operation Company**”) are as follows:

Currency: RMB

Project	Performance period	Amount to be incurred in 2024	Amount incurred in 2023	Amount incurred in 2022
Outsourced vehicle operation and management services	From 1 October 2023 to 30 April 2024	179,500	134,630	Not applicable
Total		<u>179,500</u>	<u>134,630</u>	Not applicable

The fees of Communications Holding Commercial Operation Company are determined through price inquiry and comparison. Suxichang South Expressway Company made inquiries of cooperation to three companies with relevant qualifications according to relevant business needs, among which, Communications Holding Commercial Operation Company is a related party/connected person of the Company and the other two companies are independent third parties. By comparing the quotations from the three entities, the price quoted by Communications Holding Commercial Operation Company was the lowest, and the terms were fair and reasonable. The fees under the agreement shall be paid by Suxichang South Expressway Company with its own funds or financing funds in line with the use of funds after receiving the relevant services on a quarterly basis.

(7) Jiangsu Communications Holding Human Resources Development Co., Ltd.

The term and maximum agreement amounts of the continuing connected transaction between Suxichang South Expressway Company and Jiangsu Communications Holding Human Resources Development Co., Ltd. (hereinafter referred to as “**Communications Holding Human Resources Company**”) are as follows:

Currency: RMB

Project	Performance period	Amount to be incurred in 2024	Amount incurred in 2023	Amount incurred in 2022
Outsourcing of toll collection operation by the management office of the Southern Expressway (南部通道)	From 8 December 2021 to 7 December 2024	4,849,548.39	3,456,000	3,677,483.83
Total		<u>4,849,548.39</u>	<u>3,456,000</u>	<u>3,677,483.83</u>

The fees of Communications Holding Human Resources Company are determined through price inquiry and comparison. Suxichang South Expressway Company made inquiries of cooperation to three companies with relevant qualifications according to relevant business needs, among which, Communications Holding Human Resources Company is a related party/connected person of the Company and the other two companies are independent third parties. By comparing the quotations from the three entities, the price quoted by Communications Holding Human Resources Company was the lowest, and the terms were fair and reasonable. The fees under the agreement shall be paid by Suxichang South Expressway Company with its own funds or financing funds in line with the use of funds after receiving the relevant services on a monthly basis.

(8) Jiangsu CH Digital Transportation Research Institute Company Limited

The term and maximum agreement amounts of the continuing connected transaction between Suxichang South Expressway Company and Jiangsu CH Digital Transportation Research Institute Company Limited (hereinafter referred to as “**Digital Transportation Research Institute**”) are as follows:

Currency: RMB

Project	Performance period	Amount to be incurred in 2024	Amount incurred in 2023
“Traffic Control Cloud” platform and cloud resource technology services	From 1 December 2023 to 30 April 2024	71,893	143,786
Total		<u>71,893</u>	<u>143,786</u>

The agreement with Digital Transportation Research Institute were priced by way of audits before bidding, i.e. third party auditors who are independent and qualified in costing are entrusted to prepare the control prices. The third parties take national laws, regulations and budget quotas as the basis for the audit process, and review, double-check and conduct market inquiry in light of actual circumstances to ensure the fairness of the pricing of the related party/ continuing connected transactions. The fees under the agreement shall be paid by Suxichang South Expressway Company in three installments with its own funds or financing funds in line with the use of funds after receiving the relevant services.

(9) Nanjing Micro Video Technology Company Limited

The term and maximum agreement amounts of the continuing connected transaction between Suxichang South Expressway Company and Nanjing Micro Video Technology Company Limited (hereinafter referred to as “**Micro Video Company**”) are as follows:

Currency: RMB

Project	Performance period	Amount to be incurred in 2025	Amount to be incurred in 2024	Amount incurred in 2023	Amount incurred in 2022
FT2.0 empowering platform services	From 1 January 2024 to 30 April 2025	20,000	60,000	Not applicable	Not applicable
Cloud check-in system and cloud migration for three business units	From 1 January 2022 to 31 December 2024	Not applicable	463,333	463,333	463,332
Total		20,000	523,333	463,333	463,333

In respect of service fees above, an independent third party qualified under the Measures for the Administration of Construction Cost Consultation Entity issued by the Ministry of Construction of the People’s Republic of China was engaged by Suxichang South Expressway Company to review and report the review results based on the unit price of similar service contracts in the database of such construction cost consultation entity. The contract price of Micro Video Company was the lower of the price quoted by it according to the requirements of the Suxichang South Expressway Company or the price reported by the construction cost consultation entity engaged by Suxichang South Expressway Company. The maximum amounts of the agreement were estimated having regards to the utilization in previous year and the expected utilization during the term of the agreement, respectively. The fees under the agreement concerning the Cloud check-in system and cloud migration for three business units shall be paid by Suxichang South Expressway Company with its own funds or financing funds in line with the use of funds after receiving the relevant services on a quarterly basis, whereas the fees under the agreement concerning FT2.0 empowering platform services shall be paid by Suxichang South Expressway Company with its own funds or financing funds in line with the use of funds after receiving the relevant services on a semi-annual basis.

Upon the Completion Date, Suxichang South Expressway Company will continue to conduct relevant continuing connected transactions in accordance with the terms of the then-effective service agreements between the Company and the above-mentioned companies.

Information on counterparties of continued connected transactions

Information on counterparties of continued connected transactions subject to disclosure requirements:

Kuailu Company's main business is road transportation. Its shareholders are the Company (32.1575%), Jiangsu Communications Holding (18.1455%) (the ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the Jiangsu Provincial People's Government), Jiangsu Nanjing Long-distance Bus Passenger Transport Group Co., Ltd. (13.6364%)¹, Suzhou Automobile Group Co., Ltd. (10.6061%)², Wuxi Passenger Transport Group Co., Ltd. (10.6061%)³, Changzhou Road Transportation Group Co., Ltd. (7.5757%)⁴, Jiangsu Zhenjiang Jiangtian Automobile Transportation Group Co., Ltd. (7.2727%)⁵.

The principal business of Tongxingbao Company are: (1) Intelligent transportation electronic toll collection business mainly based on ETC, including ETC issuance and sales, electronic toll collection service business, etc. (2) Intelligent transportation operation and management system business based on cloud technology, which mainly includes system software development, comprehensive solutions and system technical services for intelligent transportation operation and management; (3) The construction of ecological scenarios with "ETC +" as the core, integrating vehicle parking, refueling, insurance, road economy, car maintenance and other vehicle life, and carrying out ETC ecosystem business. The shareholders are: Jiangsu Communications Holding Company Limited (49.35%), Jiangsu Expressway Network Operation & Management Co., Ltd. (21.15%)⁶, Shanghai UnionPay Venture Capital Co., Ltd. (上海聯銀創業投資有限公司) (4.23%)⁷, Taizhou Shangqi Qifeng Equity Investment Partnership (Limited Partnership) (台州尚頎頎豐股權投資合夥企業(有限合夥)) (3.53%)⁸, Nantong Transportation Industry Group Co., Ltd. (南通交通產業集團有限公司) (2.82%)⁹, Tencent Cloud Computing (Beijing) Co., Ltd. (2.21%)¹⁰, Shenzhen Gaodeng Computer Technology Co., Ltd. (1.97%)¹¹.

The principal business of Xiandai R&B Company are: Bridge engineering, highway engineering, design, construction, and maintenance services; tunnel construction and railway engineering; municipal engineering and green engineering; landscape engineering and transportation engineering; construction engineering and testing services; engineering supervision and technical research and development of new materials and road maintenance equipment; research and development, as well as sales, of building materials; general cargo storage services; lease, sales, and technical services of construction machinery and equipment; design, production, agency, and release of various domestic advertisements; advertising engineering construction; Information technology development and services. The shareholders are: Jiangsu Communications Holding Company Limited (25%), Jiangsu Expressway Company Limited (15%), Jiangsu Yanjiang Expressway Co., Ltd. (15%)¹², Jiangsu Guangjing Xicheng Expressway Co., Ltd. (7.5%)¹³, Jiangsu Sutong Bridge Company Limited (7.5%)¹⁴, Jiangsu Yangtze Bridge Co., Ltd. (7.5%), Jiangsu Runyang Bridge Development Co., Ltd.* (7.5%)⁶, Jiangsu Taizhou Bridge Co., Ltd. (7.5%)¹⁵, Jiangsu Ninghang Expressway Co., Ltd. (7.5%)¹⁶.

The principal business of Jiangsu Expressway Network Operation & Management Co., Ltd. are networked operation and management and technological research and service of expressways in Jiangsu; maintenance and technical consultation for the communication system, monitoring system, toll collection system and relevant systems; toll auditing and account settlements and electronic toll collection services of networked expressways in Jiangsu Province; collection and dispatch of public information of network expressways in Jiangsu Province; sale of On Board Unit and Identity Card which are used by expressway toll systems in Jiangsu Province. The shareholders (holding more than 5% equity interest) are: Jiangsu Communications Holding Company Limited (23.9404%), Jiangsu Yanjiang Expressway Co., Ltd. (7.2438%)¹², Jiangsu Guangjing Xicheng Expressway Company Limited (7.2438%)¹³, Jiangsu Expressway Company Limited (7.2437%).

Notes:

1. The ultimate beneficial owners are: Nanjing State-owned Assets Management Committee (35.00%), Tian Jiren (10.7%), Zhang Laishun (3.5%), Shanghai Jin Jiang Online Network Service Co., Ltd. (27%, Shanghai Stock Exchange stock code: 600650). Based on publicly available information, there are no other persons holding more than 3% interests in the company.
2. Ultimate beneficial owners: Labour Union Committee of Suqi Group Co., Ltd. (78.89%) and SASAC of Suzhou (21.11%).
3. The ultimate beneficial owner are: Wuxi Municipal People's Government (95%) and Wuxi Radio and Television Group (5%).

4. The ultimate beneficial owners are: Changzhou Municipal People's Government (25.98%), the Labor Union Committee of Suqi Group Co., Ltd. (18%), Suzhou SASAC (4.8%), and no other person owns more than 5%.
5. The ultimate beneficial owners are: Ye Ming (30.4835%), Chen Hongjie (7.0409%), Jing Bin (6.8033%), Cao Ruming (6.8033%), Wu Zhixiu (6.8033%), Ge Yafang (6.8033%), no other person owns more than 5%.
6. The ultimate beneficial owners are: Jiangsu Communications Holding Company Limited.
7. The ultimate beneficial owner is China UnionPay Co., Ltd. There are more than 85 shareholders, including China Printing Mint Corporation, China Construction Bank Co., Ltd., Industrial and Commercial Bank of China Co., Ltd., Bank of Communications Co., Ltd. and Bank of China Co., Ltd. (each holds approximately 3.017% equity and except China Printing and Minting Corporation, all being listed companies in Hong Kong and Shanghai). Based on publicly available information, there are no other persons holding more than 3% interests in the company.
8. The general partner is Shanghai Shangqi Investment Management Partnership (Limited Partnership).
9. The ultimate beneficial owner is Nantong State-owned Assets Supervision and Administration Commission.
10. The ultimate beneficial owners are Ma Huateng (60%), Xu Chenye (35%) and Lu Shan (5%).
11. The ultimate beneficial owners include: Ma Huateng (10.8%), Jin Chao (7.9322%), Zhang Minxia (7.9322%), Anhui Xinhua Media Co., Ltd. (6.33%, listed company), Mo Xiaosheng (4.7593%), Zhang Zhidong (4.4%), Based on publicly available information, there are no other persons holding more than 4% interests in the company.
12. The ultimate beneficial owners include: Jiangsu Communications Holding Company Limited (55.46%), Jiangsu Guangjing Xicheng Expressway Company Limited¹³, Suzhou Yanjiang Expressway Company Limited (8.91%) (its ultimate beneficial owners include Changshu State-owned Assets Supervision and Administration Office (36.66%), Suzhou State-owned Assets Supervision and Administration Committee (24.71%), Zhangjiagang City Public Assets Supervision and Administration Committee (17.90%), China Life Soochow (Suzhou) Urban Industrial Investment Enterprise (Limited partnership) whose general partner is Soochow Investment Company Limited (1.45%) and Taicang State-owned Assets Supervision and Administration Office (19.35%), Zhangjiagang Public Assets Management Committee (6.25%), Suzhou Taicang Port Shugang Expressway Co., Ltd. (2.48%) (Its ultimate beneficial owners include Taicang State-owned Assets Supervision and Administration Office (38.87%), Suzhou State-owned Assets Management Commission (33.33%), Kunshan State-owned Assets Supervision and Administration Office Management Office (5.54%), Jiangsu Communications Holding Company Limited (4.51%) and Lianyungang State-owned Assets Supervision and Administration Commission (4.12%) and Changzhou State-owned Assets Supervision and Administration Commission (1.58%). Based on publicly available information, there are no other persons holding more than 1% interests in the company.

13. The Company's 85%-owned subsidiary, the ultimate beneficial owner of the remaining 15% is China Merchants Highway Network & Technology Holdings Co., Ltd. (Shenzhen Stock Exchange stock code: 001965).
14. The ultimate beneficial owners are: Jiangsu Communications Holding Company Limited (46.54%), Rudong County Investment Management Office (8.31%), Nantong State-owned Assets Supervision and Management Committee (20.09%) and Suzhou State-owned Assets Management Committee (15.1%). Based on publicly available information, there are no other persons holding more than 3% interests in the company.
15. The ultimate beneficial owners are: Jiangsu Communications Holding Company Limited (75.93%) and People's Government of Taizhou (13.02%). Based on publicly available information, there are no other persons holding more than 3% interests in the company.
16. The ultimate beneficial owners are the State-owned Assets Supervision and Administration Commission of Jiangsu Province (79.99%), Nanjing State-owned Assets Supervision and Administration Commission (10%), Changzhou State-owned Assets Supervision and Administration Commission (7.82%) and Wuxi State-owned Assets Supervision and Administration Commission (2.19%).

VII. LISTING RULES IMPLICATIONS

Shanghai Listing Rules

Acquisition of 65% equity interests in Suxichang South Expressway Company

According to Article 6.3.3 of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (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.

Loan and guarantees by Jiangsu Communications Holding

The provision of a loan by Jiangsu Communications Holding to Suxichang South Expressway Company and the deposit by Suxichang South Expressway Company with Finance Company will constitute related parties transactions of the Company. In accordance with Rule 6.3.18(1), (2) of the Shanghai Listing Rules, the interest rate of the loan provided by Jiangsu Communications Holding is not higher than the interest rate quoted in loan markets, and the listed company is not required to provide guarantee and is therefore exempt from the approval and disclosure requirements of the related parties transactions. The Company is not required to provide any consideration for the guarantee provided by Jiangsu Communications Holding, which is a transaction without assuming any obligation and is exempt from the approval and disclosure requirements of a related party transaction.

Ordinary related party transactions upon Completion

Since the counterparties of the above items 1 to 9 and the Company are under the common control of Jiangsu Communications Holding, such transactions constitute related party transactions under the Shanghai Listing Rules. As the total amount of relevant fees related to related party transactions accounts for less than 0.5% of the latest audited absolute value of the net assets of the Company, the related party transactions are not subject to any disclosure requirements.

Hong Kong Listing Rules

Acquisition of 65% equity interests in Suxichang South Expressway Company

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.

Loan from Jiangsu Communications Holding and guarantees provided by Jiangsu Communications Holding

Given the loan and the guarantees are provided before the Equity Transfer Agreement were entered into, the loan is not a revolving loan and no fees are payable for the guarantee, therefore are not continuing connected transactions, the loan from Jiangsu Communications Holding and guarantees provided by Jiangsu Communications Holding are conducted on normal commercial terms or better and that no collaterals have been provided by Suxichang South Expressway Company for such loan and guarantees, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, they are exempted from the announcement, circular and independent shareholders' approval requirements.

Continuing Connected Transactions upon Completion

As the counterparties of the continuing transactions items 1-9 above are subsidiaries of Jiangsu Communications Holding or companies that are directly or indirectly held as to 30% or more equity interest by Jiangsu Communications Holding, are also connected persons of the Company pursuant to Rules 14A.07(4) and 14A.13(1) or 14A.13(3) of the Hong Kong Listing Rules. Such transactions constitute continuing connected transactions of the Company.

In respect of the continuing connected transactions items no. 1-4 above, as the estimated total amounts (aggregated with other continuing connected transactions of similar nature and type as those of the Group) all exceed 0.1% but are less than 5% of the revenue percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules and such transactions are conducted on normal commercial terms or better, therefore these continuing connected transactions are only subject to the announcement requirement but are exempt from the independent shareholders' approval requirement under Rule 14A.76(2)(a) of the Hong Kong Listing Rules. These transactions shall also be subject to the annual review requirements under the Rule 14A.55 to Rule 14A.59 of the Hong Kong Listing Rules.

In respect of the remaining continuing connected transactions items no. 5-9 above, as the estimated total amounts (aggregated with any other continuing connected transactions of similar nature and type as those of the Group) are all less than 0.1% of all the percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, such transactions are conducted on normal commercial terms or better and all applicable ratios of aggregate annual transaction value for the remaining terms are less than 0.1%, such transactions should be fully exempt from continuing connected transaction requirements pursuant to Rule 14A.76(1)(a) of the Hong Kong Listing Rules.

The Company (with the approval of the Independent Board Committee, comprising of all the independent non-executive directors of the Company) has appointed Somerley Capital Limited as the independent financial adviser to provide advice to the Independent Board Committee and independent shareholders on the Acquisition. It is expected that a circular containing, among other things, details of the Acquisition and other information required by the Hong Kong Listing Rules will be despatched to H Shareholders within 15 business days after the publication of this announcement (i.e. on or before 21 February 2024).

It is expected the transactions contemplated under the Equity Transfer Agreement will be considered by shareholders at the general meeting of the Company to be held on or about 18 April 2024 where Jiangsu Communications Holding and its associates shall abstain from voting.

VIII. REVIEW PROCEDURES PERFORMED AND TO BE PERFORMED ON THIS TRANSACTION

This proposal concerning the related party transactions (being the Acquisition, loan from Jiangsu Communications Holding and guarantees provided by Jiangsu Communications Holding, the continuing connected transactions upon Completion) 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.

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.

The loans from Jiangsu Communications Holding and the guarantees provided by Jiangsu Communications Holding, the related party transactions/ continuing connected transactions upon Completion fall within the ambit of ordinary business contracts of the Company. The prices of the contracts are determined with reference to the fair price on the market, the transactions do not impair the interests of the Company, nor do they involve any transfer of benefits to the internal related/connected persons of the Group. Meanwhile, by leveraging on synergies derived from the businesses of the internal related/connected companies of the Group, the Company can further save its management costs and improve its management efficiency to ensure effective operation of its principal businesses. The income and profit of the Company are not dependent on such related party/connected transactions and hence the independence of the Company as a listed company will not be impaired. The related party/connected transactions do not have any adverse impacts on the Company.

Taking into account the above factors, the directors of the Company (including the independent non-executive directors) are of the view that:

1. The terms of the Acquisition (including the consideration for the transfer) are fair and reasonable and in the interests of the Company and the shareholders as a whole. The subject matter of this transaction has been evaluated by an independent evaluation agencies with professional qualifications, and written reports have been issued. The valuation method, valuation assumption and other important evaluation parameters are reasonable. The transaction did not harm the interests of the Company and all shareholders, especially the minority shareholders.
2. The loan from Jiangsu Communications Holding and the guarantees provided by Jiangsu Communications Holding, the related party transactions/ continuing connected transactions upon Completion fall within the ambit of ordinary business contracts of the Company. The prices of the contracts are determined with reference to the fair price on the market, the transactions do not impair the interests of the Company, nor do they involve any transfer of benefits to the internal related/connected persons of the Group. Meanwhile, by leveraging on synergies derived from the businesses of the internal related/connected companies of the Group, the Company can further save its management costs and improve its management efficiency to ensure effective operation of its principal businesses. The income and profit of the Company are not dependent on such related party/connected transactions and hence the independence of the Company as a listed company will not be impaired. The related party/connected transactions do not have any adverse impacts on the Company.

Therefore, the directors (including independent non-executive directors) of the Company are of the view that the above transactions are conducted in the ordinary and usual course of business of the Company, on normal commercial terms and the terms of the transactions are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Certain conditions precedent must be satisfied prior to completion of the Acquisition, and therefore the Acquisition may or may not proceed. All estimates, projections, targets, projections and other forward-looking statements made or provided by the Company or its directors in this announcement are based on certain assumptions. These statements by their nature are subject to risks and uncertainties and therefore cannot be used as guarantees for future performance and development. In view of this, the Company's shareholders and potential investors should exercise caution when dealing in the Company's securities.

Documents available for inspection:

- 1. Suxichang South Expressway Company's financial accounting reports for the latest year and the latest period audited by an accounting firm**

By Order of the Board
Yao Yong Jia
Executive Director and Company Secretary

Nanjing, the PRC, 29 January 2024

As at the date of this announcement, the Directors of the Company are:

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**

* *Independent Non-executive Directors*