
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Sichuan Expressway Company Limited*** (the “Company”), you should at once hand this circular and the accompanying form of proxy and the reply slip to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00107)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE SALE EQUITY AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Lego Corporate
Finance Limited
力高企業融資有限公司

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders



金融有限公司
OCTAL Capital Limited

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

A letter from the Board is set out on pages 1 to 13 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from Octal Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 32 of this circular.

A notice convening the EGM of the Company to be held at 3:00 p.m. on 9 June 2022 (Thursday) at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the People's Republic of China is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange and the Company. If you intend to appoint a proxy to attend the EGM, you are required to complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon. For the holders of H Shares, the form of proxy should be returned to the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and in any event not less than 24 hours before the time appointed for convening the EGM (or any adjournment thereof) or 24 hours before the time appointed for the passing of the resolutions. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

19 May 2022

* For identification purposes only

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DEFINITION

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

“A Share(s)”	ordinary shares of the Company with a par value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE (stock code: 601107)
“Asset Valuation Report”	the assets valuation report in respect of 100% equity interests of the Target Company as at the Valuation Benchmark Date issued by the Independent Valuer, the content of which is set out in Appendix I to this circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Sichuan Expressway Company Limited* (四川成渝高速公路股份有限公司), a joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the Stock Exchange and the SSE, respectively
“Completion”	completion of the transactions contemplated under the New Disposal Agreement, namely the completion of the industrial and commercial change registration, and change of the registration of the Sale Equity under the name of Sichuan Road and Bridge
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Equity to Sichuan Road and Bridge by the Company pursuant to the New Disposal Agreement
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve the New Disposal Agreement and the transactions contemplated thereunder, the notice of which is set out on pages EGM-1 to EGM-2 of this circular
“Entrusted Management Agreement”	the entrusted management agreement dated 20 October 2021 entered into among Sichuan Road and Bridge, Sichuan Expressway Construction and Development, STAE, Sichuan Port and Channel Development and the Company

DEFINITION

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas listed foreign shares of the Company with a par value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of the Stock Exchange (stock code: 00107)
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Octal Capital Limited”	Octal Capital Limited, a licensed corporation under the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Independent Shareholders”	Shareholder(s) other than Shudao Investment and its associates and those who are not involved in or do not have interests in the transaction contemplated under the New Disposal Agreement
“Independent Valuer”	Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd.
“Latest Practicable Date”	13 May 2022, being the latest practicable date for ascertaining information referred to in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules of the Stock Exchange, which has been adopted by the Company as the code of conduct for securities transactions by the Directors and the Supervisors of the Company
“New Disposal Agreement”	the equity transfer agreement dated 3 March 2022 entered into between Sichuan Road and Bridge as the purchaser and the Company as the vendor in relation to the sale and purchase of the Sale Equity

DEFINITION

“Original Disposal Agreement”	the agreement dated 20 October 2021 entered into among Sichuan Road and Bridge as the purchaser and Sichuan Expressway Construction and Development, STAE, Sichuan Port and Channel Development and the Company jointly as the vendors in relation to the sale and purchase of the Target Assets, details of which were set out in the announcement of the Company dated 20 October 2021
“Performance Commitment Period”	the year of the Completion and the two consecutive financial years thereafter, i.e. the years ending 31 December 2022, 2023 and 2024 (if the transaction under the New Disposal Agreement cannot be completed by 31 December 2022, the Performance Commitment Period will be deferred accordingly)
“PRC” or “China”	the People’s Republic of China and, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	5% equity interest in the Target Company, representing all of the equity interest in the Target Company held by the Company as at the Latest Practicable Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the registered holder(s) of the Shares
“Share(s)”	A Shares and H Shares
“Shudao Investment”	Shudao Investment Group Co., Ltd.* (蜀道投資集團有限責任公司), currently the controlling shareholder of the Company
“Shudao Investment Group”	Shudao Investment and its subsidiaries (excluding the Group)
“Sichuan Expressway Construction and Development”	Sichuan Expressway Construction and Development Group Co., Ltd.* (四川高速公路建設開發集團有限公司), a limited liability company incorporated under the laws of the PRC
“Sichuan Port and Channel Development”	Sichuan Port and Channel Development Co., Ltd.* (四川省港航開發有限責任公司), a limited liability company incorporated under the laws of the PRC

DEFINITION

“Sichuan Road and Bridge”	Sichuan Road and Bridge (Group) Co., Ltd.* (四川路橋建設集團股份有限公司), a joint stock limited company established under the laws of the PRC, and its shares are listed on the SSE
“SSE”	the Shanghai Stock Exchange
“STAE”	Sichuan Tibetan Area Expressway Co., Ltd.* (四川藏區高速公路有限責任公司), a limited liability company established under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 3 March 2022 entered into among the respective parties to the Original Disposal Agreement, for the purpose of revising certain terms of the Original Disposal Agreement
“Target Assets”	100% equity interest in the Target Company to be purchased by Sichuan Road and Bridge under the Original Disposal Agreement
“Target Company”	Sichuan Transportation Construction Group Co., Ltd.*(四川省交通建設集團股份有限公司), formerly known as Sichuan Trading Construction Engineering Co., Ltd.*(四川交投建設工程股份有限公司), a joint stock limited company established under the laws of the PRC, and is owned as to 51%, 39%, 5% and 5% by Sichuan Expressway Construction and Development, STAE, Sichuan Port and Channel Development and the Company, respectively, as at the Latest Practicable Date
“Transitional Period of Sale Equity”	the period from the Valuation Benchmark Date (excluding the date thereof) to the date of Completion (including the date thereof)
“Valuation Benchmark Date”	30 September 2021
“%”	per cent

* For identification purposes only



四川成渝高速公路股份有限公司
Sichuan Expressway Company Limited*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00107)

Executive Directors:

Mr. Gan Yongyi (*Chairman*)

Mr. Li Wenhui (*Vice Chairman*)

Madam Ma Yonghan

Mr. You Zhiming

Mr. He Zhuqing

Legal Address:

252 Wuhouci Da Jie

Chengdu

Sichuan Province

The PRC

Post code: 610041

Non-executive Directors:

Mr. Liu Changsong (*Vice Chairman*)

Mr. Li Chengyong

Independent Non-executive Directors:

Mr. Yu Haizong

Madam Liu Lina

Mr. Yan Qixiang

Madam Bu Danlu

19 May 2022

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF THE SALE EQUITY AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

References are made to the announcement of the Company dated 20 October 2021 in relation to the Original Disposal Agreement and the announcement of the Company dated 3 March 2022 in relation

LETTER FROM THE BOARD

to the Supplemental Agreement and the New Disposal Agreement. The purpose of this circular is to provide you with information in relation to, among other things, (i) further details of the Disposal; (ii) a letter setting out the opinions and recommendations from the Independent Board Committee to the Independent Shareholders regarding the Disposal; (iii) the advice provided by Octal Capital Limited to the Independent Board Committee and the Independent Shareholders regarding the Disposal; and (iv) a notice convening the EGM.

II. THE ORIGINAL DISPOSAL AGREEMENT AND ITS REVISION

On 20 October 2021, Sichuan Expressway Construction and Development, STAE, Sichuan Port and Channel Development and the Company (jointly as the vendors) and Sichuan Road and Bridge (as the purchaser) entered into the Original Disposal Agreement, pursuant to which, Sichuan Expressway Construction and Development, STAE, Sichuan Port and Channel Development and the Company conditionally agreed to sell and Sichuan Road and Bridge conditionally agreed to purchase in aggregate 100% equity interest in the Target Company, of which, the Company agreed to sell and Sichuan Road and Bridge agreed to purchase the Sale Equity.

As disclosed in the announcement of the Company dated 3 March 2022, on 3 March 2022, the parties to the Original Disposal Agreement entered into the Supplemental Agreement, pursuant to which, the parties agreed to amend certain terms of the Original Disposal Agreement, including, among others, the termination of the transaction between the Company and Sichuan Road and Bridge in relation to the disposal of the Sale Equity under the Original Disposal Agreement (i.e. the Sale Equity ceased to be part of the Target Assets under the Original Disposal Agreement) and the release and discharge of the Company from its obligations under the Original Disposal Agreement. While on the same date, the Company (as the vendor), Sichuan Road and Bridge (as the purchaser) and Shudao Investment (as performance guarantor of the Target Company) also entered into the New Disposal Agreement in respect of the sale and purchase of the Sale Equity. As a result, the other transactions under the Original Disposal Agreement other than the sale and purchase of the Sale Equity between the Company and Sichuan Road and Bridge will continue, and the Disposal will be independent of such transactions and they are not inter-conditional upon each other.

Meanwhile, the Company has waived the pre-emptive rights in respect of the disposal of a total of 95% equity interests in the Target Company, while Sichuan Expressway Construction and Development, STAE, Sichuan Port and Channel Development have waived their pre-emptive rights in respect of the disposal of the Sale Equity.

LETTER FROM THE BOARD

III. THE NEW DISPOSAL AGREEMENT

Date:	3 March 2022
Parties:	<ol style="list-style-type: none">1. the Company, as the vendor;2. Sichuan Road and Bridge, as the purchaser; and3. Shudao Investment, as the performance guarantor of the Target Company.
Subject Matter:	Subject to the terms and conditions under the New Disposal Agreement, the Company agreed to sell and Sichuan Road and Bridge agreed to purchase the Sale Equity, being 5% equity interest in the Target Company. Upon the Completion, the Company will no longer hold any equity interest in the Target Company.
Consideration and Payment:	<p>The Consideration of the Sale Equity is RMB369,195,000.</p> <p>The above consideration was determined with reference to the appraised market value of RMB7,383,900,000 of 100% equity interest in the Target Company as at 30 September 2021 (i.e. the Valuation Benchmark Date) as appraised by the Independent Valuer using the income approach and set out in the Asset Valuation Report, and the corresponding appraisal value of the Sale Equity was RMB369,195,000.</p> <p>The consideration for the Sale Equity shall be paid by Sichuan Road and Bridge to the Company in cash in the following manners:</p> <ol style="list-style-type: none">(i) 50%, being RMB184,597,500, payable to the designated account of the Company within 10 business days after the New Disposal Agreement becomes effective; and(ii) the remaining 50%, being RMB184,597,500, payable to the designated account of the Company within 10 business days from the date of the Completion.

LETTER FROM THE BOARD

Conditions Precedent: The New Disposal Agreement shall come into effect upon the fulfillment of all of the following conditions:

1. the New Disposal Agreement having been signed by the parties;
2. the New Disposal Agreement being considered and approved at the meeting of the Board of Directors of Shudao Investment and the general meeting of Sichuan Road and Bridge, respectively; and
3. the Company complying with the Listing Rules and the relevant requirements the Shanghai Stock Exchange in respect of the Disposal, including but not limited to the requirements of reporting, announcement and obtaining Independent Shareholders' approval at the general meeting applicable to the Disposal.

As at the Latest Practicable Date, save for condition (3) above, all of the conditions have been fulfilled.

Transitional Period Arrangement: If the net assets of the Target Company increase during the Transitional Period of Sale Equity, the corresponding increase of the Sale Equity shall be attributable to Sichuan Road and Bridge; if the net assets of the Target Company decrease due to losses or other reasons during the Transitional Period of Sale Equity, the corresponding decrease of the Sale Equity shall be made up by the Company to Sichuan Road and Bridge in cash.

The net assets of the Target Company as at the date of Completion shall be based on the audited report of the Target Company to be issued by an auditor engaged by Sichuan Road and Bridge, and the Company shall pay the shortfall amount in cash within 10 days from the date of the issuance of such report.

LETTER FROM THE BOARD

Profit Guarantee and
Asset Value Guarantee:

Shudao Investment will guarantee the Target Company's (1) profit during the Performance Commitment Period; and (2) asset value upon the expiry of the Performance Commitment Period.

However, in any event, the total amount of compensation (including profit guarantee and impairment compensation) payable by Shudao Investment to Sichuan Road and Bridge under the New Disposal Agreement shall not exceed the aggregate consideration for the Sale Equity.

Profit guarantee

In the event that the accumulated amount of net profit realised by the Target Company for the relevant financial year during the Performance Commitment Period (i.e. the accumulated net profit attributable to the shareholders of the parent company after deducting non-recurring profit or loss realised during the Performance Commitment Period, and less the accumulated savings in financial costs incurred by the Target Company as a result of the use of the matching funds raised by Sichuan Road and Bridge during the Performance Commitment Period) does not reach the committed net profit for that period, Shudao Investment agrees to compensate Sichuan Road and Bridge for the shortfall (based on the corresponding proportion of the Sale Equity to the share capital of the Target Company, i.e. 5%). The committed net profit amounts for the relevant financial years of the Performance Commitment Period are RMB1,118,294,400, RMB1,156,751,600 and RMB1,107,120,300, respectively.

The actual amount of net profit of the Target Company for each relevant financial year during the Performance Commitment Period will be based on the relevant special audit report of the Target Company as confirmed by an auditor engaged by Sichuan Road and Bridge in compliance with the provisions of the Securities Law of the People's Republic of China.

LETTER FROM THE BOARD

Asset Value Guarantee

Within 6 months after the expiry of the Performance Commitment Period, Sichuan Road and Bridge will engage an auditor in compliance with the provisions of the Securities Law of the People's Republic of China to conduct an impairment test on the Target Company and issue a special audit report on the impairment test.

If, after testing, the decrease in asset value of the Sale Equity to the Target Company at the end of the Performance Commitment Period as compared to that as at the Valuation Benchmark Date exceeds the accumulated compensation amount payable by Shudao Investment in cash during the Performance Commitment Period, Shudao Investment shall compensate Sichuan Road and Bridge for the shortfall in the manner as set out in the New Disposal Agreement.

The Company is not required to reimburse or refund any compensation in relation to the aforesaid profit guarantee and/or asset value guarantee to Shudao Investment in any form.

IV. ENTRUSTED MANAGEMENT AGREEMENT

On 20 October 2021, Sichuan Expressway Construction and Development, STAE, Sichuan Port and Channel Development and the Company also entered into an Entrusted Management Agreement with Sichuan Road and Bridge to agree that, prior to the completion of the sale and purchase of the 100% equity interest in the Target Company, all shareholders' rights (other than the rights to dispose of equity interest, shareholders' earning right and the rights to distribute the remaining assets upon liquidation) corresponding to the Target Company, as well as the operation and management decision-making rights and the supervision and management rights involved in the operation management process shall be entrusted to Sichuan Road and Bridge. The Entrusted Management Agreement has been effective on Sichuan Road and Bridge, Sichuan Expressway Construction and Development, STAE and Sichuan Port and Channel Development, following the approval of Sichuan Road and Bridge's shareholders on 22 December 2021, and shall be effective on the Company upon the passing of the relevant resolution to approve the New Disposal Agreement at the EGM.

LETTER FROM THE BOARD

The entrustment period shall commence from the effective date of the Entrusted Management Agreement to the registration of 100% equity interest in the Target Company upon its change into a limited liability company under the name of Sichuan Road and Bridge. The entrustment fee, calculated as 2% of the audited consolidated shareholders' equity of the Target Company for 2020, is approximately RMB52,657,800 per annum, which shall be paid by the Target Company to Sichuan Road and Bridge before 31 December of each year during the entrustment period, and the entrustment fee for the year ended 31 December 2021 has been settled by the Target Company to Sichuan Road and Bridge. As at the Latest Practicable Date, the Entrusted Management Agreement has yet to be effective on the Company, pending the passing of the relevant resolution to approve the New Disposal Agreement at the EGM.

V. INFORMATION ON TARGET COMPANY

The Target Company, a joint-stock company established in the PRC with limited liability, is mainly engaged in various engineering construction activities; general contracting of housing construction and municipal infrastructure projects; highway management and maintenance; construction engineering survey; construction engineering design (for the projects requiring approval according to laws, the operating activities that can only be carried out upon approval from relevant authority(ies), and specific licensed projects that should be determined by approval documentations or licenses issued by relevant government agencies); general projects such as earth and stone engineering construction; landscaping engineering construction; engineering management services; municipal facilities management; urban afforestation management; sales of cement products; sales of concrete structural components; general machinery and equipment installation services; machinery and equipment leasing; special equipment repairs; general cargo warehousing services (excluding hazardous chemicals and other items that require approval); loading and unloading; sales of smart-based manufacturing equipment (except for items that are subject to approval in accordance with the laws, the business activities shall be conducted independently with the business licences in accordance with the laws). As at the Latest Practicable Date, Sichuan Expressway Construction and Development, STAE, Sichuan Port and Channel Development and the Company held 51%, 39%, 5% and 5% equity interest in the Target Company, respectively.

LETTER FROM THE BOARD

According to the audited consolidated financial statements of the Target Company for the two years ended 31 December 2021 made by the auditor with qualifications for engagement in business of securities and futures appointed by Sichuan Road and Bridge, the audited profits (before and after taxation) of the Target Company for the two years ended 31 December 2021 are set out as follows:

	For the year ended 31 December 2020 (audited) RMB'000	For the year ended 31 December 2021 (audited) RMB'000
Profit before taxation	381,354	1,289,149
Profit after taxation	329,593	1,103,177

Based on the valuation on the Target Company performed by the Independent Valuer, the appraised total assets and net assets value of Target Company as at the Valuation Benchmark Date were approximately RMB14,101,382,300 and RMB3,569,642,200, respectively.

As at 31 December 2021, the net book value of the Sale Equity was approximately RMB345.7 million.

VI. FINANCIAL EFFECTS OF THE DISPOSAL

Upon the Completion, the Company will cease to hold any equity interest in the Target Company.

Upon the Completion, the estimated net proceeds (excluding the professional fees and other related expenses in relation to the Disposal) is approximately RMB368.6 million. Assuming the Completion took place on 31 December 2021, it is estimated that there will be a gain before tax of approximately RMB22.9 million (subject to audit) arising from the Disposal, being the estimated net proceeds of approximately RMB368.6 million minus the net book value of the Sale Equity of approximately RMB345.7 million as at 31 December 2021. Since the equity investment of the Target Company is recognised as equity investments designated at fair value through other comprehensive income, the estimated gain from the Disposal will not be reflected in the consolidated statement of profit or loss of the Group.

The actual financial impact in connection with the Disposal shall be assessed after the Completion and shall be subject to audit to be performed by the Company's independent auditors.

LETTER FROM THE BOARD

VII. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects in Sichuan Province, the PRC, as well as the operation of other businesses relating to toll roads.

As part of the restructuring of Shudao Investment Group, it is proposed that Sichuan Road and Bridge will acquire 100% of the equity interests in the Target Company. As such, following the entering into of the Original Disposal Agreement (as supplemented by the Supplemental Agreement), the Company entered into the New Disposal Agreement with Sichuan Road and Bridge on the basis that the terms of the New Disposal Agreement being fair and reasonable and on normal commercial terms. Furthermore, the Disposal will allow the Group to optimise its asset structure by realising the gain from the disposal of non-core investment and utilising the sale proceeds on the core operations of the Group. The estimated net proceeds from the Disposal of approximately RMB368.6 million will be used as the Company's working capital to enhance the robustness of the Group's operations.

As detailed in the Company's announcement dated 20 October 2021, the Company, among other parties, originally entered into the Original Disposal Agreement with Sichuan Road and Bridge, pursuant to which new shares of Sichuan Road and Bridge listed on the SSE will be issued as consideration for the transaction, instead of cash consideration under the New Disposal Agreement. Issuance of the said SSE listed new shares by Sichuan Road and Bridge will be subject to the approval by CSRC, where time is necessary for the review of the application by CSRC and CSRC may request the parties to modify the terms of the transaction, and in such case additional time may be needed for the Company to complete the disposal of the Sale Equity. As such, the parties mutually agreed to enter into the Supplemental Agreement and the New Disposal Agreement, with an aim to expedite and to lower the uncertainty of the transaction.

Having considered the above, the Directors (including all the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee contained in this circular) are of the view that the Disposal and the terms of the New Disposal Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

VIII. INFORMATION ON SICHUAN ROAD AND BRIDGE

Sichuan Road and Bridge, a joint-stock company established in the PRC with limited liability, with its shares listed on the SSE (stock code: 600039), is mainly engaged in project investment and asset management; expressway management; highway projects, bridge projects, tunnel projects, housing construction projects, municipal public projects, highway traffic projects, earthwork projects, electricity projects, mechanical and electrical installation projects, ground and foundation projects, ready-mixed concrete, precast concrete components, building decoration and renovation projects; project survey and design; surveying and mapping services; planning management; project management services; rental and repair of construction machinery; production of construction materials; commodity wholesale and retail; and property management. (For projects subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities.)

IX. INFORMATION ON SHUDAO INVESTMENT

Shudao Investment is a state-owned enterprise established in the PRC. Its business covers four major sectors including road and railway investment, construction, operation, related diversified industries (transportation engineering construction, transportation logistics, transportation services, new urbanisation construction along transportation line, engineering design consulting, etc.), smart transportation and finance integration.

X. INFORMATION ON THE COMPANY

The Company is principally engaged in the investment, construction, operation and management of expressways infrastructure projects in Sichuan Province, the PRC, as well as the operation of other businesses relating to toll roads.

XI. INFORMATION ON OTHER SHAREHOLDERS OF TARGET COMPANY

Sichuan Expressway Construction and Development, a limited company established in the PRC, is mainly engaged in investment, construction and operation management of expressways and related supporting facilities; civil engineering and construction; road transportation; tourism resources development; wholesale and retail of goods; automobile repair and maintenance; automobile leasing; real estate development and operation; property management; accommodation; catering; project investment (illegal fund-raising, absorbing public capital and other finance activities are prohibited); software and information technology services; conference and exhibition services; photography services; advertising; technology promotion services; internet and related services. (For projects subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities.)

LETTER FROM THE BOARD

STAE, a limited company established in the PRC, is mainly engaged in highway investment and asset management (illegal fund-raising, absorbing public capital and other finance activities are prohibited); engineering management services. (For projects subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities.)

Sichuan Port and Channel Development, a limited company established in the PRC, is mainly engaged in water conservancy and river port construction; power generation; warehousing; manufacturing of special equipment; public facilities management; business services; leasing; real estate development and operation; property management; land preparation; professional technical services; and technology promotion and application services. (For projects subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities.)

XII. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Sichuan Road and Bridge is a subsidiary of Shudao Investment (which holds approximately 36.515% of the issued share capital of the Company), the controlling shareholder of the Company, and thus a connected person of the Company as defined under the Listing Rules. Therefore, the Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

XIII. ABSTENTION FROM VOTING ON BOARD RESOLUTIONS AND AT THE EGM

As Mr. Li Chengyong, a non-executive Director, is the deputy general manager of the finance management department of Shudao Investment, he is regarded as being interested in the New Disposal Agreement and therefore has abstained from voting on the Board resolutions to approve the New Disposal Agreement. Saved and except for the aforesaid, none of the Directors has any material interest in the New Disposal Agreement and was required to abstain from voting on the Board resolutions in relation to the New Disposal Agreement.

In view of Shudao Investment's interest in the New Disposal Agreement, Shudao Investment, the controlling shareholder of the Company which holds approximately 36.515% equity interest in the Company, and its associates will abstain from voting at the EGM on the resolution in relation to the New Disposal Agreement.

LETTER FROM THE BOARD

XIV. EGM

The Company proposes to convene the EGM at 3:00 p.m. on 9 June 2022 (Thursday) at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the People's Republic of China.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For the H Shareholders, the proxy forms should be returned to the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof.

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

If you intend to attend the EGM in person or by proxy, you are required to complete and lodge the reply slip for attending the EGM at the Company's legal address at 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC not later than 4:30 p.m. on 6 June 2022 (Monday). The reply slip may be delivered to the Company by hand, by post or by fax (fax no.: (8628) 8553 0753).

XV. CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The H Shares register of members of the Company will be closed from 6 June 2022 (Monday) to 9 June 2022 (Thursday), both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the EGM, unregistered holders of H Shares shall ensure that all transfer documents of H Shares accompanied by the relevant share certificates and the appropriate transfer documents must be lodged with the Company's H Share Registrar, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 2 June 2022 (Thursday).

LETTER FROM THE BOARD

XVI. RECOMMENDATION

The Company has appointed Octal Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal. The letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 32 of this circular. The Independent Board Committee comprising all the independent non-executive Directors has been established to give advice to the Independent Shareholders in respect of the New Disposal Agreement and the transactions contemplated thereunder. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the New Disposal Agreement and the transactions contemplated thereunder, is set out on pages 14 to 15 of this circular.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee contained in this circular) consider that the terms of the New Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution for approving the New Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,

By order of the Board

Sichuan Expressway Company Limited*

Gan Yongyi

Chairman



四川成渝高速公路股份有限公司
Sichuan Expressway Company Limited*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00107)

19 May 2022

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF THE SALE EQUITY**

We have been appointed as members of the Independent Board Committee to give our advice on the New Disposal Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board included in the circular to the Shareholders dated 19 May 2022 (the “**Circular**”), of which this letter forms a part. Terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise us on the New Disposal Agreement and the transactions contemplated thereunder. The letter from Octal Capital Limited is set out on pages 16 to 32 of the Circular.

Having considered the terms and conditions of the New Disposal Agreement, the advice given by Octal Capital Limited and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the view that the terms of the New Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders are concerned, and although the Disposal is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution at the EGM to approve the New Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Yu Haizong

Independent

Non-executive Director

Madam Liu Lina

Independent

Non-executive Director

Mr. Yan Qixiang

Independent

Non-executive Director

Madam Bu Danlu

Independent

Non-executive Director

LETTER FROM OCTAL CAPITAL LIMITED

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



801–805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

19 May 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE SALE EQUITY

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Disposal Agreement, particulars of which are set out in the Letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 19 May 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as those defined under the definition section of the Circular.

On 20 October 2021, Sichuan Expressway Construction and Development, STAE, Sichuan Port and Channel Development and the Company (jointly as the vendors) entered into the Original Disposal Agreement with Sichuan Road and Bridge (as the purchaser), pursuant to which the Company agreed to sell and Sichuan Road and Bridge agreed to purchase the Sale Equity.

On 3 March 2022, the parties to the Original Disposal Agreement entered into the Supplemental Agreement to the Original Disposal Agreement, pursuant to which, the parties agreed to amend certain terms of the Original Disposal Agreement, including the termination of the transaction between the Company and Sichuan Road and Bridge in relation to the disposal of the Sale Equity under the Original Disposal Agreement (i.e. the Sale Equity ceased to be part of the Target Assets under the Original Disposal Agreement) and the release and discharge of the Company from its obligations under the Original Disposal Agreement. On 3 March 2022, the Company, Sichuan Road and Bridge and Shudao Investment entered into a separate equity transfer agreement in respect of the sale and purchase of the Sale Equity at a cash consideration of RMB369,195,000. The other transactions under the Original Disposal Agreement other than the sale and purchase of the Sale Equity between the Company and Sichuan Road and Bridge will continue, and the Disposal will be independent of such transactions, and they are not inter-conditional

LETTER FROM OCTAL CAPITAL LIMITED

upon each other. Meanwhile, the Company has waived the pre-emptive rights in respect of the disposal of a total of 95% equity interests in the Target Company, while Sichuan Expressway Construction and Development, STAE, Sichuan Port and Channel Development have waived their pre-emptive rights in respect of the disposal of the Sale Equity.

As one or more of the applicable percentage ratios of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company. As at the Latest Practicable Date, Sichuan Road and Bridge is a subsidiary of Shudao Investment (which holds approximately 36.515% of the issued share capital of the Company and is the controlling shareholder of the Company) which is therefore a connected person of the Company as defined under the Listing Rules. The Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Yu Haizong, Madam Liu Lina, Mr. Yan Qixiang and Madam Bu Danlu, has been formed to advise the Independent Shareholders on the New Disposal Agreement and the transactions contemplated thereunder.

We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the New Disposal Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, we were not connected with the directors, chief executive and substantial shareholders of the Company or Sichuan Road and Bridge or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and is therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal. During the last two years, we have been engaged by the Company as an independent financial adviser to the Company in respect of the disclosable and connected transactions and we are required to express our opinion on and give recommendations to the independent board committee and independent shareholders thereon. For details, please refer to the circular of the Company dated 7 September 2021. Apart from normal professional fees paid or payable to us in connection with the appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the independent financial adviser in respect of the Disposal pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM OCTAL CAPITAL LIMITED

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the New Disposal Agreement, and the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Sichuan Road and Bridge, and any of their respective subsidiaries and their respective associates, nor have we carried out any independent verification of the information supplied to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations in respect of the Disposal, we have taken into consideration of the following principal factors and reasons:

1. Background information of the Group

The Group's businesses cover five major segments, (i) the toll roads and bridges segment comprises the operation of expressways and a high-grade toll bridge in the PRC; (ii) the city operation segment comprises the provision of construction and upgrade services under the service concession arrangements and construction contracts, advertising, the rental of properties along expressways, investment and development of properties located in the PRC and trading of commodities; (iii) the financial investment segment comprises finance lease operation, factoring business and financial investment; (iv) the energy investment segment comprises the operation of gas stations along expressways, sale of oil products; and (v) other segment in relation to technology-related operations.

LETTER FROM OCTAL CAPITAL LIMITED

The table below summarizes the major audited financial information of the Group for the years ended 31 December 2019, 2020 and 2021 (“FY2019”, “FY2020” and “FY2021” respectively) extracted from the annual reports of the Company for FY2020 and FY2021 (the “2020 Annual Report” and “2021 Annual Report”).

RMB million	FY2019 (audited)	FY2020 (audited)	FY2021 (audited)
Toll roads and bridges	3,900	3,008	3,466
City operation	1,987	3,545	3,376
Financial investment	147	187	199
Energy investment	1,773	1,459	1,789
Total revenue	7,807	8,199	8,830
Profit for the year	1,133	734	1,951

Source: 2020 Annual Report and 2021 Annual Report

FY2020 compared to FY2019

The revenue of the Group increased from approximately RMB7,807 million for FY2019 to approximately RMB8,199 million for FY2020, mainly due to the revenue growth in the city operation segment. The revenue from toll roads and bridges segment for FY2020 amounted to approximately RMB3,008 million, representing a decrease of approximately RMB892 million or 22.9% as compared to that for FY2019. The decrease was mainly due to the toll free policy imposed by the Government of the PRC resulting from COVID-19 pandemic during the period from February 2020 to May 2020.

The revenue from city operation segment for FY2020 amounted to approximately RMB3,545 million, representing an increase of approximately RMB1,558 million or 78.4% as compared to that for FY2019. The increase was mainly attributable to (i) the increase in construction contract revenue in respect of service concession arrangements; and (ii) the increase in revenue from sale of properties in Northern Dynasty contributed by Renshou Landmark.

The profit for FY2020 amounted to approximately RMB734 million, representing a decrease of approximately RMB399 million or 35.2% as compared to that for FY2019. The decrease in net profit was mainly due to the increase in cost of sales resulting from the sale of properties, leading to a reduction in gross profits of the Group from approximately RMB2,305 million for FY2019 to approximately RMB1,726 million for FY2020.

LETTER FROM OCTAL CAPITAL LIMITED

FY2021 compared to FY2020

The revenue of the Group increased from RMB8,199 million in FY2020 to RMB8,830 million in FY2021 by approximately 7.7% which was driven by the improvement in the toll roads and bridges segment. Since the above-mentioned toll-free arrangement was terminated in May 2020, the toll collection had resumed for toll roads for the rest of FY2020 and the full year of 2021, leading to an improvement in the revenue of the toll roads and bridges segment.

The Group recorded the profit after tax of approximately RMB1,951 million in FY2021 as compared to that of approximately RMB734 million in FY2020, representing an improvement of approximately 165.8%. The improvement of profitability is mainly attributable to the growth in revenue and the gain on disposal of a subsidiary amounted to approximately RMB899 million.

During FY2019, FY2020 and FY2021, the Sale Equity was recognized as equity investments designated at fair value through other comprehensive income and its change in fair value is charged to other comprehensive income. The Target Company did not pay out any dividend to the Company during the said years.

LETTER FROM OCTAL CAPITAL LIMITED

The major items of the audited consolidated financial position of the Group as at 31 December 2021 is summarized as below:

	As at
	31 December 2021
	<i>RMB million</i>
	(audited)
Non-current assets	
Property, plant and equipment	710
Service concession arrangements	29,369
Equity investments designated at fair value through other comprehensive income	449
Other non-current assets	2,830
	<u>33,358</u>
Current assets	
Trade and other receivables	2,004
Cash and cash equivalents	3,837
Other current assets	1,449
	<u>7,290</u>
Total assets	40,648
Non-current liabilities	
Interest-bearing bank and other borrowings	18,513
Other non-current liabilities	253
	<u>18,766</u>
Current liabilities	
Trade and other payables	1,842
Interest-bearing bank and other borrowings	1,469
Other current liabilities	122
	<u>3,433</u>
Total liabilities	22,199
Net current assets	3,857
Net assets	18,449
Gearing ratio (total interest-bearing bank and other borrowings/total assets)	49%

Source: 2021 Annual Report

LETTER FROM OCTAL CAPITAL LIMITED

As at 31 December 2021, the Group's non-current assets amounted to approximately RMB33,358 million in which the service concession arrangements in relation to the expressways were amounted to approximately RMB29,369 million, representing approximately 72% of the total assets. As at 31 December 2021, the Sale Equity was recognized as equity investments designated at fair value through other comprehensive income and its fair value amounted to approximately RMB346 million.

The Group's liabilities mainly include the bank and other borrowings amounted to approximately RMB19,982 million as at 31 December 2021, representing approximately 90% of the total liabilities as at 31 December 2021. The Group's gearing ratio (as defined above) as at 31 December 2021 was approximately 49%.

2. Background formation of the Target Company

The Target Company is a joint-stock company with limited liability incorporated in the PRC in 1999. As at 30 September 2021, the Target Company and its seven subsidiaries (collectively the **"Target Group"**) are mainly engaged in engineering construction, expansion and maintenance projects of toll roads and bridges in the PRC through build, operate, transfer model; engineering, procurement and constructions model; main contractor model; single project model; and public private and partnership (**"PPP"**) model in the PRC. The principal business of the Target Group is mainly located in Sichuan and its major clients are state-owned entities or state-controlled entities.

The table below summarizes the major audited consolidated financial information of Target Group for the three years ended 31 December 2021 extracted from the auditors' reports of the Target Group prepared in accordance with the PRC Accounting Standards for Business Enterprises:

RMB million	FY2019 (audited)	FY2020 (audited)	FY2021 (audited)
Revenue	4,902	10,056	18,037
Cost of services	(4,532)	(9,158)	(16,195)
Gross profit	370	898	1,842
Gross profit margin	7.5%	8.9%	10.2%
Net profit after tax	3	330	1,103

LETTER FROM OCTAL CAPITAL LIMITED

The revenue of Target Group increased by approximately 105% from RMB4,902 million in FY2019 to RMB10,056 million in FY2020. In line with the growth in the revenue, the gross profit of the Target Group also increased significantly by approximately 143% from RMB370 million in FY2019 to RMB898 million in FY2020. We understand from the management of the Target Group that such improvement is attributable to significant growth in construction segment, which increased by approximately 158% from RMB3,259 million to RMB8,415 million. The significant improvement in revenue of the Target Group is mainly attributable to the progressive completion of larger scale of expressway construction projects (including Jiuma Expressway (久馬高速)) and expressway expansion projects (including Chengli Expressway (成樂高速)) during FY2020. The profit after tax of the Target Group was approximately RMB3 million and RMB330 million during FY2020 and FY2021, respectively due to the material improvement in the gross profit margin.

During FY2021, the Target Group recorded revenue of approximately RMB18,037 million, representing an increment of approximately 79% as compared to that of FY2020 and the improvement in revenue is mainly contributed by the expressway construction segment. The above-mentioned projects continuously achieved their completion milestone and thus led to a significant increment in the segment revenue during FY2021. The gross profit margin of the Target Group increased from 8.9% in FY2020 to 10.2% during FY2021, resulting a gross profit of approximately RMB1,842 million and net profit after tax of approximately RMB1,103 million.

LETTER FROM OCTAL CAPITAL LIMITED

The table below summarizes the consolidated financial position of the Target Group as at 31 December 2021 extracted from the auditors' reports of the Target Group prepared in accordance with the PRC Accounting Standards for Business Enterprises

	As at 31 December 2021 <i>RMB million</i> (audited)
Intangible assets	587
Long-term trade receivables for PPP projects	387
Other investment	176
Long-term amortization of expenses	197
Other non-current assets	917
Total non-current assets	2,264
Cash and cash equivalents	6,444
Trade receivables	4,071
Contracted assets	1,990
Inventories	1,610
Other current assets	1,985
Total current assets	16,100
Total assets	18,364
Total non-current liabilities	161
Trade payables	7,372
Contracted liabilities	5,198
Other payables	1,513
Other liabilities	745
Total current liabilities	14,828
Total liabilities	14,989
Net current assets	1,272
Net assets	3,375

The total assets of the Target Group mainly include cash and cash equivalents, trade receivables and contracted assets, which amounted to approximately RMB6,444 million, RMB4,071 million and RMB1,990 million as at 31 December 2021, respectively and represented approximately 35%, 22% and 11% of total assets of the Target Group.

LETTER FROM OCTAL CAPITAL LIMITED

As at 31 December 2021, the trade payables of the Target Group amounted to approximately RMB7,372 million, representing approximately 49% of the total liabilities. The Target Group maintained net asset position of approximately RMB3,375 million.

3. Background information of Sichuan Road and Bridge

Sichuan Road and Bridge is a joint-stock company incorporated in the PRC and its shares are listed on the SSE (Stock Code: 600039). Sichuan Road and Bridge is a subsidiary of Shudao Investment, which holds approximately 36.515% of the issued share capital of the Company and is the controlling shareholder of the Company. Sichuan Road and Bridge is principally engaged in the design, construction, investment, operation of transportation infrastructure in the PRC, mainly including toll roads and expressways etc.

According to the auditor's report of Sichuan Road and Bridge for FY2021, as at 31 December 2021. Sichuan Road and Bridge recorded net current assets and net assets of approximately RMB10,363 million and RMB30,532 million, respectively, including cash and cash equivalents of RMB12,292 million. The consideration of the Sale Equity is only accounted for approximately 3.0% of the cash and cash equivalents of Sichuan Road and Bridge.

4. Principal terms of the New Disposal Agreement

As disclosed in the Company's announcement dated 20 October 2021, the Company, among other parties, entered into the Original Disposal Agreement with Sichuan Road and Bridge, pursuant to which new shares of Sichuan Road and Bridge will be issued as consideration for the Disposal, instead of cash consideration under the New Disposal Agreement. Issuance of new shares and the final number of new shares to be issued by Sichuan Road and Bridge will be subject to the review and approval by CSRC, which may request the parties to modify the terms of the said transaction, and in such case additional time may be needed for the Company to complete the Disposal. As such, the parties to the Original Disposal Agreement agreed to enter into the Supplemental Agreement, pursuant to which the disposal of the Sale Equity between the Company and Sichuan Road and Bridge under the Original Disposal Agreement was terminated. On 3 March 2022, the Company and Sichuan Road and Bridge entered into the New Disposal Agreement in respect of the sale and purchase of the Sale Equity, with an aim to expedite the process of the Disposal and to lower the uncertainty of the Disposal.

Pursuant to the Original Disposal Agreement, the consideration of the Sale Equity is to be settled by the new shares of Sichuan Road and Bridge; and the completion of the Disposal is subject to the review and approval by CSRC. Having considered that the CSRC's approval is no longer one of the conditions precedent under the New Disposal Agreement, we concur with the Directors that terminating the Original Disposal Agreement and entering into the New Disposal Agreement will reduce the uncertainty and hurdle to complete the Disposal.

LETTER FROM OCTAL CAPITAL LIMITED

Major terms of the New Disposal Agreement are summarized as below:

Date: 3 March 2022

Parties:

1. The Company, as the vendor;
2. Sichuan Road and Bridge, as the purchaser;
3. Shudao Investment, as the performance guarantor of the Target Company

Subject Matter:

The Company agreed to sell and Sichuan Road and Bridge agreed to purchase the Sale Equity, being 5% equity interest in the Target Company.

Consideration and Payment:

The consideration of the Sale Equity is RMB369,195,000, which was determined with reference to the appraised market value of RMB7,383,900,000 of 100% equity interest in the Target Company as at 30 September 2021 as appraised by the Independent Valuer using the income approach as set out in the Asset Valuation Report, and the corresponding appraisal value of the Sale Equity was RMB369,195,000.

The consideration for the Sale Equity shall be paid by Sichuan Road and Bridge to the Company in the following manner in cash:

- (i) 50%, being RMB184,597,500, payable to the designated account of the Company within 10 business days after the New Disposal Agreement becomes effective;
- (ii) The remaining 50%, being RMB184,597,500, payable to the designated account of the Company within 10 business days from the date of the Completion.

Transitional Period Arrangement

If the net assets of the Target Company increase during the Transitional Period, the corresponding increase of the Sale Equity shall be attributable to Sichuan Road and Bridge. If the net assets of the Target Company decrease due to losses or other reasons during the Transitional Period, the corresponding decrease of the Sale Equity shall be made up by the Company to Sichuan Road and Bridge in cash.

LETTER FROM OCTAL CAPITAL LIMITED

The net assets of the Target Company as at the date of Completion shall be based on the audited report of the Target Company to be issued by an auditor engaged by Sichuan Road and Bridge, and the Company shall pay the shortfall amount in cash within 10 days from the date of the issuance of such report.

The Directors consider that the Target Group is operating in its ordinary and usual course of business with proven profitability. According to the audited financial information of the Target Group for the year ended 31 December 2021, we noticed that the financial performance has maintained steady subsequent to 30 September 2021, and the audited net asset value of the Target Group increased from approximately RMB3,108 million as at 30 September 2021 to approximately RMB3,375 million as at 31 December 2021. Having considered the financial performance and financial position of the Target Group and its contract pipeline, we concur with the Directors that there should not be any material adjustment to the consideration of Sale Equity and shall not cause material adverse impact to the Group.

Profit guarantee and asset value guarantee:

Shudao Investment will guarantee the Target Company's (1) profit during the Performance Commitment Period; and (2) asset value upon the expiry of the Performance Commitment Period and the total amount of compensation (including profit guarantee and impairment compensation) payable by Shudao Investment to Sichuan Road and Bridge under the New Disposal Agreement shall not exceed the aggregate consideration of Sale Equity. The Company is not required to reimburse or refund such compensation in relation to the aforesaid profit guarantee and/or asset value guarantee to Shudao Investment in any form.

For further details of the terms of the New Disposal Agreement, please refer to the Letter from the Board.

5. Reasons for and the benefits of the Disposal

Apart from the principal businesses of the Company, the Company makes equity investments in other companies from time to time and review its investment portfolio to optimize its investment return. As at 31 December 2021, the Company recorded equity investment designated at fair value through other comprehensive income of approximately RMB449 million in which fair value of the Sale Equity amounted to approximately RMB346 million. The Company has been holding 5% equity interest of the Target Company as a passive and strategic investor since 2017 with an aggregate investment cost of RMB100.0 million. Since the Company only holds a minority stake in the Target Company without control or insignificant influence, the Company did not participate in the daily management or operation of the Target Group. The business of the Target Group is clearly delineated from the core business operation of the Group i.e the operation of expressways and a high-grade toll bridge in the PRC. We therefore concur with the Directors that disposing the equity interest in the Target Company shall not have any material negative impact to the operation of the Group's principal business and hinder the future business development of the Group after the completion of the Disposal.

LETTER FROM OCTAL CAPITAL LIMITED

The Company has been realizing its investment in the Target Company since 2013. After the Company disposed certain equity interests in the Target Company in 2013 and 2017, the Company's shareholding in the Target Company reduced from 95% to 5%. As disclosed in the Company's announcement dated 31 March 2017, the Company was consolidating its resources and strengthening its principal business of toll roads and bridges, therefore the Company gradually reduced its shareholding in the Target Company. In line with the Company's business objective to focus on the development of toll roads and bridges segment, the Company decided to realize its investment in the Target Company with a return to the Company at this stage.

Although the Company witnessed the growing profitability of the Target Group during the past two years, the Company did not receive any cash dividend from the Target Group. Pursuant to the New Disposal Agreement, the Company disposes its 5% equity investment of the Target Company for cash of RMB369.2 million. The Company not only realizes its investment in a private company, but also improves its cash position to supplement its working capital. Upon the Completion, the Company is expected to receive net proceeds of RMB368.6 million through two instalments. Subject to that the Company obtains its relevant approval for the Disposal from the Stock Exchange and the SSE, and the approval from the Independent Shareholders, the first half of the consideration of Sale Equity will be received with 10 business days after the New Disposal Agreement becomes effective, and the other 50% of the consideration of the Sale Equity will be received within 10 business days from the date of the Completion.

Pursuant to the New Disposal Agreement, the completion of the Disposal is subject to the conditions precedent stipulated in the said agreement and is independent from the disposal of the equity interests of the other three shareholders of the Target Company to Sichuan Road and Bridge.

Having considered the above factors, in particular, (i) the Disposal is in line with the Company's investment strategy that the Company always conducts strategic reviews of its business from time to time with a view to maximizing the Shareholders' returns; (ii) the consideration of the Sale Equity represents a premium of approximately 269% to the original investment cost of 5% equity investment in the Target Company; (iii) the Target Company did not declare and pay out any cash dividend to its shareholders despite of its profitability in the past two financial years; while the Disposal allows the Company to realize its investment in the Target Company in cash and can immediately replenish the Group's working capital; and (iv) even there may be a complete change in the shareholding structure of the Target Company in the near future, it is commercially beneficial for the Company to dispose its passive investment in the Target Company for cash consideration, we concur with the Directors that the rationale behind the Disposal is in the interest of the Company and the Shareholders as a whole.

6. Analysis of the consideration of the Sale Equity

Valuation of the Target Company

The equity interest of the Target Company is appraised by the Independent Valuer which is engaged by Sichuan Road and Bridge and the three existing shareholders of the Target Company (i.e Sichuan Expressway Construction and Development, STAE, Sichuan Port and Channel Development). According to the Asset Valuation Report, the appraised value of 100% equity interest of the Target Company as at 30 September 2021 was RMB7,383,900,000 and the corresponding appraised value of the 5% equity interest of the Target Company held by the Company is RMB369,195,000. The section below will further discuss our review on the Asset Valuation Report.

a. Qualification of the Independent Valuer

To assess the expertise and independence of the Independent Valuer, we have (i) reviewed the engagement letter of the Independent Valuer; and (ii) conducted telephone interview with the core team member of the Independent Valuer to understand their experience and relationship with the Company and the valuation methodology.

Based on our discussion with the Independent Valuer, we understand that the Asset Valuation Report is prepared by Ms. Peng Yunxia and Ms. Guan Heng, who are the qualified valuation professionals of the Independent Valuer which is a firm established upon approval of the Ministry of Finance of the PRC to provide asset valuation services in the PRC. We also understand that the team members of the Independent Valuer have relevant working experience in valuation projects for merger and acquisition and disposal of equity interest transactions for the listed companies in Hong Kong and the PRC. The valuation methodologies of these valuation projects included income approach, asset-based approach and/or market approach to derive the market value of the valuation target. We are satisfied with their qualification and experience for the preparation of the Asset Valuation Report. The Independent Valuer has confirmed that it is an independent third party of the Company and its connected persons. Based on our discussion with the Independent Valuer and our review of their scope of work, we are not aware of any matters that could cause us to have doubts on the expertise and independence of the Independent Valuer and the scope of valuation work in relation to the business valuation of the equity interest of the Target Company.

LETTER FROM OCTAL CAPITAL LIMITED

b. Methodologies and assumptions

In assessing the fairness and reasonableness of the appraised value of the Sale Equity, we have reviewed the Asset Valuation Report, the basis and assumptions made and the methodology adopted by the Independent Valuer in preparing the valuation. Details of the assumptions are set out in the Asset Valuation Report as contained in Appendix I to the Circular.

We note that the Independent Valuer has considered different valuation methodologies for the valuation of the Sale Equity.

As advised by the Independent Valuer, the income approach was considered as an appropriate methodology in assessing the value of the Sale Equity given that the Target Group has a portfolio of secured construction contracts on hand. We understand that the Independent Valuer have also considered the market approach and asset-based approach. Under the asset-based approach, the value is established based on the revaluation results of assets and liabilities of the Target Company without considering its future cashflow. Under the market approach, the business value of the Target Company is established with reference to companies with similar business nature, business model and operating scale of the Target Company. However, there are insufficient number of suitable A-share listed companies/ comparable transactions for such valuation purpose. Thus, the Independent Valuer is of the view that asset-based approach and market approach are less appropriate for valuing the Sale Equity. Having considered the limitations of the asset-based approach and the market approach, we concur with the Independent Valuer in adopting the income approach for the purpose of the Asset Valuation Report.

We furthered understand that the valuation is derived from the cash flow forecast of the Target Company for the period from October 2021 to December 2026 plus a terminal value and the valuation was mainly prepared with reference to the audited financial information of the Target Group for FY2019, FY2020 and the nine months ended 30 September 2021, the existing construction contracts on hand and the business development plan formulated by the Target Company. We understand that the forecasted revenue of the Target Company for the period from October 2021 to December 2026 has been derived from the Target Company's secured contracts and represented around 94% of the unrecognized revenue of the secured construction contracts of the Target Company. The forecasted net profit margin has been taken into account of the historical cost structure and maintained at a stable range. The Independent Valuer advised that the terminal value was derived from a zero perpetual growth rate because the business sale of the Target Company is assumed to be stable based on its operation capacity and capital capacity. Having considered that around 94% of the secured contracts have been reflected in the valuation model and the Target Company will maintain a stable operation level from a long-run perspective, it is reasonable and prudent to adopt a zero perpetual growth rate from 2027 onwards.

LETTER FROM OCTAL CAPITAL LIMITED

During our telephone interview with the Independent Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Asset Valuation Report. We also concur with the Independent Valuer that the valuation methodology adopted by the Independent Valuer is a common approach and normal market practice for determining the appraised value of the equity interest of an operating company.

Having considered that (i) the Independent Valuer is independent from the Company and the other three vendors, and has relevant experiences in conducting the valuation similar to the Target Group; (ii) the methodologies and the key assumptions adopted by the Independent Valuer for the Asset Valuation Report are commonly adopted in the market and are made with reference to the relevant valuation standards in the PRC; (iii) the data of the valuation was mainly made reference to the audited financial information of the Target Company and the financial information of the Target Company adopted in the valuation model were prepared by the Target Company's management; and (iv) the consideration of the 95% equity interest of the Target Company also made reference to the Asset Valuation Report, we consider that the Asset Valuation Report is appropriate for the Directors in determination of the consideration of the Sale Equity.

7. Financial effect of the Disposal

Net asset value

Upon the Completion, the Company will cease to hold any equity interest in the Target Company.

Taking into account of (i) the fair value of the Sale Equity of approximately RMB345.7 million as at 31 December 2021 and (ii) the estimated net proceeds of approximately RMB368.6 million (excluding the professional fees and other related expenses in relation to the Disposal), the net asset values of the Group will be increased by approximately RMB22.9 million (subject to audit and excluding the impact of taxation) upon the Completion.

Working capital

The consideration of the Sale Equity will be settled in cash through two instalments before and within 10 days after the Completion. The estimated net proceeds is approximately RMB368.6 million. After the consideration of the Sale Equity is the fully settled, the working capital of the Group will be increased by approximately RMB368.6 million (subject to audit).

LETTER FROM OCTAL CAPITAL LIMITED

Earnings

Assuming the Completion took place on 31 December 2021, it is estimated that there will be a gain before tax of approximately RMB22.9 million (subject to audit) arising from the Disposal, being the estimated net proceeds of approximately RMB368.6 million minus the fair value of the Sale Equity of approximately RMB345.7 million as at 31 December 2021.

It should be noted that the afore-mentioned analyses are for illustrative purpose only and do not purport to represent how the financial results and the financial position of the Group will be upon the Completion.

Opinions and Recommendation

Having considered the above principal factors and reasons, we consider that entering into the New Disposal Agreement is not in the ordinary and usual course of business of the Group because of its “one-off” nature. Nevertheless, the terms of the New Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung

Managing Director

Wong Wai Leung

Executive Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions of listed companies in Hong Kong subject to the compliance to the Listing Rules and the Takeovers Code. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer of Type 9 (asset management) regulated activities. Mr. Wong has accumulated decades of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

The following is the English translation of the asset valuation report prepared for the purpose of incorporation in this circular received from Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd., an independent certified PRC valuer, in connection with its valuation of the 100% equity interest in the Target Company as at 30 September 2021.

**This asset valuation report is prepared in accordance
with the Asset Valuation Standards of the PRC**

**THE PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN SICHUAN
TRANSPORTATION CONSTRUCTION GROUP CO., LTD.*(四川省交通建設集團
股份有限公司) BY SICHUAN ROAD AND BRIDGE (600039.SH)**

ASSET VALUATION REPORT

Chuang Hua Heng Ping Bao [2022] No. 9

Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd.

24 January 2022

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STATEMENT

- I. This asset valuation report is prepared in accordance with the Basic Standards for Asset Valuation issued by the Ministry of Finance and the Practicing Standards for Asset Valuation and the Code of Ethics for Asset Valuation issued by the China Appraisal Society.
- II. The clients or other users of this asset valuation report shall use this asset valuation report in accordance with the provisions of laws and administrative regulations as well as the scope of use indicated herein. Where the clients or other users of this asset valuation report use this asset valuation report in violation of the preceding provisions, Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd. and its asset valuation professionals shall bear no liability therefor.
- III. This asset valuation report shall be used only by the clients, other users of this asset valuation report as agreed in the asset valuation engagement contract and the users of this asset valuation report stipulated by laws and administrative regulations. Any other institutions or individuals shall not become the users of this asset valuation report.
- IV. The users of this asset valuation report shall correctly understand and use the valuation conclusion, which is not equivalent to the realizable price of the valuation target. The valuation conclusion shall not be considered as a guarantee for the realizable price of the valuation target.
- V. The analysis, judgements and conclusions in the valuation report are subject to the assumption and restrictions set out in the valuation report. The users of this asset valuation report shall pay attention to the hypotheses and conditions precedent establishing the valuation conclusion as well as the special notes and restrictions over use contained herein.
- VI. Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd. and its asset valuation professionals shall abide by the laws, administrative regulations and the Asset Valuation Standards, adhere to the principles of independence, objectivity and justness, and bear the liability for this asset valuation report they have provided according to laws.

- VII. The lists of assets and liabilities involved in the valuation target were declared by the entity valued and confirmed by the entity valued by adopting the signature, affixing the seal or taking other forms allowed by laws. The clients and other concerned parties shall be responsible for the authenticity, integrity and legality of the documents they have provided according to laws.
- VIII. Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd. and the asset valuers are not interested, either presently or expectedly, in the appraised entity contained in this asset valuation report, not interested, either presently or expectedly, in relevant concerned parties, and not biased against relevant concerned parties.
- IX. Asset valuers have carried out on-site inspection on the valuation target and its assets involved in the asset valuation report, paid necessary attention to the legal titles of the valuation targets and its assets involved, verified the information related to the legal titles of the valuation target and its assets involved, and truthfully disclosed the issues identified in the process.

SUMMARY OF ASSET VALUATION REPORT

Important Notice

The content below is extracted from the text of asset valuation report of Chuang Hua Heng Ping Bao [2022] No. 9. For the details of the valuation and corrected understanding and the use of valuation conclusion herein, please refer to the text of the asset valuation report and pay attention to the prerequisite of assumption of valuation conclusion, notes on special issues and restrictions over the use in the asset valuation report.

Purpose of valuation: Sichuan Road and Bridge proposed to acquire 100% equity interests in Sichuan Transportation Construction Group Co., Ltd.* (四川省交通建設集團股份有限公司) (hereinafter referred to as Transportation Construction Group) held by Sichuan Expressway Construction and Development Group Co., Ltd.* (四川高速公路建設開發集團有限公司), Sichuan Tibetan Area Expressway Co., Ltd.* (四川藏區高速公路有限責任公司), Sichuan Expressway Company Limited* (四川成渝高速公路股份有限公司), Sichuan Port and Channel Development Co., Ltd.* (四川省港航開發有限責任公司) in total.

Valuation target: All Shareholders' equity interests of Transportation Construction Group.

Scope of valuation: Assets and liabilities of Transportation Construction Group.

Type of value: market value.

Valuation benchmark date: 30 September 2021.

Valuation methods: Income method, asset-based method. The valuation report adopted the measured results from income method as the valuation conclusion.

Valuation conclusion: On the condition that all the valuation assumptions are fulfilled, the appraisal value of all Shareholders' equity interests of Transportation Construction Group is RMB7,383,900,000, representing an increase of RMB4,349,273,000 or 143.32% as compared to the carrying value of RMB3,034,627,000.

Without taking into account the control premium and the non-control discount, the market value of the equity interest in Transportation Construction Group held by each of the shareholders as at the Valuation Benchmark Date is specified as follows:

No.	Names of shareholders	Shareholdings	Equity value
1	Sichuan Expressway Construction and Development Group Co., Ltd.	51.00%	376,578.90
2	Sichuan Expressway Company Limited	5.00%	36,919.50
3	Sichuan Port and Channel Development Co., Ltd.	5.00%	36,919.50
4	Sichuan Tibetan Area Expressway Co., Ltd.	39.00%	287,972.10
	Total	100%	738,390.00

Validity of valuation conclusion: the valuation conclusion in this valuation report shall be valid for one year, commencing from the Valuation Benchmark Date being 30 September 2021 and ending on 29 September 2022.

Special Explanation:

(I) Incomplete title or defectiveness

The gross floor area of the two buildings to be valued is 563.21 m², the owner of the title of the buildings and the state-owned land as set out in the state-owned land use certificate is “Sichuan Trading Construction Engineering Co., Ltd.* (四川交投建設工程股份有限公司)”, which has not yet been changed to “Sichuan Transportation Construction Group Co., Ltd.* (四川省交通建設集團股份有限公司)”, therefore, the title has defectiveness; in the valuation, we assumed that the title holder is complete, and there are no legal obstacles in the title, without taking into consideration the influence of the potential expenses for completing the title on the appraised value.

(II) Litigation

- On 21 November 2020, Zhang Meng, a staff of the Project Department of Chengdu-Mianyang TJ5 Project of Transportation Construction Group, had a serious traffic accident when driving, causing death of three persons and injury of one. As confirmed by the traffic police, Zhang Meng, the driver, was driving drunk, without valid driving license, and should be fully responsible for the accident. The families of the deaths filed a lawsuit against Zhang Meng in March 2021, requesting for a judgment to sentence Zhang Meng, Transportation Construction Group, Chengdu Tianshi Car Services Co., Ltd. (成都市田世汽車服務有限公司), Ping An Property & Casualty Insurance Company of China, Ltd., Chengdu Jincheng Branch (中國平安財產保險股份有限公司成都市錦城支公司), Han Xuelin (韓學林) to compensate RMB1,403,600, and assume the litigation costs. Pursuant to the results of the trial of second

instance, Transportation Construction Group was sentenced to compensate RMB1,051,800, Han Xuelin to compensate RMB133,300; up to now, Transportation Construction Group considers that mistakes have existed in confirming the duty behavior of Zhang Meng, and is applying for retrial. For reason of the principle of prudence, Transportation Construction Group has made provision for relevant costs based on the results of the trial of second instance.

2. Guizhou Qiantongxin Construction Labor Services Co., Ltd., the labor cooperating unit for the S2-2 Project in the construction of Mabian-Zhaojue Section of Lexi Expressway of Transportation Construction Group, had signed a sand purchasing agreement with Aru Weiha, a local villager. Aru Weiha occupied the land which was for temporary use by Project Department of Transportation Construction Group to exploit sand, and subsequently was found out and the exploitation was suspended for environmental problems. In August 2021, Guizhou Qiantongxin Construction Labor Services Co., Ltd. filed a lawsuit, requesting for a judgment to terminate the contract and ask Aru Weiha to move away from the site of the project; in October 2021, Aru Weiha filed a counterclaim, requesting for an order to sentence Guizhou Qiantongxin Construction Labor Services Co., Ltd. to compensate the sand plant for a loss of RMB1,228,000, and subsequently added Transportation Construction Group as the third party. The case is in the process of trial. Transportation Construction Group will participate in the litigation as the third party and will assume no liabilities.
3. In 2019, Transportation Construction Group was constructing a culvert bridge at a river in Group 1, Zhongcun Village, Yimen Township, Huili County, for construction of TJ1-3 Project of Dechang-Huili Expressway. In August to September 2020, a heavy rain led to the rise of water level there and the floods surged over the land, causing the Sichuan pepper seedlings planted in Hou's Family Farm in Huili County drowned twice, and as confirmed by the town government, damage area was 8.521 mu. In January 2021, Hou's Family Farm filed a lawsuit, requesting for a judgment to sentence Transportation Construction Group to compensate for a loss of RMB1,661,600 and pay a cost of RMB10,000 for land restoration. In August 2021, the judgment of first instance was that Transportation Construction Group should pay Hou's Family Farm for a loss of RMB913,000. In September 2021, Transportation Construction Group instituted an appeal, and up to now, the trial of second instance is not yet in session. Transportation Construction Group has made provision for the payables based on the results of judgment of first instance.

4. On 2 September 2021, 14 entities and individuals including Luding County Marine Construction Auxiliary Materials Factory filed a lawsuit to the People's Court of Luding County for dispute over goods payment, requesting for a judgment to sentence Transportation Construction Group to pay the principal and interest amounting to RMB4,410,800. Transportation Construction Group was the contractor of the C16-1 Project of Ya'an-Kangding Expressway. During the course of completing its subcontracting work, Sichuan Puguang Construction & Engineering Co., Ltd. (四川普廣建設工程有限公司), the cooperation unit of the Project Department of Transportation Construction Group, purchased materials and leased premises from many units and individual businesses from time to time in the name of Transportation Construction Group, but did not pay in a timely manner; since the C16 Project of Ya'an-Kangding Expressway has been completed and the construction payment due to Sichuan Puguang Construction & Engineering Co., Ltd. has been settled, Transportation Construction Group requested to list Sichuan Puguang Construction & Engineering Co., Ltd. as the second defendant, and the court has agreed. From the current view, it is more likely that Sichuan Puguang Construction & Engineering Co., Ltd. will be held liable by the court. Even if Sichuan Puguang Construction & Engineering Co., Ltd. does not assume the payment obligation in the court judgment or execution, as the People's Court of Luding County has preserved and frozen RMB3.5 million out of the RMB8.76 million of deposit payable by Sichuan Puguang Construction & Engineering Co., Ltd. in Transportation Construction Group, Transportation Construction Group can still make Sichuan Puguang Construction & Engineering Co., Ltd. assume the responsibility through direct negotiation or litigation, etc. As at the date of the valuation report, the case was in the process of first instance.

As the contingent liabilities involved in these litigation have been accrued in the accounts, the impact of litigation contingencies on the valuation conclusion has been taken into consideration in the valuation.

(III) Other matters

The structures declared to be valued in the valuation are the buildings at Ziyang Mixing Plant. On 8 June 2021, Transportation Construction Group and the Management Committee of Ziyang High-Tech Industrial Park entered into the Agreement on Monetary Compensation for Relocation of Enterprise Premises, pursuant to which, the total amount of compensation for the buildings, structures and auxiliary facilities at Ziyang Mixing Plant was RMB7,978,600 as agreed. The buildings on the ground were demolished in October 2021, and in the valuation, the appraised value was determined at the agreed compensation amount.

(IV) Subsequent equity investments

1. On 19 October 2021, Transportation Construction Group, Sichuan Expressway Group and Chengdu Huachuan Highway Construction Group Co., Ltd. (成都華川公路建設集團有限公司) jointly invested in and established Sichuan Dazhou Bypass Western Section Expressway Co., Ltd. (四川達州繞城西段高速公路有限責任公司), with a registered capital of RMB100 million, in which Transportation Construction Group holds 1% equity interest;
2. On 15 November 2021, Transportation Construction Group invested in and established a wholly-owned subsidiary, Sichuan Jiaojian Tongda Construction Co., Ltd. (四川交建通達建設有限責任公司), with a registered capital of RMB30 million;
3. On 16 November 2021, Transportation Construction Group and Sichuan Jiaotou Logistics Co., Ltd. (四川交投物流有限公司) jointly invested in and established Sichuan Lu'an Shi New Materials Technology Co., Ltd. (四川路安適新材料科技有限公司), with a registered capital of RMB200 million, in which Transportation Construction Group holds 20% equity interest;
4. On 19 November 2021, Transportation Construction Group and Leibo County Jinshajiang State-owned Assets Operation Co., Ltd. (雷波縣金沙江國有資產經營有限公司) jointly invested in and established Sichuan Jiaojian Qianwanguan Mining Co., Ltd. (四川交建千萬貫礦業有限責任公司), with a registered capital of RMB30 million, in which Transportation Construction Group holds 51% equity interest;
5. On 1 December 2021, Transportation Construction Group and Sichuan Jiaotou Logistics Co., Ltd. (四川交投物流有限公司) jointly invested in and established Sichuan Steel Structure Smart Manufacturing Co., Ltd. (四川省鋼構智造有限公司), with a registered capital of RMB10 million, in which Transportation Construction Group holds 99% equity interest;
6. On 19 November 2021, Transportation Construction Group invested in and established a wholly-owned subsidiary, Sichuan Jiaojian Siping Mining Co., Ltd. (四川交建寺坪礦業有限公司), with a registered capital of RMB10 million.

As the future business model and scale of operation of these newly established companies are uncertain and their future earnings are difficult to be reasonably predicted, in the valuation, the impact of these subsequent events on the valuation conclusion has not been taken into consideration.

**100% EQUITY INTERESTS OF SICHUAN TRANSPORTATION
CONSTRUCTION GROUP CO., LTD.* (四川省交通建設集團股份有限公司) TO BE
PURCHASED BY SICHUAN ROAD AND BRIDGE (600039.SH)**

ASSET VALUATION REPORT

Chuan Hua Heng Ping Bao [2022] No. 9

Sichuan Road and Bridge (Group) Co., Ltd.* (四川路橋建設集團股份有限公司), Sichuan Expressway Construction and Development Group Co., Ltd.* (四川高速公路建設開發集團有限公司), Sichuan Tibetan Area Expressway Co., Ltd.* (四川藏區高速公路有限責任公司), Sichuan Port and Channel Development Co., Ltd.* (四川省港航開發有限責任公司) :

Under your commission and in accordance with laws, administrative regulations and asset valuation standards, Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd. (hereinafter referred to as Sichuan TianJianHuaHeng) has conducted a valuation on the market value of all the shareholders' equity of Sichuan Transportation Construction Group Co., Ltd.* (四川省交通建設集團股份有限公司) involved in the asset to be purchased of Sichuan Transportation Construction Group Co., Ltd.* (四川省交通建設集團股份有限公司) as at 30 September 2021 by adopting the income approach and asset-based approach and following necessary valuation process. The report on the asset valuation is as follows:

**I. OVERVIEW OF THE CLIENTS, THE ENTITY EVALUATED AND OTHER USERS
OF THE ASSET VALUATION REPORT AS AGREED IN THE ASSET VALUATION
ENGAGEMENT CONTRACT**

(I) Clients

1. Client A

Name: Sichuan Road and Bridge (Group) Co., Ltd.* (四川路橋建設集團股份有限公司)

(Abbreviation: Sichuan Road and Bridge (600039.SH))

Type: other joint stock limited company (listed)

Domicile: F-59, Science and Technology Industrial Park, No. 11 Gaopeng Avenue,
High-tech Zone, Chengdu

Office address: No. 12 Jiuxing Avenue, High-tech Zone, Chengdu, Sichuan Province

Legal representative: Xiong Guobin (熊國斌)

Registered capital: RENMINBI FOUR BILLION, SEVEN HUNDRED AND SEVENTY-FIVE MILLION, FOUR HUNDRED AND THIRTY THOUSAND, TWO HUNDRED AND EIGHTY-NINE

Date of establishment: 28 December 1999

Term of operation: from 28 December 1999 to long term

Main business scope: (the following scope does not include the pre-licensing projects, and the post-licensing projects shall be operated in accordance with the permits or approval documents) project investment and asset management; expressway management; highway engineering, bridge engineering, tunnel engineering, housing construction, municipal public engineering, highway transportation engineering, earthwork engineering, power engineering, electromechanical installation engineering, foundation and foundation engineering, ready-mixed commercial concrete, precast concrete components, building decoration and renovation engineering; engineering survey and design: surveying and mapping services; planning management; engineering management services: leasing and maintenance of construction machinery; production of building materials: wholesale and retail of commodities: property management. (For the projects requiring approval according to laws, the operating activities can only be carried out upon approval from relevant authority(ies)).

2. *Client B*

Name: Sichuan Expressway Construction and Development Group Co., Ltd.* (四川高速公路建設開發集團有限公司)

(Abbreviation: Sichuan Expressway Group)

Type: limited liability company (solely owned by legal person invested or controlled by a non-natural person)

Domicile: No. 90 First Section of Second Ring Road West, Wuhou District, Chengdu

Legal representative: He Gang (何剛)

Registered capital: RMB9,441,277,000

Date of establishment: 21 July 1992

Term of operation: 21 July 1992 to long term

Principal scope of business: (the following scope does not include the pre-licensing projects, and the post-licensing projects shall be operated in accordance with the license or approval documents) investment, construction, operation and management of highways and related supporting facilities; civil engineering and construction industry; road transportation industry; development of tourism resources; wholesale and retail of goods; automobile repair and maintenance; automobile leasing; real estate development and operation; property management; accommodation industry; catering industry; project investment (not allowed to engage in financial activities such as illegal fund-raising and absorbing public funds); software and information technology service industry; conference and exhibition services; photography services; advertising industry; technology promotion services; internet and related services. (For the projects requiring approval according to laws, the operating activities can only be carried out upon approval from relevant authority(ies)).

3. *Client C*

Name: Sichuan Tibetan Area Expressway Co., Ltd.* (四川藏區高速公路有限責任公司)

(Abbreviation: STAE)

Type: limited liability company (solely owned by legal person invested or controlled by a non-natural person)

Domicile: 12/F, No. 90 First Section of Second Ring Road West, Wuhou District, Chengdu

Legal representative: Chen Bo (陳渤)

Registered capital: RMB10,000,000,000

Paid-in capital: RMB100,000,000

Date of establishment: 6 August, 2013

Term of operation: from 6 August 2013 to long term

Main business scope: (the following scope does not include the pre-licensing projects, and the post-licensing projects shall be operated in accordance with the permits or approval documents) project investment and asset management; expressway management; highway engineering, bridge engineering, tunnel engineering, housing construction, municipal public engineering, highway transportation engineering, earthwork engineering, power engineering, electromechanical installation engineering, foundation and foundation engineering, ready-mixed commercial concrete, precast concrete components, building decoration and renovation engineering; engineering survey and design: surveying and mapping services; planning management; engineering management services: leasing and maintenance of construction machinery; production of building materials: wholesale and retail of commodities: property management. (For the projects requiring approval according to laws, the operating activities can only be carried out upon approval from relevant authority(ies)).

4. Client D

Name: Sichuan Port and Channel Development Co., Ltd.*(四川省港航開發有限責任公司)

(Abbreviation: Sichuan Port and Channel Development)

Type: limited liability company (solely owned by legal person invested or controlled by a non-natural person)

Domicile: 2/F, No. 231 Dashi Road West, Wuhou District, Chengdu

Legal representative: Luo Zongqua (羅宗全)

Registered capital: RMB3,600,000,000

Paid-in capital: RMB3,600,000,000

Date of establishment: 26 June 1996

Term of operation: from 26 June 1996 to long term

Principal scope of business: general business items (the following scope does not include the pre-licensing projects, and the post-licensing projects shall be operated in accordance with the license or approval documents): water conservancy and inland river port engineering construction; power generation; warehousing; special equipment manufacturing; public facilities management; business service; leasing; real estate development and operation; property management; land consolidation; professional technical services; technology promotion and application service. (For the projects requiring approval according to laws, the operating activities can only be carried out upon approval from relevant authority(ies)).

(II) Entity Evaluated

1. *Particulars of registration*

Name: Sichuan Transportation Construction Group Co., Ltd.*(四川省交通建設集團股份有限公司)

(Abbreviation: Transportation Construction Group)

Type: other limited liability company (unlisted)

Domicile: zone A and zone B on 8/F, Sichuan Highway Building, No. 90 First Section of Second Ring Road West, Wuhou District, Chengdu

Legal representative: Chen Liangchun (陳良春)

Registered capital: RMB2 billion

Date of establishment: 19 April 1999

Term of operation: 19 April 1999 to long term

Principal scope of business: permitted projects: various engineering construction activities; general contracting of housing construction and municipal infrastructure projects; highway management and maintenance; construction engineering survey; construction engineering design (for the projects requiring approval according to laws, the operating activities can only be carried out upon approval from relevant authority(ies), and specific licensed projects should be determined by approval documentations or licenses issued by relevant government agencies); general projects such as earth and stone engineering construction; landscaping engineering construction; engineering management services; municipal facilities management; urban afforestation management; sales of cement products; sales of concrete structural components; general machinery and equipment installation services; machinery and equipment leasing; special equipment repairs; general cargo warehousing services (excluding hazardous chemicals and other items that require approval); loading and unloading; sales of smart-based manufacturing equipment (except for projects that are subject to approval in accordance with the laws, the business activities shall be conducted independently with the business licences in accordance with the laws).

2. *Shareholders and shareholding structure*

At the time of the establishment of Transportation Construction Group, the company was named Sichuan Shugong Expressway Engineering Company Limited (Shugong Company). In April 1999, it was jointly established by Sichuan Expressway Company Limited and Sichuan Zhongjiao Import and Export Co., Ltd.* (四川中交進出口有限公司) (previously known as Sichuan Zhenghe Trading Co., Ltd.* (四川正和貿易有限公司)) with an initial registered capital of RMB30,000,000. At the time of the establishment, the shareholders and shareholding structure were as follows:

RMB0'000

No.	Name of shareholder	Contribution amount	Contribution percentage
1	Sichuan Expressway Company Limited	2,850.00	95.00%
2	Sichuan Zhongjiao Import and Export Co., Ltd.* (四川中交進出口有限公司)	150.00	5.00%
	Total	3,000.00	100.00%

In 2004, Sichuan Expressway Company Limited increased the capital of Shugong Company by RMB14,658,600. The shareholders and shareholding structure after the capital increase are as follows:

RMB0'000

No.	Name of shareholder	Contribution amount	Contribution percentage
1	Sichuan Expressway Company Limited	4,315.86	96.64%
2	Sichuan Zhongjiao Import and Export Co., Ltd.* (四川中交進出口有限公司)	150.00	3.36%
	Total	4,465.86	100.00%

In August 2006, it was resolved and approved at the general meeting that Sichuan Zhongjiao Import and Export Co., Ltd.* (四川中交進出口有限公司) transferred 3.36% equity interest in Shugong Company to Sichuan Expressway Company Limited. After the equity transfer, Shugong Company became a wholly-owned subsidiary of Sichuan Expressway Company Limited.

In December 2008, Sichuan Expressway Company Limited increased its capital contribution to Shugong Company to RMB70,000,000.

In September 2012, Sichuan Expressway Company Limited increased its capital contribution to Shugong Company by RMB430,000,000, after which the registered capital of Shugong Company increased to RMB500,000,000.

In April 2013, Sichuan Expressway Company Limited transferred part of its equity interests in Shugong Company to external parties. After the transfer, the shareholders and shareholding structure were as follows:

RMB0'000

No.	Name of shareholder	Contribution amount	Contribution percentage
1	Sichuan Expressway Company Limited	25,500.00	51.00%
2	Sichuan Highway Development Holding Company (四川高速公路建設開發總公司)	19,500.00	39.00%
3	Sichuan Port and Channel Development Co., Ltd.* (四川省港航開發有限責任公司)	5,000.00	10.00%
	Total	50,000.00	100.00%

In May 2013, Shugong Company changed its name to Sichuan Trading Construction Engineering Co., Ltd.* (四川交投建設工程股份有限公司) (hereinafter referred to as Trading Construction Company).

In March 2017, Sichuan Expressway Company Limited transferred part of its equity to external parties. The shareholders and shareholding structure after the transfer are as follows:

No.	Name of shareholder	Number of shares held (0' 000 shares)	Contribution percentage
1	Sichuan Transportation Investment Group Co. Ltd.	23,000.00	46.00%
2	Sichuan Expressway Company Limited	2,500.00	5.00%
3	Sichuan Highway Development Holding Company	19,500.00	39.00%
4	Sichuan Port and Channel Development Co., Ltd.* (四川省港航開發有限責任公 司)	5,000.00	10.00%
	Total	50,000.00	100.00%

In November 2017, Sichuan Port and Channel Development Co., Ltd.* (四川省港航開發有限責任公司) transferred its equity interests to external parties and Trading Construction Company increased its capital. The shareholders and shareholding structure after the transaction are as follows:

No.	Name of shareholder	Number of shares held (0' 000 shares)	Contribution percentage
1	Sichuan Transportation Investment Group Co. Ltd.	54,109.1073	46.00%
2	Sichuan Expressway Company Limited	5,881.4247	5.00%
3	Sichuan Highway Development Holding Company	45,875.1127	39.00%
4	Sichuan Port and Channel Development Co., Ltd.* (四川省港航開發有限責任公 司)	5,881.4247	5.00%
5	Sichuan Tibetan Area Expressway Co., Ltd.* (四川藏區高速公路有限責任公 司)	5,881.4247	5.00%
	Total	117,628.4941	100.00%

In May 2018, with the approval of the general meeting, the capital reserve of RMB82,371.5059 was converted into registered capital in proportion to the shareholding of shareholders. The shareholders and shareholding structure after the capitalisation are as follows:

No.	Name of shareholder	Number of shares held (0' 000 shares)	Contribution percentage
1	Sichuan Transportation Investment Group Co. Ltd.	92,000.00	46.00%
2	Sichuan Expressway Company Limited	10,000.00	5.00%
3	Sichuan Expressway Construction and Development Group Co., Ltd.* (四川高速公路建設開發集團有限公司)	78,000.00	39.00%
4	Sichuan Port and Channel Development Co., Ltd.* (四川省港航開發有限責任公司)	10,000.00	5.00%
5	Sichuan Tibetan Area Expressway Co., Ltd.* (四川藏區高速公路有限責任公司)	10,000.00	5.00%
	Total	200,000.00	100.00%

In December 2020, Sichuan Communications Investment Group Co., Ltd. transferred its equity to external parties. The shareholders and shareholding structure after the equity transfer are as follows:

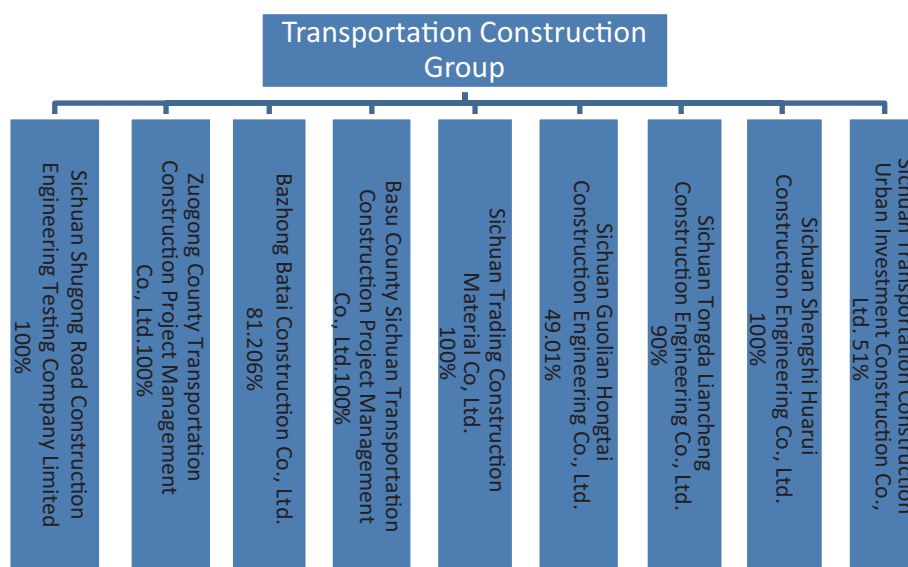
No.	Name of shareholder	Number of shares held (0' 000 shares)	Contribution percentage
1	Sichuan Expressway Construction and Development Group Co., Ltd.* (四川高速公路建設開發集團有限公司)	102,000.00	51.00%
2	Sichuan Expressway Company Limited	10,000.00	5.00%
3	Sichuan Port and Channel Development Co., Ltd.* (四川省港航開發有限責任公司)	10,000.00	5.00%
4	Sichuan Tibetan Area Expressway Co., Ltd.* (四川藏區高速公路有限責任公司)	78,000.00	39.00%
	Total	200,000.00	100.00%

In March 2021, Trading Construction Company was renamed as Sichuan Transportation Construction Group Co., Ltd.* (四川省交通建設集團股份有限公司) (Transportation Construction Group).

As at the Valuation Benchmark Date, there was no change in the shareholders and shareholding structure of Transportation Construction Group.

3. *Organizational structure and asset structure*

Transportation Construction Group has established the corporate governance structure of the general meeting, the board of directors, the supervisory committee and the management, and set up functional departments such as the Engineering Management Department, the Investment Development Department, the Cost Management Department, the Human Resources Department, the Materials and Equipment Department, the Technology and Quality Department, the Market Development Department, the Financial Management Department, the Discipline Inspection Department, the Audit and Legal Department, the Safety and Environmental Protection Department, the Office, the Party and Mass Work Department and the Information Center. It has 9 branches including Intelligent Branch, Highway Branch, Investigation Branch, Traffic Safety Branch, Maintenance Branch, Municipal Branch, Tunnel Branch, Road Branch and Bridge Branch. Details of the principal subsidiaries of Transportation Construction Group are as follows:



Basic information on major subsidiaries of Transportation Construction Group is as follows:

(1) *Subsidiary – Sichuan Shugong Road Construction Engineering Testing Company Limited*

① Registration

Abbreviation: Shugong Testing

Domicile: No. 1, 1/F, Block 3, No. 176 Checheng West 2nd Road, Economic Development Zone (Longquanyi District), Chengdu, Sichuan Province

Legal representative: Ni Jianjun (倪建軍)

Company type: limited liability company (solely owned by legal person invested or controlled by a non-natural person)

Registered capital: RMB30 million

Date of establishment: 11 June 2010

Term of operation: From 11 June 2010 to long term

Shugong Testing has obtained the business license with the unified social credit code of 91510112556439916C. Its business scope is: quality inspection of construction projects and technical consulting services; technology promotion services; information system integration services; research and development and leasing of machinery and equipment; environmental protection monitoring; engineering measurement monitoring; engineering survey services.

② Shareholder and Shareholding Structure

Shugong Testing is a wholly-owned subsidiary established in 2010 by Sichuan Trading Construction Engineering Co., Ltd.*(四川交投建設工程股份有限公司), the predecessor of Transportation Construction Group, with an initial registered capital of RMB2,000,000. After the capital increase in 2012, the registered capital was changed to RMB30,000,000. As of the Valuation Benchmark Date, there was no change in the shareholding structure of Shugong Testing.

③ Organizational Structure

Shugong Testing has established the corporate governance structure of executive directors and general manager, and set up functional departments such as the General Management Department, the Financial Management Department, the Safety and Quality Department, the Machinery Management Department, the Materials Testing Department, the On-site Inspection Department and the Production and Operation Department.

④ Assets, Financial and Operating Conditions in Recent Years

RMB0'000

Item	2019A	2020A	2021(1-9)A
Assets	7,129.81	10,449.51	10,139.38
Liabilities	3,591.09	6,533.69	5,696.10
Shareholders' equity	3,538.72	3,915.82	4,443.28
Operating revenue	5,600.67	6,487.43	6,633.39
Net profit	-80.74	412.10	527.45

Note: the above data are extracted from the audited financial statements.

⑤ Major Products (or Services)

Shugong Testing is principally engaged in construction project quality inspection and technical consulting services, environmental protection monitoring, project measurement monitoring and project measurement services.

⑥ Major Assets

The main assets are fixed assets of machinery and equipment, including machinery and equipment, vehicles and electronic equipment, among which 1079 sets of machinery and equipment, 19 sets of vehicles and 383 sets of electronic equipment, all of which are in normal operating conditions.

(2) *Subsidiary – Sichuan Trading Construction Material Co., Ltd.*

① Registration

Abbreviation: Trading Construction Material

Domicile: No. 804, 8/F, Unit 1, Block 2, No. 14 Jiuxing Avenue, Gaixin District, Chengdu, Sichuan Province

Legal representative: Wang Gang (王剛)

Company type: limited liability company (solely owned by legal person invested or controlled by a non-natural person)

Registered capital: RMB28 million

Date of establishment: 18 May 2020

Term of operation: from 18 May 2020 to long term

Trading Construction Material has obtained a business license with a unified social credit code of 91510100MA69EEY903. Its business scope includes: ordinary freight (without relevant administrative permission (approval), no business activities shall be carried out); sales of construction materials; wholesale of hardware products; retail of hardware products; sales of metal products; sales of special electronic equipment; sales of power electronic components; sales of building waterproofing coils products; sales of building decoration materials; general cargo warehousing services (excluding hazardous chemicals and other items subject to approval); sales of cement products; sales of coal and products; sale of metal structures; sales of security equipment; sale of fire-fighting equipment; sales of electronic products; recycling of renewable resources (excluding productive scrap metals); bidding agency services; supply chain management services; information consulting services (excluding licensed information consulting services); sale of metal ores; sales of specialised chemical products (excluding hazardous chemicals); gasoline; diesel [closed cup flash point $\leq 60\text{ }^{\circ}\text{C}$]; methanol gasoline; ethanol gasoline ***** (operates within the validity period with the license); mining of mineral resources (non-coal mines) (No

business activities shall be carried out without obtaining the relevant administrative license (approval)). (For the projects requiring approval according to laws, the operating activities can only be carried out upon approval from relevant authority(ies))

② Shareholder and Shareholding Structure

Trading Construction Material is a wholly-owned subsidiary established in 2020 by Sichuan Trading Construction Engineering Co., Ltd.*(四川交投建设工程有限公司), the predecessor of Transportation Construction Group, with an initial registered capital of RMB28,000,000. As at the Valuation Benchmark Date, the shareholding structure of Transportation Construction Group remained unchanged.

③ Organizational Structure

Trading Construction Material has established the corporate governance structure of executive director and general manager, and set up functional departments such as production and operation department, investment and development department, financial management department, general office and settlement center.

④ Assets, Financial and Operating Conditions in Recent Years

RMB0'000

Item	2020A	2021(1-9)A
Assets	40,825.46	64,908.56
Liabilities	37,746.11	65,244.99
Shareholders' equity	3,079.35	-336.43
Operating revenue	8,126.23	36,372.07
Net profit	279.35	-3,415.78

Note: the above data are extracted from the audited financial statements.

⑤ Major Products (or Services)

Trading Construction Material is principally engaged in mining and sales of sand and gravel, and trading of construction materials such as gravel, cement and wood cellulose.

⑥ Major Assets

The major assets of Trading Construction Material are 1 mining right and 1 sand excavation right. Basic information is as follows:

A/Limestone Mine in Qingfeng Village, Jianfeng Town, Qingchuan County, Guangyuan

Mining license no.: C5108002021077150152347; name of mine: limestone mine in Qingfeng Village, Jianfeng Town, Qingchuan County, Guangyuan; holder of mining right: Sichuan Trading Construction Material Co., Ltd.; mining area: 0.3008 km²; mining method: Open-pit Mining; Production Scale: 1.8 million tons/year; validity period: 8.33 years from 26 July 2021 to 26 November 2029; the mining area is defined by 4 turning points and the coordinates of the turning points of the mining area are as follows:

Coordinate table of the turning point of the mining area
(2000 National Earth Coordinate)

No.	X	Y
1	3575153.00	35535125.00
2	3575816.00	35535711.00
3	3575558.00	35535949.00
4	3575021.00	35535579.00

In January 2021, Trading Construction Material acquired the limestone mine in Qingfeng Village, Jianfeng Town, Qingchuan County, Guangyuan by way of auction, which is valid for 8 years and 4 months. The mining height is from 930 meters to 740 meters, and the mining right price is RMB284,400,000. Trading Construction Material has fully paid the amount. As of the Valuation Benchmark Date, the mine has not yet commenced mining.

B/sand mining rights of Minjiang River in Qianwei Section of Leshan City

The sand mining right covers a total of four sand mining areas, which are located in Shihuopen, Shiqiao Dam, Banqiao Dam and Macao Dam in Qianwei County, Leshan City. The reserves of the four sand mining areas are approximately 3,700,000 m³.

In July 2020, the sand mining right was acquired at the auction of “Sand Mining Right of Minjiang River in Qianwei Section of Leshan City” held by Guozi Building, No. 258 Jiazhou Avenue, Leshan City. The price of sand mining right was RMB248,230,000. The sand mining right has obtained the sand mining permit within the validity period, and only the licensed vessels are allowed to operate in the permitted area in accordance with the Regulations of Sichuan Province on the Administration of River Sand Mining. As of the Valuation Benchmark Date, 932,500 m³ has been extracted.

(3) *Subsidiary – Zuogong County Transportation Construction Project Management Co., Ltd.*

① Registration

Abbreviation: Zuogong Company

Domicile: Xiaku Village Committee, Zhayu Town, Zugong County, Changdu City, Tibet

Legal representative: Weng Xuesong (翁雪松)

Company type: limited liability company

Registered capital: RMB50,000

Date of establishment: 23 May 2018

Term of operation: 23 May 2018 to perpetual

Zuogong Company has obtained the business license with the unified social credit code of 91540327MA6TB1FY05. Its business scope includes: municipal engineering, housing construction, highway subgrade, highway pavement, bridge, protection engineering, earthwork engineering, maintenance engineering, traffic safety engineering and river improvement construction (for the projects requiring approval according to laws, the operating activities that can only be carried out upon approval from relevant authority(ies)).

② Shareholder and Shareholding Structure

Zuogong Company was established in May 2018 by Sichuan Trading Construction Engineering Co., Ltd.*(四川交投建設工程股份有限公司), the predecessor of Transportation Construction Group, with an initial registered capital of RMB50,000. As at the Valuation Benchmark Date, there was no change in the shareholding structure of Zuogong Company.

③ Organizational Structure

Zuogong Company has set up a corporate governance body comprising directors, supervisors and general managers, and has functional departments such as engineering department, safety department, machinery department, finance department and general office, which are responsible for the daily operation of Zuogong Company.

④ Assets, Financial and Operating Conditions in Recent Years

RMB0'000

Item	2019A	2020A	2021(1-9)A
Assets	4,419.27	6,717.11	9,356.17
Liabilities	4,190.80	6,310.02	8,795.87
Shareholders' equity	228.47	407.09	560.30
Operating revenue	4,848.45	5,986.14	7,357.48
Net profit	13.40	19.59	-28.01

Note: the above data are extracted from the audited financial statements.

⑤ Major products (or Services)

Zuogong Company is principally engaged in the business of road construction and is a project company. As at the Valuation Benchmark Date, the construction of the project has been completed with less new business.

⑥ Major Assets

The major assets of Zuogong Company are current accounts, including accounts receivable, other receivables and contract assets.

(4) *Subsidiary – Bazhong Batai Construction Co., Ltd.*

① Registration

Abbreviation: Batai Company

Domicile: No. 5, 18/F, Unit 1, Block 11, Enyang Yidu Garden, Wushezhixin, Feifeng Village, Dengke Street Office, Enyang District, Bazhong City, Sichuan Province

Legal representative: Zhou Yongjun (周永軍)

Company type: other limited liability company

Registered capital: RMB10 million

Date of establishment: 13 March 2017

Term of operation: from 13 March 2017 to perpetual

Batai Company has obtained the business license with the unified social credit code of 91511900MA63R2BX3R. Its business scope includes: construction, operation and maintenance of highway subgrade engineering, highway pavement engineering, engineering drainage, bridge engineering, culvert engineering, tunnel engineering and greening engineering; advertising production.

② Shareholder and Shareholding Structure

Batai Company was established in March 2017 and was funded and established by Sichuan Transportation Construction Group Co., Ltd.* (四川省交通建設集團股份有限公司), Bazhong Enyang District Transportation Construction Co., Ltd. (巴中市恩陽區交通建設有限公司) and Jingtong Construction (Group) Company Limited (警通建設(集團)有限公司). The shareholding structure at the time of establishment was as follows:

RMB0'000

Capital Contributor	Capital contribution	Paid-in capital contribution	Capital contribution percentage
Sichuan Transportation Construction Group Co., Ltd.* (四川省交通建設集團股份有限公司)	812.06	812.06	81.206%
Bazhong Enyang District Transportation Construction Co., Ltd. (巴中市恩陽區交通建設有限公司)	136.10	136.10	13.610%
Jingtong Construction (Group) Company Limited (警通建設(集團)有限公司)	51.84	—	5.184%
Total	1,000.00	948.16	100.00%

As at the Valuation Benchmark Date, there was no change in the shareholding structure of Batai Company.

③ Organizational Structure

Batai Company has set up a corporate governance body comprising the general meeting, the board of directors, the board of supervisors and the management. It has set up functional departments such as the general office, the planning and contract department, the engineering technology department, the quality and safety department and the finance department, which are responsible for the daily operation of Batai Company.

④ Assets, Financial and Operating Conditions in Recent Years

RMB0'000

Item	2019A	2020A	2021(1-9)A
Assets	51,406.63	61,744.85	65,056.26
Liabilities	35,020.24	43,770.60	44,786.55
Shareholders' equity	16,386.39	17,974.25	20,269.71
Operating revenue	3,110.29	3,408.74	2,507.79
Net profit	2,302.89	1,587.86	2,295.46

Note: the above data are extracted from the audited financial statements.

⑤ Major products (or Services)

Batai Company is the project company. The major project, Bazhong Enyang Airport Fast Track Project, has been completed and opened to traffic in 2019. As of the Valuation Benchmark Date, there was less new business.

⑥ Major Assets

The major assets of Batai Company include: accounts receivable with a book value of RMB149,463,800, which are receivables from the Transportation Bureau of Bazhong City; The carrying amount of long-term receivables was RMB379,768,800, which was the repurchase payment under the PPP model of the expressway construction project of Enyang Airport in Bazhong City.

(5) *Subsidiary – Basu County Sichuan Transportation Construction Project Management Co., Ltd.*

① Registration

Abbreviation: Basu Company

Domicile: opposite to PetroChina, Baima Xiajie, Basu County, Changdu City, Tibet Autonomous Region

Legal representative: Wang Jun (王俊)

Company type: limited liability company

Registered capital: RMB50,000

Date of establishment: 6 December 2017

Term of operation: from 6 December 2017 to perpetual

Basu Company has obtained the business license with the unified social credit code of 91540326MA6T4LDB6D, and its business scope includes: municipal construction, housing construction, highway subgrade, highway pavement, bridge, protection engineering, earthwork engineering, maintenance engineering, traffic safety engineering, river regulation (for the projects requiring approval according to laws, the operating activities that can only be carried out upon approval from relevant authority(ies)).

② Shareholding Structure and Controlling Right

Basu Company was established in December 2017 with an initial registered capital of RMB50,000 contributed by Transportation Construction Group. As at the Valuation Benchmark Date, there was no change in the shareholding structure of Basu Company.

③ Organizational Structure

Basu Company has set up a corporate governance body comprising directors, supervisors and general manager, and has functional departments such as engineering department, safety department, machinery department, finance department and general office, which are responsible for the daily operation of Basu Company.

④ Assets, Financial and Operating Conditions in Recent Years

RMB0'000

Item	2019A	2020A	2021(1-9)A
Assets	1,884.45	2,510.13	2,183.71
Liabilities	1,737.71	2,110.66	1,875.98
Shareholders' equity	146.74	399.47	307.73
Operating revenue	2,967.83	7,288.89	287.13
Net profit	69.37	226.80	6.66

Note: the above data are extracted from the audited financial statements.

⑤ Major Products (or Services)

Basu Company is a project company and the projects on hand as at the Valuation Benchmark Date have been basically completed with less new business.

⑥ Major Assets

The major asset is the contract assets, which is the project funds from the People's Government of Basu County.

(6) Associate – Sichuan Guolian Hongtai Construction Engineering Co., Ltd.

① Registration

Name: Sichuan Guolian Hongtai Construction Engineering Co., Ltd.

(Abbreviation: Guolian Hongtai)

Domicile: No. 2 Hanlin Road, Jinqiao Town, Pengxi County, Suining City

Legal representative: Peng Weidong (彭衛東)

Company type: other limited liability company

Registered capital: RMB twenty-four million, three hundred and forty thousand

Date of establishment: 25 July 2017

Term of operation: from 25 July 2017 to long term

Guolian Hongtai has obtained the business license with the unified social credit code of 91510921MA64HXPM3E. Scope of business: permitted project: construction work; construction labour subcontracting; PC railway bridge simple support products production; road management and maintenance (for the projects requiring approval according to laws, the operating activities that can only be carried out upon approval from relevant authority(ies), and specific licensed projects that should be determined by approval documentations or licenses issued by relevant government agencies); general projects: construction stone processing; sales of construction materials; sales of building blocks; manufacturing of concrete structure components; sales of concrete structure components; manufacturing of cement products; sales of cement products; construction management services; construction of landscape projects; leasing of construction machinery and equipment; test and testing services for highway water transportation engineering. (Except for projects subject to approval in accordance with the law, business activities shall be carried out independently according to the law with business license)

② Shareholding Structure and Controlling Right

Guolian Hongtai was established in July 2017, which was jointly funded and established by Suining Transportation Construction Investment Co., Ltd. and Sichuan Trading Construction Co., Ltd. The shareholding structure at the time of establishment was as follows:

RMB0'000

Capital Contributor	Capital contribution	Paid-in capital contribution	Capital contribution percentage
Suining Transportation Construction Investment Co., Ltd.	1,241.00	1,241.00	50.99%
Sichuan Trading Construction Co., Ltd.	1,193.00	1,193.00	49.01%
Total	2,434.00	2,434.00	100.00%

As at the Valuation Benchmark Date, there was no change in the shareholders and shareholding structure of Guolian Hongtai.

③ Assets, Financial and Operating Conditions in Recent Years

RMB0'000

Item	2019A	2020A	2021(1-9)A
Assets	9,062.10	7,779.82	5,713.43
Liabilities	7,084.11	5,204.49	3,256.77
Shareholders' equity	1,977.99	2,575.33	2,456.67
Operating revenue	5,623.43	3,022.57	2,033.39
Net profit	136.71	-105.66	-118.66

(7) Non-operating Subsidiaries

The subsidiaries, Sichuan Shengshi Huarui Construction Engineering Co., Ltd., Sichuan Tongda Liancheng Construction Engineering Co., Ltd. and Sichuan Transportation Construction Urban Investment Construction Co., Ltd., did not carry out any business activities.

4. *Principal Business and Operating Licenses*

The principal businesses of Transportation Construction Group include highway engineering construction, highway maintenance and sales of materials. The business model of highway engineering construction includes EPC model, general construction contracting, single construction and PPP projects. The projects participated in mainly include highway construction projects such as Chengziluchi, Suining to Guang' an, Suining to Xichong, Ya' an to Kangding, Kangxin Cross-border Line, Wenchuan to Barkam, Chengziyu and construction of local urban road engineering projects.

Qualifications obtained: Transportation Construction Group has obtained the Construction Enterprise Qualification Certificate (No. D151019171) and possesses the Premium Class Qualification for General Contractor of Highway Engineering Construction, the First Class Qualification for General Contractor of Municipal Public Engineering Construction, the First Class Qualification for Professional Contractor of Bridge Engineering and the First Class Qualification for Professional Contractor of Highway Road Engineering, which is valid until December 31, 2021.

5. *Financial and Operating Conditions for the Previous Financial Year*

	<i>RMB0'000</i>		
Item	2019A	2020A	2021(1-9)A
Assets	672,435.51	1,145,684.22	1,385,803.72
Liabilities	470,378.37	915,273.68	1,074,979.90
Shareholders' equity	202,057.14	230,410.54	310,823.82
Attributable to shareholders of the Company	199,568.46	227,658.15	307,640.03
Operating revenue	490,226.74	1,005,550.70	1,193,521.49
Net profit	294.31	32,959.28	83,560.01
Net profit attributable to shareholders of the Company	-145.07	32,660.58	83,128.61
Net operating cash flows	-27,898.13	86,495.90	104,373.82

Note: the above data are extracted from the audited consolidated financial statements.

6. *Accounting Policies and Taxation*

- (1) Transportation Construction Group implements the Accounting Standards for Business Enterprises issued by the Ministry of Finance.
- (2) The main taxes and tax rates applicable to Transportation Construction Group are as follows:

Tax type	Tax basis	Tax rate
Income tax	Taxable income	15%, 25%*
Value-added tax	The difference between output tax and deductible input tax for the current period	Output VAT is calculated at tax rates of 13%, 9%, 6% and 3% on the taxable income, and is calculated on the difference after deducting deductible input VAT for the current period or 3% on the taxable income.
City maintenance and construction tax	Turnover tax payable	1%, 5%, 7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

* : The parent company of Transportation Construction Group obtained the Certificate of High-tech Enterprise (No. GR202051003001) in December 2020, with a term of three years, and is entitled to a preferential income tax rate of 15% from 2020 to 2022.

According to the Notice on Issuing Certain Provisions of Preferential Policies for Attracting Investment in the Tibet Autonomous Region (for trial implementation) (Zang Zheng Fa [2018] No. 25), which was promulgated by the people's government of Tibet Autonomous Region and the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Reduction and Exemption Policies for Small and Micro Enterprises (Cai Shui [2019] No. 13), Basu Company and Zuogong Company, the subsidiaries, enjoy the local tax preferential policies for the portion of enterprise income tax payable corresponding to the large-scale development of the western region and the tax reduction.

According to the Notice on the Implementation of Inclusive Tax Reduction and Exemption Policies for Small and Micro Enterprises (Cai Shui [2019] No. 13) issued by the Ministry of Finance and the State Administration of Taxation, Basu Company and Zuogong Company, the subsidiaries, enjoy the local tax preferential policy of half payment of the enterprise income tax payable.

Shugong Testing, a subsidiary, is entitled to the Western Development Policy. The income tax rate is 15% when the testing income accounts for more than 60% of the total income.

(III) Relationship between the client and the appraised entity

Sichuan Road and Bridge, the client, is the intended acquirer of Transportation Construction Group;

Sichuan Highway Development Group, Tibetan Highway Company, Port and Shipping Company, the clients, are all shareholders of Transportation Construction Group.

(IV) Other Users of the Asset Valuation Report

The asset valuation engagement contract stipulates that the user of the asset valuation report is the user of the asset valuation report as required by laws and administrative regulations.

II. PURPOSE OF VALUATION

According to the Resolution of the 41st Meeting of the Seventh Session of the Board of Directors of Sichuan Road and Bridge (Group) Co., Ltd. dated 20 October 2021, Sichuan Road and Bridge intends to purchase the 100% equity interests in Transportation Construction Group. In this regard, it is necessary to conduct valuation on the entire shareholders' equity interests of Transportation Construction Group, so as to provide value reference for the assets purchase behavior.

III. TARGET AND SCOPE OF VALUATION

The valuation target is the entire shareholders' equity interests of Transportation Construction Group, and the scope of the valuation is the assets and liabilities owned by Transportation Construction Group.

The target and scope of the valuation are consistent with the valuation target and scope involved in the economic activity. The book value has been audited by ShineWing Certified Public Accountants (Special General Partnership), which has conducted special audit and issued the Audit Report No. XYZH/2022CDAA60006.

(I) On-balance sheet assets and liabilities

RMB0'000

No.	Item	Book value on a consolidated basis	Book value of the parent
1	Current asset	1,202,416.48	1,240,956.70
2	Non-current asset	183,387.24	116,500.32
	Including: long-term receivables	37,976.88	
	long-term equity investment	1,204.09	19,084.55
	Other equity instrument investment	14,703.61	14,703.61
	Fixed assets	10,360.44	8,001.70
	Construction in progress	313.98	313.98
	Right-of-use assets	5,457.76	5,375.00
	Intangible assets	42,882.30	314.98
	Long-term deferred and prepaid expenses	18,537.24	18,266.01
	Deferred income tax assets	5,648.82	4,138.37
	Other non-current assets	46,302.12	46,302.12
3	Total assets	1,385,803.72	1,357,457.02
4	Current liabilities	1,061,950.75	1,044,422.85
5	Non-current liabilities	13,029.15	9,571.47
6	Total liabilities	1,074,979.90	1,053,994.32
7	Shareholders' equity	310,823.82	303,462.70
8	Equity attributable to shareholders of the parent	307,640.03	

(II) Off-balance sheet assets and liabilities

Off-balance sheet assets are the intangible assets that are not recorded in the book, including 90 patents, 73 patent applications and 7 software copyrights of Transportation Construction Group and its subsidiary, Shugong Testing.

There are no off-balance sheet liabilities.

IV. TYPE OF VALUE

Taking into account factors such as the purpose of the valuation, market conditions and the conditions of the valuation target, the type of value of the valuation target is determined as market value.

Market value is defined as the estimated amount of the value for which the valuation target should exchange on the valuation benchmark date between a willing buyer and a willing seller in a normal and arm's length transaction, where the parties have each acted rationally without compulsion. Market value reflects the market as a whole rather than the knowledge and judgment of certain entities in the market on the value of the asset.

V. VALUATION BENCHMARK DATE

The valuation benchmark date of this project is 30 September 2021. The valuation benchmark date is determined by the client.

VI. BASIS FOR VALUATION**(I) Basis for economic behavior**

Minutes of Meeting regarding the Acquisition of Sichuan Transportation Construction Group Co., Ltd.;

(II) Legal and regulatory basis

The Asset Valuation Law of the People's Republic of China (Order No. 46 of the President, the 12th National People's Congress);

The Civil Code of the People's Republic of China (Order No. 45 of the President, the 13th National People's Congress);

The Measures for Administration of State-owned Assets Appraisal (16 November 1991) (State Council Decree No. 91) and its implementation rules;

Regulations on Certain Issues regarding State-owned Assets Valuation Administration (Decree No. 14 of the Ministry of Finance);

Interim Regulations regarding State-owned Assets Supervision and Administration for Enterprises (State Council Decree No. 378);

Interim Measures for the Administration of Valuation of State-owned Assets of Enterprises (Decree No. 12 of SASAC);

The Notice on Strengthening the Administration of Valuation of State-owned Assets of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);

The Company Law of the People's Republic of China (Revised in 2018) (Order No. 8 of the President, the 12th National People's Congress);

Urban Real Estate Administration Law of the People's Republic of China (revised in 2019) (Order No. 32 of the President, the 13th National People's Congress);

The Enterprise Income Tax Law of the People's Republic of China (Order No. 63 of the President, the 10th National People's Congress);

The Resource Tax Law of the People's Republic of China (Order No. 33 of the President)
Notice on the Comprehensive Implementation of the Pilot Program for the Conversion of Business Tax to Value Added Tax (Cai Shui [2016] No. 36);

Decision of the State Council on Repealing the Provisional Regulations of the People's Republic of China on Business Tax and Revising the Provisional Regulations of the People's Republic of China on Value-added Tax (State Council Decree No. 691);

Announcement on Relevant Policies for Deepening Value-Added Tax Reform (Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs No. 39 in 2019);

Measures for the Supervision and Administration of Transactions of State-owned Assets of Enterprises (Decree No. 32 of SASAC and the Ministry of Finance);

Accounting Standards for Business Enterprises issued by the Ministry of Finance;

(III) Standard basis for valuation

Basic Standards for Asset Valuation issued by the Ministry of Finance;

Code of Ethics for Assets Valuation and Practicing Standards for Asset Valuation issued by China Appraisal Society;

(IV) Legal ownership basis

Copies of business license, capital verification report and the Articles of Association

Photocopies of invoices of material equipment purchase contracts and photocopies of motor vehicle licenses;

Copies of patent certificates and software copyright certificates;

Long-term equity investments and other equity investment certification materials;

Copies of major construction contracts;

Right-of-use assets lease contracts;

(V) Pricing basis

Price Network 2021 Price Information Inquiry System for Mechanical and Electrical Products, National Asset Valuation Price Information, ZOL, Alibaba and other price information publications;

Manual of Common Methods and Parameters for Asset Valuation (2011) published by China Machine Press;

Provisions on the Standards for Compulsory Retirement of Motor Vehicles (Order No. 12 in 2012) jointly issued by the MOFCOM, the NDRC, the Ministry of Public Security and the Ministry of Environmental Protection

The Vehicle Purchase Tax Law of the People's Republic of China (Order No. 19 of the President of the People's Republic of China);

Information on financial and accounting operations provided by Transportation Construction Group;

Information on operating income and investment forecast for future years provided by Transportation Construction Group;

Major contracts and agreements provided by Transportation Construction Group;

Financial data and risk indicators of listed companies in the industry provided by Wind Financial Information Terminal;

Other inquiries and parameter information related to the valuation collected, inquired and sorted by the valuers;

(VI) Other reference basis

The Audit Report No. XYZH/2022CDAA60006 issued by ShineWing Certified Public Accountants (Special General Partnership).

VII. VALUATION APPROACHES

(I) Selection of valuation approaches

On the premise of going concern, asset-based approach and income approach were adopted to conduct valuation on the equity value of Transportation Construction Group.

The market approach was not adopted for the following reasons: there was no sufficient number of comparable enterprises and equity transaction cases that were the same as or similar to the Target Company in the capital market, or although there were transaction cases, market information, financial information and other relevant information of such transaction cases were not available.

(II) Specific application of asset-based approach

The specific application of the asset-based approach is based on the individual statements of the parent company.

The asset-based approach refers to the valuation method to determine the value of a company's equity based on the balance sheet of the appraised entity as at the valuation benchmark date, to evaluate the value of on-balance sheet and identifiable off-balance sheet assets and liabilities. Basic formula:

$$\text{Equity value} = \sum \text{value of on-balance sheet and identifiable off-balance sheet assets} \\ - \sum \text{value of on-balance sheet and identifiable off-balance sheet liabilities}$$

1. Monetary funds

For bank deposits and other monetary funds denominated in home currency, the appraised value was the verified book value.

2. *Receivables and prepayments*

Accounts receivable and other receivables: The difference between the book balance and the appraised risk loss was taken as the appraised value, and the provision for bad debts made in the book was assessed to be 0 value;

Prepayments: The appraised value was the verified carrying amount as the corresponding goods could be recovered or the corresponding services could be accepted.

3. *Inventories*

(1) *Purchased raw materials, packaging materials and low-consumption goods in stock*

The book value of purchased raw materials, packaging materials and low-consumption goods in stock mainly consists of the payment for materials and transportation and miscellaneous fees. The appraised value was arrived at by multiplying the verified quantity by the prevailing market purchase price.

(2) *Consigned processing materials*

The consigned processing materials are the bridge deck slabs processed by Sichuan Zhongzhengyuan Construction Engineering Co., Ltd. as entrusted by Jiaojian Group Intelligent Equipment Branch. The book value of that consists of procurement costs, processing fees paid, transportation and miscellaneous fees, etc. The appraised value was determined by considering the risk of recovery based on the verified quantity multiplied by the prevailing market purchase price, plus the processing fee and reasonable transportation and miscellaneous fees paid.

(3) *Reusable materials-low consumption goods in use*

Cost method was adopted for the valuation of low-value consumption goods in use. The weight cost was calculated based on the current purchase or manufacturing price of the same type of low-value consumables plus other reasonable expenses, and the comprehensive newness rate was determined according to actual conditions, then by multiplying, the appraised value of low-value consumables was arrived at.

4. Contract assets

Contract assets: The difference between the book balance and the assessed risk loss was taken as the appraised value, and the provision for asset impairment was assessed to be 0.

5. Other current assets

Other current assets refer to the right to collect output tax corresponding to contract assets, prepaid taxes, input tax to be certified, input tax to be deducted, provision for impairment of other current assets, etc., which are the equity attributable to Transportation Construction Group in the future. The appraised value was determined to be the verified book value.

6. Long-term equity investment**(1) Wholly-owned subsidiaries**

Equity investments in five wholly-owned subsidiaries, namely Zuogong Company, Shugong Testing, Basu Company, Jiaotou Construction Materials and Shengshi Huarui:

Equity value = Equity proportion × Entire equity value of shareholders of subsidiaries.

The market approach was not applicable as there were no comparable companies or comparable transaction cases in the open market; the asset-based approach was adopted to conduct valuation on the equity value of Shugong Testing and Jiaotou Construction Materials. In addition, the businesses of Shugong Testing and Jiaotou Construction Materials were mostly internal related businesses. The income approach was adopted to conduct valuation on Transportation Construction Group on a consolidated basis, to include the equity value of Shugong Testing and Jiaotou Construction Materials.

Zuogong Company and Basu Company are project companies. The project has been basically completed and no new business will be carried out in the future. The income approach or market approach was not applicable for valuation, and the asset-based approach was adopted in the valuation.

(2) *Equity in non-wholly owned subsidiaries with undistributed profit*

Equity investments in two subsidiaries, including 81.206% equity interest in Batai Company and 90% in Tongda Liancheng:

Equity value = (Entire equity value of shareholders of subsidiaries after valuation + Unpaid capital contribution payables by all shareholders – Accumulated undistributed profit) × Subscribed capital proportion in subsidiaries – Unpaid capital contribution payable in subsidiaries + Accumulated undistributed profit × Paid-in capital contribution proportion in subsidiaries

Batai Company is a project company. The project has been completed and no new business will be carried out in the future. Income approach or market approach was not applicable for valuation. The asset-based approach was adopted in the valuation.

Tongda Liancheng has not commenced substantive business and the income approach or the market approach was not applicable for valuation. The asset-based approach was adopted in the valuation.

(3) *Equity in associates with undistributed profits*

49.01% equity investment in Guolian Hongtai: As it has no control over the invested entity, it is unable to value the entity according to the overall asset valuation procedures. Therefore, the valuation formula is as follows:

Equity value = (Net book value of associates on valuation benchmark date + Unpaid capital contribution payable by all shareholders – Accumulated undistributed profit) × Subscribed capital proportion in associates – Unpaid capital contribution payable in associates + Accumulated undistributed profit × Paid-in capital contribution proportion in associates

7. *Other equity instrument investment*

As other equity instrument investment does not have control over the investee, it is unable to value the entity according to the overall asset valuation procedures. The valuation methods are as follows:

(1) *Minority equity investment with undistributed profit*

Minority equity investment in ten companies with undistributed profit, including Sichuan Yanjiang Panning Expressway Co., Ltd., Sichuan Dehui Expressway Co., Ltd., Sichuan Jiuma Expressway Co., Ltd., Sichuan Lushi Expressway Co., Ltd., Sichuan Chengmian Cangba Expressway Co., Ltd., Sichuan Guangmian Expressway Co., Ltd., Ziyang Shunan Chengxing Construction Management Co., Ltd., Lushan Shunan Construction Project Management Co., Ltd., Sichuan Yanjiang Yijin Expressway Co., Ltd., Sichuan Yanjiang Jinning Expressway Co., Ltd. and Sichuan Kailiang Expressway Co., Ltd.:

Equity value = (Net assets of investee on valuation benchmark date + Unpaid capital contribution payable by all shareholders – Accumulated undistributed profit) × Subscribed capital proportion in minority equity – Unpaid capital contribution payable in minority equity + Accumulated undistributed profit × Paid-in capital contribution proportion in minority equity

(2) *Minority equity investment with unrecovered losses*

1% equity investment in Sichuan Jiuma Expressway Co., Ltd.:

Equity value = (Net assets of investee on valuation benchmark date + Unpaid capital contribution payable by all shareholders) × Subscribed capital proportion in minority equity – Unpaid capital contribution payable in minority equity

8. Fixed assets – Machinery and equipment

The cost approach and market approach were adopted for the valuation of equipment.

The cost approach reflects the value of an asset from the perspective of re-acquiring the asset on the premise that the asset continues to be used, i.e. reflecting the value of the asset by deducting all kinds of depreciation from the replacement cost of the asset.

Basic formula:

Appraised value = replacement cost \times newness rate

(1) Specific application of cost approach**① Determination of replacement cost****A/Machinery equipment**

The replacement cost of machinery and equipment to be installed is determined by the prevailing market purchase price, transportation and miscellaneous fees, installation and commissioning fees and deducting deductible input VAT. For general equipment that does not require installation and has lower transportation costs, the replacement cost is determined by deducting deductible input VAT from the prevailing market purchase price. Prevailing market purchase price: Determined mainly based on the quotation manual of electromechanical products and with reference to the latest market transaction price of equipment.

Replacement cost of equipment to be installed

= Equipment purchase price + Transportation and miscellaneous fees
+ Installation and commissioning fees – Deductible input VAT

Replacement cost of equipment requiring no installation

= Equipment purchase price + Transportation and miscellaneous fees
– Deductible input VAT

B/Vehicles

The replacement cost of vehicles comprises the purchase price of vehicles (excluding tax), vehicle purchase tax and license fees.

$$\text{Replacement cost} = \text{Purchase price (excluding tax)} + \text{Purchase price (excluding tax)} \times \text{Vehicle purchase tax rate} + \text{License fees}$$

Purchase price of vehicles: For vehicles that are sold normally in the market, the purchase price of vehicles is determined mainly based on the latest market quotation and transaction price information on the valuation benchmark date of the local automobile trading market. For vehicles that are no longer produced by the manufacturers and are no longer circulated in the market, the purchase price of the vehicles is determined by comparing the vehicles with similar functions with the valued vehicles, taking into account the differences in performance, technical parameters and usage functions of the vehicles.

Vehicle purchase tax: According to the Vehicle Purchase Tax Law of the People's Republic of China, the vehicle purchase tax shall be 10% of the vehicle selling price (tax exclusive); non-transportation use vehicles with fixtures are not subject to vehicle purchase tax.

C/Electronic equipment

The replacement cost of electronic equipment is determined with reference to the prevailing market purchase price (tax exclusive) as the value of electronic equipment is relatively small, no installation is required (or the vendor is responsible for the installation) and the transportation cost is relatively low.

② Determination of newness rate

A/Machinery equipment and electronic equipment

The newness rate is calculated using the life approach. The formula for calculating using the life approach is:

$$\text{Newness rate} = (1 - \text{Serviced life}/\text{Economic useful life}) \times 100\%$$

In the formula: the serviced life is adjusted based on the number of relevant items in the Checklist filled out by the enterprise, depending on factors such as the actual usage; the economic useful life is determined based on the results of on-site inspection and based on factors such as the design and manufacturing quality of the equipment, the level of technology, the level of maintenance, and the operating characteristics of the equipment in the industry. For overtime service equipment, the newness rate is directly determined by the technical observation method.

B/Vehicles

According to the national regulations and the actual usage, service life and mileage of the vehicles, the newness rate is calculated by service life method and mileage method, respectively, and the necessary technical appraisal is conducted on the vehicles. If there is no significant difference between the technical appraisal results and the newness rate determined by the above two methods, the newness rate is determined at the lower one, and if the difference is significant, appropriate adjustment will be made.

The calculation formula using the service life method is:

$$\text{Newness rate} = (1 - \text{Serviced life}/\text{Economic useful life}) \times 100\%$$

The calculation formula using the mileage method is:

$$\text{Newness rate} = (1 - \text{Actual mileage}/\text{Economic mileage}) \times 100\%$$

The economic life and the economic mileage of a vehicle are determined based on the results of on-site survey and the factors such as the quality of the vehicle's design and manufacturing, the level of technology, the level of maintenance and the characteristics of its operation.

(2) *Specific application of market approach*

For electronic equipment that has been produced since a long time ago and has no same models for sale, the appraised value is determined at the price on the second-hand market (excluding tax).

9. Buildings(1) *Selection of valuation approaches*

According to the Asset Valuation Standards – Real Estate, and the characteristics of the valuation target, value type, data collection and other relevant conditions, we analyzed the applicability of the three basic asset valuation methods, namely the cost approach, the market approach and the income approach, as well as the derivative methods such as the hypothetical development approach and the land datum value method, and determined the valuation methods for the buildings of the project as follows:

For office and residential buildings located in Neijiang City, market approach was adopted for valuation.

(2) *Specific application of market approach*

The market approach for real estate valuation refers to arriving at the value of a valued real estate by comparing the recent transaction price of the valued real estate with that of similar real estate on the valuation benchmark date based on the principle of substitution, and adjusting factors such as transaction condition, market condition, physical condition, location condition, physical condition and equity condition. Basic formula:

$$P = P' \times A \times B \times C \times D \times E$$

In the formula:

P – Appraised value of the valued property

P' – Price of comparable transactions (excluding output VAT)

A – Transaction condition correction coefficient,	$A = \frac{100}{()}$	=	$\frac{\text{Index of normal transaction}}{\text{Index of comparable transaction cases}}$
B – Market condition correction coefficient,	$B = \frac{100}{()}$	=	$\frac{\text{Price index on valuation benchmark date}}{\text{Price index at the time of comparable transactions cases}}$
C – Location condition correction coefficient,	$C = \frac{100}{()}$	=	$\frac{\text{Location condition index of valued property}}{\text{Location condition index of comparable cases}}$

$$\begin{array}{ll}
 \text{D - Physical condition correction coefficient,} & D = \frac{100}{()} = \frac{\text{Physical condition index of valued property}}{\text{Physical condition index of comparable cases}} \\
 \text{E - Equity condition correction coefficient,} & D = \frac{100}{()} = \frac{\text{Equity condition index of valued property}}{\text{Equity condition index of comparable cases}}
 \end{array}$$

① Collection of transaction cases

Market transaction cases of similar properties are collected and selected from the local market where the property to be valued is located. The transaction date of each case is close to the valuation benchmark date, and the time lag is generally not more than one year and not more than two years.

② Selection of comparable cases

Under the same conditions, the transaction cases whose locations are close to that of the valuation target and whose transaction dates are close to the valuation benchmark date shall be selected as comparable cases. The number of comparable cases is generally not less than three.

③ Establishment of comparison basis

The transaction prices of comparable cases are standardized. The standardization treatment shall include unifying of scope of property, unifying of payment method, unifying of financing conditions, unifying of tax burden, unifying of price unit, unifying of area connotation and area unit, etc., to establish a price comparison basis.

④ Transaction correction

Excluding the deviation of the transaction prices of the comparable cases caused by special factors in the transaction behavior, the transaction prices of the comparable cases are adjusted to a normal prices.

⑤ Market condition correction

The prices of the comparable cases on the transaction dates are adjusted to the price on the valuation benchmark date.

⑥ Property condition adjustment

The adjustment to the condition of the property include: corrections to the location condition, the physical condition and the equity condition.

Location condition correction: The prices of comparable cases under their external environment are adjusted to be the price of the valuation target under its external environment.

Physical condition correction: The prices of comparable cases under their individual conditions are adjusted to be the price of the valuation target under its individual condition.

Equity condition correction: The prices of the comparable cases in their equity conditions are adjusted to be the price of the valuation target in its equity condition.

⑦ Determination of appraised unit price

Determined based on the simple arithmetic average value of the adjusted comparative and corrective price of comparable cases.

10. Construction in progress-Equipment installation project

The equipment installation project is the equipment payment (tax exclusive) for the recently purchased tank and double-guide bridge machine for the mixing plant on the valuation benchmark date. The equipment has not been delivered or installed, and has not been put into use. The appraised value is determined based on the verified book value.

11. Disposal of fixed assets

The disposal of fixed assets is related to the buildings in the Ziyang Mixing Plant. According to the information and introduction provided by the enterprise, on 8 June 2021, Transportation Construction Group and the Management Committee of Ziyang High-Tech Industrial Park entered into the Agreement on Monetary Compensation for Relocation of Enterprise Premises, pursuant to which, the total amount of compensation for the buildings, structures and auxiliary facilities at Ziyang Mixing Plant was agreed. The buildings on the ground were demolished in October 2021, and in the valuation, the appraised value was determined at the agreed compensation amount.

12. Right-of-use assets

Being the right of Transportation Construction Group to use the leased premises during the lease term, the appraised value of which is the verified book value.

13. Intangible assets – Other intangible assets

- (1) For purchased software that is in normal use, the appraised value is determined based on the market price on the valuation benchmark date, taking into account the depreciation factors.
- (2) For 103 patents, 73 patent applications and 7 software copyrights, the intangible assets declared to be valued are all used in the relevant technologies in the construction of roads, bridges or tunnels. These technologies are applied in different links of the construction process of buildings, and it is difficult to split them for valuation. Therefore, the income approach (i.e. the income-sharing approach) is adopted to conduct valuation on such technologies as a technology intangible asset portfolio.

Income-sharing method: based on the prediction of the future sales revenue of the relevant goods or services, the portion of the sales revenue contributed by the intangible assets (portfolio) is determined at a certain profit-sharing ratio. The appraised value of the intangible assets (portfolio) is determined by discounting the future income using an appropriate discount rate. The basic calculation formula is as follows:

$$P = \sum_{t=1}^n \frac{k \cdot R_t}{(1+r)^t}$$

In the formula:

P: Value of intangible assets (portfolio)

R_t : Sales revenue for the Tth year

t: Income period series

k: Sharing ratio of intangible assets (portfolio) income in revenue

r: Discount rate

n: Income period of intangible assets (portfolio)

(1) *Expected income [R_i]*

The income-sharing method is adopted to determine the expected income of intangible assets. The basic formula is as follows:

Expected income of intangible assets = Relevant income from intangible assets × Income sharing ratio of intangible assets

Income sharing ratio of intangible assets = Profit sharing ratio of intangible assets × Sales profit ratio

(2) *Discount rate [r]*

Based on a certain rate of return observed in the market, the specific risk of the intangible asset portfolio is reflected by considering a certain premium. In practice, the basis for the use of the WACC approach is generally the weighted average cost of capital of representative enterprises in the industry.

Basic formula: $r = WACCBT + \text{Individual risk of intangible assets}$

$$WACCBT = \frac{1}{n} \sum_{i=1}^n WACCBT_i \quad WACCBT_i = \frac{\frac{D_i}{E_i} + 1}{\frac{D_i}{E_i} + 1} \times \frac{1}{(1-t_i)} \times Ke_i + \frac{\frac{D_i}{E_i}}{\frac{D_i}{E_i} + 1} \times Kd_i$$

In the formula:

n: Number of listed companies for reference in the industry

$\frac{D_i}{E_i}$: Capital structure

Ke: Cost of equity capital, determined using the CAPM model, $Ke = R_f + MRP * \beta$

Kd: Pre-tax cost of debt capital

i: Remaining economic useful life of intangible assets

(3) *Remaining economic useful life of intangible assets*

The remaining economic useful life of the intangible assets is estimated through comprehensive analysis based on factors such as the remaining useful life of the construction business, the usage of the business covered and the market demand, without considering the research and development expenditure.

14. Long-term deferred and prepaid expenses

Long-term deferred and prepaid expenses are the insurance premium, temporary facility fees, temporary building decoration fees and technical service fees for the construction project of Transportation Construction Group. The appraised value of long-term deferred and prepaid expenses is determined based on the value of the assets and rights that are still existing in the appraised entity after the valuation purpose is achieved and have no duplication with other valuation target.

15. Other non-current assets

Other non-current assets are the temporary construction costs and makeshift house fees for temporary construction incurred by the construction project department due to the construction needs of the project. Such costs are amortized into contract performance costs on a monthly basis over the construction period, and the appraised value is determined at amortized value.

16. Deferred income tax assets

Deferred income tax assets are the deductible temporary differences arising from the difference between the provision for bad debts of accounts receivable, provision for bad debts of other accounts receivable, impairment losses of contract assets, impairment losses of other current assets, deferred income, estimated liabilities and their tax base. Under the premise of the Company being operating as going concern, the appraised value is the verified book value.

17. Liabilities

The appraised value of liabilities is determined based on the liability items and amounts actually assumed by the title owner after the valuation purpose is achieved. Including:

Deferred income represents the compensation paid by the Tong'an Sub-district Office of the People's Government of Longquanyi District for the relocation of headquarters and Jiaolv Branch of Transportation Construction Group, which will be carried forward to other income by installments based on the estimated relocation expenses. The estimated unused relocation expenses have not been accounted for; deferred income is the amount not required to be paid after tax, and is assessed at 0.

(III) Specific application of income method

As Shugong Testing, the subsidiary, mainly providing testing services to Transportation Construction Group, for which, there are various related party transactions between Trading Construction Material and the parent company, therefore, the specific application of income method for the valuation is based on the consolidated financial statements of Transportation Construction Group, the parent company, Shugong Testing, the subsidiaries, and Trading Construction Material.

Valuation of income method: The value of all shareholders' equity of the Company is obtained by achieving the estimated enterprise value using the DCF model after adding back the value of cash and non-core assets, deducting the value of interest-bearing debts. The calculation formula is as follows:

$$E = EV + C + NCA - D$$

E: Value of all shareholders' equity interests

EV: Enterprise value

C: Cash

NCA: Non-core assets (net)

D: Debt (financing liabilities, i.e. interest-bearing debts)

1. Enterprise value (EV)

Enterprise value (EV) refers to the value generated from the operation of the core business assets owned by the Company, which is estimated using the unlevered free cash flow model (Unleaver Free Cash Flow, UFCF). The formula is as follows:

$$EV = \sum_{t=1}^n \frac{UFCF_t}{(1+Wacc)^t} + \frac{TV}{(1+Wacc)^n}$$

UFCF_t: Unlevered free cash flow in the t year

n: Detailed projection period

Wacc: Weighted average cost of capital

TV: Terminal value of UFCF

- (1) **Unlevered free cash flow (UFCF).** UFCF, also known as the Free Cash Flow of Firm (FCFF), refers to the free cash flow allocation by the Company to all investors (including creditors and equity investors) under normal operations. The formula is as follows:

$$\text{UFCF} = \text{Net profit after tax} + \text{depreciation and amortisation} + \text{interest expense} \times (1 - \text{tax rate } T) - \text{capital expenditure} - \text{change in working capital}$$

- (2) **Weighted average cost of capital (Wacc).** Wacc refers to the discount rate corresponding to UFCF. The formula is as follows:

$$\text{Wacc} = \frac{1}{1 + \frac{D}{E}} \times K_e + \frac{\frac{D}{E}}{1 + \frac{D}{E}} \times K_d \times (1 - T)$$

D: Market value of debt

E: Market value of equity interests

D/E: Capital structure based on market capitalisation

K_d : Pre-tax cost of debt capital

K_e : Cost of equity capital

T: Income tax rate

- (3) **Detailed projection period.** The end of the detailed forecast period is based on the stable operation of the Company. Stable operation refers to that the growth of the Company's assets and income remains relatively stable and will not change significantly in the foreseeable future. In this point, the Company has no investment projects that can obtain a much higher rate of return than the industry average or social average, while its performance growth also maintains stabilization and flat. Based on the current operation status and expectation of Transportation Construction Group, the detailed forecast period is from October 2021 to December 2026, i.e. the detailed forecast period $n = 5.25$ years.
- (4) **Terminal value of UFCF (TV).** The terminal value of UFCF adopts the Gordon perpetual growth model, assuming that UFCF will grow at a steady growth rate (g) during the terminal value period, then:

$$\text{TV} = \frac{\text{UFCF}_{n+1}}{\text{Wacc} - g}$$

Based on the principle of prudence, the perpetual period growth rate is $g = 0$.

2. Major non-core assets

Non-core assets refer to assets other than core assets, mainly including restricted cash, intangible assets – mining rights, long-term equity investments not consolidated under income approach, other equity instrument investments, disposal of fixed assets, deferred income tax assets, interest on capital occupation in other current liabilities, estimated liabilities arising from losses on contracts to be executed and deferred income. For the estimated liabilities, as the loss in this part is included into the future income method, the valuation is 0. For other non-core assets, the valuation is conducted by adopting the corresponding method in the asset-based method according to the characteristics of such assets.

VIII. IMPLEMENTATION AND STATUS OF VALUATION PROCEDURES**(1) Accepting entrustment and preliminary preparation**

Sichuan TianJianHuaHeng accepted the valuation engagement on 10 November 2021, and established a project team, which formulated the valuation plan, prepared the valuation declaration statement, profit forecast sample statement, valuation information list and its completion requirements.

(2) Guiding the enterprise to check assets and prepare valuation materials

The enterprise personnel who assisted in the valuation work is provided guidance, and for who specific explanations and answers to the valuation declaration statement, profit forecast and valuation materials is provided.

(3) On-site investigation and collection of evaluation information

On-site investigation on the valuation object and its assets, liabilities, profit and loss, cash flow is conducted, with review to the future income forecast information provided by the management of the enterprise and obtain the basic information required for the valuation as well as communicate with the certified public accountant.

(4) Evaluation and estimation, summary of calculation results, analysis of valuation conclusions

Necessary analysis, summarization and collation of valuation information are carried out to form the basis for valuation and estimation. The calculation results and its analysis and comparison are formed by analyzing the applicability of various valuation methods, selecting the income method and the asset-based method to evaluate the value of equity.

(5) Internal audit and communication with the client

A preliminary asset valuation report is compiled with internal audit review. The client is guided to correctly understand and use the valuation conclusion by communicating with the client regarding the relevant contents of the asset valuation report.

IX. VALUATION ASSUMPTIONS

According to the valuation standards, the asset valuers have determined that the following assumptions were established on the valuation benchmark date. In the event of any significant change in the economic environment in the future, the asset valuers will not assume the responsibility for deriving different valuation conclusions due to changes in assumptions.

- (1) Assuming that Transportation Construction Group will continue to operate as a going concern.
- (2) Assuming that the production premises required by Transportation Construction Group will still be obtained by leasing in the future;
- (3) Transportation Construction Group obtained the High-tech Enterprise Certificate in December 2020 for a validity of three years, and is entitled to a preferential income tax rate of 15% until December 2022. In this valuation, Assuming that Transportation Construction Group is able to maintain the high-tech enterprise certification after the expiration of the certificate, and continue to enjoy the preferential income tax rate of 15%.
- (4) Assuming that Shugong Testing, the subsidiary, will continue to enjoy the preferential income tax policies for the Western Development after the expiration of such preferential policies on 31 December 2030.
- (5) Unless otherwise stated, Assuming that Transportation Construction Group fully complies with all relevant laws and regulations, and that the management of Transportation Construction Group is responsible for performing the obligations of asset owners and effectively manages the relevant assets on duty.
- (6) Assuming that there will be no material changes in the current industrial policies and no new laws and regulations (whether favorable or unfavorable) will be promulgated.

- (7) There will be no material changes in the relevant prevailing laws, regulations and policies of the PRC and the macroeconomic situation of the PRC, no material changes in the political, economic and social environment of the regions where the parties to the transaction are located, and no material adverse impact caused by other unpredictable and force majeure factors.
- (8) The valuers fully understand the current macroeconomic situation, and the fluctuations in the interest rate and exchange rate of RMB, but limited to professional level and ability, and valuers cannot predict its future trend. Therefore, the valuers assume that the interest rate and exchange rate of RMB will not change significantly at the current level.
- (9) For the information and data provided by the client and other parties on which the valuation conclusion is based, the valuers assume that it is credible and has conducted necessary verification in accordance with the valuation procedures, but the valuers do not guarantee the authenticity, legality and completeness of such information and data.
- (10) Assuming that all licenses, use permits, consent letters or other legal or administrative authorization documents issued by relevant local, national government agencies, private organizations or groups necessary for the use of the assets on which this valuation is based have been or can be updated at any time.

X. VALUATION CONCLUSION

(1) Calculation results of asset-based method

By adopting the asset-based method, the carrying value, the assessed value and the assessed appreciation of assets of Transportation Construction Group amount to RMB13,574,570,200, RMB14,101,382,300 and RMB526,812,100, respectively, representing an appreciation rate of 3.88%. The carrying value, the assessed value and the assessed depreciation of liabilities amount to RMB10,539,943,300, RMB10,531,740,100 and RMB8,203,200, respectively, representing an depreciation rate of 0.08%. The carrying value, the assessed value and the assessed appreciation of shareholders' equity interests amount to RMB3,034,627,000, RMB3,569,642,200 and RMB535,015,200, respectively, representing an appreciation rate of 17.63%. The table is set out as below:

Summary of Asset Valuation Result

Valuation Benchmark Date: 30 September 2021

Assessed entity: Sichuan Transportation Construction Group Co., Ltd.

RMB0'000

Item	Carrying amount <i>A</i>	Assessed value <i>B</i>	Change <i>C = B - A</i>	Appreciation rate % <i>D = C/A × 100</i>
1 Current assets	1,240,956.70	1,240,958.75	2.05	0.0002
2 Non-current assets	116,500.32	169,179.48	52,679.16	45.22
Including: Long-term equity				
investments	19,084.55	25,004.78	5,920.23	31.02
Other equity instrument				
investments	14,703.61	21,568.38	6,864.77	46.69
Fixed assets	8,001.70	9,970.51	1,968.81	24.60
Construction in progress	313.98	313.98	0.00	0.00
Right-of-use assets	5,375.00	5,375.00	0.00	0.00
Intangibles	314.98	39,272.24	38,957.26	12,368.17
Long-term deferred				
expenses	18,266.01	18,266.01	0.00	0.00
Deferred income tax				
assets	4,138.37	4,138.37	0.00	0.00
Other non-current assets	46,302.12	45,270.21	-1,031.91	-2.23
3 Total assets	1,357,457.02	1,410,138.23	52,681.21	3.88
4 Current liabilities	1,044,422.85	1,044,422.85	0.00	0.00
5 Non-current liabilities	9,571.47	8,751.16	-820.31	-8.57
6 Total liabilities	1,053,994.32	1,053,174.01	-820.31	-0.08
7 Shareholders' equity interests	303,462.70	356,964.22	53,501.52	17.63

(2) Calculation results of income method

By adopting the income method, the carrying value and assessed value of the shareholders' equity interests of Transportation Construction Group amounted to RMB3,034,627,000 and RMB7,383,900,000, respectively, representing an appreciation of RMB4,349,273,000 or 143.32%.

(3) **Determination of valuation conclusion**

1. Analysis of estimation results

There are discrepancies in calculation results between the two methods mainly due to:

Transportation Construction Group possesses special-grade qualification for general contracting of highway engineering construction, first-grade qualification for general contracting of municipal public engineering construction, first-grade qualification for professional contracting of bridge engineering, first-grade qualification for professional contracting of highway pavement engineering, etc. It has mature construction technology and rich management experience. And it has stable customer resources, and has a large number of orders in hand and potential projects. The contribution of such resources to the enterprise is reflected in the net cash flow of the enterprise, and the evaluation conclusion using the income method can better reflect its enterprise value.

2. Determination of valuation conclusion

Based on the above analysis, the income method was adopted as the valuation conclusion in this valuation.

Subject to the satisfaction of the valuation assumptions, the market value of the shareholders' equity interests of Transportation Construction Group as at the valuation benchmark date was RMB7,383,900,000.

The valuation conclusion in this valuation report shall be valid for one year, commencing from the valuation benchmark date of 30 September 2021 and ending on 29 September 2022.

XI. NOTES ON SPECIAL ISSUES

The followings are the matters identified during the valuation process that may affect the valuation conclusion but are beyond the professional level and capability of the asset valuers to assess and estimate. The users of the valuation report should pay attention to the possible impact of the following special matters on economic behavior.

(1) Use of professional reports

The relevant information such as the carrying value and financial indicators of assets and liabilities used in this valuation report is disclosed in the XYZH/2022 CDAA60006 Audit Report issued by ShineWing Certified Public Accountants Ltd. (Special General Partner) engaged by client. ShineWing Certified Public Accountants Ltd. (Special General Partner) Chengdu Branch is the independent auditor engaged by the appraised institution. The audit opinion issued in the Audit Report issued by ShineWing Certified Public Accountants Ltd. (Special General Partner) Chengdu Branch is unqualified. We consider that it is time-efficient and reliable as the basis for the valuation. We fully satisfy the relevant information disclosed by the firm.

(2) Incomplete title or defectiveness

The gross floor area of the two buildings to be valued is 563.21 m², the owner of the title of the buildings and the state-owned land as set out in the state-owned land use certificate is “Sichuan Trading Construction Engineering Co., Ltd.* (四川交投建設工程股份有限公司)”, which has not yet been changed to “Sichuan Transportation Construction Group Co., Ltd.* (四川省交通建設集團股份有限公司)”, therefore, the title has defectiveness; In the valuation, we assumed that the title holder is complete, and there are no legal obstacles in the title, without taking into consideration the influence of the potential expenses for completing the title on the appraised value.

(3) Litigation

1. On 21 November 2020, Zhang Meng, a staff of the Project Department of Chengdu-Mianyang TJ5 Project of Transportation Construction Group, had a serious traffic accident when driving, causing injuries of three persons and death of one. As confirmed by the traffic police, Zhang Meng, the driver, was driving drunk, without valid driving licenses, and should be fully responsible for the accident. The families of the death filed a lawsuit against Zhang Meng in March 2021, requesting for a judgment to sentence Zhang Meng, Transportation Construction Group, Chengdu Tianshi Car Services Co., Ltd. (成都市田世汽車服務有限公司), Ping An Property & Casualty Insurance Company of China, Ltd., Chengdu Jincheng Branch (中國平安財產保險股

份有限公司成都市錦城支公司), Han Xuelin (韓學林) to compensate RMB1,403,600, and assume the litigation costs. Pursuant to the results of the trial of second instance, Transportation Construction Group was sentenced to compensate RMB1,051,800, Han Xuelin to compensate RMB133,300; up to now, Transportation Construction Group considers that mistakes have existed in confirming the duty behavior of Zhang Meng, and is applying for retrial. For reason of the principle of prudence, Transportation Construction Group has made provision for relevant costs based on the results of the trial of second instance.

2. Guizhou Qiantongxin Construction Labor Services Co., Ltd., the labor cooperating unit for the S2-2 Project in the construction of Mabian-Zhaojue Section of Lexi Expressway of Transportation Construction Group, had signed a sand purchasing agreement with Aru Weiha, a local villager. Aru Weiha occupied the land which was for temporary use by Project Department of Transportation Construction Group to exploit sand, and subsequently was found out and the exploitation was suspended for environmental problems. In August 2021, Guizhou Qiantongxin Construction Labor Services Co., Ltd. filed a lawsuit, requesting for a judgment to terminate the contract and ask Aru Weiha to move away from the site of the project; in October 2021, Aru Weiha filed a counterclaim, requesting for an order to sentence Guizhou Qiantongxin Construction Labor Services Co., Ltd. to compensate the sand plant for a loss of RMB1,228,000, and subsequently added Transportation Construction Group as the third party. The case is in the process of trial. Transportation Construction Group will participate in the litigation as the third party and will assume no liabilities.
3. In 2019, Transportation Construction Group was constructing a culvert bridge at a river in Group 1, Zhongcun Village, Yimen Township, Huili County, for construction of TJ1-3 Project of Dechang-Huili Expressway. In August and September 2020, a heavy rain led to the rise of water level there and the floods surged over the land, causing the Sichuan pepper seedlings planted in Hou's Family Farm in Huili County drowned twice, and as confirmed by the town government, the damage area was 8.521 mu. In January 2021, Hou's Family Farm filed a lawsuit, requesting for a judgment to sentence Transportation Construction Group to compensate for a loss of RMB1,661,600 and pay a cost of RMB10,000 for land restoration. In August 2021, the judgment of first instance was that Transportation Construction Group should pay Hou's Family Farm for a loss of RMB913,000. In September 2021, Transportation Construction Group instituted an appeal, and up to now, the trial of second instance is not yet in session. Transportation Construction Group has made provision for the payables based on the results of judgment of first instance.

4. On 2 September 2021, 14 entities and individuals including Luding County Marine Construction Auxiliary Materials Factory filed a lawsuit to the People's Court of Luding County for dispute over goods payment, requesting for a judgment to sentence Transportation Construction Group to pay the principal and interest amounting to RMB4,410,800. Transportation Construction Group was the contractor of the C16-1 Project of Ya'an-Kangding Expressway. During the course of completing its subcontracting work, Sichuan Puguang Construction & Engineering Co., Ltd. (四川普廣建设工程有限公司), the cooperation unit of the Project Department of Transportation Construction Group, purchased materials and leased premises from many units and individual businesses from time to time in the name of Transportation Construction Group, but did not pay in a timely manner; since the C16 Project of Ya'an-Kangding Expressway has been completed and the construction payment due to Sichuan Puguang Construction & Engineering Co., Ltd. has been settled, Transportation Construction Group requested to list Sichuan Puguang Construction & Engineering Co., Ltd. as the second defendant, and the court has agreed. From the current view, it is more likely that Sichuan Puguang Construction & Engineering Co., Ltd. will be held liable by the court. Even if Sichuan Puguang Construction & Engineering Co., Ltd. does not assume the payment obligation in the court judgment or execution, as the People's Court of Luding County has preserved and frozen RMB3.5 million out of the RMB8.76 million of deposit payable by Sichuan Puguang Construction & Engineering Co., Ltd. in Transportation Construction Group, Transportation Construction Group can still make Sichuan Puguang Construction & Engineering Co., Ltd. assume the responsibility through direct negotiation or litigation, etc. As at the date of the valuation report, the case was in the process of first instance.

As the contingent liabilities involved in these litigation have been accrued in the accounts, the impact of litigation contingencies on the valuation conclusion has been taken into consideration in the valuation.

(4) Other matters

The structures declared for appraisal in the valuation are the buildings at Ziyang Mixing Plant. On 8 June 2021, Transportation Construction Group and the Management Committee of Ziyang High-Tech Industrial Park entered into the Agreement on Monetary Compensation for Relocation of Enterprise Premises, pursuant to which, the total amount of compensation for the buildings, structures and auxiliary facilities at Ziyang Mixing Plant was RMB7,978,600 as agreed. The buildings on the ground were demolished in October 2021, and in the valuation, the appraised value was determined in accordance with the agreed compensation amount.

(5) Restrictions on valuation procedures

1. To the extent of testing methods and capabilities, the asset valuers did not conduct technical testing on the concealed works and internal structures of various real properties (which are not observable by the eye). The asset valuers took appropriate measures such as reviewing construction materials, asset management materials and engineering safety and quality testing materials, and made judgments on the existence status of real properties through on-site inspection, observation and other methods on the premise that such information is true and effective.
2. In this valuation, the valuers did not conduct technical testing on the technical parameters and performance of the equipment on the valuation benchmark date. The valuers made judgment through on-site investigation on the premise that the relevant technical information and operation records provided by the enterprise are true and effective.

(6) Subsequent events**1. Subsequent equity investments**

- (1) On 19 October 2021, Transportation Construction Group, Sichuan Expressway Group and Chengdu Huachuan Highway Construction Group Co., Ltd. (成都華川公路建設集團有限公司) jointly invested in and established Sichuan Dazhou Bypass Western Section Expressway Co., Ltd. (四川達州繞城西段高速公路有限責任公司), with a registered capital of RMB100 million, in which Transportation Construction Group holds 1% equity interest;
- (2) On 15 November 2021, Transportation Construction Group invested in and established a wholly-owned subsidiary, Sichuan Jiaojian Tongda Construction Co., Ltd., with a registered capital of RMB30 million;
- (3) On 16 November 2021, Transportation Construction Group and Sichuan Jiaotou Logistics Co., Ltd. (四川交投物流有限公司) jointly invested in and established Sichuan Lu' anshi New Materials Technology Co., Ltd. (四川路安適新材料科技有限公司), with a registered capital of RMB200 million, in which Transportation Construction Group holds 20% equity interest;

- (4) On 19 November 2021, Transportation Construction Group and Leibo County Jinshajiang State-owned Assets Operation Co., Ltd. (雷波縣金沙江國有資產經營有限公司) jointly invested in and established Sichuan Jiaojian Qianwanguan Mining Co., Ltd. (雷波縣金沙江國有資產經營有限公司), with a registered capital of RMB30 million, in which Transportation Construction Group holds 51% equity interest;
- (5) On 1 December 2021, Transportation Construction Group and Sichuan Jiaotou Logistics Co., Ltd. (四川交投物流有限公司) jointly invested in and established Sichuan Steel Structure Smart Manufacturing Co., Ltd. (四川省鋼構智造有限公司), with a registered capital of RMB10 million, in which Transportation Construction Group holds 99% equity interest;
- (6) On 19 November 2021, Transportation Construction Group invested in and established a wholly-owned subsidiary, Sichuan Jiaojian Siping Mining Co., Ltd., with a registered capital of RMB10 million.

As the future business model and scale of operation of these newly established companies are uncertain and their future earnings are difficult to be reasonably predicted, in the valuation, the impact of these subsequent events on the valuation conclusion has not been taken into consideration.

- 2. After the valuation benchmark date and within the validity period of use, if the status, use method, market environment and other aspects of the assets involved in the valuation objects have changed significantly from that as at the valuation benchmark date, or if the valuation conclusion has changed significantly due to the significant changes in the valuation assumptions, the valuation conclusion cannot be directly used, and the valuation conclusion shall be adjusted or reassessed.

XII. LIMITATIONS ON THE USE OF THE ASSET VALUATION REPORT

- (1) Scope of use. The asset valuation report can only be used for the purpose and use specified in the asset valuation report. The asset valuation report can only be used by the users of the asset valuation report specified in the asset valuation report. Unless otherwise agreed by laws, administrative regulations and relevant parties, without the consent of Sichuan TianJianHuaHeng, the contents of the asset valuation report shall not be extracted, quoted or disclosed in the public media. The asset valuation report is valid for the valid use period.
- (2) If the client or other users of the asset valuation report fail to use the asset valuation report in accordance with the laws, administrative regulations and the scope of use specified in the asset valuation report, Sichuan TianJianHuaHeng and its asset valuers shall not be liable.

- (3) Except for the client, other users of the asset valuation report as agreed in the asset valuation engagement contract and users of the asset valuation report as prescribed by laws and administrative regulations, no other institution or individual shall become a user of the asset valuation report.
- (4) Users of the asset valuation report shall correctly understand and use the valuation conclusion, which is not equivalent to the realizable price of the valuation target, and the valuation conclusion shall not be considered as a guarantee for the realizable price of the valuation target.

XIII. DATE OF ASSET VALUATION REPORT

The date of the asset valuation report is 24 January 2022.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or was deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long position in the Company

Name	Capacity	Types of Shares	Nature of interest	Number of Shares held	Percentage of issued share capital of the Company
Mr. Gan Yongyi	Director	A Shares	Beneficial owner	50,000	0.0016%
Mr. Luo Maoquan	Supervisor	A Shares	Beneficial owner	10,000	0.0003%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Other interests

As at the Latest Practicable Date, so far is known to the Directors,

- (i) none of the Directors and Supervisors had any interest, direct or indirect, in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2021, the date to which the latest published audited financial statement of the Group was made up;
- (ii) except that Mr. Li Chengyong, a non-executive Director, is the deputy head of the finance management department in Shudao Investment, no other Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO; and
- (iii) none of the Directors and Supervisors of the Company was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which was subsisting and significant in relation to the business of the Group taken as a whole.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executives of the Company, no other person had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Name	Type of Shares	Long position/ Short position	Number of the Company's Shares held	Approximate percentage in the total shares capital of the Company	Approximate percentage in A/H Shares	Capacity
Shudao Investment	(A Shares (state-owned shares)	Long position	1,035,915,462	33.875%	47.898%	Beneficial owner
	H Shares	Long position	80,722,000	2.640%	9.016%	Beneficial owner
		Total	<u>1,116,637,462</u>	<u>36.515%</u>		
China Merchants Expressway Network & Technology Holdings Co., Ltd.	A Shares (legal person shares)	Long Position	664,487,376	21.729%	30.724%	Beneficial owner
	H Shares	Long position	96,458,000	3.154%	10.774%	Interest in controlled corporation ⁽¹⁾
		Total	<u>760,945,376</u>	<u>24.883%</u>		

Note:

- (1) Equity interest held by Cornerstone Holdings Limited, a wholly-owned subsidiary of China Merchants Expressway Network & Technology Holdings Co., Ltd. Therefore, China Merchants Expressway Network & Technology Holdings Co., Ltd. is deemed to be interested in the H shares held by Cornerstone Holdings Limited under the SFO.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the Supervisors nor any of their respective close associates (as defined under the Listing Rules) had any interest in other business which competes or may compete, either directly or indirectly, with the business of the Group as if each of them was treated as a controlling shareholder under Rule 8.10 of the Listing Rules.

5. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors or the Supervisors has entered into any service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, to the Directors' best knowledge, there was no litigation or claim of material importance pending or threatened by or against any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2021, the date to which the latest published audited financial statements of the Company were made up.

8. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have been named in this circular or have given opinion or advice contained in this circular:

Name	Qualification
Octal Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd.	an independent certified PRC valuer

As at the Latest Practicable Date, each of Octal Capital Limited and Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd. was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Each of Octal Capital Limited and Sichuan TianJianHuaHeng Assets Appraisal Co., Ltd. has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its names in the form and context in which they appear.

As at the Latest Practicable Date, each of Octal Capital Limited and Sichuan Tian Jian Hua Heng Assets Appraisal Co., Ltd. has not, or has not had, direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2021, the date to which the latest published audited financial statement of the Group was made up.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cygs.com>) for a period of 14 days from the date hereof:

- (a) the Original Disposal Agreement;
- (b) the Supplemental Agreement;
- (c) the New Disposal Agreement;
- (d) the Asset Valuation Report;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 14 to 15 of this circular;
- (f) the letter from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 32 of this circular; and
- (g) the letters of consent referred to under the paragraph headed “Experts and Consents” of this appendix.

NOTICE OF EGM



四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00107)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Sichuan Expressway Company Limited* (the “Company”) will be held at 3:00 p.m. on 9 June 2022 (Thursday) at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan, the PRC for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolution.

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the circular (the “Circular”) of the Company dated 19 May 2022 containing the details in relation to the resolution herein below.

ORDINARY RESOLUTION

“THAT:

The signing, performance and implementation of the New Disposal Agreement are hereby considered, recognised, confirmed and approved; and any one of the Directors of the Company be and are hereby authorised to execute for and on behalf of the Company all such other documents, instruments and agreements, including the Entrusted Management Agreement, and to take all steps necessary or expedient to implement and/or give effect to the New Disposal Agreement; any member of the Group (including those newly established or invested through equity acquisition or other organisations) be and are hereby approved to, in its absolute discretion deemed appropriate or expedient and in the interests of the Company and the shareholders as a whole and based on the actual work needs, to negotiate, develop, execute, amend, supplement and perform all documents in connection with the New Disposal Agreement (including but not limited to the specific agreement contemplated under the New Disposal Agreement

* For identification purposes only

NOTICE OF EGM

and the Entrusted Management Agreement) with any member of the Shudao Investment Group (including those newly established or invested through equity acquisition or other organisations) and proceed with all things and actions necessary for executing and implementing the New Disposal Agreement.”

By order of the Board
Sichuan Expressway Company Limited*
Gan Yongyi
Chairman

Chengdu, Sichuan, the PRC
19 May 2022

Note:

1. The register of members of H Shares of the Company will be closed from 6 June 2022 (Monday) to 9 June 2022 (Thursday), both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the EGM, unregistered holders of H Shares shall ensure that all transfer documents of H Shares accompanied by the relevant share certificates and the appropriate transfer documents must be lodged with the Company's H Share Registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 2 June 2022 (Thursday).
2. Any holder of H Shares who has registered on the register of members of H Shares before the close of business on 2 June 2022 (Thursday) is entitled to attend the EGM after registration for the meeting. He/she is also entitled to appoint one or more proxies to attend and vote at the EGM on his/her behalf in accordance with the Articles of Association of the Company. A proxy need not be a Shareholder of the Company.
3. In order to be valid, the form of proxy of holders of H Shares and, if such form of proxy is signed by a person under a power of attorney or other authority on behalf of the principal, a notarially certified copy of that power of attorney or authority shall be deposited at the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the EGM (or any adjournment thereof) or 24 hours before the time appointed for the passing of the resolution(s).
4. Shareholders or their proxies should produce their identity documents when attending the EGM. Should a proxy be appointed, the proxy shall also present the form of proxy.
5. Pursuant to the Articles of Association of the Company and the Listing Rules, the Chairman of the EGM will demand a poll in relation to all the resolution(s) proposed at the EGM.
6. Shareholders who intend to attend the EGM shall complete and lodge the reply slip for attending the EGM at the Company's legal address at 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC not later than 4:30 p.m. on 6 June 2022 (Monday). The reply slip may be delivered to the Company by hand, by post or by fax (fax no.: (8628) 8553 0753).
7. The EGM is expected to last for less than one day. Shareholders or their proxies attending the EGM shall be responsible for their own traveling and accommodation expenses.

As at the date of this notice, the Board comprises Mr. Gan Yongyi (Chairman), Mr. Li Wenhui (Vice Chairman), Madam Ma Yonghan, Mr. You Zhiming and Mr. He Zhuqing as executive Directors, Mr. Liu Changsong (Vice Chairman) and Mr. Li Chengyong as non-executive Directors, Mr. Yu Haizong, Madam Liu Lina, Mr. Yan Qixiang and Madam Bu Danlu as independent non-executive Directors.