
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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安徽皖通高速公路股份有限公司

ANHUI EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 995)

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION:
ACQUISITION OF 100% EQUITY INTERESTS IN TWO COMPANIES
OPERATING EXPRESSWAY IN ANHUI PROVINCE, THE PRC;**
- (2) PROPOSAL TO RECONSTRUCTION AND EXPANSION PROJECT OF
GAOJIE EXPRESSWAY
AND**
- (3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



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



A notice convening an EGM of the Company to be held at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC, on 27 February 2025 (Thursday) at 2:30 p.m., together with the accompanying form of proxy, are issued on 10 February 2025 and published on the website of the Stock Exchange. Whether or not you intend to attend the said EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same, in the case of holders of A Shares, to the registered office of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC or, in the case of holders of H Shares, to the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable and in any event not less than 24 hours before the holding of the said EGM (i.e. before 26 February 2025 (Wednesday) at 2:30 p.m.) or any of its adjourned meeting. Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the said EGM or any adjourned meeting(s) should you so wish.

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Target Equity by the Company from Anhui Transportation Holding Group pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 31 December 2024 entered into between the Company and Anhui Transportation Holding Group in relation to the Acquisition, pursuant to which the Company conditionally agreed to purchase from Anhui Transportation Holding Group the Target Equity
“Acquisition Announcement”	the announcement of the Company dated 31 December 2024 wherein the Company announced, among other things, that the Company and Anhui Transportation Holding Group had entered into the Acquisition Agreement
“Anhui Transportation Holding Group”	Anhui Transportation Holding Group Company Limited* (安徽省交通控股集團有限公司), formerly known as Anhui Expressway Holding Group Company Limited* (安徽省高速公路控股集團有限公司), a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company, holding approximately 31.63% of the Company’s issued share capital as at the Latest Practicable Date
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Anhui Expressway Company Limited (安徽皖通高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability, the overseas listed shares of which are listed on the Stock Exchange, and the domestic ordinary shares of which are listed on the Shanghai Stock Exchange in the PRC
“Completion”	completion of the Acquisition pursuant to the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration in respect of the Acquisition payable by the Company to Anhui Transportation Holding Group in accordance with the Acquisition Agreement

DEFINITIONS

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC, on 27 February 2025 (Thursday) at 2:30 p.m.
“EGM Notice”	notice convening the EGM set out on pages 259 to 261 of this circular
“ETC Users”	drivers or owners of vehicles using the Electronic Toll Collection system
“Financial Adviser”	Guoyuan Capital (Hong Kong) Limited, the financial adviser of the Company in relation to the Acquisition
“Fuzhou Company”	Anhui Fuzhou Expressway Co., Ltd.* (安徽省阜周高速公路有限公司), a limited company established in the PRC and a wholly-owned subsidiary of Anhui Transportation Holding Group as at the Latest Practicable Date
“Fuzhou Company Valuation Report”	the asset valuation report dated 19 December 2024 issued by the PRC Domestic Valuer that was commissioned by the Company and Anhui Transportation Holding Group in respect of Fuzhou Company for the Acquisition
“Fuzhou Expressway”	Fuzhou Expressway with its concession rights owned by Fuzhou Company
“Gaojie Expressway”	the Gezidun interchange to Anhui-Hubei border section of G50 Huyu Expressway* (G50滬渝高速公路鴿子墩樞紐至皖鄂界段)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huaibei Section of Sixu Expressway”	the Huaibei Section of Sixu Expressway* (泗許高速淮北段) with its concession rights owned by Sixu Company

DEFINITIONS

“IFA”	Shenwan Hongyuan Capital (H.K.) Limited, the independent financial adviser appointed by the Company in accordance with the Listing Rules for the purposes of advising and making recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Zhang Jianping, Mr. Lu Taiping and Ms. Zhao Jianli
“Independent Shareholders”	Shareholders who are independent within the meaning of the relevant provisions of the Listing Rules, and, in relation to the approval of the Acquisition at an extraordinary general meeting to be convened by the Company for such purpose, means the Shareholders other than Anhui Transportation Holding Group and its associates
“Independent Third Party”	a party independent and not connected with the Company, any of its subsidiaries or any of their respective directors or substantial shareholders
“km”	kilometre
“km/h”	kilometres per hour
“Latest Practicable Date”	5 February 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“PRC Domestic Valuer”	Anhui Zhonglian Guoxin Assets Valuation Company Limited* (安徽中聯國信資產評估有限責任公司), a PRC independent and qualified domestic valuer appointed by the Company and Anhui Transportation Holding Group
“PRC Valuation Reports”	collectively, the Fuzhou Company Valuation Report and the Sixu Company Valuation Report

DEFINITIONS

“Reconstruction and Expansion Project”	the reconstruction and expansion project in relation to Gaojie Expressway
“Reconstruction and Expansion Project Announcement”	the announcement of the Company dated 24 January 2025 wherein the Company announced the proposal to the Reconstruction and Expansion Project
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Sixu Company”	Anhui Sixu Expressway Co., Ltd.* (安徽省泗許高速公路有限公司), a limited company established in the PRC and a wholly-owned subsidiary of Anhui Transportation Holding Group as at the Latest Practicable Date
“Sixu Company Valuation Report”	the asset valuation report dated 19 December 2024 issued by the PRC Domestic Valuer that was commissioned by the Company and Anhui Transportation Holding Group in respect of Sixu Company for the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Companies”	collectively, Fuzhou Company and Sixu Company
“Target Equity”	collectively, 100% equity interests in Fuzhou Company and 100% equity interests in Sixu Company

DEFINITIONS

“Target Expressways”	collectively, Fuzhou Expressway and the Huaibei Section of Sixu Expressway
“Traffic Study Reports”	the traffic study reports dated 26 December 2024 prepared by CHELBI Engineering Consultants, Inc* (華傑工程諮詢有限公司) in respect of Fuzhou Expressway and the Huaibei Section of Sixu Expressway, respectively
“Valuation Benchmark Date”	31 October 2024
“%”	per cent

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



安徽皖通高速公路股份有限公司

ANHUI EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 995)

Executive Directors:

Mr. Wang Xiaowen (*Chairman*)

Mr. Yu Yong

Mr. Chen Jiping

Mr. Wu Changming

Non-executive Directors:

Mr. Yang Xudong

Mr. Du Jian

Independent non-executive Directors:

Mr. Zhang Jianping

Mr. Lu Taiping

Ms. Zhao Jianli

Legal Address:

520 Wangjiang West Road

Hefei, Anhui, the PRC

Principal Place of Business in Hong Kong:

5th Floor, Jardine House,

1 Connaught Place, Hong Kong

10 February 2025

To Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION:
ACQUISITION OF 100% EQUITY INTERESTS IN TWO COMPANIES
OPERATING EXPRESSWAY IN ANHUI PROVINCE, THE PRC
AND
PROPOSAL TO RECONSTRUCTION AND EXPANSION PROJECT OF
GAOJIE EXPRESSWAY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

Reference are made to the Acquisition Announcement and the Reconstruction and Expansion Project Announcement.

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

2. PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

(a) Date

31 December 2024 (after trading hours)

(b) Parties

Purchaser: the Company

Vendor: Anhui Transportation Holding Group

(c) Assets to be acquired

The Target Equity

(d) Consideration and payment terms

The Consideration for the Acquisition of the Target Equity is RMB4,770,800,000. Upon fulfilment of all the conditions precedent in the Acquisition Agreement, payment shall be made in full by the Company to Anhui Transportation Holding Group within five business days.

As at the Latest Practicable Date, the Company intends to pay the entire Consideration by self-owned and/or self-raised funds.

LETTER FROM THE BOARD

(e) Basis for determining the Consideration

The Consideration for the Acquisition of the Target Equity was determined after arm's length negotiations between the Company and Anhui Transportation Holding Group. A number of factors have been considered by the Company and Anhui Transportation Holding Group when determining the Consideration, including, among others, the financial performance and the business prospects of the Target Companies and the PRC Valuation Reports prepared by the PRC Domestic Valuer pursuant to the requirements of the relevant PRC laws and regulations.

The Consideration was determined based on the appraised value of the entire shareholders' equity interests of Fuzhou Company as at the Valuation Benchmark Date as appraised by the Fuzhou Company Valuation Report and the appraised value of the entire shareholders' equity interests of Sixu Company as at the Valuation Benchmark Date as appraised by the Sixu Company Valuation Report, and after taking into account the registered capital of RMB5,000,000 paid up by Anhui Transportation Holding Group to Fuzhou Company and Sixu Company, respectively, following the Valuation Benchmark Date. The PRC Valuation Reports used 31 October 2024 as the Valuation Benchmark Date, and the income approach with the use of discounted cash flow method was adopted in the valuation conclusion to determine the entire shareholders' equity interests of the Target Companies, with an aggregate valuation of RMB4,760,800,000 as at the Valuation Benchmark Date, of which, the appraised values of the entire shareholders' equity interests of Fuzhou Company and Sixu Company as at the Valuation Benchmark Date were RMB2,898,120,000 and RMB1,862,680,000, respectively. Accordingly, the Consideration for the Acquisition agreed between the Company and Anhui Transportation Holding Group is RMB4,770,800,000.

In appraising the market value of the Target Companies, the PRC Domestic Valuer has also taken into consideration, among others, the traffic volume and toll collection rates of the Target Expressways assessed by the PRC qualified traffic consultant.

(f) Conditions precedent

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

- (1) the Acquisition Agreement having been considered and approved by the competent decision-making authorities of the Company in accordance with relevant laws and regulations and the Company's articles of association;

LETTER FROM THE BOARD

- (2) the passing of the Acquisition Agreement by the competent decision-making authorities of Anhui Transportation Holding Group in accordance with relevant laws and regulations and the articles of association of Anhui Transportation Holding Group;
- (3) completion of the relevant regulatory approvals and filing procedures (if any) by the Company and Anhui Transportation Holding Group; and
- (4) the pledges on toll collection rights of the Target Companies have all been released.

(g) Completion

Within 15 business days after the fulfilment of the conditions precedent of the Acquisition Agreement, the Company and Anhui Transportation Holding Group shall assist the Target Companies to make resolutions at the shareholders' meeting for the amendment to the articles of association of the Target Companies and change of registration of the 100% equity interests in the Target Companies to the Company at the market supervision and management department for Completion.

Upon Completion, the Company will be interested in the entire issued share capital of the Target Companies and the Target Companies will become wholly-owned subsidiaries of the Company; the directors and senior management of the Target Companies will be appointed by the Company and their original operation and management structure will be adjusted by the Company in accordance with the actual situation.

(h) Transitional arrangements and treatment of accumulated and undistributed profits

The profits arising from the operation of the Target Companies during the transitional period (i.e. the period between the Valuation Benchmark Date and the Completion) shall be enjoyed and borne by the Company and losses shall be made up by Anhui Transportation Holding Group. The accumulated and undistributed profits of the Target Companies prior to the Completion shall be enjoyed by the Company. The Company and Anhui Transportation Holding Group shall urge the Target Companies not to distribute profits to the shareholders of the Target Companies in any manner and not to reimburse or pay to the shareholders any amount other than the normal operating expenses of the Target Companies during the transitional period.

LETTER FROM THE BOARD

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

A. Selection of Valuation Method to Reach Valuation Conclusion

Fuzhou Expressway has been in operation since 2009 and has been in operation for nearly 15 years as of the Valuation Benchmark Date. The Huaibei Section of Sixu Expressway has been in operation since 2012 and has been in operation for nearly 12 years as of the Valuation Benchmark Date. The Target Expressways have a mature road condition and the expected income and risk for future years can be reasonably estimated. The Target Companies are in the transportation industry and are mainly responsible for the daily operation and management of the Target Expressways. The Target Expressways link to important road sections and the industry has a good development prospect with a potential for continuous growth in expressway traffic volume. The future expected profitability of the long-term assets is strong, and the expected profitability is the core of a company's value. Therefore, the conclusion of the income approach can reflect the value of the entire shareholders' equity interests more comprehensively and accurately. The PRC Domestic Valuer adopted the income approach as the valuation conclusion under the PRC Valuation Reports.

The full text of the PRC Valuation Reports and further explanations on the income approach as the valuation conclusion are set out in Appendix I to this circular.

B. Market Value of 100% Equity Interests in the Target Companies

Under the PRC Valuation Reports, the PRC Domestic Valuer adopted the income approach involving the discounted cash flow method to appraise the value of 100% of the equity interests in Fuzhou Company and Sixu Company, which constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rule 14.60A of the Listing Rules in relation to profit forecast are applicable.

LETTER FROM THE BOARD

In accordance with the requirement of Rule 14.60A(1) of the Listing Rules, details of the principal assumptions (including commercial assumptions) upon which the profit forecast is based are set out below:

(a) General assumptions

(1) Transaction assumption

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

(2) Open market assumption

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

(3) Asset going-concern assumption

The going-concern assumption means that, the subject assets will continue to be used as per its current purpose and the manner, scale, frequency and environment of use. The valuer determines accordingly the method, parameters and basis for valuation if certain conditions change.

(b) Special assumptions

(1) The valuation assumes that the external economic environment remains unchanged and the current national macroeconomic conditions will not change significantly as at the Valuation Benchmark Date;

(2) There will be no significant change in the social and economic environment where the Target Companies operate and the applicable policies on tax and tax rate, etc.;

LETTER FROM THE BOARD

- (3) The Target Companies' future management teams are dutiful and continue to maintain the existing business management mode;
- (4) The assets to be appraised are in normal, reasonable, and legal operation, use, and maintenance conditions within the scope permitted by foreseeable legal, economic and technical conditions;
- (5) The accounting policies to be adopted by the Target Companies in the future are basically consistent in all material respects with those used in preparing the valuation reports of the Target Companies;
- (6) The principal business structure, revenue and cost composition, as well as the cost control and business model of the Target Companies in the future operating period are basically consistent with the management plan, and there will be no significant changes. The profit and loss arising from possible future changes in the principal business due to changes in management, operating strategies and the business environment will not be considered;
- (7) The valuation assumes that the underlying information and financial information provided by the principal and the Target Companies are true, accurate and complete;
- (8) The assets under the valuation are based on the actual inventory as at the Valuation Benchmark Date, and the current market price of relevant assets is based on the effective domestic price as at the Valuation Benchmark Date;
- (9) The scope of the valuation is subject to the application form for valuation provided by the principal and the Target Companies, without taking into account the contingent assets and contingent liabilities, if any, not included in the list provided by the principal and the Target Companies;
- (10) It is assumed that the cash inflow subsequent to the Valuation Benchmark Date inflow evenly and cash outflow subsequent to the Valuation Benchmark Date outflow evenly;
- (11) The valuation assumed that there are no material changes in the transportation industry policies, pricing principles and market conditions during the concession period;
- (12) The valuation assumed that the discount policy for ETC users (which are provided by all expressways within the Anhui Province) will continue;

LETTER FROM THE BOARD

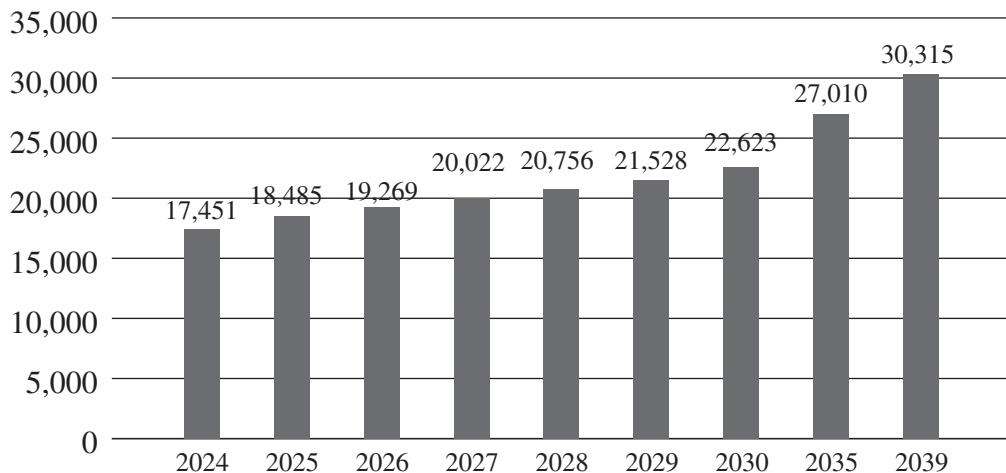
- (13) The valuation assumed that there is no unforeseen material expansion or reconstruction of the connection line of the Target Expressways during the concession period, and there are no factors leading to material diversion impact on Fuzhou Expressway and the Huaibei Section of Sixu Expressway (such as any unforeseen new construction of expressway outside of the current planning by the PRC government);
- (14) The valuation assumed that there is no unforeseen material capital expenditure as a result of any material expansion or reconstruction during the concession period; and
- (15) There are no force majeure and unforeseen factors that would have a material adverse impact on the Target Companies.

C. Traffic and Revenue Forecast Projection in Relation to The Target Expressways

Please refer to the traffic and revenue forecast projection of the Target Expressways extracted from the Traffic Study Reports. A summary of the Traffic Study Reports is set out in Appendix II to this circular.

Traffic Volume Forecast Results in Relation to Fuzhou Expressway Extracted from the Traffic Study Reports

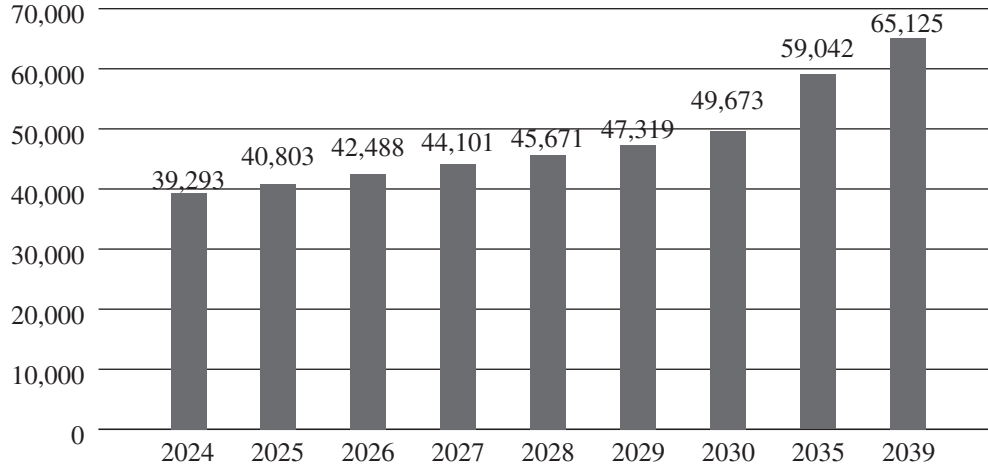
(Unit: Vehicles/Day)



LETTER FROM THE BOARD

Estimation of Tax-included Vehicle Tolls Income of Fuzhou Expressway for Each Year Extracted from the Traffic Study Reports

(Unit: RMB'0,000)

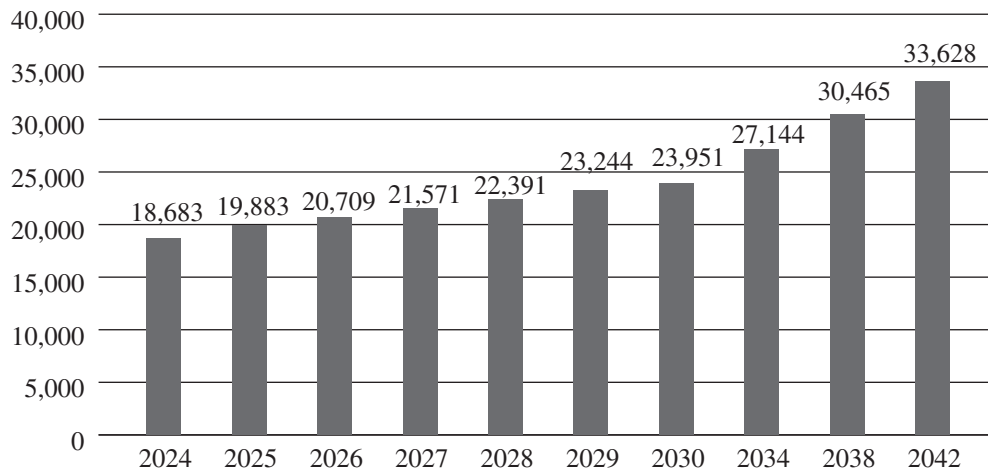


Notes:

1. The actual toll income (tax inclusive) of Fuzhou Expressway from 1 January 2024 to 31 October 2024 was RMB328.52 million, and the toll income (tax inclusive) for the period from 1 November 2024 to 31 December 2024 is an estimated figure and is estimated to be RMB64.42 million. The total toll income (tax inclusive) for 2024 is RMB392.93 million.
2. In the estimation of the tolls income, various special vehicle categories such as special use vehicles, general wagons and large trucks have been taken into consideration in the Traffic Study Reports.

Traffic Volume Forecast Results in Relation to the Huaibei Section of Sixu Expressway Extracted from the Traffic Study Reports

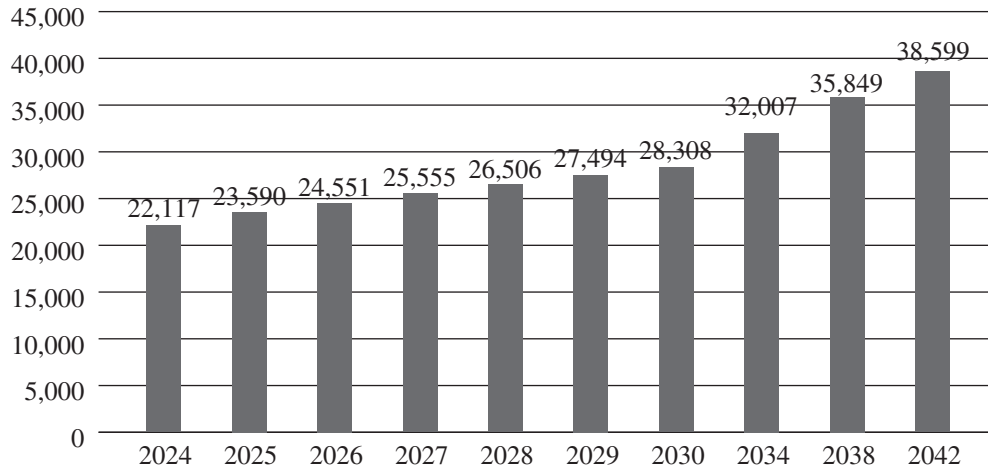
(Unit: Vehicles/Day)



LETTER FROM THE BOARD

Estimation of Tax-included Vehicle Tolls Income of the Huaibei Section of Sixu Expressway for Each Year Extracted from the Traffic Study Reports

(Unit: RMB'0,000)



Notes:

1. The actual toll income (tax inclusive) of Huaibei Section of Sixu Expressway from 1 January 2024 to 31 October 2024 was RMB188.88 million, and the toll income (tax inclusive) for the period from 1 November 2024 to 31 December 2024 is an estimated figure and is estimated to be RMB32.30 million. The total toll income (tax inclusive) for in 2024 is RMB221.17 million.
2. In the estimation of the tolls income, various special vehicle categories such as special use vehicles, general wagons and large trucks have been taken into consideration in the Traffic Study Reports.

D. Reports from the Reporting Accountant and the Financial Adviser

Ernst & Young, the reporting accountant of the Company, has performed an assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out in the section headed "Market Value of the Target Equity as Appraised by the PRC Domestic Valuer" of this circular. Ernst & Young reported that the discounted future estimated cash flows, so far as calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions as set out in the section headed "Market Value of the Target Equity as Appraised by the PRC Domestic Valuer" of this circular.

LETTER FROM THE BOARD

The Financial Adviser confirms that it is satisfied that the valuation of the Target Equity in the PRC Valuation Reports, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made by the Directors after due and careful enquiry.

The full text of the report of Ernst & Young and the letter from the Financial Adviser, both dated 31 December 2024, are set out in Appendix I and Appendix II to the Acquisition Announcement respectively.

4. ORIGINAL COST OF ANHUI TRANSPORTATION HOLDING GROUP'S EQUITY INTERESTS IN THE TARGET COMPANIES

The gross amount of original cost of investment made by Anhui Transportation Holding Group in Fuzhou Company was approximately RMB1,727,968,052.84 as at 31 October 2024 (being the amount of the capital reserve of Fuzhou Company made by Anhui Transportation Holding Group as at 31 October 2024). In addition, Anhui Transportation Holding Group made a paid-in capital contribution of RMB5,000,000 to Fuzhou Company after 31 October 2024.

The gross amount of original cost of investment made by Anhui Transportation Holding Group in Sixu Company was approximately RMB1,175,735,783.89 as at 31 October 2024 (being the amount of the capital reserve of Sixu Company made by Anhui Transportation Holding Group as at 31 October 2024). In addition, Anhui Transportation Holding Group made a paid-in capital contribution of RMB5,000,000 to Sixu Company after 31 October 2024.

5. INFORMATION ON THE TARGET COMPANIES

5.1 General information

Fuzhou Company is a limited liability company established on 30 October 2024 in the PRC. The principal business of Fuzhou Company is the operation and management of Fuzhou Expressway and related ancillary facilities. Fuzhou Company currently owns the concession rights of Fuzhou Expressway, details of which are set out below in this circular. Prior to 30 October 2024 when the assets, liabilities, business and personnel relating to Fuzhou Expressway were transferred from Anhui Transportation Holding Group to Fuzhou Company by gratuitous transfer, Fuzhou Expressway was operated and accounted for by Anhui Transportation Holding Group. As at the Latest Practicable Date, Fuzhou Company is a wholly-owned subsidiary of Anhui Transportation Holding Group and upon Completion, Fuzhou Company will become a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

Sixu Company is a limited liability company established on 30 October 2024 in the PRC. The principal business of Sixu Company is the operation and management of Huaibei Section of Sixu Expressway and related ancillary facilities. Sixu Company currently owns the concession rights of the Huaibei Section of Sixu Expressway, details of which are set out below in this circular. Prior to 30 October 2024 when the assets, liabilities, business and personnel relating to the Huaibei Section of Sixu Expressway were transferred from Anhui Transportation Holding Group to Sixu Company by gratuitous transfer, the Huaibei Section of Sixu Expressway was operated and accounted for by Anhui Transportation Holding Group. As at the Latest Practicable Date, Sixu Company is a wholly-owned subsidiary of Anhui Transportation Holding Group and upon Completion, Sixu Company will become a wholly-owned subsidiary of the Company.

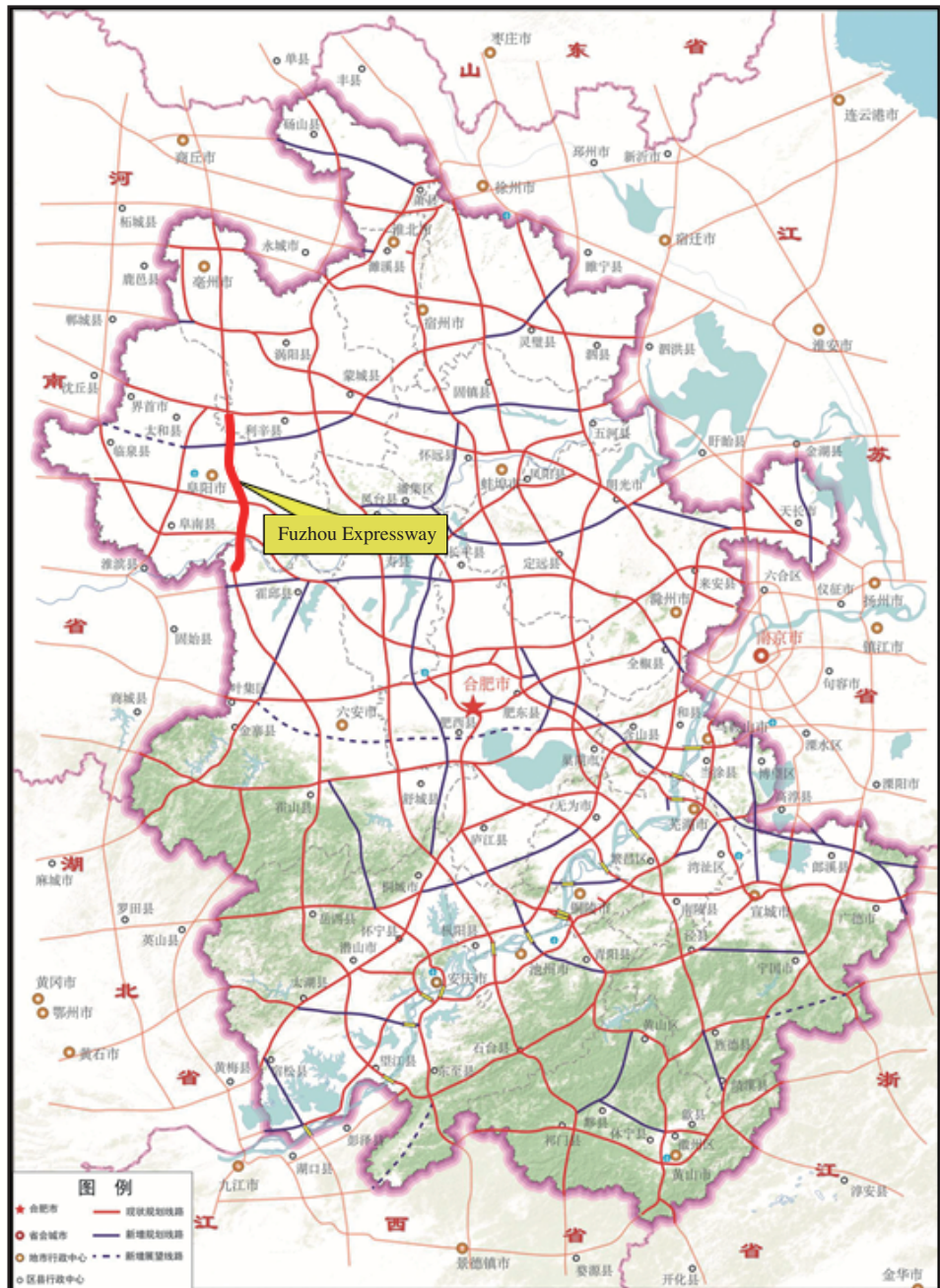
5.2 Details of the Target Expressways

(a) *Fuzhou Expressway*

Fuzhou Expressway was completed and opened on 27 December 2009. It is a section of the G35 expressway from Jinan to Guangzhou, a national key trunk planned by the Ministry of Transport in Anhui Province, and an important component of the “five vertical and ten horizontal” highway network planning in Anhui Province, radiating to provinces such as Jiangsu, Henan, Anhui, and Shandong, and plays an important role in connecting the eastern and central provinces with the southeastern coast. It starts from the Liuxiaoji Interchange in Lixin County, Bozhou City, and ends at the Fengjing Town in Huoqiu County, Lu’an City. It connects to the Zhouji to Lu’an Expressway, spanning Lixin County in Bozhou City, and Yingquan District, Yingdong District, Yingzhou District, Funan County, and Yingshang County in Fuyang City, and Huoqiu County in Lu’an City. It is a fully-enclosed expressway with interchanges in plain and micro-hilly areas, with a toll mileage of 83.57 kilometers. The toll period is from 27 December 2009 to 26 December 2039 with four toll stations along the line.

LETTER FROM THE BOARD

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



LETTER FROM THE BOARD

Further information on Fuzhou Expressway is set out below:

Total Toll Mileage	:	83.57 kilometres
Design Speed	:	120 kilometres/hour
Toll Operation Period	:	From 27 December 2009 to 26 December 2039 (30 years in total)
Toll Rates	:	According to the standards issued by the “Notice on Printing and Distributing the Adjustment Scheme for Vehicle Toll Charge of Toll Roads in Anhui Province Published by Anhui Provincial Department of Transportation, Anhui Provincial Development and Reform Commission and Anhui Provincial Department of Finance” (Wan Jiao Lu [2019] No. 144) (《安徽省交通運輸廳安徽省發展改革委安徽省財政廳關於印發安徽省收費公路車輛通行費計費方式調整方案的通知》(皖交路[2019]144號)), the expressway toll rate is adjusted according to the relevant provisions of the “Adjustment Scheme for Vehicle Toll Charge of Toll Roads in Anhui Province” (《安徽省收費公路車輛通行費計費方式調整方案》), in which passenger vehicles are charged based on vehicle types, and trucks are charged based on axles. For the toll rates of Fuzhou Expressway, please refer to the tables below:

Passenger Vehicles

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

LETTER FROM THE BOARD

Trucks

Class of Vehicle	JT/T489-2019 Classification Standard	Toll Rate <i>(RMB/kilometre)</i>
Class 1	2 axles. The length of the vehicle is less than 6,000 mm and the maximum allowable total mass is less than 4,500 kg	0.45
Class 2	2 axles. The length of the vehicle is not less than 6,000 mm or the maximum allowable total mass is not less than 4,500 kg	0.9
Class 3	3 axles	1.35
Class 4	4 axles	1.7
Class 5	5 axles	1.85
Class 6	6 axles	2.2

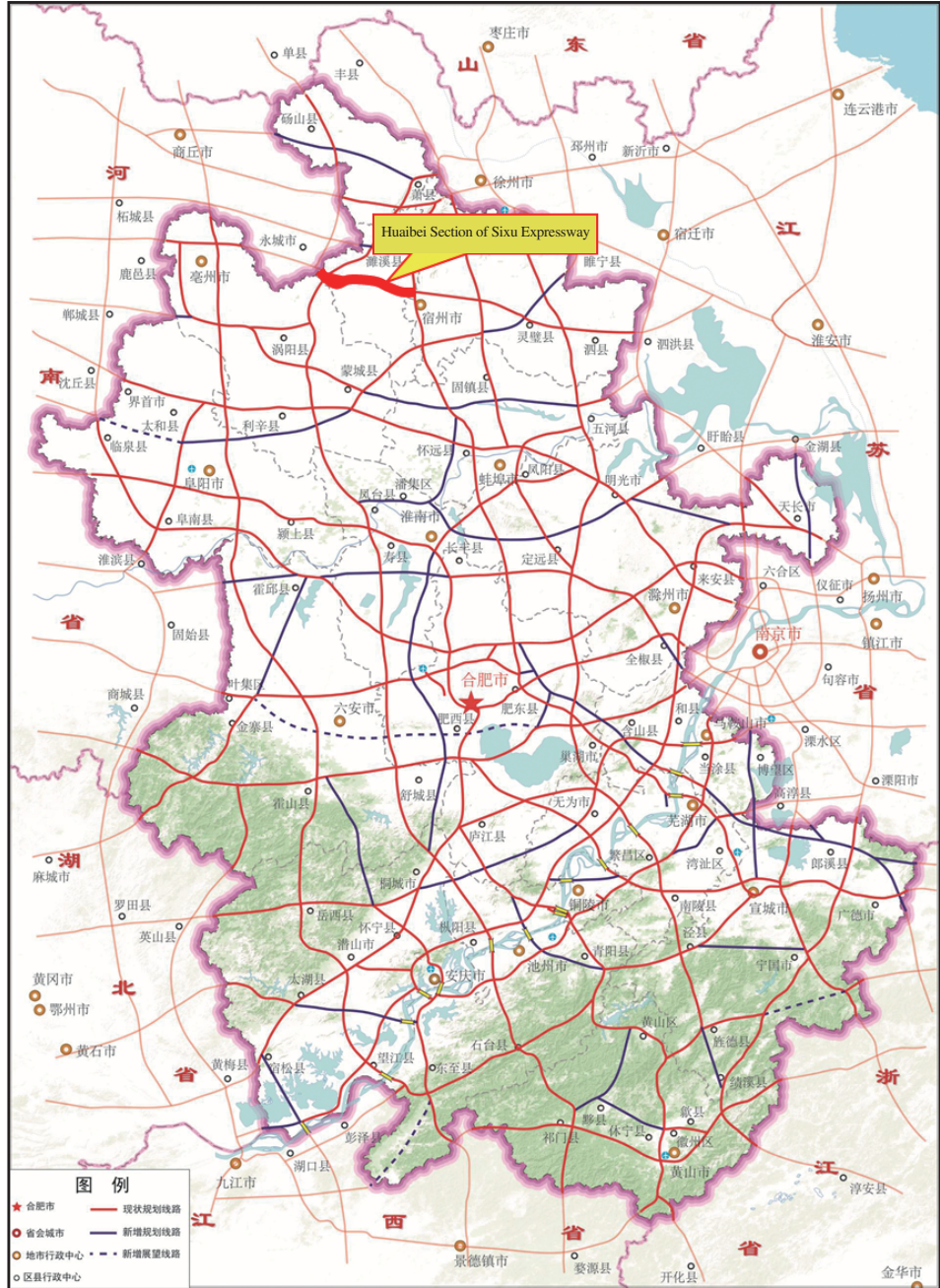
For trucks with more than six axles, based on the charging standard for Class 6 trucks, for each additional axle, the charging standard is determined by a factor of 1.1; for trucks with 10 axles and above, the charging standard shall be adopted according to the standard for trucks with 10 axles.

(b) Huaibei Section of Sixu Expressway

The Huaibei Section of Sixu Expressway was completed and opened on 24 December 2012. It is a section of the G1516 Yanluo expressway, a national key trunk planned by the Ministry of Transport in Anhui Province, and an important component of the “five vertical and ten horizontal” highway network planning in Anhui Province, radiating to provinces such as Jiangsu, Henan, Anhui, and Shandong, and plays an important role in connecting the eastern and central provinces. It starts from the Xiaozhao Village in Gurao Town, Lieshan District, Huaibei City, and ends at the connection section of the border between Anhui and Henan Provinces and Yongcheng in Henan Province. It has a toll mileage of 52.20 kilometers, and the toll period is from 24 December 2012 to 23 December 2042 with three toll stations along the line.

LETTER FROM THE BOARD

For reference, a map showing the location of the Huaibei Section of Sixu Expressway is depicted below:



LETTER FROM THE BOARD

Further information on the Huaibei Section of Sixu Expressway is set out below:

Total Toll Mileage	:	52.2 kilometres
Design Speed	:	120 kilometres/hour
Toll Operation Period	:	From 24 December 2012 to 23 December 2042 (30 years in total)
Toll Rates	:	According to the standards issued by the “Notice on Printing and Distributing the Adjustment Scheme for Vehicle Toll Charge of Toll Roads in Anhui Province Published by Anhui Provincial Department of Transportation, Anhui Provincial Development and Reform Commission and Anhui Provincial Department of Finance” (Wan Jiao Lu [2019] No. 144) (《安徽省交通運輸廳安徽省發展改革委安徽省財政廳關於印發安徽省收費公路車輛通行費計費方式調整方案的通知》(皖交路[2019]144號)), the expressway toll rate is adjusted according to the relevant provisions of the “Adjustment Scheme for Vehicle Toll Charge of Toll Roads in Anhui Province” (《安徽省收費公路車輛通行費計費方式調整方案》), in which passenger vehicles are charged based on vehicle types, and trucks are charged based on axles. For the toll rates of the Huaibei Section of Sixu Expressway, please refer to the tables below:

Passenger Vehicles

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

LETTER FROM THE BOARD

Trucks

Class of Vehicle	JT/T489-2019 Classification Standard	Toll Rate (RMB/kilometre)
Class 1	2 axles. The length of the vehicle is less than 6,000mm and the maximum allowable total mass is less than 4,500kg	0.45
Class 2	2 axles. The length of the vehicle is not less than 6,000mm or the maximum allowable total mass is not less than 4,500kg	0.9
Class 3	3 axles	1.35
Class 4	4 axles	1.7
Class 5	5 axles	1.85
Class 6	6 axles	2.2

For trucks with more than six axles, based on the charging standard for Class 6 trucks, for each additional axle, the charging standard is determined by a factor of 1.1; for trucks with 10 axles and above, the charging standard shall be adopted according to the standard for trucks with 10 axles.

5.3 Financial information

The Target Companies are limited liability companies established in the PRC on 30 October 2024, and therefore no historical financial data prior to their establishment is available. The summarized financial information in the table below is extracted from the audited pro forma financial statements of the Target Companies prepared in accordance with the same accounting policies as those of the Company, and the audit reports (Report No.: Ernst & Young Hua Ming (2024) Zhuan Zi No. 70620472_B01, Ernst & Young Hua Ming (2024) Zhuan Zi No. 70620471_B01) is issued by Ernst & Young Hua Ming LLP. In preparing the following financial information, it is assumed that the gratuitous transfer of Fuzhou Expressway and the Huaibei Section of Sixu Expressway from Anhui Transportation Holding Group to the Target Companies was completed on 1 January 2023.

LETTER FROM THE BOARD

(a) Fuzhou Company

	As at/For the year ended 31 December 2023 <i>(approximately)</i> RMB0'000	As at/For the ten months ended 31 October 2024 <i>(approximately)</i> RMB0'000
Profit before income tax	26,714.64	16,814.85
Profit after income tax	20,035.98	12,593.30
Revenue	43,155.61	31,985.57
Total Equity	177,025.06	178,152.50
Total Assets	178,292.14	182,218.81

The toll rate of Fuzhou Expressway have not changed in 2023 and 2024. Factors such as the end of the public health incident in early 2023 significantly increased the travel demand from January to February 2023, and the short-term diversion effect arising from the road repairs on the adjacent national highway of Fuzhou Expressway from August to December 2023 led to higher traffic volume and corresponding toll income for Fuzhou Expressway in 2023, which, together with the severe weather impact in early 2024, resulted in the decrease in revenue and profit before income tax of Fuzhou Company for the ten months ended 31 October 2024 (other than the full year effect) compared to 2023. Additionally, in 2024, Fuzhou Expressway implemented a maintenance quality improvement initiative, focusing on pavement restoration, detailed upgrades of traffic safety facilities (including guardrail reconstruction, signage upgrades, etc.), and environmental enhancement (including greening improvement along the expressway, etc.), resulting in high expenditure on specialised maintenance projects, significantly increasing the road maintenance costs of Fuzhou Expressway compared to 2023, and such increase in road maintenance costs contributed to the decrease in the profit before income tax of Fuzhou Company for the ten months ended 31 October 2024 (other than the full year effect) compared to 2023.

LETTER FROM THE BOARD

Although the results of Fuzhou Company for the ten months ended 31 October 2024 (other than the full year effect) have decreased compared to 2023, the Board believes that the acquisition of Fuzhou Company is in the interests of the Company and the Shareholders as a whole after taking into account the following factors: (1) since 2018, aside from the impact of the public health incident, the traffic volume of Fuzhou Expressway has generally maintained a continuous growth; (2) Fuzhou Expressway is a section of the G35 expressway from Jinan to Guangzhou, a national key trunk planned by the Ministry of Transport in Anhui Province, and an important component of the “five vertical and ten horizontal” highway network, radiating to provinces such as Jiangsu, Henan, Anhui, and Shandong, playing an important role in connecting the eastern and central provinces with the southeastern coast; and (3) Fuzhou Expressway is located within Anhui Province, the regional economy of which has consistently maintained a relatively high-speed development, combined with the diversion effect of the peripheral road sections, it is expected that Fuzhou Company’s toll income from Fuzhou Expressway will continue to grow.

(b) Sixu Company

	As at/For the year ended 31 December 2023 (approximately) RMB0’000	As at/For the ten months ended 31 October 2024 (approximately) RMB0’000
Profit before income tax	14,358.08	10,183.18
Profit after income tax	10,758.51	7,637.39
Revenue	24,542.96	18,734.71
Total Equity	120,042.55	121,417.43
Total Assets	120,573.55	123,104.95

6. FINANCIAL EFFECTS OF THE ACQUISITION

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

LETTER FROM THE BOARD

7. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company has relatively abundant capital on its books. By expanding the investment in principal business, the Company can effectively achieve the capitalisation of the funds, increase the return level of the capital and create value for its shareholders. The Company has seized the favourable opportunities arising from the reform of state-owned enterprises, securitisation of assets and others to encourage restructuring, commenced the acquisition of highway quality assets in the province, and improved the profitability of the Company, which is of great significance to the promotion of the Company's high-quality development. The remaining periods for the road assets of the Target Companies are 15 years and 18 years, respectively, which can effectively enhance the Company's ability to continue as a going concern.

Fuzhou Expressway and Huaibei Section of Sixu Expressway, being the core assets of the Target Companies, are important components of the national expressway network and the "five vertical and ten horizontal" expressway network in Anhui Province, which plays an important role in promoting the economic development of the province, radiating Jiangsu, Henan, Anhui and Shandong, and connecting with the southeastern coast, and the Acquisition is conducive for the Company to further improve the road network layout in the Anhui region, and expand and enhance the principal business of expressway by realising economies of scale and synergies, consolidating the Company's advantageous position in the expressway network of Anhui Province. Highway quality assets are relatively scarce in the market, and the acquisition of the relevant road assets from the controlling shareholder can effectively break through the limitations imposed by the scale of the assets on the growth in performance and potential for value enhancement, and the Acquisition is in line with the development strategy of the Company and the interests of the Shareholders as a whole.

As of the Latest Practicable Date, the Company owns approximately 609 kilometres of operating highways, and its major road assets have entered into a mature period with relatively slow traffic volume growth. Upon completion of the Acquisition, it is expected that there will be a steady growth in the mileage of self-owned highways, operating revenue, net profit attributable to parent and earnings per share and return on equity, which will be conducive to the enhancement of the Company's sustainable profitability, results of operations and shareholders' return.

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

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

LETTER FROM THE BOARD

8. INFORMATION ON THE COMPANY AND ANHUI TRANSPORTATION HOLDING GROUP

The Company is principally engaged in the holding, operation and development of toll expressways and highways within Anhui Province.

Anhui Transportation Holding Group, a limited company established in the PRC on 27 April 1993, is wholly-owned by the State-owned Assets Supervision and Administration Commission of Anhui Province* (安徽省國有資產監督管理委員會), and is the controlling shareholder of the Company holding approximately 31.63% of the Company's issued share capital as at the Latest Practicable Date. Anhui Transportation Holding Group is principally engaged in highway and related infrastructure construction, supervision, inspection, design, construction, technical consultation and services; investment and asset management; real estate development and operation, etc.

9. LISTING RULES IMPLICATION

Anhui Transportation Holding Group is currently holding approximately 31.63% of the total issued shares of the Company, and is the controlling shareholder and a connected person of the Company as defined under the Listing Rules. Therefore, the Acquisition constitutes a connected transaction of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable and connected transaction of the Company and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

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

Mr. Wang Xiaowen, Mr. Yu Yong, Mr. Chen Jiping and Mr. Wu Changming (being directors or senior management of Anhui Transportation Holding Group or its controlling subsidiary(ies) and/or Directors of the Company nominated by Anhui Transportation Holding Group) are deemed to be interested in the Acquisition and have abstained from voting on the discloseable and connected transaction in respect of the Acquisition according to the Listing Rules. Except as stated above, no Director has any material interest in the Acquisition, neither are there any Directors who are required to abstain from voting on the relevant Board resolution.

LETTER FROM THE BOARD

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

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Zhang Jianping, Mr. Lu Taiping and Ms. Zhao Jianli, has been formed to consider the Acquisition and the transactions contemplated thereunder, and Shenwan Hongyuan Capital (H.K.) Limited has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition and the transactions contemplated thereunder are fair and reasonable, whether the Acquisition and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, whether the Acquisition and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and whether the Independent Shareholders should vote in favour of the Acquisition and the transactions contemplated thereunder.

10. PROPOSAL TO RECONSTRUCTION AND EXPANSION PROJECT OF GAOJIE EXPRESSWAY

A. Basic Information of Gaojie Expressway

Gaojie Expressway is a two-way four-lane expressway with a designed speed limit of 100 km/h. It is an important component of G50 Huyu Expressway, a main trunk of national expressways, and the "five vertical and ten horizontal" highways network in Anhui Province.

B. Brief of the Reconstruction and Expansion Project

The total length of the lane under the Reconstruction and Expansion Project is approximately 109.76 km. It is planned to be completed and commence operation by the end of 2027. The Reconstruction and Expansion Project will be constructed on the original site through an "expanding four lanes to eight lanes" plan by way of both-side widening as the main method and single-side widening as the supplemental method. The width of entire roadbed will be 42 metres. The designed speed limit of the whole lane is 120km/h.

LETTER FROM THE BOARD

The total estimated investment amount of the Reconstruction and Expansion Project is RMB12,303 million, of which approximately RMB2,461 million (20% of the total investment) will be capital contribution to be made by the Company from its own financial resource. And, the remaining RMB9,842 million will be financed via bank loans and other financing methods. Similar cases of expressway construction in Anhui Province indicated that the actual investment amounts were generally less than the estimated investment amounts.

C. Necessity of the Reconstruction and Expansion Project

(a) Enhancing the Traffic Capacity of Gaojie Expressway

Traffic jam in some sections of Gaojie Expressway during peak hours has emerged in recent years. The efficiency of Gaojie Expressway is of great significance to promote the implementation of the strategy with regard to the central region's rise, enhance national expressway's traffic capacity and service quality and boost the high-quality economic and social development along the adjacent region.

(b) Strengthening the Competitiveness of Gaojie Expressway within the Highways Network

The average daily traffic volume of Gaojie Expressway in 2023 had reached 50,400 vehicles per day (standard passenger vehicles). Without expansion and reconstruction, it will be challenging to meet the growing traffic demands, and it will be impossible to maintain the advantageous position of this road section within the highways network.

(c) Improving the Sustainable Development Capability of the Company

Gaojie Expressway is one of the Company's most valuable highway assets, accounting for 22.32% of the toll revenue in 2023. Its operating permit will expire in 2029, which means that it now has less than five years toll period. To commence its reconstruction and expansion as early as possible will, on the one hand, result in effective control of the construction costs amidst the general trend of year-on-year increases in the costs of labour and land acquisition, and on the other hand, help to apply for an extension of the toll period upon completion of the reconstruction and expansion to ensure continuous and steady operation of this project.

LETTER FROM THE BOARD

D. Feasibility of the Reconstruction and Expansion Project

This project is an expansion and reconstruction investment in the Company's core road assets, which is an intrinsic demand for the Company's main business to develop itself and to promote the Company's sustainable development. It not only enhances the traffic efficiency and the road section's accessibility and service quality, but also strengthens the Company's long-term profitability and improves its core competitiveness.

E. Risks of the Reconstruction and Expansion Project and the Countermeasures

(a) Policy Risk

The toll period after the completion of this project will be subject to the approval of the government, and the Company has not yet obtained the government approval. The operation period of this project is long, and policies in relation to the toll road may change in the future.

Countermeasures: The Company will actively maintain communication with relevant government departments, strive to ensure that the Reconstruction and Expansion Project will obtain reasonable investment returns, and foster researches on relevant policies to actively keep in line with changes of the policies.

(b) Operation Risk

The traffic volume and toll revenue are greatly affected by regional economic development, overall development of the transportation sector, and changes in adjacent road networks, which may reduce the accuracy of estimation. And, consequently the actual revenue may not meet the estimation.

Countermeasures: After completion of the Reconstruction and Expansion Project, the Company will further standardise the management of operation, actively promote the use of ETC, automatic card issuance and mobile payment devices, and reduce labour costs. The Company will further foster the researches on and promote implementation of new road maintenance technologies, in order to extend the lifespan of road surface as much as possible and reduce maintenance costs.

LETTER FROM THE BOARD

(c) ***Interest Rates Risk***

The investment in the Reconstruction and Expansion Project is relatively substantial, with debt financing for a certain proportion. Changes in market interest rates will affect the cost of funds and thus affect this project's profitability.

Countermeasures: The Company will raise funds through multiple channels, arrange fixed rate and floating rate financing in a reasonable mixture, optimise debt maturity, and strive to minimise the cost of funds as much as possible.

11. EXTRAORDINARY GENERAL MEETING

The EGM Notice is set out on pages 259 to 261 of this circular. At the EGM, the resolutions as set out in the EGM Notice will be put to the vote.

This circular is accompanied with a form of proxy for use at the EGM. The form of proxy for the EGM is issued on 10 February 2025 and published on the website of the Stock Exchange. Whether or not you intend to attend the said EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same, in the case of holders of A Shares, to the registered office of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC or, in the case of holders of H Shares, to the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable and in any event not less than 24 hours before the holding of the said EGM (i.e. before 26 February 2025 (Wednesday) at 2:30 p.m.) or any of its adjourned meeting. Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the said EGM or any adjourned meeting(s) should you so wish.

LETTER FROM THE BOARD

12. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee regarding the Acquisition as set out on pages 28 to 29 of this circular. Your attention is also drawn to the letter from the IFA to the Independent Board Committee and the Independent Shareholders in respect of the same matter, which is set out on pages 30 to 52 of this circular.

The Independent Board Committee, having taken into account the advice of the IFA, considers that although the Acquisition is not conducted in the ordinary and usual course of business of the Group, the Acquisition Agreement is entered into and conducted on normal commercial terms, and the terms of the Acquisition Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution at the EGM to approve the Acquisition.

Accordingly, the Board (including the independent non-executive Directors) considers that although the Acquisition is not conducted in the ordinary and usual course of business of the Group, the Acquisition Agreement is entered into and conducted on normal commercial terms, and the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution at the EGM to approve the Acquisition.

And, in view of the aforesaid reasons set out in this circular, the Board also recommends the Shareholders to vote in favour of the ordinary resolution at the EGM to approve the Reconstruction and Expansion Project.

13. ADDITIONAL INFORMATION

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

By order of the Board
Anhui Expressway Company Limited
Lee Chung Shing
Company Secretary

* *translation for identification purposes only*



安徽皖通高速公路股份有限公司

ANHUI EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 995)

10 February 2025

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION:
ACQUISITION OF 100% EQUITY INTERESTS IN TWO COMPANIES
OPERATING EXPRESSWAY IN ANHUI PROVINCE, THE PRC**

We refer to the circular of the Company dated 10 February 2025 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the Acquisition, details of which are set out in the letter from the Board contained in the Circular, is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Acquisition Agreement and the advice of the IFA in relation thereto as set out on pages 30 to 52 of the Circular, we are of the opinion that although the Acquisition is not conducted in the ordinary and usual course of business of the Group, the Acquisition Agreement is entered into and conducted on normal commercial terms, and the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Zhang Jianping

Independent Non-executive

Director

Mr. Lu Taiping

Independent Non-executive

Director

Ms. Zhao Jianli

Independent Non-executive

Director

LETTER FROM THE IFA



Shenwan Hongyuan Capital (H.K.) Limited

Level 6, Three Pacific Place

1 Queen's Road East

Hong Kong

10 February 2025

To: Independent Board Committee and the Independent Shareholders

Dear Sirs

**DISCLOSEABLE AND CONNECTED TRANSACTION:
ACQUISITION OF 100% EQUITY INTERESTS IN TWO COMPANIES
OPERATING EXPRESSWAY IN ANHUI PROVINCE, THE PRC**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 February issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 31 December 2024 in relation to the Acquisition.

On 31 December 2024, the Company and Anhui Transportation Holding Group entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase, and Anhui Transportation Holding Group has conditionally agreed to sell, the Target Equity. The Consideration for the acquisition of the Target Equity is RMB4,770,800,000.

LETTER FROM THE IFA

As the highest applicable percentage ratio in respect of the Acquisition in accordance with the Listing Rules exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable and connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. As at the Latest Practicable Date, Anhui Transportation Holding Group holds approximately 31.63% of the total issued share capital of the Company, and is the controlling shareholder of the Company. Accordingly, Anhui Transportation Holding Group is a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Wang Xiaowen, Yu Yong, Chen Jiping and Wu Changming (being directors or senior management of Anhui Transportation Holding Group or its subsidiary(ies) and/or Directors of the Company nominated by Anhui Transportation Holding Group) are deemed to be interested in the Acquisition and have abstained from voting on the discloseable and connected transaction in respect of the Acquisition according to the Listing Rules. Except as stated above, no Director has any material interest in the Acquisition, neither are there any Directors who are required to abstain from voting on the relevant Board resolution.

In view of the interest of Anhui Transportation Holding Group in the Acquisition Agreement, Anhui Transportation Holding Group and its associates will abstain from voting at the extraordinary general meeting to be convened by the Company to, among others, consider and approve the resolutions in relation to the Acquisition and the transactions contemplated thereunder.

The Company has established the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zhang Jianping, Mr. Lu Taiping and Ms. Zhao Jianli, to advise the Independent Shareholders on the terms of the Acquisition and the transactions contemplated thereunder, and to recommend to the Independent Shareholders how to vote at the extraordinary general meeting. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE IFA

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we are not connected with the Directors, chief executive, the supervisors or substantial shareholders of the Company or any of their respective associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. We were not aware of any relationships or interest between us and the Company, Anhui Transportation Holding Group nor any other parties within the past two years that could reasonably be regarded as a hindrance to our independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

Save for the Company's proposed acquisition of Anhui Province Liuwu Expressway Co., Ltd.* (安徽省六武高速公路有限公司) from Anhui Transportation Holding Group, on which we opined in the circular and the supplemental circular of the Company dated 26 July 2023 and 13 October 2023, respectively, there was no other engagement between us and the Company or Anhui Transportation Holding Group during the two years preceding the date hereof. Apart from normal professional fees payable to us by the Company in connection with the current appointment of us as independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or the Directors, chief executive, the supervisors or substantial shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Acquisition.

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

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

LETTER FROM THE IFA

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Acquisition

1.1 Background information on the Group

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

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

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Financial performance of the Group

Set out below is a summary of financial information of the Group for the three years ended 31 December 2021, 2022 and 2023 as extracted from the Company’s annual reports (which were prepared in accordance with Hong Kong Financial Reporting Standards) and for the nine months ended 30 September 2023 and 2024 as extracted from the Company’s 2024 third quarterly report (which was prepared in accordance with PRC Accounting Standards for Business Enterprises):

	For the year ended			For the nine months ended	
	31 December			30 September	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	4,029,476	5,206,366	6,631,337	4,344,060	5,043,451
Gross profit	2,306,988	2,222,171	2,593,637	2,033,668	1,795,235
Profit for the year/period	1,543,113	1,415,624	1,676,167	1,390,533	1,240,523

As set out in the table above, the Group’s revenue increased significantly from RMB4,029.5 million for the year ended 31 December 2021 (“**FY2021**”) to RMB5,206.4 million for the year ended 31 December 2022 (“**FY2022**”). In terms of profit, the Group’s net profit declined from RMB1,543.1 million for FY2021 to RMB1,415.6 million for FY2022, representing a drop of approximately 8.3%. We note from the Company’s last three annual reports, and understand from the management of the Company that the growth in the Group’s revenue but a decline in profit in FY2022 was mainly due to:

- (i) an increase in revenue of RMB1,309.0 million from the construction or upgrade work under service concessions as a result of the construction progress of Public-Private-Partnership project (“**PPP project**”) of Xuanguang Expressway reconstruction and expansion; and
- (ii) a decrease in toll income of RMB154.7 million mainly because of the decrease in traffic volume of Xuanguang Expressway, which was under reconstruction and expansion work during FY2022.

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

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The Group's revenue further increased from RMB5,206.4 million for FY2022 to RMB6,631.4 million for the year ended 31 December 2023 (“**FY2023**”), mainly due to the:

- (i) an increase in revenue of RMB1,057.9 million from the construction or upgrade work under service concessions as a result of the construction progress of PPP project of Xuanguang Expressway renovation and expansion; and
- (ii) an increase in toll income of RMB365.4 million mainly because of the increase in traffic volume resulting from the expansion of Xuanguang Expressway.

The profit for the year of the Group increased from RMB1,415.6 million for FY2022 to RMB1,676.2 million for FY2023 primarily because of the increase of gross profit generated from expressway business and construction or upgrade work under service concessions.

The revenue of Group increased from RMB4,344.1 million for the nine months ended 30 September 2023 (“**9M2023**”) to RMB5,043.5 million for the nine months ended 30 September 2024 (“**9M2024**”) mainly due to the overall increase of the construction service revenue for the Xuanguang Expressway renovation and expansion PPP project and the increase in traffic volume of the expressways operated by the Group during this period. Net profit of the Group decreased from RMB1,390.5 million for 9M2023 to RMB1,240.5 million for 9M2024, mainly due to a 40.59% rise in operating costs, primarily from higher construction service expenses related to the Xuanguang project.

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Existing toll roads and bridges

Set out below is a summary of details of existing toll roads and bridges as extracted from the Board Letter and the corresponding revenue contribution in FY2023 as extracted from the Company's annual report for FY2023:

	Interests	Remaining operating term ¹	Length	Revenue for the year ended 31 December 2023	% to total toll income
	%	years	kilometers	RMB'000	%
1. Hening Expressway	100.0	2.8	134	1,426,608	34.3
2. New Tianchang Section of National Trunk 205	100.0	3.0	30	87,480	2.1
3. Gaojie Expressway	100.0	5.8	110	929,713	22.3
4. Xuanguang Expressway	55.5	5.0	84	425,426	10.2
5. Lianhuo Expressway Anhui Section	100.0	9.5	54	283,968	6.8
6. Ninghuai Expressway Tianchang Section	100.0	9.5	14	126,184	3.0
7. Guangci Expressway	55.5	5.5	14	100,069	2.4
8. Ningxuanhang Expressway	51.0	<i>Note 2</i>	117	284,821	6.8
9. Anqing Yangtze River Expressway Bridge	100.0	10.0	6	350,907	8.4
10. Yuewu Expressway Anhui section	100.0	22.0	46	149,502	3.6

Notes:

- The remaining operating terms are calculated as of 31 December 2023 as set out in the Company's annual report for FY2023.
- Ningxuanhang Expressway (Anhui Section) is made up of three sections namely: Xuancheng to Ningguo section, Ningguo to Qianqiuguan section and Liqiao to Xuancheng section with approximately 19.7 years, 22.0 years and 24.0 years of remaining operation term, respectively.

As at 31 December 2023, the Group had been operating a total of ten expressways (i.e. the toll roads and bridges as set out above). Among the expressways operated by the Group, Hening Expressway, Xuanguang Expressway and Gaojie Expressway together accounted for approximately 66.8% of the toll revenue for the year ended 31 December 2023 from these ten expressways, with an average remaining concession period of approximately 4.5 years. The average remaining concession period of all the ten expressways operated by the Group is approximately 9.5 years.

1.2 *Anhui Transportation Holding Group*

Anhui Transportation Holding Group is a state-owned enterprise established in the PRC and is the controlling shareholder and a connected person of the Company holding approximately 31.63% of the Company's issued share capital as at the Latest Practicable Date. Anhui Transportation Holding Group is principally engaged in highway and related infrastructure construction, supervision, inspection, design, construction, technical consultation and services; investment and asset management; real estate development and operation, etc.. Anhui Transportation Holding Group owns the entire equity interests in the Target Companies and is, in turn, directly under the ownership of the State-owned Assets Supervision Commission of Anhui Province* (安徽省國有資產監督委員會) as at the Latest Practicable Date.

1.3 *Target Companies*

(a) Fuzhou Company

Fuzhou Company is a limited liability company established in the PRC on 30 October 2024. Fuzhou Company is principally engaged in highway management and maintenance, engineering management services and maintenance of the Fuzhou Expressway in Anhui Province, the PRC.

Fuzhou Company currently owns the concession of Fuzhou Expressway. The toll operation period of Fuzhou Expressway is from 27 December 2009 to 26 December 2039 (30 years in total). Fuzhou Expressway starts from Liuxiaoji, Lixin County, Bozhou City, passes through Yingquan District, Yingdong District, and Yingshang County in Fuyang City, and ends at Fengjing Town, Huoqiu County, Lu'an City, intersecting with Ningluo Expressway, Chuxin Expressway, and Hezhou Expressway. The total chargeable mileage of the Fuzhou Expressway is 83.57 kilometers. It contains four toll stations along the line.

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(b) *Sixu Company*

Sixu Company is a limited liability company established in the PRC on 30 October 2024. Sixu Company is principally engaged in highway management and maintenance, engineering management services and maintenance of Huaibei section of Sixu Expressway in Anhui Province, the PRC.

Sixu Company currently owns the concession of the Huaibei Section of Sixu Expressway. The toll operation period of the Huaibei Section of Sixu Expressway is from 24 December 2012 to 23 December 2042 (30 years in total). Huaibei Section of Sixu Expressway is an inter-provincial route connecting the provinces of Jiangsu, Anhui and Henan. Passing through central Jiangsu, northern Jiangsu, northern Anhui, and central Henan. The total chargeable mileage of the Huaibei Section of Sixu Expressway is 52.2 kilometers. It contains three toll stations, and one service area along the line.

2. Reasons for and benefits of the Acquisition

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

The Directors are of the view that the Group's substantial cash reserves (i.e. RMB4.33 billion cash and cash equivalents and time deposit as at 30 September 2024) presents an opportunity to optimise capital utilisation through increased investments in its core business. By expanding investments in its core business, it can effectively capitalise its funds, enhance returns, and create value for its shareholders. Hence, the Company is acquiring high-quality expressway assets within the province to leverage favorable opportunities from state-owned enterprise reform, asset securitisation, and the encouragement of mergers and acquisitions under the current national policies,. This strategic move aims to expand effective investment and significantly contribute to the Company's high-quality development. The remaining periods for the road assets of the Target Companies are 15 years and 18 years, respectively, which can effectively enhance the Company's ability to continue as a going concern.

The Fuzhou Expressway and the Huaibei section of Sixu Expressway are key components of Anhui Province's "five vertical and ten horizontal" expressway network. These highways play a vital role in promoting regional economic development, connecting the southeastern coastal areas, and facilitating economic interactions between Jiangsu, Henan, Anhui, and Shandong provinces. The Acquisition will further optimise the Group's expressway network in Anhui Province and allow it to achieve economies of scale, strengthening and expanding its core expressway business.

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As of the announcement date, the Group operates approximately 609 kilometers of expressways, with most assets in a mature phase where traffic growth has stabilised. Upon completion of the Acquisition, the Group's total expressway mileage, operating revenue, net profit attributable to shareholders, and earnings per share are all expected to increase, thereby strengthening its sustainable profitability, improving operational performance, and enhancing shareholder returns.

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

3. Principal terms of the Acquisition Agreement

On 31 December 2024, the Company and Anhui Transportation Holding Group entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase and Anhui Transportation Holding Group has conditionally agreed to sell, the Target Equity, in consideration of the payment of the Consideration by the Company to Anhui Transportation Holding Group.

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

The Acquisition Agreement

Date: 31 December 2024 (after trading hours)

Parties: (1) the Company, as purchaser; and
(2) Anhui Transportation Holding Group, as vendor

Subject matter: Pursuant to the Acquisition Agreement, the Company has conditionally agreed to purchase and Anhui Transportation Holding Group has conditionally agreed to sell, the Target Equity, being 100% equity interests in Fuzhou Company and 100% equity interests in Sixu Company.

Consideration and payment terms: The Consideration for the acquisition of the Target Equity is RMB4,770,800,000. Upon fulfilment of all the conditions precedent in the Acquisition Agreement, payment shall be made in full by the Company to Anhui Transportation Holding Group within five business days.

As at the Latest Practicable Date, the Company intends to pay the entire Consideration by self-owned and/or self-raised funds.

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Basis for determining
the Consideration:

The Consideration for the Acquisition of the Target Equity was determined after arm's length negotiations between the Company and Anhui Transportation Holding Group. A number of factors have been considered by the Company and Anhui Transportation Holding Group when determining the Consideration, including, among others, the financial performance and the business prospects of the Target Companies and the PRC Valuation Reports prepared by the PRC Domestic Valuer pursuant to the requirements of the relevant PRC laws and regulations.

The Consideration was determined based on the appraised value of the entire shareholders' equity interests of Fuzhou Company as at the Valuation Benchmark Date as appraised by the Fuzhou Company Valuation Report and the appraised value of the entire shareholders' equity interests of Sixu Company as at the Valuation Benchmark Date as appraised by the Sixu Company Valuation Report, and after taking into account the registered capital of RMB5,000,000 paid up by Anhui Transportation Holding Group to Fuzhou Company and Sixu Company, respectively, following the Valuation Benchmark Date. The PRC Valuation Reports used 31 October 2024 as the Valuation Benchmark Date, and the income approach with the use of discounted cash flow method was adopted in the valuation conclusion to determine the entire shareholders' equity interests of the Target Companies, with an aggregate valuation of RMB4,760,800,000 as at the Valuation Benchmark Date, of which, the appraised values of the entire shareholders' equity interests of Fuzhou Company and Sixu Company as at the Valuation Benchmark Date were RMB2,898,120,000 and RMB1,862,680,000, respectively. Accordingly, the Consideration for the Acquisition agreed between the Company and Anhui Transportation Holding Group is RMB4,770,800,000.

In appraising the market value of the Target Companies, the PRC Domestic Valuer has also taken into consideration, among others, the traffic volume and toll collection rates of the Target Expressways assessed by the PRC qualified traffic consultant.

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

- (1) the Acquisition Agreement having been considered and approved by the competent decision-making authorities of the Company in accordance with relevant laws and regulations and the Company's articles of association;
- (2) the passing of the Acquisition Agreement by the competent decision-making authorities of Anhui Transportation Holding Group in accordance with relevant laws and regulations and the articles of association of Anhui Transportation Holding Group;
- (3) completion of the relevant regulatory approvals and filing procedures (if any) by the Company and Anhui Transportation Holding Group; and
- (4) the pledges on toll collection rights of the Target Companies have all been released.

Our assessment of fairness and reasonableness of the consideration

To evaluate the fairness and reasonableness of the consideration to be made according to the Acquisition Agreement, we have considered the Target Equity's valuation information provided in the PRC Valuation Reports and the Traffic Study Reports provided by the PRC Qualified Traffic Consultant, and our analysis, which are set out below:

1. Traffic Study Reports

We are given to understand that the Traffic Study Reports were prepared and provided in support of the valuation of the appraised value of the Target Equity, to serve as a reference for the projection of the traffic volume and toll revenue of the Target Expressways for the period from 1 November 2024 to the end of their respective operation period. CHELBI Engineering Consultants, Inc.* (華傑工程諮詢有限公司) (the "**PRC Qualified Traffic Consultant**") has been engaged by the Company to conduct an independent research and prepare the Traffic Study Reports.

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Qualification and experience of the PRC Qualified Traffic Consultant

In order to assess the expertise and independence of the PRC Qualified Traffic Consultant, we have (i) reviewed the engagement letter between the PRC Qualified Traffic Consultant and the Company for the terms of engagement (including scope of work) of the traffic study of the Target Expressways; (ii) conducted an interview with the PRC Qualified Traffic Consultant to understand its background, experience, its relationship with the Company and the projection methodologies; (iii) discussed with the PRC Qualified Traffic Consultant about its previous experience on traffic consulting projects; and (iv) reviewed the qualification of the PRC Qualified Traffic Consultant. Based on our work performed as mentioned above, we understand that (a) the PRC Qualified Traffic Consultant is an experienced consultant in the traffic study for the PRC's infrastructure with more than 39 years of professional experience and the team that prepared the Traffic Study Reports has completed 20 traffic consulting projects including experience in traffic volume and toll revenue projection in the past three years; (b) the PRC Qualified Traffic Consultant has confirmed that it is an independent third party of the Company, Anhui Transportation Holding Group, and their core connected persons; (c) the scope of work of their engagement is appropriate and suitable for the preparation of the Traffic Study Reports; and (d) the PRC Qualified Traffic Consultant has Engineering Consulting Qualification Class A (工程諮詢單位甲級資信) qualification issued by the Institute of Engineering Consulting of China* (中國工程諮詢協會). As such, we are not aware of any matters that could cause us to have doubts on the expertise and independence of the PRC Qualified Traffic Consultant.

Methodologies and assumptions

We have reviewed and discussed with the PRC Qualified Traffic Consultant about the Traffic Study Reports on the bases, assumptions and methodologies adopted to estimate the traffic volume and toll revenue of the Target Expressways from 1 November 2024 to the end of their respective operation periods. We noted that the PRC Qualified Traffic Consultant has (i) collected macro-economic data (primarily gross domestic product data from year 2011 to 2023) of Anhui, Jiangsu and Hubei Province, and Suzhou, Huanbei, Bozhou, Lu'an City, which are the cities located at the end of the Target Expressways and researched the future development plan in the above provinces and cities; (ii) obtained historical traffic data (for example, traffic volume, types of vehicles, toll revenue) of the Target Expressways; (iii) analysed the data in (i) and (ii) above; and (iv) built a traffic model to estimate the future expected traffic volume and toll revenue of the Target Expressways, in which, based on our understanding, historical trends of economic data and traffic data were both accounted for in formulating the projection by the PRC Qualified Traffic Consultant. As such, we consider that it is reasonable and consistent with the industry practice as per referencing disclosure of transactions of similar nature.

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In estimating the traffic volume and toll revenue of the Target Expressways, we noted that the PRC Qualified Traffic Consultant has considered (i) the existing traffic flow patterns; (ii) the historical traffic data for the period from 2011 to 2023 of the Target Expressways; (iii) the toll rates by vehicle types based on the official toll rates issued by the Anhui Government on 30 December 2019; and (iv) the future development plan and outlook of the surrounding transportation network. In addition, we understand from the PRC Qualified Traffic Consultant that they have also considered the potential competition factors in relation to the future development of transportation network (including expressways and railways) surrounding the Target Expressways and the government toll policies in the future traffic projection of the Target Expressways. As stated in the Traffic Study Reports, the PRC Qualified Traffic Consultant adopted the “four-stage method” in estimating the traffic volume and toll revenue. Based on our independent research, we noted that “four-stage method”, which consists of trip generation, trip distribution, modal split and traffic route assignment, is the most common methodology adopted in reports and consider the usage of this approach reasonable.

With regards to the toll rates, fixed toll rates at prevailing level with a toll discount for electronic toll collection (“ETC”) users at an effective rate based on historical data are assumed over the forecast period without adjusting for inflation, etc. We have (i) discussed with the PRC Qualified Traffic Consultant the determining factors to use fixed toll rates with a toll discount over the forecast period, such as historical toll rate policy and ETC discount policy in Anhui; and (ii) reviewed the historical toll rate changes of the Target Expressways.

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

- (i) in respect of the Fuzhou Expressway, from 2013 to 2023, it achieved a historical compounded annual growth rate (“CAGR”) of 7.79% in toll revenue. The expressway experienced a rapid growth period from 2013 to 2017 with a CAGR of 14.06%, after which the growth rate slowed to a CAGR of 3.80% from 2017 to 2023. The estimated toll revenue CAGR from 2024 to 2039 is projected to be 3.43%, taking into account several major factors, including: (1) the estimated economic growth rate of Anhui Province, ranging from 4.3% to 5.0% for the years 2024 to 2039; (2) in early 2025 and late 2029, the Hezhou Expressway and the Subo-Fu Expressway will attract additional traffic by establishing new regional corridors; and (3) by late 2025, the Xuhuai-Fu Expressway and the Huaisu-Fu intercity railway will divert traffic from the Fuzhou Expressway.

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- (ii) in respect of the Huaibei Section of the Sixu Expressway, from 2013 to 2023, it achieved a historical CAGR of 24.55% in toll revenue. The expressway experienced a rapid growth period from 2013 to 2019 with a CAGR of 33.86%, after which the growth rate slowed to a CAGR of 11.27% from 2019 to 2023. The estimated toll revenue CAGR from 2024 to 2042 is projected to be around 3.14%, taking into account several major factors, including: (1) the estimated economic growth rates of Anhui Province (4.0–5.0%), Henan Province (4.0–5.0%), and Jiangsu Province (4.2–5.5%) for the years 2025 to 2045; (2) the opening of new infrastructure that attracts traffic, such as the Yanoluo Expressway (Suchen to Sihong section) in September 2024, the Xuhuai-Fu Expressway in late 2025, which establish new regional corridors and attract additional traffic; and (3) the opening of new infrastructure that diverts traffic, including the Bomeng and Wumeng Expressways by late 2025, the Huaisu-Fu intercity railway by late 2025, and the Subo-Fu Expressway in late 2029, which will further divert traffic from the Huaibei Section.

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

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

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2. *PRC Valuation Reports*

Qualification and experience of the PRC Domestic Valuer

We have reviewed and enquired the background, qualification and experience of the PRC Domestic Valuer who conducted the valuation of the Target Company. We have (i) reviewed their engagement mandate as well as the terms of engagement (including their scope of work); (ii) conducted desktop research, reviewed credentials and made inquiries regarding the qualification and experience of the PRC Domestic Valuer; (iii) conducted an interview with the PRC Domestic Valuer in relation to its expertise and inquiry regarding any current or prior relationships with the Group, Anhui Transportation Holding Group, and core connected persons of either the Group or Anhui Transportation Holding Group; and (iv) reviewed and discussed with the PRC Domestic Valuer in relation to its past and similar experience on toll road valuation. According to our work performed as mentioned above, we understand that (a) the PRC Domestic Valuer is recognised by the State-owned Assets Supervision and Administration Commission (the “SASAC”) as a qualified asset appraisal company in the PRC according to our checking of the website of the SASAC; (b) the PRC Domestic Valuer is an established appraisal firm with over 31 years of experience acting as an asset appraisal valuer. The valuation project is managed by Ms. Xiayan of the PRC Domestic Valuer, the responsible person of the valuation project, who had over 17 years of experience in asset appraisal industry and participated or led toll road asset appraisal projects and had participated in relevant valuations in the PRC before; (c) the PRC Domestic Valuer had extensive experience in undertaking appraisals and completed over four toll road valuation projects in the past three years; and (d) the PRC Domestic Valuer is a third party independent of the Company and Anhui Transportation Holding Group and their respective core connected persons. Based on the above, we are of the view that the PRC Domestic Valuer is suitable and qualified to conduct the valuation of the Target Equity given (i) their recognition by SASAC as a qualified asset appraisal company; (ii) their extensive experience of over 31 years in the asset appraisal industry; (iii) their proven track record in toll road valuations; and (iv) the project lead’s relevant experience of over 17 years including specific toll road appraisal expertise.

Furthermore, we have reviewed the terms of their engagement and discussed with the PRC Domestic Valuer regarding their scope of work . The scope of works of the PRC Domestic Valuer primarily includes: (i) conducting valuation work including preparation work, on-site valuation, consolidation of valuation results, and report submission; (ii) provision of the asset valuation report to the Company and assisting the SASAC filing process; and (iii) assisting professional parties and relevant intermediaries for the submission of relevant documents to both Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, and assisting in responding to regulatory review questions. The PRC Domestic Valuer also confirms that they are not aware of any limitations on the relevant scope of work. Thus, we consider that (i)

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the scope of work of the PRC Domestic Valuer is sufficient and appropriate and (ii) the PRC Domestic Valuer is qualified and possesses sufficient relevant experience in conducting the valuation of the Target Equity.

Valuation methodology adopted by the PRC Domestic Valuer

We have obtained and reviewed the PRC Valuation Reports, which are outlined in Appendix I to the Circular. As discussed with the PRC Domestic Valuer, we understand that the PRC Valuation Reports were prepared in accordance with the PRC valuation standards and the PRC Valuation Reports has a validity period of one year from the Valuation Benchmark Date. In respect of the valuation methodology, the PRC Domestic Valuer considered three widely-used approaches: the asset-based approach, income approach, and market approach, in accordance with the PRC valuation standards. The PRC Domestic Valuer advised that the market approach was not appropriate for valuing the Target Companies, given that (i) there is no listed companies matching the unique characteristics of the Target Companies (including but not limited to operation model, asset scale and operating results of the expressways being operated); and (ii) the limited access to information for transaction of expressways with similar characteristics in PRC, and it is difficult to reasonably quantify the impact of the above factors on the valuation. Therefore, the market approach was not adopted for the valuations. The income approach, which appraises the enterprise value through capitalising or discounting the expected free cashflow of the valuation target in the future, was used because the Target Companies are profitable and future financial performance can be projected reasonably as the Target Expressways have an operation track record of over 12 years, as advised by the PRC Domestic Valuer. Thus, the income approach was used in the valuations. The PRC Domestic Valuer also advised that the asset-based approach, which reasonably evaluates the underlying values of each identifiable asset and liability item to determine the value of the appraised entity, was also considered in the valuations, as advised by the PRC Domestic Valuer.

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

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valuation derived from the income approach is therefore more comprehensive and accurate. As such, we concur with the view of the PRC Domestic Valuer that the adoption of income approach for the valuation of the Target Equity is fair and reasonable.

Valuation bases and assumptions

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

A. Toll traffic volume and revenue

To determine the valuation of the Target Equity, the PRC Domestic Valuer relied on the Traffic Study Reports, which includes projections and historical data for toll traffic volume and revenue for the Target Expressways during their remaining concession period starting from 1 November 2024. To understand the relevant assumptions used in the valuation, we (i) discussed the major projection items provided by the PRC Qualified Traffic Consultant with the PRC Domestic Valuer and reviewed them, including but not limited to the forecast of toll traffic volume, toll revenue and toll road policy; (ii) reviewed the forecast projection adapted by the PRC Domestic Valuer, which is prepared by the management of the Company; and (iii) reviewed the underlying documents showing the concession periods of the Target Expressways. We cross-checked and compared the forecast toll revenue (before value-added tax and business tax) used in the valuation against the Traffic Study Reports and found no variance. Based on the above work performed, we are not aware of any factors that would cause us to doubt the fairness and reasonableness of the assumptions of the toll traffic volume and revenue projection adopted by the PRC Domestic Valuer.

B. Cost of sales

According to the PRC Valuation Reports, cost of sales comprises mainly depreciation and amortisation, overhaul cost, staff costs and repair and maintenance fee. We noted that depreciation and amortisation attribute to the majority of the cost of sales and mainly represent depreciation of the land and building of the expressway calculated based on the historical construction costs using straight-line deprecation method. Such amounts are excluded from the projected cash flow for discounting under the income method as they are non-cash expenses. We have also reviewed the estimation of overhaul cost, which is another key component of the cost of sales. Based on our discussion with the management and the PRC Domestic Valuer, we noted that it is based on the historical overhaul cost which was generally in a growth trend and the

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growth rates are primarily estimated based on the historical compound annual growth rate of the overhaul cost in the previous periods which we consider to be reasonable as it averages out the fluctuations and is comparable to the historical growth rate.

C. Discount rate

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

The PRC Domestic Valuer adopted 2.15% as risk-free rate, which was determined with reference to yield of 10-year China Government Bond according to the data published by China Central Depository & Clearing Co., Ltd as at the valuation date of 31 October 2024. We performed checking on the data published on the website of the People’s Bank of China for the yield rates of 10-year China Government Bond and it is consistent with the rate adopted by the PRC Domestic Valuer. Therefore, we consider the risk-free rate of 2.15%, which the PRC Domestic Valuer adopted, to be justifiable.

For the market risk premium, the PRC Domestic Valuer adopted a rate of 7.16%. In assessing the reasonableness of the market risk premium, we considered the direct calculation method of the market risk premium in the CAPM model, which is the difference between the required return to equity and the risk free rate. Based on “Survey: Market Risk Premium and Risk-Free Rate used for 96 countries in 2024”¹ published by the Pablo Fernández (being a professor of finance at IESE Business School and an authoritative source of country risk premium as per our understanding), the required return to equity for the PRC capital market in 2024 was 9.6%.

¹ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4754347

LETTER FROM THE IFA

Based on the required return to equity of 9.6% and the risk free rate of 2.15% as mentioned above, the implied market risk premium is 7.45%. Given the market risk premium of 7.16% adopted by the PRC Domestic Valuer in the PRC Valuation Reports is comparable to the market risk premium calculated by the above direct calculation method, we are of the view that the market risk premium adopted in the PRC Valuation Reports is reasonable.

In arriving at the beta, based on our review of the list of comparable companies as stated in the PRC Valuation Reports, and as ascertained by the PRC Domestic Valuer, we noted that the PRC Domestic Valuer has identified 4 companies which are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange; and are principally engaged in expressway operation in the PRC (the “**Beta Reference Companies**”). In the course of our discussion with the PRC Domestic Valuer, we were given to understand that the Beta Reference Companies are selected primarily based on the financial information in their respective annual reports for FY2023 and company information as at 31 October 2024 (i.e. the Valuation Benchmark Date), using the following criteria: (i) are located in the PRC and listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange for more than 5 years with proper operational record; (ii) are principally engaged in expressway operation in the PRC with not less than 60% of total revenue generated from expressway operation business; and (iii) operate in a comparable scale as the Target Companies. Apart from discussing with the PRC Domestic Valuer as detailed above, we have, on a best effort basis, conducted an independent background check on the Beta Reference Companies, and noted that the Beta Reference Companies represent an exhaustive list based on the aforementioned selection criteria adopted by the PRC Domestic Valuer in the PRC Valuation Reports. We also consider that the selection criteria of the Beta Reference Companies are reasonable and appropriate for the calculation of the beta based on the fact that (i) the Target Companies operates in PRC which is the same as the Beta Reference Companies; (ii) the Beta Reference Companies (i.e. with more than 60% of their total revenue generated from expressway operation) were of similar business operation as the Target Companies, which generated revenue solely from expressway operation from FY2021 to FY2023. As referred to in the PRC Valuation Reports, the beta adapted in deriving the discount rate of the Target Companies is 0.4769, which is the average unlevered beta of the Beta Reference Companies (i.e. after taking out the effect of financial leverage of each company) as the Target Companies are interest bearing debt-free.

LETTER FROM THE IFA

Regarding the asset specific risk premium, 1.48% was used by the PRC Domestic Valuer after taking into account of the relative size of the Target Companies, stability of future profitability, and other qualitative attributes of the Target Companies in order to account for non-systematic risk inherent to the Target Companies. In assessing the reasonableness of the asset specific risk premium used, we have, among other things, (i) reviewed the evaluation of aforementioned qualitative attributes of the Target Companies prepared by the PRC Domestic Valuer; (ii) discussed with the PRC Domestic Valuer on the key factors considered and understood that the asset specific risk premium was set at 1.48%, according to their experience and judgement, after primarily considered that (i) the Target Companies both operated in a relatively smaller scale compared to the Beta Reference Companies; and (ii) the Target Companies' forecast is relatively stable, and we considered the asset specific risk premium adopted by the PRC Domestic Valuer to be reasonable.

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

Having also considered (i) our due diligence work on the PRC Domestic Valuer in respect of the PRC Valuation Reports; (ii) the Rule 14.60A of Listing Rules requirement; (iii) that Ernst & Young confirmed they have reviewed the calculation of the discounted cash flow forecast; and (iv) that the Financial Adviser is of the opinion that the discounted cash flow forecast, for which the Directors are solely responsible, has been made after due and careful enquiry, we consider that the principal bases and assumptions adopted for the PRC Valuation Reports are fair and reasonable.

LETTER FROM THE IFA

4. Financial effects of the Acquisition to the Group

As disclosed in the Board Letter, upon completion of the Acquisition, the Target Companies will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group.

(i) *Earnings*

For the year ended 31 December 2023, the net profit of the Company attributable to the Shareholders was approximately RMB1,657.7 million and the profit after income tax of Fuzhou Company and Sixu Company were RMB200.4 million and RMB107.6 million, respectively. Assuming the Acquisition was completed and took place in the beginning of 2023, the consolidated net profit of the Company attributable to the Shareholders would increase by approximately RMB308.0 million.

Shareholders are reminded that the actual impact on the consolidated statement of profit or loss of the Company following completion of the Acquisition shall be subject to audit.

(ii) *Net assets value*

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

Upon completion of the Acquisition, the surplus of the Consideration over the net asset value of the Target Companies will be recognised in the reserves and/or retained earnings of the Group and reduce the net assets of the Group accordingly. As at 31 December 2023, the NAV of Fuzhou Company and Sixu Company were approximately RMB1,770.3 million and RMB1,200.4 million, respectively. As the Consideration for the acquisition of the Target Equity is RMB4,770.8 million, assuming the Acquisition was completed and took place at 31 December 2023, the net assets of the Group would be decreased by RMB1,800.1 million.

Shareholders are reminded that the actual accounting impact on the consolidated balance sheet of the Company following completion of the Acquisition shall be subject to audit.

LETTER FROM THE IFA

(iii) Gearing

Assuming the Acquisition was completed and took place at 31 December 2023, the gearing ratio (i.e. net debt over the sum of net debt and shareholders' equity) would be 31.18% as compared to the gearing ratio of the Group of 28.33% as at 31 December 2023. The increase in gearing ratio was mainly attributable to a decrease in total capital (i.e. sum of net debt and shareholders' equity) value by approximately RMB1,800.1 million due to the decrease in reserves and/or retained earnings of the Group.

It should be noted that the aforementioned analysis is for illustrative purposes only and do not purport to represent how the financial positions of the Group will be upon completion of the Acquisition.

OPINION AND RECOMMENDATION

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

Yours faithfully

For and on behalf of

Shenwan Hongyuan Capital (H. K.) Limited

Donald Leung

Executive Director

Corporate Finance

Note: Mr. Leung is a licensed person registered with the Securities and Futures Commission and a responsible officer of Shenwan Hongyuan Capital (H. K.) Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has more than 19 years of experience in corporate finance advisory industry.

This Asset Valuation Report is prepared in accordance with the Asset Valuation Standards of the PRC

**VALUATION OF THE ENTIRE SHAREHOLDERS' EQUITY INTERESTS
OF ANHUI FUZHOU EXPRESSWAY CO., LTD. IN RELATION TO THE
PROPOSED ACQUISITION OF EQUITY INTERESTS IN ANHUI FUZHOU
EXPRESSWAY CO., LTD. BY ANHUI EXPRESSWAY COMPANY LIMITED
ASSET VALUATION REPORT**

Anhui Zhong Lian Guo Xin Ping Bao Zi (2024) No. 339

(Volume 1 of one volume in total)



Anhui Zhonglian Guoxin Assets Valuation Company Limited

Hefei, China

19 December 2024

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STATEMENT

- I. This Asset Valuation Report is prepared in accordance with the Basic Standards for Asset Valuation (資產評估基本準則) issued by the Ministry of Finance of the PRC and the Practicing Standards for Asset Valuation and the Code of Ethics for Asset Valuation (資產評估執業準則和職業道德準則) issued by the China Appraisal Society (the “Asset Valuation Standards”).
- II. The client or other users of the Asset Valuation Report shall use the Asset Valuation Report in accordance with the provisions of laws and administrative regulations as well as the scope of use indicated herein. Where the client or other users of the Asset Valuation Report use the Asset Valuation Report in violation of the preceding provisions, the asset valuation agency and asset valuers shall bear no liability thereof.
- III. This Asset Valuation Report shall be used only by the client, any other users of the Asset Valuation Report as agreed in the asset valuation engagement and any users of the Asset Valuation Report as prescribed by laws and administrative regulations. Save for the above, any other agencies or individuals shall not become the users of the Asset Valuation Report.
- IV. The asset valuation agency and asset valuers remind the users of the Asset Valuation Report to correctly understand and use the valuation conclusion, which does not equal to the realizable price of the appraised target. The valuation conclusion shall not be considered as a guarantee for the realizable price of the appraised target.
- V. The valuation conclusion is premised upon the authenticity, legality and completeness of the information provided by the client and other parties concerned. The list of assets and liabilities included in the scope of valuation, as well as the forward-looking financial information, ownership certificates and other materials required for the valuation, have been provided by and confirmed with seals or other ways by the client and the appraised entity.
- VI. The asset valuation agency and asset valuers do not have any existing or potential interests in the appraised target involved in the Asset Valuation Report, not interested, either presently or expectedly, in relevant concerned parties, and not biased against relevant concerned parties.
- VII. The asset valuers have carried out on-site inspection on the appraised target and its assets involved in the Asset Valuation Report, attended to the legal titles of the appraised target and its assets involved as necessary, verified the information related to the legal titles of the appraised target and its assets involved, and truthfully disclosed the issues identified in the process, and requested the client and other parties concerned to perfect their ownership so as to meet the requirements for issuing an Asset Valuation Report.

- VIII. The analysis, judgment and conclusion in the Asset Valuation Report issued by the asset valuation agency are subject to the assumptions and limitations set out in the Asset Valuation Report. The users of the Asset Valuation Report shall give due consideration to the assumptions, limitations, explanation on special issues and their impact on the valuation conclusions set out herein.
- IX. The asset valuation agency and asset valuers shall abide by the laws, administrative regulations and the Asset Valuation Standards, adhere to the principles of independence, objectivity and impartiality, and bear the liability for this Asset Valuation Report in accordance with the laws and regulations.

VALUATION OF THE ENTIRE SHAREHOLDERS' EQUITY INTERESTS OF ANHUI FUZHOU EXPRESSWAY CO., LTD. IN RELATION TO THE PROPOSED ACQUISITION OF EQUITY INTERESTS IN ANHUI FUZHOU EXPRESSWAY CO., LTD. BY ANHUI EXPRESSWAY COMPANY LIMITED
ASSET VALUATION REPORT

Anhui Zhong Lian Guo Xin Ping Bao Zi (2024) No. 339

SUMMARY

Anhui Zhonglian Guoxin Assets Valuation Company Limited accepted the joint engagement of Anhui Transportation Holding Group Company Limited and Anhui Expressway Company Limited to assess the market value of the entire shareholders' equity interests in Anhui Fuzhou Expressway Co., Ltd. as at the Valuation Benchmark Date in relation to the economic behaviour of the proposed acquisition of 100% equity interests in Anhui Fuzhou Expressway Co., Ltd. by Anhui Expressway Company Limited.

The valuation and conclusion are summarised below:

- I. Purpose of valuation: According to the "Minutes of the Board of Directors of Anhui Transportation Holding Group – Research and Consideration on Determining the Target Road Properties to Carry out Capital Operation Matters" (Issue No. 14, 2024) (《安徽交控集團董事會會議紀要-研究審議確定標的路產開展資本運作事宜》(2024第14期)) issued by Anhui Transportation Holding Group Company Limited on 25 October 2024, Anhui Expressway Company Limited intends to acquire the equity interests in Anhui Fuzhou Expressway Co., Ltd. held by Anhui Transportation Holding Group Company Limited, and for which an asset valuation is required to provide value reference for the relevant economic behaviour of the client.
- II. Appraised target and scope of the valuation:

The appraised target is the value of entire shareholders' equity interests of Anhui Fuzhou Expressway Co., Ltd., and the scope of valuation covers all audited assets and liabilities corresponding to the pro forma statements of Anhui Fuzhou Expressway Co., Ltd. The book value of assets is RMB1,822,188,100, the book value of liabilities is RMB40,663,100 and the book value of owner's equity (net assets) is RMB1,781,525,000.
- III. Type of value: market value.
- IV. Valuation Benchmark Date: 31 October 2024.
- V. Valuation methods: income approach and asset-based approach.

VI. Valuation conclusion:

Based on the estimated traffic volume and revenue projections of the Fuzhou Section of Jiguang Expressway by CHELBI Engineering Consultants, Inc., and the future operation plans of the appraised entity and the management of the enterprise, the market value of the entire shareholders' equity interests in Anhui Fuzhou Expressway Co., Ltd. on the Valuation Benchmark Date, i.e. 31 October 2024, amounts to RMB2,898,120,000, representing an increase of RMB1,116,595,000 in appraisal value as compared with the book value, with an appreciation rate of 62.68%.

The valuation conclusion has been drawn based on the income approach.

According to the laws and regulations related to asset valuation, asset valuation reports involving valuation of business for legal compliance purposes shall only be used upon the client has performed the supervisory and administrative procedures regarding asset valuation as required by law and regulations. The valuation conclusions shall be effective from 31 October 2024 to 30 October 2025 for a term of one year.

VII. Explanation on other specific matters

(I) Citation of conclusions of reports issued by other institutions

1. The book values of various assets and liabilities on the Valuation Benchmark Date in this Asset Valuation Report are the ([2024] Jinghui Xingwan Fenshenzi No. 00550007 ([2024]京會興皖分審字第00550007號)) audit report issued by the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership).
2. The future traffic flow income in this Asset Valuation Report refers to the results of the "Traffic Flow Evaluation and Toll Income Calculation Report for the Fuyang-Zhouji Section of Fuyang-Lu'an Expressway" issued by CHELBI Engineering Consultants, Inc. regarding the estimated traffic volume and revenue projections for Fuzhou Expressway.

In addition, there is no reference to the conclusions of reports issued by other institutions in this Asset Valuation Report.

(II) Incomplete or defective ownership information

1. As at the Valuation Benchmark Date, the buildings of Anhui Fuzhou Expressway Co., Ltd. which have not applied for property ownership certificates are set out in the table below:

No.	Name of building	Structure	Date of completion	Unit of measure	Gross floor area	Book value (RMB)	
						Original book value	Net book value
1	Toll building at Liwa Toll Station	Steel hybrid	2009-12-31	m ²	817.70	1,466,247.05	763,018.67
2	Power distribution room and pump room at Liwa Toll Station	Steel hybrid	2009-12-31	m ²	153.00	195,066.71	101,510.55
3	Toll building at Nanzhao Toll Station	Steel hybrid	2009-12-31	m ²	817.70	1,444,599.79	751,753.68
4	Power distribution room and pump room at Nanzhao Toll Station	Steel hybrid	2009-12-31	m ²	153.00	163,989.39	85,338.26
5	Toll building at Yuanzhai Toll Station	Steel hybrid	2009-12-31	m ²	817.70	1,552,386.19	807,844.52
6	Power distribution room and pump room at Yuanzhai Toll Station	Steel hybrid	2009-12-31	m ²	153.00	225,647.05	117,424.22
7	Toll building at Zhouji Toll Station	Steel hybrid	2010-6-30	m ²	817.70	1,428,122.84	766,267.24
8	Power distribution room and pump room at Zhouji Toll Station	Steel hybrid	2010-6-30	m ²	153.00	163,262.30	87,599.29
9	Maintenance building in conservation area	Steel hybrid	2009-12-31	m ²	838.00	1,709,949.46	889,838.69
10	Laboratory building and dormitory building in conservation area	Steel hybrid	2009-12-31	m ²	808.92	1,976,582.65	1,028,591.64
11	Garage, material storage in conservation area	Steel hybrid	2009-12-31	m ²	665.00	1,047,781.19	545,253.69
12	Power distribution room and pump room in conservation area	Steel hybrid	2009-12-31	m ²	158.00	218,339.08	113,621.23
13	Domestic fire pump room in conservation area	Steel hybrid	2009-12-31	m ²	182.33	1,024,531.11	533,154.60

No.	Name of building	Structure	Date of completion	Unit of measure	Gross floor area	Book value (RMB)	
						Original book value	Net book value
14	Concierge	Steel hybrid	2009-12-31	m ²	18.00	46,258.04	24,072.17
15	Traffic police barracks	Steel hybrid	2009-12-31	m ²	1413.90	2,849,866.69	1,483,038.95
16	Dormitory building at Liwa Toll Station	Steel hybrid	2009-12-31	m ²	1520.00	1,084,917.65	564,579.09
17	Toll House Staff Apartment Building	Steel hybrid	2015-12-31	m ²		937,030.99	669,404.53
18	Dormitory building at Nanzhao Toll Station	Steel hybrid	2009-12-31	m ²	772.80	1,054,104.40	548,544.21
19	Dormitory building at Yuanzhai Toll Station	Steel hybrid	2009-12-31	m ²	772.80	1,211,108.23	630,247.26
20	Dormitory building at Zhouji Toll Station	Steel hybrid	2010-6-30	m ²	772.80	1,039,017.56	557,490.64
21	Apartment building at Nanzhao Toll Station	Steel hybrid	2019-10-07	m ²	490.00	1,513,429.36	1,268,758.28
22	Emergency base	Steel hybrid	2015-9-26	m ²	1091.39	3,147,098.83	2,222,813.39
23	Conservation Depot	Steel hybrid	2015-9-26			730,717.82	516,110.06
	Total				13,386.74	26,230,054.38	15,076,274.85

Anhui Fuzhou Expressway Co., Ltd. has provided relevant property rights descriptions for buildings for which no property rights certificates have been issued, proving that all assets included in the scope of this valuation belong to Anhui Fuzhou Expressway Co., Ltd. and that this valuation has not taken into account the possible impact of the absence of certificates for the abovementioned properties on the conclusion of the valuation.

For the floor area of buildings for which no property rights certificate has been issued, this valuation is determined on the basis of the declared floor area provided by the appraised entity and verified on-site by the valuers. There may be discrepancies with the actual area for which certificates will be issued in the future, which are brought to the attention of the users of the report.

2. As of the Valuation Benchmark Date, some of the allocated land occupied by the mainline of the Fuyang Section in the section from Fuyang to Zhouji had not yet been issued with land use rights certificates, the area declared by the enterprise for valuation was the area of the land grant for the mainline minus the area for which the certificates had been issued, and this valuation was based on the area declared and assessed by the enterprise, which may be at variance with the area for which the certificates were actually issued in the future, and the valuation has not taken into account the impact that the aforesaid lack of issuance of certificates of land use rights may have on the valuation conclusion.
3. As of the Valuation Benchmark Date, in the section from Fuyang to Zhouji, the allocated land occupied by Zhouji Toll Station, Liwa Toll Station, Nanzhao Toll Station and Yuanzhai Toll Station had not been issued with land use rights certificates, and the valuation is based on the area disclosed in the final accounts report on behalf of the Company, which may differ from the area actually issued with certificates in the future, and the valuation has not taken into account the impact that the aforesaid lack of issuance of certificates of land use rights may have on the valuation conclusion.
4. As of the Valuation Benchmark Date, Anhui Fuzhou Expressway Co., Ltd. was in the situation of lack of construction approval formalities for the “Zhouji Toll Station Expansion Project”, which may have an impact on the operation of Anhui Fuzhou Expressway Co., Ltd.. The valuation has not taken into account the impact of the abovementioned circumstance on the valuation conclusions, which is brought to the attention of the users of the report.
5. As of the Valuation Benchmark Date, the owner of the land use right certificate included in the scope of valuation was “Anhui Expressway Holding Group Company Limited* (安徽省高速公路控股集團有限公司)” and the owner of the vehicle certificate was “Anhui Transportation Holding Group Company Limited* (安徽省交通控股集團有限公司)”. As of the issuance date of the Asset Valuation Report, the appraised entity was in the process of changing the titles of the vehicles and land use rights, and Anhui Fuzhou Expressway Co., Ltd. has provided relevant property right descriptions of the vehicles and land use rights with unchanged property right certificates to prove that the vehicles and land use rights included in the scope of the valuation belong to Anhui Fuzhou Expressway Co., Ltd., and the valuation has not taken into account the impact of the abovementioned unchanged circumstances on the valuation conclusion.

(III) Matters that may have an impact on the valuation conclusion between the Valuation Benchmark Date and the Asset Valuation Report date

1. As of the Valuation Benchmark Date, the registered capital of Anhui Fuzhou Expressway Co., Ltd. of RMB5 million has not yet been fully paid in, and the capital paid in after the Valuation Benchmark Date has not been considered in this valuation result; as of the issuance date of the report, the capital of Anhui Fuzhou Expressway Co., Ltd. has been fully paid in.

Apart from that, the valuation has not identified any other matters between the Valuation Benchmark Date and the date of the Asset Valuation Report that may have an impact on the valuation conclusion.

(IV) Explanation of other matters

1. As the tax mode selected by Anhui Fuzhou Expressway Co., Ltd. is simple tax collection, the input tax on non-current assets acquired is not deductible, and the valuation of valuated non-current assets (including fixed assets and intangible assets) includes value-added tax.
2. The assets included in the scope of this valuation shall not include the supporting service areas, gas stations, billboards, and other subsidiary facilities along the project route, as well as their operating rights.
3. According to the “Revision of Anhui Highway Network Plan (2020-2035) (《安徽省高速公路網規劃修編 (2020 – 2035年)》)” issued by the Anhui Provincial Department of Transportation on 1 June 2021, it is planned that by 2035, the section of Anhui Province with more than six lanes will reach 4,571 kilometres (of which 2,653 kilometres will be eight lanes), accounting for 45% of the total mileage of the plan. Fuzhou Expressway held by the appraised entity is also included in this two-way four-lane to two-way eight-lane expansion plan (i.e. for the Bozhou (Anhui-Yu Boundary)-Lu’an Section of G35 Jiguang Expressway as mentioned in the Revision of Plan). As of the Valuation Benchmark Date, there was no clear plan on the date and specific programme for the reconstruction and expansion of Fuzhou Expressway, and this valuation has not taken into account the impact of this matter on the valuation results.

The above content is extracted from the full text of the Asset Valuation Report. For details of the valuation and correct understanding of the valuation conclusion, please read the full text of the Asset Valuation Report.

VALUATION OF THE ENTIRE SHAREHOLDERS' EQUITY INTERESTS OF ANHUI FUZHOU EXPRESSWAY CO., LTD. IN RELATION TO THE PROPOSED ACQUISITION OF EQUITY INTERESTS IN ANHUI FUZHOU EXPRESSWAY CO., LTD. BY ANHUI EXPRESSWAY COMPANY LIMITED

ASSET VALUATION REPORT

Anhui Zhong Lian Guo Xin Ping Bao Zi (2024) No. 339

FULL TEXT

Anhui Transportation Holding Group Company Limited and Anhui Expressway Company Limited:

Anhui Zhonglian Guoxin Assets Valuation Company Limited accepted the engagement of both parties, adhered to the principles of independence, objectivity and impartiality in accordance with the laws, administrative regulations and Asset Valuation Standards, adopted the income approach and the asset-based approach, and followed the necessary valuation procedures to assess the market value of the entire shareholders' equity interests of Anhui Fuzhou Expressway Co., Ltd. as at the Valuation Benchmark Date in relation to the proposed acquisition of 100% equity interests in Anhui Fuzhou Expressway Co., Ltd. by Anhui Expressway Company Limited. The Asset Valuation Report is presented as follows:

I. CLIENT, APPRAISED ENTITY AND OTHER USERS OF ASSET VALUATION REPORT

The clients of the valuation are Anhui Transportation Holding Group Company Limited (“Anhui Transportation Holding Group”) and Anhui Expressway Company Limited (the “Company”) while the appraised entity is Anhui Fuzhou Expressway Co., Ltd. (“Fuzhou Expressway”).

(I) Overview of client – Anhui Transportation Holding Group

Company name: Anhui Transportation Holding Group Company Limited

Company type: limited liability company (wholly state-owned)

Company domicile: No. 1666, Xizang Road, Baohe District, Hefei, Anhui Province

Legal representative: Xiang Xiaolong

Registered capital: RMB16,000 million

Date of establishment: 27 April 1993

Scope of business: General projects: business management; investment activities with own funds; asset management services for investment with own funds; engineering management services; maintenance of transportation facilities; automobile trailers, rescue, obstacle clearance services; housing leasing; non-residential real estate leasing. Licensed projects: road management and maintenance.

Unified social credit code: 91340000MA2MT9QA0T

(II) Overview of client – the Company

Company name: Anhui Expressway Company Limited

Company type: limited liability company (Taiwan, Hong Kong or Macau and domestic joint stock company and listed)

Company domicile: 520 Wangjiang West Road, Hefei City, Anhui Province

Legal representative: Wang Xiaowen

Registered capital: RMB1,658.61 million

Date of establishment: 15 August 1996

Scope of business: design, construction, supervision, toll collection, maintenance, emergency repairing, management of road assets and road right of high grade highways; storage; consultation services of expressway construction and operation, housing leasing, development, production and sales of automobiles and spare parts as well as high-tech products.

Unified social credit code: 91340000148973087E

Stock code: 600012.SH

(III) Overview of the appraised entity

1. Basic Company Information

Company name: Anhui Fuzhou Expressway Co., Ltd.

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

Company domicile: 520 Wangjiang West Road, Tianle Community Service Centre, High-Tech District, Hefei City, Anhui Province.

Legal representative: Fan Qi.

Registered capital: RMB5 million.

Date of establishment: 30 October 2024.

Scope of business: Licensed projects: road management and maintenance. General items: engineering management services; maintenance of traffic facilities.

Unified social credit code: 91340100MAE3KNHA7H.

2. Historical Development of the Enterprise

Fuzhou Expressway was established on 30 October 2024 with a registered capital of RMB5,000,000 at the time of establishment, which has not been fully paid yet. Anhui Transportation Holding Group holds 100% equity interests in Fuzhou Expressway. In October 2024, Anhui Transportation Holding Group transferred its assets of the Fuzhou Expressway project (including the highway assets involved in the project as well as the related debts and liabilities, excluding the service area and gas station) to Fuzhou Expressway for nil consideration.

3. Scope of Business

Fuzhou Expressway is mainly responsible for the daily operation and management of the Fuzhou Section of G35 Jiguang Expressway.

(1) Project profile

Fuzhou Section of G35 Jiguang Expressway resumed construction in February 2009, and the two-way four-lane line with a designated speed of 120km/h was completed and opened to traffic in June 2010. Fuzhou Expressway is a section in Anhui Province of Jinan-Guangzhou Highway, a highway network planned by the Ministry of Communications. The project starts from Liuxiaoji Interchange, Lixin County, Bozhou to the end Fengjing Town, Huoqiu County, Lu'an, with starting and ending pile numbers of K564+220~K585+870. The toll mileage of the whole line is 83.57 kilometers. There are Fuyang East Toll Station, Yuanzhai Toll Station, Nanzhao Toll Station and Zhouji Toll Station. There are 6 extra-large bridges, 15 large bridges, 85 medium and small bridges, 67 open cover plate channel, 300 dark cover plate channel (10971.57 linear metres culvert) and 10 feeder overhead bridges.

(2) Concession period

On 25 December 2012, the People's Government of Anhui Province issued the "Reply of the People's Government of Anhui Province on the Toll Operation Period of the Fuyang to Zhouji Section of Fuyang-Lu'an Expressway" (Wan Zheng Mi [2012] No. 577), approving that the toll operation period of the Fuyang to Zhouji Section of Fuyang-Lu'an Expressway would be 30 years, i.e. from 27 December 2009 to 26 December 2039.

(3) Toll rates

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

Toll rates for passenger vehicles for Fuzhou Expressway

Class	Vehicle type	Authorized passenger capacity	Toll rate (RMB/vehicle kilometre)
Class 1 Passenger Vehicle	Micro/Small	≤9	0.45
Class 2 Passenger Vehicle	Medium	10-19	0.8
	Passenger car train	–	
Class 3 Passenger Vehicle	Large	≤39	1.1
Class 4 Passenger Vehicle		≥40	1.3

Toll rates for goods vehicles for Fuzhou Expressway

Class of Vehicle	JT/T489-2019 Classification Standard	Toll rate (RMB/kilometre)
Class 1	2 axles, the length of the vehicle is less than 6,000mm and the maximum allowable total mass is less than 4,500kg	0.45
Class 2	2 axles, the length of the vehicle is not less than 6,000mm or the maximum allowable total mass is not less than 4,500kg	0.9
Class 3	3 axles	1.35
Class 4	4 axles	1.7
Class 5	5 axles	1.85
Class 6	6 axles	2.2

For goods vehicles with more than six axles: based on the charging standard for Class 6 goods vehicles, for each additional axle, the charging standard is determined by a factor of 1.1. For goods vehicles with 10 axles and above, the toll rate shall be the same with the toll rate for goods vehicle with 10 axles.

(4) Location



4. Assets, Financial and Operating Conditions

According to the audited pro forma financial statements, as of 31 October 2024, the Valuation Benchmark Date, Fuzhou Expressway had total assets of RMB1,822,188,100, total liabilities of RMB40,663,100, and net assets of RMB1,781,525,000. From January to October 2024, it had a revenue of RMB319,855,700 and a net profit of RMB125,933,000.

The assets and financial position of the company for the last 1 year are shown in the table below:

Unit: RMB'0,000

Project/year	31 October 2024	31 December 2023
Total assets	182,218.81	178,292.14
Liabilities	4,066.31	1,267.09
Net assets	178,152.50	177,025.06

Project/year	January–October	
	2024	2023
Revenue	31,985.57	43,155.61
Total profit	16,814.85	26,714.64
Net profit	12,593.30	20,035.98
Auditor	Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership)	Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership)

The above data from the financial statements for the year 2023 and the period from January to October 2024 have been audited by the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership), which has issued an audit report with unqualified opinion ([2024] Jinghui Xingwan Fenshenzi No. 00550007 ([2024]京會興皖分審字第00550007號)). In our opinion, the accompanying Pro Forma Financial Statements was prepared in all major aspects in accordance with the basis of preparation set forth in Note 2 to the Pro Forma Financial Statements, fairly presenting the financial status of Fuzhou Expressway on 31 December 2023 and 31 October 2024, as well as the operating results and cash flow for the year 2023 and from January to October 2024.

5. Significant Accounting Policies Adopted by Fuzhou Company

The significant accounting policies adopted by Fuzhou Expressway have been revised in accordance with the latest Enterprise Accounting Standards, its application guidelines, interpretations and other relevant regulations (collectively referred to as “EAS”) that have been issued by the Ministry of Finance.

For details, see the audit report of Fuzhou Expressway.

(IV) Relationship between the clients and the appraised entity

Anhui Transportation Holding Group, the client of this engagement, is the controlling shareholder of the Company, and Fuzhou Expressway, being the appraised entity, is a wholly-owned subsidiary of Anhui Transportation Holding Group. The Company intends to acquire 100% equity interests in Fuzhou Expressway held by Anhui Transportation Holding Group in cash.

(V) Other users of the Asset Valuation Report

The users of this Asset Valuation Report are the clients and other users of the Asset Valuation Report as agreed in the asset valuation engagement contract. Unless otherwise stipulated by the laws and regulations of the PRC, no organization or individual shall be a user of the Asset Valuation Report by mere possession of this Asset Valuation Report unless they are confirmed as such by the asset valuation firm and the clients.

II. PURPOSE OF VALUATION

According to the “Minutes of the Board of Directors of Anhui Transportation Holding Group – Research and Consideration on Determining the Target Road Properties to Carry out Capital Operation Matters” (Issue No. 14, 2024) (《安徽交控集團董事會會議紀要-研究審議確定標的路產開展資本運作事宜》(2024第14期)) issued by Anhui Transportation Holding Group on 25 October 2024, the Company intends to acquire the equity interests in Fuzhou Expressway held by Anhui Transportation Holding Group, and for which an asset valuation is required to provide value reference for the relevant economic behaviour of the client.

III. TARGET AND SCOPE OF VALUATION

(I) Target and scope of valuation

The appraised target is the entire shareholders' equity interests of Fuzhou Expressway. The scope of valuation covers all assets and liabilities as set out in the audited pro forma statements of Fuzhou Expressway. As at the Valuation Benchmark Date, i.e. 31 October 2024, the book value of assets of Fuzhou Expressway was RMB1,822,188,100, the book value of liabilities was RMB40,663,100 and the book value of the owner's equity (net assets) was RMB1,781,525,000. Details are set out as follows:

Unit: RMB'0,000

Items	Book value
Total current assets	14,670.53
Total non-current assets	167,548.28
Fixed assets	5,156.98
Intangible asset	162,391.30
Total assets	182,218.81
Total current liabilities	4,066.31
Total liabilities	4,066.31
Owners' equity (net assets)	178,152.50

The data regarding the abovementioned assets and liabilities was extracted from the balance sheet of Fuzhou Expressway audited by the ([2024] Jinghui Xingwan Fenshenzi No. 00550007 ([2024]京會興皖分審字第00550007號)) audit report issued by the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership).

The basis for the preparation of the financial statements disclosures in the audit report are set out below:

1. The controlling shareholder of our company (i.e. Fuzhou Company) is Anhui Transportation Holding Group. Prior to 30 October 2024 (the date of establishment of our company (i.e. Fuzhou Company)), the date on which Anhui Transportation Holding Group transferred the assets, liabilities, business and personnel of Fuzhou Expressway to our company (i.e. Fuzhou Company) at nil consideration, the businesses of Fuzhou Expressway were operated and accounted for by Anhui Transportation Holding Group. In preparing the Pro Forma Financial Statements, our company (i.e. Fuzhou Company) has assumed that the transfer described above was completed at the beginning of the earliest reporting period presented in the Pro Forma Financial

Statements (i.e. 1 January 2023). The Pro Forma Financial Statements was prepared on the basis of the historical accounting records of Anhui Transportation Holding Group for the businesses of Fuzhou Expressway transferred prior to 30 October 2024 (the date of establishment of our company (i.e. Fuzhou Company)), during which period our company (i.e. Fuzhou Company) was not established and the differences between the assets and liabilities of the businesses are shown as owners' equity; since 30 October 2024 (the date of establishment of our company (i.e. Fuzhou Company)), our company (i.e. Fuzhou Company) has prepared the Pro Forma Financial Statements in accordance with our company (i.e. Fuzhou Company)'s accounting records.

2. Prior to 30 October 2024 (the date of establishment of our company (i.e. Fuzhou Company)), Anhui Transportation Holding Group managed and calculated the cash and cash equivalents of each road section it operates in a unified manner, and did not set up a separate bank account for the businesses of Fuzhou Expressway. Anhui Transportation Holding Group transferred the assets, liabilities, businesses and personnel related to Fuzhou Expressway to our company (i.e. Fuzhou Company) at nil consideration, with 31 May 2024 as the benchmark date of the transfer. The assets transferred at nil consideration do not include any cash and cash equivalents and it is agreed that the profit or loss related to the businesses of Fuzhou Expressway from 31 May 2024 (the benchmark date of the transfer) shall belong and be borne by our company (i.e. Fuzhou Company). Based on the above, in preparing the Pro Forma Financial Statements, assuming that all cash funds generated from operations less net cash and cash equivalents paid for operations prior to 31 May 2024 have been paid to Anhui Transportation Holding Group as if they were distributions to owners, and cash and cash equivalents are accordingly presented in zero; and assuming that all cash funds generated and paid for operations from 31 May 2024 (the benchmark date of the transfer) to 30 October 2024 (the date of establishment of our company (i.e. Fuzhou Company)) are collected and paid by Anhui Transportation Holding Group, and measured accordingly as related party transactions with Anhui Transportation Holding Group; the amount for distributions to owners under the assumption was RMB308,574,707.33 and RMB115,371,998.10 for the year 2023 and from January to October 2024, respectively. In addition, due to the immateriality of the interest income yielded from the aforementioned cash funds, the interest income was not considered in preparing the Pro Forma Financial Statements for the use of the Pro Forma Financial Statements.

The appraised target and scope of valuation is consistent with those involved in the economic behavior.

(II) Types and quantities of off-balance sheet assets declared by the enterprise

No off-balance sheet assets were identified in this valuation.

(III) Type, quantity and carrying amount (or valuation amount) of assets involved in making reference to the conclusions of reports issued by other institutions

The book values of various assets and liabilities on the benchmark date in this Asset Valuation Report are the audit results of the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership).

The future traffic flow income in this Asset Valuation Report refers to the results of the “Traffic Flow Evaluation and Toll Income Calculation Report for the Fuyang to Zhouji Section of Fuyang to Lu’an Expressway” issued by CHELBI Engineering Consultants, Inc. regarding the estimated traffic volume and revenue projections for Fuzhou Expressway.

In addition, there is no reference to the conclusions of reports issued by other institutions.

IV. TYPE OF VALUE

Based on the purpose of this valuation, the value type of this valuation is defined as market value.

Market value refers to the estimated amount of the value of normal and fair transactions of the appraised target on the Valuation Benchmark Date when the willing buyer and willing seller act rationally without any coercion.

The reason for adopting the market value type is that the market value type is more reflective of the fairness and reasonableness of the parties to the transaction than other value types, so that the appraisal results can meet the needs of the purpose of this valuation.

V. VALUATION BENCHMARK DATE

The Valuation Benchmark Date for this project is 31 October 2024.

This Valuation Benchmark Date is determined by the clients taking into consideration the date of realisation of the implementation of the economic behaviour, as well as compliance, the end of the accounting period and other factors.

VI. BASIS FOR VALUATION

The basis of valuation mainly includes the basis of economic behaviour, laws and regulations, the Asset Valuation Standards, the asset ownership, as well as the pricing determination basis used in the valuation and other reference information, as follows:

(I) Basis of the economic behaviour

1. “Minutes of the Board of Directors of Anhui Transportation Holding Group – Research and Consideration on Determining the Target Road Properties to Carry out Capital Operation Matters” (Issue No. 14, 2024) (《安徽交通集團董事會會議紀要－研究審議確定標的路產開展資本運作事宜》(2024第14期)) issued by Anhui Transportation Holding Group on 25 October 2024.

(II) Basis of laws and regulations

1. The Asset Appraisal Law of the People’s Republic of China (Order of the President of the People’s Republic of China [2016] No. 46);
2. The Company Law of the People’s Republic of China (amended for the second time at the 7th meeting of the Standing Committee of the 14th National People’s Congress on 29 December 2023);
3. The Civil Code of the People’s Republic of China (Order of the President of the People’s Republic of China No. 45);
4. The Enterprise Income Tax Law of the People’s Republic of China (Order of the President of the People’s Republic of China [2018] No. 23);
5. The Law of the People’s Republic of China on the State-Owned Assets of Enterprises (Order of the President of the People’s Republic of China [2008] No. 5);
6. The Land Administration Law of the People’s Republic of China (passed at the 12th meeting of the Standing Committee of the 13th National People’s Congress on 26 August 2019);
7. The Highway Law of the People’s Republic of China (amended at the 30th meeting of the Standing Committee of the 12th National People’s Congress on 4 November 2017);

8. The Urban Real Estate Administration Law of the People's Republic of China (amended for the third time at the 12th meeting of the Standing Committee of the 13th National People's Congress on 26 August 2019);
9. Measures for Financial Supervision and Administration of the Assets Valuation Industry (Decree No. 86 of the Ministry of Finance);
10. Measures for the Administration of State-owned Assets Appraisal (issued by Decree No. 91 of the State Council of the People's Republic of China on 16 November 1991 and amended in accordance with the Decision of the State Council on Amending and Repealing Part of the Administrative Laws and Regulations (Decree No. 732 of the State Council) (《國務院關於修改和廢止部分行政法規的決定》(國務院令第732號)) on 29 November 2020);
11. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council, 2005);
12. Measures for the Supervision and Administration of the Trading of State-Owned Assets of Enterprises (Decree No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance);
13. Circular on Printing and Distributing the Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises (Cai Zi [2022] No. 136);
14. Provisions on Several Issues Concerning the Management of State-owned Asset Appraisal (Decree No. 14 of the Ministry of Finance);
15. Detailed Rules for the Implementation of the Provisional Regulations on Value Added Tax of the People's Republic of China (Decree [2011] No. 65 of the Ministry of Finance and the State Administration of Taxation);
16. Notice on Implementation of Pilot Program of Replacing Business Tax with Value Added Tax in an All-round Manner (Cai Shui [2016] No. 36);
17. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 of 2019 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs);
18. Regulations for the Administration of Toll Highways (Decree No. 417 of the State Council of the People's Republic of China);

19. Supervision and Administration Measures for the Transaction of State-owned Assets of Enterprises in Anhui Province (Wan Guo Zi Chan Quan [2016] No. 144);
20. Interim Measures for the Assessment of State-owned Assets of Enterprises in Anhui Province (Wan Guo Zi Chan Quan [2018] No. 47);
21. Other laws and regulations relating to asset valuation, etc.

(III) Basis of valuation criteria

1. Basic Standards for Asset Valuation (Cai Zi [2017] No. 43);
2. Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
5. Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
6. Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practice Guidelines for Asset Valuation – Asset Valuation Approaches (Zhong Ping Xie [2019] No. 35);
8. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
9. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
10. Practicing Standards for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
11. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);

12. Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
13. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
14. Guidelines for Quality Control of Business of Asset Valuer (Zhong Ping Xie [2017] No. 46);
15. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
16. Guiding Opinions on Legal Ownership of Asset Valuation Target (Zhong Ping Xie [2017] No. 48).

(IV) Basis of asset ownership

1. Business Licence;
2. Real Estate Proprietorship Certificate;
3. Enterprise capital contribution certificate (articles of association, asset transfer agreement, etc.);
4. Economic business contracts, agreements and invoices related to the acquisition and use of assets or rights;
5. Vehicle Registration Certificate;
6. A statement of title to significant assets;
7. The basis of ownership of other assets.

(V) Basis of price determination

1. Profit forecast reports and information on future operations and planning prepared by the appraised entity;
2. Traffic Flow Evaluation and Toll Income Calculation Report for Fuyang to Zhouji Section of Fuyang-Lu'an Expressway issued by CHELBI Engineering Consultants, Inc.;
3. The People's Government of Anhui Province issued the Reply of the People's Government of Anhui Province on the Toll Operation Period of Fuyang to Zhouji Section of Fuyang-Lu'an Expressway (Wan Zheng Mi [2012] No. 577);
4. The Announcement on Loan Prime Rate (LPR) on the Valuation Benchmark Date Promulgated by the National Interbank Funding Center under Authorization published by the People's Bank of China;
5. Reply on the Proposal of the Project of Fuyang (Liuxiaoji) to Zhouji Highway (Jiaotong Planning Development [2003] No. 116);
6. Notice on the Adjustment of the Labor Cost Standard for Highway Engineering in Anhui Province (Anhui Jiao Jian Guan Han [2019] No. 210 of Anhui Provincial Department of Transportation);
7. Main Material Price Lists for traffic engineering in October 2024;
8. Guidance on Preparation of Investment Estimates for Highway Engineering Construction Project (JTG3820-2018), Guidance on Preparation of Estimates and Budgets for Highway Engineering Construction Project (JTG3830-2018), Estimates Index for Highway Engineering (JTG/T3821-2018), Estimates Quota for Highway Engineering (JTG/T3831-2018), Budgets Quota for Highway Engineering (JTG/T3832-2018) and Cost Quota for Highway Engineering Machinery Team (JTG/T3833-2018) issued and implemented under the Ministry of Transport Announcement (No. 86 of 2018);
9. Notice of the People's Government of Anhui Province on the Announcement of the Integrated Land Price Standard for Land Requisition District in the Province (Wan Zheng [2023] No. 62);

10. Notice of the Lu'an Municipal People's Government on the Announcement of the Compensation Standards for Buildings, Other Attachments and Seedlings Erected on Requisitioned Collective-Land in Lu'an City (Lu Zheng Mi [2020] No. 120);
11. Notice of the Fuyang Municipal People's Government on the Issuance of Compensation Standards for Aboveground Attachments and Seedlings on Expropriated Land in Fuyang City (Fu Zheng Mi [2020] No. 155);
12. Notice of the Anhui Development and Reform Commission, the Finance Department of Anhui Province and the Department of Natural Resources of Anhui Province on the Adjustment of the Standard of Arable Land Reclamation Fee Collection and Other Related Issues (Wan Fa Gai Shou Fei [2019] No. 33);
13. Notice on the Issuance of the Implementation Rules of the Arable Land Occupation Tax in Anhui Province (Wan Cai Shui Fa [2019] No. 969);
14. Notice on the Issuance of the Measures for the Collection and Management of Anhui Province Local Water Conservancy Construction Fund (Wan Zheng [2012] No. 54);
15. Notice of Lu'an Municipal People's Government on the Implementation of the Basic Pension Insurance Contribution Subsidy Policy for Eligible Social Security Recipients of Expropriated Land Farmers (Lu Zheng [2024] No. 28);
16. Notice of Fuyang Municipality on the Implementation of the Basic Pension Insurance Contribution Subsidy Policy for Eligible Social Security Recipients of Expropriated Land Farmers (Fu Zheng Fa [2024] No. 17);
17. Notice of Bozhou Municipality on the Implementation of Basic Pension Pension Insurance Contribution Subsidies for Eligible Social Security Recipients of Expropriated Land Farmers (Bo Zheng Mi [2024] No. 13);
18. Notice of the Anhui Provincial Department of Housing and Urban-Rural Development on the Release of the 2018 Edition of the Pricing Basis for Construction Projects in Anhui Province (Jian Biao [2017] No. 191);
19. Dynamic Adjustment of Pricing Basis for Construction Projects in Anhui Province (1st Issue) (Anhui Provincial Department of Housing and Urban-Rural Development Announcement No. 51);
20. Report on the Business of Preparing Financial Statements on Behalf of the Company (Wan An Dai Bian [2017] No. 68);

21. Audit report issued by the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership) ([2024] Jinghui Xingwan Fenshenzi No. 00550007 ([2024]京會興皖分審字第00550007號));
22. Information on A-share listed companies queried by RoyalFlush iFinD software;
23. Part of the preliminary design, investment estimate contract, completion information, construction drawings, financial information, etc. provided by the appraised entity;
24. Information such as acquisition contracts, invoices, payment vouchers, and information data released by the National Statistical Office for the relevant assets;
25. The Manual for Common Data and Parameters in the Latest Assets Valuation of China Financial & Economic Publishing House;
26. Relevant enquiry information and pricing parameter information collected by the valuation professionals of the organisation through market research.

(VI) Other reference materials

1. Accounting Standards for Business Enterprises – Basic Standards (Ministry of Finance Decree No. 33);
2. Other reference materials.

VII. VALUATION APPROACHES

(I) Selection of valuation approaches

Basic assets valuation approaches include the market approach, income approach and asset-based approach. According to Asset Valuation Basic Standards, one or multiple methods of asset valuation should be appropriately selected according to relevant conditions like valuation purpose, value type and data collected.

The market approach refers to a valuation idea that value of the appraised target is defined by comparing the appraised target with reference enterprises, enterprises with trade cases in the market, shareholders' equities, securities and other equity assets. The two common methods of the market approach are the reference enterprise comparison approach and merger and acquisition case comparison approach. The basic prerequisite for the adoption of the market approach is the existence of an open market in which such assets are actively traded, and the availability of the necessary information about the transaction and the transaction target.

The income approach refers to a valuation method to determine the value of the asset being appraised by estimating the present value of future expected income of the asset. The basic principle of the income approach is that when purchasing an asset, the amount a reasonable purchaser willing to pay will not be higher than the future return of the acquired assets. The prerequisites for using the income approach to value an asset are that the expected income can be quantified, and the risks associated with the expected income, which are closely related to discounting, can be predicted.

The asset-based approach refers to the valuation approach that determines the value of the appraised target by reasonably appraising the contribution value to the enterprise arising from its various assets and liabilities on balance sheet and various identifiable assets and liabilities off-balance sheet of the enterprise, with reference to the balance sheet of the appraised entity as at the Valuation Benchmark Date.

These three basic approaches measure the value of assets from different perspectives, and their independent existence illustrates the differences between the different approaches. Selecting one or multiple approaches to appraise certain asset will depend on the purpose of valuation, target of valuation, market condition, data available and many other factors.

The applicability of the three basic approaches of asset valuation, namely the market approach, the income approach and the asset-based approach, has been analysed in the light of the relevant conditions such as the purpose of valuation, target of valuation, type of value and collection of information.

Fuzhou Expressway is a section of Jinan-Guangzhou Highway within the territory of Anhui in the expressway network planned by the Ministry of Transport. Based on the characteristics of the appraised entity, after making enquiries with domestic listed companies in the same industry, there are relatively few individuals matching the appraised entity in terms of various factors such as business type, operation mode, asset scale and operating results, etc. There are also differences in the asset scale and revenue scale of Fuzhou Expressway and those of listed companies in the same industry. The recent property rights transaction market involves relatively few equity transactions of similar industries and of the same scale, and in view of the current development status of the property rights market in China and the limitations of market information, it is relatively difficult to obtain detailed financial data and transaction background of the relevant cases from the public normal channels, and it is difficult to reasonably quantify the impact of various comparable factors on the enterprise value. Therefore, the market approach is not adopted in the valuation.

Fuzhou Expressway has been opened to traffic since 2009 and it has been in operation for 15 years as at the Valuation Benchmark Date. The road condition has matured and the expected revenue and risks for the future years can be reasonably estimated, thus the income approach is selected for the valuation.

On the basis of the financial audit as at the Valuation Benchmark Date, the scope of assets and liabilities under valuation provided by Fuzhou Expressway for appraisal is clear, which can be verified and assessed item by item by means of financial information, purchase and construction information and on-site investigation, thus the asset-based approach is selected for the valuation.

In the light of the foregoing, it is determined that the income approach and the asset-based approach shall be adopted for the valuation.

(II) Introduction of the income approach

1. Overview

Discounted cash flow approach is an approach for the estimation of the enterprise value by discounting the future expected net cash flow of the enterprise to the present value. The basic idea is to derive the appraised value by estimating the future expected net cash flow of the assets which are then discounted to the present value with an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundations and conditions to continue as a going concern; there is a stable corresponding relation between its operation and income; and the future income and risk can be forecasted and quantified. The greatest difficulty in using the approach of discounted cash flow is to predict the expected future cash flow, and the objectivity and reliability of data collection and processing. An objective and fair prediction of expected future cash flows, as well as a reasonable selection of discount rates, will ensure an objective valuation result.

2. Basic valuation idea

Based on the due diligence and the asset composition and main business characteristics of the appraised entity, this valuation is to estimate the value of the owner's equity of the appraisal target based on its audited financial statements. The basic valuation idea of this valuation is:

- (1) For the assets and main business included in the financial statements, the value of operating assets is arrived by discounting the expected revenue (equity cash flows) estimated based on the historical changes in operating conditions in recent years, the traffic flow and revenue prediction of Fuzhou Expressway issued by CHELBI Engineering Consultants, Inc. and financial analysis;
- (2) For surplus or non-operating assets (liabilities) that are included in the scope of the financial statements and may be clearly determined by the asset valuer based on the information currently available, their values are calculated separately;
- (3) The value of equity capital (total shareholders' equity) of the appraisal target is arrived by adding up the values of the above assets and liabilities.

3. Valuation model

- (1) Basic model of income approach

The basic model for this valuation is:

$$E = P + C \quad (1)$$

Wherein:

E: The value of the total shareholders' equity (net assets) of the appraisal target;

P: The value of the operating assets of the appraisal target;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + Pn \times (1+r)^{-n} \quad (2)$$

Wherein:

R_i : Expected earnings of the i^{th} year in future (equity cash flows);

r : Discount rate;

n : Estimated future earnings period;

P_n : The recovery value of assets at the end of the operating period;

C : Value of surplus or non-operating assets (liabilities) of the appraised entity existing on the benchmark date;

$$C = C_1 + C_2 \quad (3)$$

C_1 : Value of current surplus or non-operating assets (liabilities) existing on the benchmark date;

C_2 : Value of non-current surplus or non-operating assets (liabilities) existing on the benchmark date.

(2) Income indicators

In this valuation, the equity cash flow of the enterprise is used as the income indicator of the operating assets of the appraisal target. As the appraisal target has no interest-bearing debt as at the benchmark date and there is no loan plan during the forecast period, the income indicator is defined as:

$$R = \text{Net profit} + \text{Non-cash costs such as depreciation and amortization} - \text{Additional capital} \quad (4)$$

According to the business history and future market development of the appraisal target, we estimate its equity cash flows in the future, and discount and sum up the equity cash flows in the future operation period to calculate the value of operating assets of the enterprise.

(3) Discount rate

In this valuation, we determined the discount rate (r) by adopting the capital asset pricing model (CAPM):

r : The cost of equity capital (r) was determined using the capital asset pricing model (CAPM);

$$r = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (5)$$

Wherein:

r_f : Risk-free rate of return;

r_m : Expected return of the market;

ε : Characteristic risk adjustment factor of the appraisal target;

β_e : Expected market risk factor of the equity capital of the appraised entity.

4. Determination of earning period

This valuation adopts a finite term as the earning period. According to the “Reply of the Anhui Provincial People’s Government on the Toll Operation Period of the Fuyang to Zhouji Section of Fuyang to Lu’an Expressway” (Wan Zheng Mi [2012] No. 577) issued by the Anhui Provincial People’s Government on 25 December 2012, it was approved that the toll operation period of Fuzhou Expressway was 30 years, i.e. from 27 December 2009 to 26 December 2039. Therefore, the earning period is until 26 December 2039.

(III) Introduction to the asset-based approach

The asset-based approach refers to a valuation idea for determining the value of the appraised target based on reasonable valuation of all assets and liabilities.

Set forth below are the valuation approaches for various assets and liabilities:

1. Current assets**(1) Other receivables**

Represents toll revenue collection, staff petty cash borrowing and transitional gains and losses receivable from the Group. The valuers verified the toll revenue statements and book records, conducted random checks on part of original receipts and other relevant information to verify the authenticity, aging, business content and amount of the transactions, and checked confirmation letters and documents to verify there are no discrepancies in the amounts recorded in the accounts, statement and bills. The appraisal value is determined at the verified carrying amount.

2. Non-current assets**(1) Fixed assets – buildings and structures**

According to the characteristics of appraised target and the purpose of appraisal, and based on the information available, the cost approach shall be adopted for the valuation.

The cost approach is an asset valuation method in which the difference between the full cost of reacquiring or constructing an appraised asset in a new condition under current conditions and the depreciation of physical obsolescence, depreciation of functional obsolescence and depreciation of economic obsolescence that has already occurred for the appraised asset is used as the appraisal value of the appraised asset. Or first estimating the depreciation rate of the appraised asset is compared to its new condition, and then multiplying the full cost and the depreciation rate to obtain the product as the appraisal value.

Calculation formula:

Appraised value = full replacement price – depreciation of physical obsolescence – depreciation of functional obsolescence – depreciation of economic obsolescence

Or: Appraised value = full replacement price × depreciation rate

Steps of operation:

① Determination of full replacement price of the buildings

Based on the relevant budget (or final accounts) information, construction drawings and on-site surveys of major buildings, the valuers analyzed combined with the actual situation of building assets, and determined the full replacement value in accordance with the following formula:

Full replacement price (tax inclusive) = comprehensive construction cost + upfront and other expenses + capital cost

A. Comprehensive construction cost

a. Budget (or final accounts) adjustment approach

For the building projects with complete materials on completion and final accounts, the valuers used the current local or industrial standard reference price to calculate the direct standard reference price based on the quantity of work of all segments and items as determined in the original completion materials. And then the comprehensive construction cost (construction and installation costs) on the Valuation Benchmark Date was calculated according to the current standard price and adjustments documents in the specific location of the construction project.

b. Cost per square meter approach was adopted to determine the comprehensive construction cost of buildings with small value and simple structure.

B. Determination of upfront and other expenses

The upfront and other expenses were determined based on the upfront and other expense standards stipulated by relevant national, industrial and local authorities, as well as the investment scale of the appraised entity's fixed assets, the selection of reasonable expense items and the reasonable rate.

The name, charging base, charging standard and charging basis of the upfront and other expenses are shown in the table below:

No.	Name	Charging basis	Charging basis
1	Construction unit (owner) management fee	Construction and installation costs	
2	Information fee for construction project	Construction and installation costs	
3	Project supervision fee	Construction and installation costs	With reference to Measures for Preparation of Budget
4	Design document review fee	Construction and installation costs	Estimates and Budgets for Highway Engineering
5	Completion (handover) test and inspection fee	Length of roads/bridges/tunnels	Construction Projects (JTG 3830-2018), and
6	Cost of preliminary work on construction project	Construction and installation costs	partial reference to Measures for Preparation
7	Special evaluation (assessment) fee	Construction and installation costs	of Investment Estimates for Highway Engineering
8	Joint trial-commissioning fee	Construction and installation costs	Construction Projects (JTG 3820-2018)
9	Engineering insurance fee	Construction and installation costs (excluding equipment costs)	

Upfront and other expenses = comprehensive construction cost × rate of upfront and other expenses (tax inclusive)

C. Capital costs

The capital cost was the loan interest for the capital invested in the construction of the project during the construction period, using the Loan Prime Rate (LPR) published by the National Interbank Funding Center on 21 October 2024 as authorised by the People's Bank of China, and the reasonable construction period was calculated on the basis of the normal condition cycle of the construction, assuming capitals were invested evenly across different stages:

$$\text{Capital cost} = (\text{comprehensive construction cost} + \text{upfront and other expenses}) \times \text{loan base rate} \times \text{reasonable construction period} \times 50\%$$

② Determination of depreciation rate

In the course of this valuation, the depreciation rate was determined based on the toll operation period of Fuzhou Expressway, the design life of the building and the on-site survey, and the remaining estimated service life of the building. The formula is as follows:

$$\text{Depreciation rate} = \text{remaining service life} \div (\text{actual used service life} + \text{remaining service life}) \times 100\%$$

③ Determination of appraised value

$$\text{Appraised value} = \text{full replacement price} \times \text{depreciation rate}$$

(2) Fixed assets – equipment assets

The equipment assets included in the scope of the valuation are machinery and equipment, vehicles and electronic equipment. In accordance with the purpose of appraisal, the attributes and characteristics of the assets under valuation and the information available, the cost approach has been adopted for the valuation.

The cost approach is an asset valuation method in which the difference between the full cost of reacquiring or constructing an appraised asset in a new condition under current conditions and the depreciation of physical obsolescence, depreciation of functional obsolescence and depreciation of economic obsolescence that has already occurred for the appraised asset is used as the

appraisal value of the appraised asset. Or first estimating how new the appraised asset is compared to its new condition, i.e., finding the depreciation rate, and then multiplying the full cost and the depreciation rate to obtain the product as the appraised value.

Calculation formula:

Appraised value = full replacement price – depreciation of physical obsolescence – depreciation of functional obsolescence – depreciation of economic obsolescence

Appraised value = full replacement price × depreciation rate

① Determination of full replacement price

A. Machinery and equipment

Replacement value = tax-inclusive purchase price + tax-inclusive freight and miscellaneous expenses + tax-inclusive installation and commissioning fees + other expense for construction (tax-inclusive) + capital costs

- a. Tax-inclusive purchase price is determined primarily by requesting quotations from manufacturers or trading companies to quote, and referring to the recent contract prices of similar equipment. Equipment for which market quotations are not available is determined its replacement purchase price by adjusting the approved original cost by analysing equipment purchase contracts, price trends and producer price index.
- b. Tax-inclusive freight and miscellaneous expenses are based on the tax-inclusive purchase price and are calculated at different rates depending on the distance between the manufacturer and the location of the equipment. If the purchase price includes freight and miscellaneous expenses, no additional freight and miscellaneous expenses will be calculated.

- c. Tax-inclusive installation and commissioning fees are based on the tax-inclusive purchase price and are calculated at different installation rates pursuant to the characteristics, weight, ease of installation of the equipment and size of the commissioning workload. If the purchase price includes installation and commissioning fees, no additional installation and commissioning fees will be calculated.
- d. Other expenses include management fees, investigation and design fees, project supervision fees, and engineering insurance fees, which were calculated based on the standard of other expenses for construction projects in the area where the equipment is located, combined with the characteristics of the equipment itself.
- e. Capital cost was calculated on the basis of the reasonable construction period of the appraised entity with reference to the Loan Prime Rate (LPR) published by the National Interbank Funding Center upon authorization for the same period. The capital cost was calculated on the basis of uniform inputs.

Capital cost = (tax-inclusive purchase price + tax-inclusive freight and miscellaneous expenses + tax-inclusive installation and commissioning fees + other expenses) × loan rate × reasonable construction period × 50%

B. Vehicles

According to the local vehicle market sales information and other recent vehicle market price information, the current tax-inclusive purchase price of transport vehicles was determined. On this basis, according to the Vehicle Purchase Tax Law of the People's Republic of China, the vehicle purchase tax and new vehicle registration fee, etc., were included in determining the full replacement price. The formula is as follows:

Full replacement price (tax inclusive) = current tax-inclusive purchase price + vehicle purchase tax + new vehicle registration fee, etc.

For vehicles to be scrapped, the appraised value was determined in accordance with the recycling price of a company qualified to recycle scrap vehicles.

C. Electronic equipment

According to recent market price information obtained from local market information and recent quotations from relevant professional websites, the full replacement price was determined on the basis of the tax-inclusive purchase price.

Replacement value (tax inclusive) = tax-inclusive purchase price of equipment

For over-age electronic equipment, the appraised value was determined on the basis of the second-hand market recovery price.

② Determination of depreciation rate

On the basis of professional on-site surveys and relevant technical and testing information, taking into account the current technical status of equipment, the actual time in use, the usual load of equipment, the original manufacturing quality, the technical level of the operators, the repair and maintenance of equipment, the working environment and intensity, etc., and listening to the operators and management personnel on the actual use and technology of equipment. It is determined in accordance with the following principles:

A. Depreciation rate of machinery and equipment

In the course of this valuation, the depreciation rate under the useful life approach was determined based on the economic service life of the equipment and the on-site survey, and the estimated remaining service life of the equipment. The formula is as follows:

Depreciation rate under the useful life approach = remaining service life \div (actual used service life + remaining service life) \times 100%

B. Depreciation rate of vehicles

With reference to the Provisions on the Standard for Compulsory Scrapping of Motor Vehicles (Decree No. 12, 2012 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection), the final depreciation rate was determined by the following methods, whichever is lower, subject to survey situation, where:

Depreciation rate of useful life = $(1 - \text{serviced life} \div \text{stipulated or economic use life}) \times 100\%$

Depreciation rate of mileage = $(1 - \text{travelled mileage} \div \text{stipulated mileage}) \times 100\%$

Depreciation rate = Min (depreciation rate of useful life, depreciation rate of mileage) + variance adjustment rate (a)

Where: a – vehicle special case adjustment factor. That is, the necessary survey and appraisal of the commissioned vehicle, if the survey and appraisal results differ significantly from the depreciation rate determined in accordance with the above methods, appropriate adjustments will be made, and if the results of both are comparable, no adjustments will be made.

C. Depreciation rate of electronic equipment

In the course of this valuation, the depreciation rate was determined based on the economic service life of the equipment and the on-site survey, and the estimated remaining service life of the equipment. The formula is as follows:

Depreciation rate = $\text{remaining service life} \div (\text{actual used service life} + \text{remaining service life}) \times 100\%$

③ Determination of appraised value

Appraised value = full replacement price × depreciation rate

(3) Intangible assets – toll road concessions

The assets included in the toll road concessions are mainly land use rights within the expressway and at the toll stations, as well as road assets such as roadbeds, pavements and bridges. Toll road concession is the core asset of Fuzhou Expressway, which accounts for a large proportion of the assets. The subject of the transaction is the equity interest of Fuzhou Expressway, and the overall income approach has been adopted for the valuation of the entire shareholders' equity. In order to avoid duplication of the overall valuation method, the cost approach has been adopted for the valuation of the toll road concession under the asset-based approach.

① Land use rights

According to the Practicing Standards for Asset Valuation – Real Estate and with reference to the Valuation Criterion for Urban Land (GB/T 18508-2014), the common land appraisal approach include market comparison approach, income capitalization approach, residual approach, cost approaching approach, reference land price coefficient correction approach, etc. In selecting the method for the valuation, the analysis is made according to the site investigation of the subject of appraisal and related information collected and based on the Valuation Criterion for Urban Land considering the scope of application of different appraisal methods, conditions of use and the purpose of appraisal. See the following for details:

A. Reasons for selecting valuation approach by the subject of appraisal

As the appraised land is a public utility land, and the use types for the area and surrounding land are mostly agricultural land (arable land, forest land, etc.), and the local government and relevant departments have published relevant documents on land requisition compensation standards, it is more appropriate to choose the cost approaching approach for valuation.

The basic idea of the cost approaching approach for the land price assessment is to determine the land price based mainly on the average standards of land acquisition expenses and land development expenses in the area where the subject to be evaluated is located, plus a certain amount of interest, profit and income of land appreciation. That is:

The formula is as follows: Land price = (land acquisition expense + related tax + land development expense + investment interest + investment profit + income of land appreciation) × year modification coefficient × (1 + modification coefficient for area and individual factors)

Land development costs have been included in the relevant construction and installation costs of the project, therefore land development costs are not considered in this valuation; the cost approach is used to calculate the toll road concession in this valuation, which only requires the consideration of costs incurred for acquiring land use rights, therefore the investment profit is considered to be nil; the land use rights included in the scope of this valuation are all allocated land, therefore land appreciation incomes are not considered in this valuation.

B. Reasons for not selecting valuation approach by the subject of appraisal

a. Income approach

As the appraised land is the land for ancillary facilities supporting the operation of Fuzhou Expressway, it is difficult to determine the land revenue of the appraised land based on the overall revenue of the enterprise, and it is therefore not appropriate to adopt the income approach for the valuation.

b. Residual approach

As the subject of appraisal is the public utility land located in an area where there are no market transaction cases of above-ground structures similar to those on the site under valuation, it is not possible to reasonably determine the total value of the property, and it is therefore not appropriate to adopt the residual approach for the valuation.

c. Market comparison approach

Due to the inactive trading market and the small number of comparable cases, it is not appropriate to adopt the market comparison approach for the valuation.

d. Reference land price approach

The reference land price reflects the regional average land price level. As the breakdown of land acquisition costs of the area where the appraised land is located is clearer, the reference land price cannot better reflect the various costs of the area where the appraised land is located, and it is therefore not appropriate to adopt the reference land price coefficient correction approach for the valuation.

② Road assets

For road assets such as roadbeds, pavements and bridges, this valuation was carried out using the cost approach. The formula is: Appraised value = full replacement price × depreciation rate

See “Fixed assets – buildings” for details of the method and process for determining the full replacement price and the depreciation rate of road assets.

(4) Intangible assets – other intangible assets

The appraised target is the customized application system software purchased by the enterprise, and it is not possible to obtain acquisition price of the same software in the open market, so this valuation was carried out using the cost approach.

The cost approach is a method of asset valuation in which the difference between the full replacement value of repurchasing or constructing the appraised asset in new condition under current conditions, less the functional and economic depreciation that has already occurred in the appraised asset, is taken as the appraised value of the appraised asset.

- ① The valuation adjusts the purchase price according to the ratio of the increase in the average salary of employees in urban units (information transmission, software and information technology services) in recent years, and uses the adjusted amount as the replacement cost.
- ② The depreciation rate is determined in accordance with the time and economic useful life of other intangible assets.
- ③ Appraised value = full replacement price × depreciation rate

For purchased software that has been amortized in the accounts and is no longer in use, the valuation is nil.

3. Liabilities

The valuers check and verify the actual debtors and amounts of various liabilities after the valuation purpose is fulfilled, and determine the appraised value based on the actual items and amounts of liabilities to be borne by the property owners after the valuation purpose is fulfilled.

VIII. IMPLEMENTATION AND STATUS OF VALUATION PROCEDURES

The overall valuation work is conducted in four phases:

(I) Preparation phase of valuation

1. To define the basic matters of the valuation business, evaluate the risks of the project, select valuation professionals and sign an asset valuation engagement contract.
2. To formulate the work plan of the asset valuation based on the purpose of valuation, the Valuation Benchmark Date and the scope of valuation for the project.
3. The valuers of the valuation project team cooperated with the enterprise to conduct asset inventories, fill in profit forecasts and detailed asset appraisal declaration forms, gained a detailed understanding of the assets under valuation, set up asset valuation work, and collected documents and information required for asset valuation.

(II) On-site survey and identification phase

The main work of the project team's on-site valuation phase is as follows:

1. To listen to the introduction of the general situation of the enterprise and the history and current status of the assets under valuation by the clients and the relevant personnel of the appraised entity, and to understand the financial system, operating conditions, technical status of fixed assets and road assets of the enterprise.
2. To audit and identify the detailed asset appraisal declaration forms provided by the enterprise, and to check with relevant financial records of the enterprise, and to assist the enterprise in making adjustments to the problems identified.
3. To conduct the comprehensive inventory verification of fixed assets and road assets based on the detailed asset inspection appraisal declaration forms, and to conduct on-site investigation of the operational status of major assets.
4. To review and collect the title certificates of the assets under valuation, and to check the ownership information provided by the enterprise.
5. To determine the specific valuation approaches based on the actual condition and characteristics of the appraisal target.

6. The valuer conducted on-site interviews with the client and the heads of financial department, maintenance department, equipment department and other departments of the appraised entity respectively on the current situation, asset maintenance, equipment maintenance and upkeep, production and operation, and future operation plan of the appraised entity.

(III) Analysis, valuation and summary phase

1. To process and analyze the relevant information and data obtained through various means to form applicable parameters of the appraisal model and estimate results according to the selected valuation approach.
2. To summarize estimated results of various assets formed. To comprehensively analyze and compare the measurement results obtained through different valuation approaches, to determine preliminary appraisal conclusions.

(IV) Report submission phase

The Preliminary Asset Valuation Report was drafted based on the above processes and opinions were exchanged with the clients on the valuation results after preliminary review. Upon independent analysis of relevant opinions, the report was modified and corrected in accordance with the internal review system and procedure for Asset Valuation Report of the asset valuation agency, and then the final Asset Valuation Report was issued.

IX. VALUATION ASSUMPTIONS

In this valuation, the valuer followed the below valuation assumptions:

(I) General assumptions

1. Transaction assumption

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

2. Open market assumption

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

3. Asset going-concern assumption

The going-concern assumption means that, the subject assets will continue to be used as per its current purpose and the manner, scale, frequency and environment of use. The valuer determines accordingly the method, parameters and basis for valuation if certain conditions change.

(II) Special assumptions

1. This valuation assumed that the external economic environment on the Valuation Benchmark Date remains unchanged, and there will be no significant changes in the current macro-economic in the PRC;
2. There are no significant changes in the socio-economic environment in which the enterprise operates and the policies on taxation and tax rates implemented;
3. The management of the enterprise has exercised due diligence in the future operating period and has continued to maintain the existing business management model;
4. The assets under valuation are in a normal, reasonable and lawful state of operation, use and maintenance to the extent permitted by foreseeable legal, economic and technical conditions;
5. The accounting policies to be adopted by the appraised entity in the future are substantially the same in material respects as those adopted in the preparation of this report;
6. During the future operating period, the composition of the enterprise's principal business, the composition of its revenues and costs, as well as the cost control and operation mode of its future business are basically consistent with the management's plan without material changes. Profits and losses arising from the changes in the principle business as a result of changes in the management, business strategies and business environment in the future are not taken into account;

7. This valuation assumes that the underlying information and financial information provided by the principal and the appraised enterprise are true, accurate and complete;
8. Each of the assets under valuation is premised on the actual inventory as at the Valuation Benchmark Date, and the current market value of the relevant assets is based on the effective domestic prices as at the Valuation Benchmark Date;
9. The scope of the valuation is based solely on the valuation return provided by the client and the appraised enterprise. Contingent assets and contingent liabilities that may exist outside the list provided by the client and the appraised enterprise have not been considered;
10. It is assumed that the cash inflow subsequent to the Valuation Benchmark Date inflow evenly and cash outflow subsequent to the Valuation Benchmark Date outflow evenly;
11. This valuation assumed that there are no material changes in the transportation industry policies, pricing principles and market conditions during the concession period;
12. This valuation assumed the discount policy for ETC users (which are provided by all expressways within the Anhui Province) will continue;
13. This valuation assumed that there is no unforeseen material expansion or reconstruction of the connecting highways of Fuzhou Expressway during the concession period, and there are no factors leading to material diversion impact from Fuzhou Expressway (such as any unforeseen new construction of expressway outside of the current planning by the PRC government);
14. This valuation assumed that there is no unforeseen material capital expenditure as a result of any material expansion or reconstruction during the concession period;
15. There are no force majeure and unforeseen factors that would have a material adverse impact on the appraised entity or appraised enterprise;

When the above conditions change, the valuation conclusions may usually become invalid.

X. VALUATION CONCLUSION

Based on the estimated traffic volume and revenue calculation of Fuzhou Expressway by CHELBI Engineering Consultants, Inc., and the future operation plans of the appraised entity and the management of the enterprise, and in accordance with relevant laws and regulations as well as Asset Valuation Standards, the income approach and asset-based approach were adopted to appraise the market value of the entire shareholders' equity interests of Fuzhou Expressway as of the Valuation Benchmark Date of 31 October 2024 through necessary valuation procedures.

(I) Valuation conclusion by using the asset-based approach

The book value, appraised value and the incremental value of the assets were RMB1,822.1881 million, RMB2,750.4496 million and RMB928.2615 million, respectively, representing a rate of increase of 50.94%;

The book value and appraised value of liabilities were RMB40.6631 million and RMB40.6631 million, respectively, and there was no change (whether increase or decrease) in the appraised value;

The book value, appraised value and the incremental value of owners' equity were RMB1,781.525 million, RMB2,709.7865 million and RMB928.2615 million, respectively, representing a rate of increase of 52.10%. See the table below for details:

Summary of assets valuation results of Fuzhou Expressway*Unit: RMB0'000*

Items	Book Value	Appraised Value	Increase or Decrease in Value	Rate of Increase %
	A	B	C = B - A	D = C/A × 100%
Current assets	14,670.53	14,670.53	–	–
Non-current assets	167,548.28	260,374.43	92,826.15	55.40
Including: Fixed assets	5,156.98	7,046.67	1,889.69	36.64
Intangible assets	162,391.30	253,327.76	90,936.46	56.00
Total assets	182,218.81	275,044.96	92,826.15	50.94
Current liabilities	4,066.31	4,066.31	–	–
Total liabilities	4,066.31	4,066.31	–	–
Net assets	178,152.50	270,978.65	92,826.15	52.10

Details of the valuation conclusion by using the asset-based approach are set out in the valuation schedule.

(II) Valuation conclusion by using the income approach

Upon implementation of valuation procedures including checking and verification, on-site inspection, market survey and confirmation as well as assessment and estimation, the discounted cash flow (DCF) approach was used to assess the value of the entire shareholders' equity interests of the enterprise.

The book value of the ownership interests of Fuzhou Expressway as at the Valuation Benchmark Date of 31 October 2024 was RMB1,781.525 million, and the value of the entire shareholders' equity interests after valuation was RMB2,898.12 million, with an incremental value of the valuation of RMB1,116.595 million, representing an rate of increase of 62.68%.

(III) Analysis of the valuation conclusions and final conclusion

In the valuation of Fuzhou Expressway, the value of the entire shareholders' equity interests calculated with the income approach was RMB2,898.12 million, which was RMB188.3335 million or 6.95% higher than that of RMB2,709.7865 million calculated with the asset-based approach.

The reasons for the difference between the two valuation approaches are mainly as follows:

The asset-based approach for the appraised target of the project reflects the value of assets from the perspective of replacement assets. It refers to the appraisal method that reasonably determines the value of the appraised target by appraising the value of various assets and liabilities on and off the balance sheets, based on the balance sheet of the appraised enterprise as at the Valuation Benchmark Date.

The income approach for the appraised target of the project is an appraisal method that takes the future income to be realised by the appraised entity's existing assets, and the present value discounted of risks, as the value of the appraised target from the perspective of future income. The income approach reflects the operating capability (profitability) of the assets.

Fuzhou Expressway belongs to the transportation industry, and is mainly responsible for the daily operation and management of Fuzhou Expressway, which is a section of Jinan-Guangzhou Expressway within the territory of Anhui in the expressway network planned by the Ministry of Transportation and Communications, and is an important connecting section, thus the industry in which Fuzhou Company operates has good development prospects. The traffic volume on the expressway has continuous growth. The long-term assets are expected

to have strong sustainable profitability in the future, and the expected profitability in the future is a core element of a company's value. Therefore, we believe that the conclusion of the income approach can reflect the value of the entire shareholders' equity interests more comprehensively and accurately.

Based on the aforesaid analysis, we have selected the income approach as the reference for the value of the entire shareholders' equity interests of Fuzhou Expressway. As a result, the value of the entire shareholders' equity interests of Fuzhou Expressway at the Valuation Benchmark Date was RMB2,898.12 million.

(IV) Validity of valuation conclusion:

According to relevant laws and regulations on asset valuation, the Asset Valuation Report involving statutory valuation business must be used by the clients after performing the asset valuation supervision and management procedures in accordance with the requirements of relevant laws and regulations. The valuation results shall be valid for a term of one year from 31 October 2024 to 30 October 2025.

XI. EXPLANATION OF SPECIAL MATTERS

(I) Citation of the conclusions of reports issued by other institutions

1. The book values of various assets and liabilities on the benchmark date in this Asset Valuation Report are the (Jinghui Xingwan Fenshenzi No. 00550007 ([2024]京會興皖分審字第00550007號)) audit results of the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership).
2. The future traffic flow income in this Asset Valuation Report refers to the results of the "Traffic Flow Evaluation and Toll Income Calculation Report for the Fuyang to Zhouji Section of Fuyang-Lu'an Expressway" issued by CHELBI Engineering Consultants, Inc. regarding the estimated traffic volume and revenue projections for Fuzhou Expressway.

In addition, there is no reference to the conclusions of reports issued by other institutions.

(II) Incomplete or defective ownership information

1. As of the Valuation Benchmark Date, details of the housing buildings of Fuzhou Expressway for which no proprietorship certificates have been issued are set out in the table below:

No.	Name of buildings	Structure	Completed	Unit of measure- ment	Gross floor area	Book value (RMB)	
						Original book value	Net book value
1	Toll building at Liwa Toll Station	Steel hybrid	2009-12-31	m ²	817.70	1,466,247.05	763,018.67
2	Power distribution room and pump room at Liwa Toll Station	Steel hybrid	2009-12-31	m ²	153.00	195,066.71	101,510.55
3	Toll building at Nanzhao Toll Station	Steel hybrid	2009-12-31	m ²	817.70	1,444,599.79	751,753.68
4	Power distribution room and pump room at Nanzhao Toll Station	Steel hybrid	2009-12-31	m ²	153.00	163,989.39	85,338.26
5	Toll building at Yuanzhai Toll Station	Steel hybrid	2009-12-31	m ²	817.70	1,552,386.19	807,844.52
6	Power distribution room and pump room at Yuanzhai Toll Station	Steel hybrid	2009-12-31	m ²	153.00	225,647.05	117,424.22
7	Toll building at Zhouji Toll Station	Steel hybrid	2010-6-30	m ²	817.70	1,428,122.84	766,267.24
8	Power distribution room and pump room at Zhouji Toll Station	Steel hybrid	2010-6-30	m ²	153.00	163,262.30	87,599.29
9	Maintenance building in conservation area	Steel hybrid	2009-12-31	m ²	838.00	1,709,949.46	889,838.69
10	Laboratory building and dormitory building in conservation area	Steel hybrid	2009-12-31	m ²	808.92	1,976,582.65	1,028,591.64
11	Garage, material storage in conservation area	Steel hybrid	2009-12-31	m ²	665.00	1,047,781.19	545,253.69
12	Power distribution room and pump room in conservation area	Steel hybrid	2009-12-31	m ²	158.00	218,339.08	113,621.23
13	Domestic fire pump room in conservation area	Steel hybrid	2009-12-31	m ²	182.33	1,024,531.11	533,154.60
14	Concierge	Steel hybrid	2009-12-31	m ²	18.00	46,258.04	24,072.17
15	Traffic police barracks	Steel hybrid	2009-12-31	m ²	1,413.90	2,849,866.69	1,483,038.95

No.	Name of buildings	Structure	Completed	Unit of measure- ment	Gross floor area	Book value (RMB)	
						Original book value	Net book value
16	Dormitory building at Liwa Toll Station	Steel hybrid	2009-12-31	m ²	1,520.00	1,084,917.65	564,579.09
17	Toll House Staff Apartment Building	Steel hybrid	2015-12-31	m ²		937,030.99	669,404.53
18	Dormitory building at Nanzhao Toll Station	Steel hybrid	2009-12-31	m ²	772.80	1,054,104.40	548,544.21
19	Dormitory building at Yuanzhai Toll Station	Steel hybrid	2009-12-31	m ²	772.80	1,211,108.23	630,247.26
20	Dormitory building at Zhouji Toll Station	Steel hybrid	2010-6-30	m ²	772.80	1,039,017.56	557,490.64
21	Apartment building at Nanzhao Toll Station	Steel hybrid	2019-10-07	m ²	490.00	1,513,429.36	1,268,758.28
22	Emergency base	Steel hybrid	2015-9-26	m ²	1,091.39	3,147,098.83	2,222,813.39
23	Conservation Depot	Steel hybrid	2015-9-26			730,717.82	516,110.06
	Total				13,386.74	26,230,054.38	15,076,274.85

Fuzhou Expressway has provided relevant property rights descriptions for buildings for which no property rights certificates have been issued, proving that all assets included in the scope of this valuation belong to Fuzhou Expressway and that this valuation has not taken into account the possible impact of the absence of certificates for the abovementioned properties on the conclusion of the valuation.

For the floor area of buildings for which no property rights certificate has been issued, this valuation is determined on the basis of the declared floor area provided by the appraised entity and verified on-site by the valuers. There may be discrepancies with the actual area for which certificates will be issued in the future, which are brought to the attention of the users of the report.

- As of the Valuation Benchmark Date, some of the allocated land occupied by the mainline of the Fuyang Section in the section from Fuyang to Zhouji had not yet been issued with land use rights certificates, the area declared by the enterprise for valuation was the area of the land grant for the mainline minus the area for which the certificates had been issued, and this valuation was based on the area declared and assessed by the enterprise, which may be at variance with the area for which the

certificates were actually issued in the future, and the valuation has not taken into account the impact that the aforesaid lack of issuance of certificates of land use rights may have on the valuation conclusion.

3. As of the Valuation Benchmark Date, in the section from Fuyang to Zhouji, the allocated land occupied by Zhouji Toll Station, Liwa Toll Station, Nanzhao Toll Station and Yuanzhai Toll Station had not been issued with land use rights certificates, and the valuation is based on the area disclosed in the final accounts report on behalf of the Company, which may differ from the area actually issued with certificates in the future, and the valuation has not taken into account the impact that the aforesaid lack of issuance of certificates of land use rights may have on the valuation conclusion.
4. As of the Valuation Benchmark Date, Fuzhou Expressway was in the situation of lack of construction approval formalities for the “Zhouji Toll Station Expansion Project”, which may have an impact on the operation of Fuzhou Expressway. The valuation has not taken into account the impact of the abovementioned circumstance on the valuation conclusions, which is brought to the attention of the users of the report.
5. As of the Valuation Benchmark Date, the owner of the land use right certificate included in the scope of valuation was “Anhui Expressway Holding Group Company Limited* (安徽省高速公路控股集團有限公司)” and the owner of the vehicle certificate was “Anhui Transportation Holding Group Company Limited* (安徽省交通控股集團有限公司)”. As of the issuance date of the Asset Valuation Report, the appraised entity was in the process of changing the titles of the vehicles and land use rights, and Fuzhou Expressway has provided relevant property right descriptions of the vehicles and land use rights with unchanged property right certificates to prove that the vehicles and land use rights included in the scope of the valuation belong to Fuzhou Expressway and the valuation has not taken into account the impact of the abovementioned unchanged circumstances on the valuation conclusion.

(III) Situations where the valuation process is restricted

There were no circumstances prohibiting the carrying out of the valuation process in this valuation.

(IV) Incomplete valuation data

No incomplete valuation data were found in this valuation.

(V) Legal, economic, and other outstanding matters on the Valuation Benchmark Date

No outstanding legal, economic or other issues were found in this valuation as at the Valuation Benchmark Date.

(VI) Nature, amount, and relationship with the appraised target of matters such as guarantees, leases, and their contingent liabilities (or assets)

No guarantees, leases and their contingent liabilities (contingent assets) have been identified in this valuation.

(VII) Matters that may have an impact on the valuation conclusion between the Valuation Benchmark Date and the Asset Valuation Report date

1. As of the Valuation Benchmark Date, the registered capital of Fuzhou Expressway of RMB5 million has not yet been fully paid in, and the capital paid in after the Valuation Benchmark Date has not been considered in this valuation result; as of the issuance date of the report, the capital of Fuzhou Expressway has been fully paid in.

Apart from that, the valuation has not identified any other matters between the Valuation Benchmark Date and the date of the Asset Valuation Report that may have an impact on the valuation conclusion.

(VIII) Defects in the economic behaviour corresponding to the assets valuation that may have a significant impact on the valuation conclusion

No defects in the economic behaviour corresponding to the assets valuation that may have a significant impact on the valuation conclusion were identified.

(IX) Explanation of other matters

1. It is the legal responsibility for the asset valuer and the asset valuation firm to make professional judgment on the value of the assets for the valuation purposes depicted in this report, and no judgment whatsoever would be made by the asset valuer and the asset valuation firm as to the economic behaviour corresponding to the valuation purposes. To a large extent, the valuation depends on the information provided by the clients and the appraised entity. Therefore, valuation is premised on the fact that the relevant economic behaviour documents, asset title documents, license and accounting vouchers provided by the clients and the appraised entity were authentic and legal. The objectives of the asset valuer conducting the asset valuation are to estimate the value of the appraised target and to express professional advice thereof, and it is beyond the

scope of the valuers' practice to confirm or express an opinion on the legal title of the appraised targets. The asset valuer does not have the ability to confirm or express an opinion on the legal title of the appraised targets and does not guarantee the legal title of the appraised targets. It is the responsibility of the client and the appraised entity to provide proof of authenticity, legality and completeness of ownership documents.

2. The profit forecast of the appraised entity obtained by the valuation firm is the basis of the income approach in this Asset Valuation Report. The asset valuer conducted necessary investigation, analysis, and judgment on the profit forecast of the appraised entity. After multiple discussions with the management and major shareholders of the appraised entity, as well as further amendments and improvement made by the appraised entity, the valuation firm accepted the relevant data of profit forecast of the appraised entity. The utilization of the profit forecast of the appraised entity by the valuation firm is not a guarantee of future profitability of the appraised entity. The appraised entity are held responsible for the authenticity, legality and completeness of the data, statements and the relevant information which were provided by the appraised entity and were used within the scope of this valuation.
3. In the event that any changes in the quantity and the pricing standard of assets occurred within the term of validity after the Valuation Benchmark Date, the principles set out below shall be followed:
 - (1) In the event that quantity of assets changes, corresponding adjustments shall be made to the quantity of assets according to the original valuation approach;
 - (2) In the event that the pricing standard of the assets changes and imposes obvious impacts on the asset valuation results, the clients shall timely employ qualified asset valuation agency to redetermine the appraised value;
 - (3) After the Valuation Benchmark Date, the clients shall give due consideration to changes in the quantity and the pricing standard of assets and make corresponding adjustment when determining prices.
4. The impact on the valuation conclusion of the tax provision that may arise from the increase or decrease in the valuation of fixed assets has not been taken into account in the current valuation using the asset-based approach.

5. In this valuation, the asset valuation institution and professionals shall not be liable for any other defective matters that may exist in the appraised entity affecting the valuation conclusions in the absence of any special explanations from the appraised entity at the time of the asset valuation which the asset valuer and professionals are generally unable to ascertain on the basis of their practising experience.
6. As the tax calculation mode selected by Fuzhou Company is the simplified tax collection method, none of the input tax on non-current assets acquired can be deducted, and the non-current assets (including fixed assets and intangible assets) under valuation all include value-added tax.
7. The assets included in the scope of this valuation shall not include the supporting service areas, gas stations, billboards, and other subsidiary facilities along the project route, as well as their operating rights.
8. According to the “Revision of Anhui Highway Network Plan (2020-2035) (《安徽省高速公路網規劃修編 (2020 – 2035年)》)” issued by the Anhui Provincial Department of Transportation on 1 June 2021, it is planned that by 2035, the section of Anhui Province with more than six lanes will reach 4,571 kilometres (of which 2,653 kilometres will be eight lanes), accounting for 45% of the total mileage of the plan. Fuzhou Expressway held by the appraised entity is also included in this two-way four-lane to two-way eight-lane expansion plan (i.e. for the Bozhou (Anhui-Henan boundary)-Lu’an Section of G35 Jiguang Expressway as mentioned in the Revision of Plan). As of the Valuation Benchmark Date, there was no clear plan on the date and specific programme for the reconstruction and expansion of Fuzhou Expressway, and this valuation has not taken into account the impact of this matter on the valuation results.

XII. LIMITATIONS ON THE USE OF THE ASSET VALUATION REPORT

- (I) This Asset Valuation Report may only be used according to the objectives and purposes as stated herein. Meanwhile, the valuation conclusion reflects the market value under the valuation purpose based on the open market principle, without considering the impact of mortgages and guarantees that the appraised target may be subject to in the future, nor the impact of additional price which may be paid by special trading parties. Meanwhile, the effects of changes in national macroeconomic policies, the natural force and other force majeure on the price of assets are not taken into account. In general, if the aforesaid conditions and other situations such as going concern basis changes, valuation conclusion will become invalid. The valuation firm is not liable for invalidity of the valuation conclusion due to changes of such conditions.

This Asset Valuation Report is only valid when the economic behaviour complies with the state laws and regulations and the valuation report is approved by relevant authorities.

- (II) The asset valuation firm and its valuers shall not bear responsibilities if the clients or other users of the Asset Valuation Report fail(s) to use the Asset Valuation Report in accordance with the provisions of laws and administrative regulations or within scope of use specified in the Asset Valuation Report.
- (III) Except for the clients, other users of this Asset Valuation Report designed in the asset valuation entrustment contract and asset valuation users of this report stipulated by laws and administrative regulations, any other firms or individuals cannot be asset valuation users of this report.
- (IV) The users of the Asset Valuation Report shall correctly understand and use the valuation conclusion. The valuation conclusion is not equivalent to the realisable price of the appraised target, and the valuation conclusion shall not be considered as a guarantee of the realisable price of the appraised target.

XIII. DATE OF ASSET VALUATION REPORT

This Asset Valuation Report is dated 19 December 2024.

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Asset Valuer: Xia Yan (夏妍, Asset Valuer No.: 34120008)

Asset Valuer: Wang Yi (王毅, Asset Valuer No.: 34000016)

Asset Valuer: Zhang Yi (張毅, Asset Valuer No.: 34220038)

Anhui Zhonglian Guoxin Assets Valuation Company Limited

19 December 2024

Registered Office: 8/F, Block A2, Huayi Science Park, Hi-Tech Zone, Hefei, Anhui

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EXHIBIT INDEX

1. Economic behaviour documents (copies);
2. Asset valuation commissioning contract (copy);
3. Audit report of the appraised entity (copy);
4. Traffic flow evaluation and income calculation report (copy);
5. Business licenses of the client and the appraised entity as legal persons (copies);
6. Proof of major ownership information involved in the appraised targets (copy);
7. Statement letter from the client and the appraised entity;
8. Commitment letter from the signed asset valuer;
9. Notice of registration and filing of qualifications of the asset valuation institution (copy);
10. Business License for Enterprise Legal Person of the asset valuation institution (copy);
11. Practising membership certificate the signed asset valuer (copy);
12. Valuation result table.

FURTHER EXPLANATION AND NOTE OF THE VALUATION REPORT**I. Valuation model of income approach**

1. Overview

Discounted cash flow approach is an approach for the estimation of the enterprise value by discounting the future expected net cash flow of the enterprise to the present value. The basic idea is to derive the appraised value by estimating the future expected net cash flow of the assets which are then discounted to the present value with an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundations and conditions to continue as a going concern; there is a stable corresponding relation between its operation and income; and the future income and risk can be forecasted and quantified. The greatest difficulty in using the approach of discounted cash flow is to predict the expected future cash flow, and the objectivity and reliability of data collection and processing. An objective and fair prediction of expected future cash flows, as well as a reasonable selection of discount rates, will ensure an objective valuation result.

2. Basic valuation idea

Based on the due diligence and the asset composition and main business characteristics of the appraised entity, this valuation is to estimate the value of the owner's equity of the appraisal target based on its audited financial statements. The basic valuation idea of this valuation is:

- (1) For the assets and main business included in the financial statements, the value of operating assets is arrived by discounting the expected revenue (equity cash flows) estimated based on the historical changes in operating conditions in recent years, the traffic flow and revenue prediction of Fuzhou Expressway issued by CHELBI Engineering Consultants, Inc. and financial analysis;
- (2) For surplus or non-operating assets (liabilities) that are included in the scope of the financial statements and may be clearly determined by the valuer based on the information currently available, their values are calculated separately;
- (3) The value of equity capital (total shareholders' equity) of the appraisal target is arrived by adding up the values of the above assets and liabilities.

3. Valuation model

(1) Basic model of income approach

The basic model for this valuation is:

$$E = P + C \quad (1)$$

Wherein:

E: The value of the total shareholders' equity (net assets) of the appraisal target;

P: The value of the operating assets of the appraisal target;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + Pn \times (1+r)^{-n} \quad (2)$$

Wherein:

R_i: Expected earnings of the ith year in future (equity cash flows);

r: Discount rate;

n: Estimated future earnings period;

Pn: The recovery value of assets at the end of the operating period;

C: Value of surplus or non-operating assets (liabilities) of the appraised entity existing on the benchmark date;

$$C = C_1 + C_2 \quad (3)$$

C₁: Value of current surplus or non-operating assets (liabilities) existing on the benchmark date;

C₂: Value of non-current surplus or non-operating assets (liabilities) existing on the benchmark date.

(2) Income indicators

In this valuation, the equity cash flow of the enterprise is used as the income indicator of the operating assets of the appraisal target. As the appraisal target has no interest-bearing debt as at the benchmark date and there is no loan plan during the forecast period, the income indicator is defined as:

$$R = \text{Net profit} + \text{Non-cash costs such as depreciation and amortization} - \text{Additional capital} \quad (4)$$

According to the business history and future market development of the appraisal target, we estimate its equity cash flows in the future, and discount and sum up the equity cash flows in the future operation period to calculate the value of operating assets of the enterprise.

(3) Discount rate

In this valuation, we determined the discount rate (r) by adopting the capital asset pricing model (CAPM):

r: The cost of equity capital (r) was determined using the capital asset pricing model (CAPM);

$$r = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (5)$$

Wherein:

r_f : Risk-free rate of return;

r_m : Expected return of the market;

ε : Characteristic risk adjustment factor of the appraisal target;

β_e : Expected market risk factor of the equity capital of the appraised entity.

4. Determination of earning period

This valuation adopts a finite term as the earning period. According to the “Reply of the Anhui Provincial People’s Government on the Toll Operation Period of the Fuyang to Zhouji Section of the Fuyang to Lu’an Expressway” (Wan Zheng Mi [2012] No. 577) issued by the Anhui Provincial People’s Government on 25 December 2011, it was approved that the toll operation period of the Fuzhou Expressway was 30 years, i.e. from 27 December 2009 to 26 December 2039. Therefore, the earning period is until 26 December 2039.

II. Determination of discount rate(1) Estimation of risk-free rate of return (r_f)

As enquired on the website of China Assets Appraisal Association, the yield of treasury bonds provided by the China Central Depository & Clearing Co., Ltd. (CCDC) published on the website is shown in the following table:

Yield of China Treasury Bonds

Date	Period	On the date (%)
2024-10-31	3 months	1.41
	6 months	1.43
	1 year	1.43
	2 years	1.45
	3 years	1.58
	5 years	1.79
	7 years	2.03
	10 years	2.15
	30 years	2.34

This valuation is based on the assumption of continuous operation. According to the requirements of “Guidelines for Asset Evaluation Experts No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach” (Zhong Ping Xie [2020] No. 38) (《資產評估專家指引第12號– 收益法評估企業價值中折現率的測算》(中評協[2020]38號)), the yield to maturity with 10-year or more remaining treasury bonds can be used as the risk-free interest rate. This valuation uses the yield of 10-year treasury bonds as the risk-free interest rate, that is, $r_f=2.15\%$.

(2) Determination of market risk premium

Market risk premium refers to the expected excess of return by investors for their investment in the market with similar risks, which means risk compensation over the risk-free interest rate. Market risk premium can be calculated using historical market risk premium data. The valuation uses the long-term average return A share market index as the expected market yield (r_m) and the excess of the expected market yield over the risk-free interest rate is taken as the market risk premium.

Pursuant to the requirement of “Guidelines for Asset Evaluation Experts No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach” (Zhong Ping Xie [2020] No. 38) (《資產評估專家指引第12號– 收益法評估企業價值中折現率的測算》(中評協[2020]38號)), the representing stock market index in the PRC shall be used when calculating the market risk premium, such as CSI 300 Index and Shanghai Securities Composite Index. To calculate the excess return on the index over a period of time, the time span can be selected for more than ten years, the data frequency can be selected from weekly or monthly, and the calculation method can be arithmetic mean or geometric mean.

According to the research on A-share market in China conducted by the China United Assets Appraisal Group and together with the above guidelines, the representing Shanghai Composite Index was selected as the underlying index during the valuation process. Calculated and annualised to an annualised rate of return using the arithmetic mean and its arithmetic mean, geometric mean and harmonic mean were calculated, respectively, at weekly and monthly data frequencies. The expected market yield was determined as comprehensively analyzed, i.e. $r_m=9.31\%$.

$$\text{Market risk premium} = r_m - r_f = 9.31\% - 2.15\% = 7.16\%$$

(3) Determination of the β coefficient

Based on the stocks of companies listed on the Shanghai and Shenzhen Stock Exchanges in Shenwan's transportation industry, the comparability of the appraised enterprises and comparable companies in terms of business type, corporate scale, profitability, growth, industrial competitiveness and enterprise's development stage and other factors are taken into consideration. Selecting appropriate comparable companies, with the SSE Composite Index as the underlying index, and referring to the RoyalFlush Financial Terminal, calculating based on the market price as of the Valuation Benchmark Date, weighted adjusted β_e of comparable industries' stocks has been arrived at, i.e. the expected market risk coefficient of the appraised entity's equity capital, $\beta_e = 0.4769$, details are set out in the table below:

No	Stock Code	Stock Name	Main Business	Original Beta	Adjusted Beta Excluding Financial Leverage
1	600012. SH	Anhui Expressway	Expressway management and operation	0.6724	0.6284
2	600035. SH	Chutian Expressway	Road and bridge operations	0.6563	0.4222
3	000429. SZ	GPED A	Highway transportation	0.3792	0.4595
4	000755. SZ	Shanxi Expressway	Expressway management and operation	0.5065	0.3976
	Average			0.5536	0.4769

(4) Risk coefficient based on characteristics of enterprise ε

In this valuation, the characteristic individual risks that may arise from the differences between the appraisal target and comparable listed companies in terms of corporate scale, enterprise development stage, core competitiveness of enterprise, dependence of enterprise on upstream and downstream, financing capabilities and financing costs of enterprise as well as the soundness of profit forecast are taken into consideration. The company's characteristic risk adjustment coefficient, $\varepsilon = 1.48\%$, is set out in the table below:

Risk factor	Influencing factor	Value of influencing factor	Weighted	Adjustment coefficient
Scale of enterprise	The scale of the enterprise is smaller than the average of comparable companies	2	20	0.40
Development stage of enterprise	The expressways it manages have been in operation for several years, and its business is more mature than comparable companies and the development is relatively stable	1	15	0.15
Core competitiveness of enterprise	The enterprise has an experienced management and relatively strong core competitiveness	1.5	15	0.23
Extent of external influence on enterprise	The enterprise is greatly influenced by macroeconomic situation, regional economic situation and regional road development	1.5	15	0.23
Financing capacity and financing costs of enterprise	The enterprise has strong profitability and good cash flow, and the risk in this respect is relatively weak	1	10	0.10
Robustness of profit forecasts	Profit forecast is relatively robust, and the future annual growth rate is related to the industry level	1.5	20	0.30
Other factors	The supporting material of the profit forecast is rather sufficient and the realizability is relatively high	1.5	5	0.08
Total				1.48

(5) Cost of equity capital r_e

The discount rates arrived at through substituting the above parameters into the formula are set out in the following table:

Discount rate calculation table

Equity Ratio	100.00%
Debt Ratio	–
Weighted interest rate of loans	–
Risk-free interest rate r_f	2.15%
Expected market yield r_m	9.31%
Applicable tax rate	25.00%
Leverage-free β	0.4769
Equity β	0.4769
Characteristics risk coefficient	1.48%
CAPM	7.04%
Discount rate	7.04%

III. Net cash flow forecast

1. Analysis and forecast of main business revenue

The revenue from main business mainly represents toll income.

(1) Historical traffic volume of Fuzhou Expressway

- ① The traffic volume and growth trend (absolute number, vehicles per day) of the main sections of Fuzhou Expressway in the past years are shown in the following chart:

Year	Section	Passenger Vehicle				Goods Vehicle						Total	
		Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
2012	Starting point – Fuyang East	3,622	68	135	167	634	609	609					5,921
	Fuyang East-Yuanzhai	2,455	48	85	82	443	487	630	–	–	–		4,230
	Yuanzhai – Sishipu	2,455	48	85	82	443	487	630	–	–	–		4,230
	Sishipu – Nanzhao	1,490	43	29	46	458	602	441					3,109
	Nanzhao-Zhouji	1,113	29	47	41	480	862	604	–	–	–		3,177
	Zhouji – Terminal point	1,064	20	33	38	265	246	171					1,836
	Sections in average	2,190	47	75	86	505	640	591	–	–	–		4,134
2013	Starting point – Fuyang East	3,973	62	104	182	719	724	935	–	–	–		6,699
	Fuyang East-Yuanzhai	3,150	55	83	119	639	1,169	1,635					6,849
	Yuanzhai – Sishipu	3,150	55	83	119	639	1,169	1,635	–	–	–		6,849
	Sishipu – Nanzhao	1,925	39	31	48	666	1,637	1,336					5,682
	Nanzhao-Zhouji	1,485	30	41	61	517	822	499	–	–	–		3,456
	Zhouji – Terminal point	1,719	33	40	67	433	484	332	–	–	–		3,107
	Sections in average	2,649	47	65	104	634	1,063	1,077					5,640
2014	Starting point – Fuyang East	5,025	69	100	201	822	849	1,112	–	–	–		8,177
	Fuyang East-Yuanzhai	4,331	65	88	161	839	1,469	1,575					8,529
	Yuanzhai – Sishipu	4,331	65	88	161	839	1,469	1,575	–	–	–		8,529
	Sishipu – Nanzhao	2,383	39	41	51	678	1,359	1,201	–	–	–		5,752
	Nanzhao-Zhouji	1,816	36	72	61	629	1,168	1,230					5,013
	Zhouji – Terminal point	2,272	35	37	78	505	699	602	–	–	–		4,228
	Sections in average	3,406	52	76	120	741	1,194	1,268					6,857

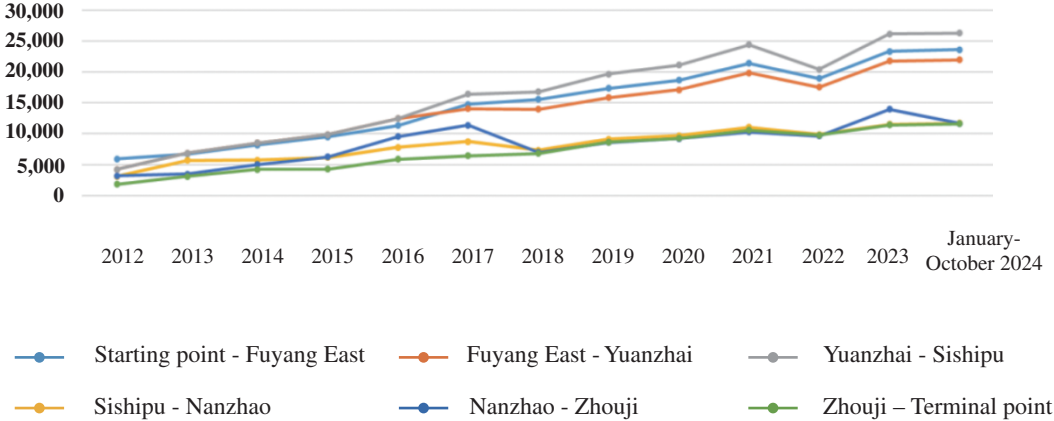
Year	Section	Passenger Vehicle				Goods Vehicle						Total
		Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	
2015	Starting point – Fuyang East	6,289	66	76	190	949	875	1,063	–	–	–	9,508
	Fuyang East-Yuanzhai	5,316	66	69	177	966	1,625	1,641	–	–	–	9,861
	Yuanzhai – Sishipu	5,316	66	69	177	966	1,625	1,641	–	–	–	9,861
	Sishipu – Nanzhao	2,754	34	43	59	640	1,315	1,308	–	–	–	6,154
	Nanzhao-Zhouji	2,367	37	98	90	715	1,384	1,537	–	–	–	6,228
	Zhouji – Terminal point	2,663	31	30	89	468	471	524	–	–	–	4,275
	Sections in average	4,208	51	72	130	818	1,281	1,373	–	–	–	7,934
2016	Starting point – Fuyang East	7,791	69	70	184	1,106	1,025	1,068	–	–	–	11,312
	Fuyang East-Yuanzhai	6,887	70	68	190	1,204	2,178	1,856	–	–	–	12,453
	Yuanzhai – Sishipu	6,891	70	68	190	1,205	2,180	1,858	–	–	–	12,462
	Sishipu – Nanzhao	3,665	38	51	90	780	1,715	1,437	–	–	–	7,777
	Nanzhao-Zhouji	3,751	50	105	121	964	2,192	2,357	–	–	–	9,541
	Zhouji – Terminal point	3,586	36	39	116	594	755	756	–	–	–	5,882
	Sections in average	5,555	57	74	147	1,013	1,754	1,668	–	–	–	10,268
2017	Starting point – Fuyang East	9,699	78	99	241	1,381	1,590	1,679	–	–	–	14,766
	Fuyang East-Yuanzhai	8,186	67	66	225	1,199	2,110	2,188	–	–	–	14,042
	Yuanzhai – Sishipu	9,350	79	68	236	1,302	2,690	2,695	–	–	–	16,421
	Sishipu – Nanzhao	4,058	34	43	68	803	1,934	1,787	–	–	–	8,728
	Nanzhao-Zhouji	4,311	50	95	104	1,027	2,664	3,115	–	–	–	11,366
	Zhouji – Terminal point	4,172	34	28	96	638	705	778	–	–	–	6,450
	Sections in average	6,724	59	77	162	1,118	2,116	2,233	–	–	–	12,488
2018	Starting point – Fuyang East	10,627	71	100	208	1,390	1,656	1,511	–	–	–	15,562
	Fuyang East-Yuanzhai	8,985	61	56	181	1,154	1,802	1,729	–	–	–	13,968
	Yuanzhai – Sishipu	10,874	74	59	202	1,262	2,231	2,101	–	–	–	16,804
	Sishipu – Nanzhao	4,204	28	25	59	655	1,263	1,102	–	–	–	7,338
	Nanzhao-Zhouji	4,030	30	30	89	676	1,053	1,113	–	–	–	7,021
	Zhouji – Terminal point	4,389	28	21	84	591	826	859	–	–	–	6,799
	Sections in average	7,195	49	54	138	985	1,480	1,396	–	–	–	11,297

Year	Section	Passenger Vehicle				Goods Vehicle						Total	
		Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
2019	Starting point – Fuyang East	11,859	75	103	196	1,581	2,006	1,541					17,362
	Fuyang East-Yuanzhai	10,482	66	58	172	1,335	2,042	1,705	–	–	–		15,861
	Yuanzhai – Sishipu	13,083	79	64	206	1,506	2,601	2,105					19,643
	Sishipu – Nanzhao	5,592	32	28	82	783	1,487	1,103	–	–	–		9,108
	Nanzhao-Zhouji	5,219	32	29	82	786	1,364	1,081	–	–	–		8,593
	Zhouji – Terminal point	5,631	32	25	75	748	1,130	995					8,636
	Sections in average	8,583	53	56	137	1,144	1,776	1,395	–	–	–		13,145
2020	Starting point – Fuyang East	11,855	41	79	116	1,770	694	390	574	217	2,886		18,648
	Fuyang East-Yuanzhai	10,533	34	36	98	1,567	577	366	556	211	3,089		17,094
	Yuanzhai – Sishipu	13,270	44	42	125	1,773	684	444	582	233	3,890		21,110
	Sishipu – Nanzhao	5,691	17	20	46	854	295	161	348	122	2,121		9,690
	Nanzhao-Zhouji	5,236	17	21	61	853	292	156	343	120	2,107		9,218
	Zhouji – Terminal point	5,712	19	16	56	813	283	146	339	117	1,759		9,272
	Sections in average	8,635	29	41	84	1,287	478	277	459	170	2,625		14,104
2021	Starting point – Fuyang East	12,924	38	91	117	2,397	908	326	763	306	3,471		21,382
	Fuyang East-Yuanzhai	11,752	34	35	101	2,156	780	311	727	297	3,616		19,849
	Yuanzhai – Sishipu	14,824	46	42	126	2,451	910	371	764	318	4,527		24,420
	Sishipu – Nanzhao	6,140	18	17	54	1,177	405	139	477	191	2,421		11,061
	Nanzhao-Zhouji	5,570	18	18	54	1,160	396	126	469	189	2,280		10,298
	Zhouji – Terminal point	6,154	17	15	49	1,117	391	121	466	186	2,033		10,569
	Sections in average	9,435	28	42	85	1,759	639	232	614	248	3,033		16,146
2022	Starting point – Fuyang East	10,440	23	49	67	2,179	916	344	688	361	3,830		18,945
	Fuyang East-Yuanzhai	9,648	19	24	61	1,920	789	311	633	347	3,728		17,526
	Yuanzhai – Sishipu	11,832	25	28	76	2,118	890	354	674	361	4,029		20,429
	Sishipu – Nanzhao	5,136	11	12	30	1,033	373	130	368	223	2,553		9,892
	Nanzhao-Zhouji	4,982	12	12	32	1,055	370	120	363	221	2,433		9,624
	Zhouji – Terminal point	5,509	11	12	30	1,023	370	111	362	219	2,126		9,796
	Sections in average	7,799	17	25	49	1,575	626	232	519	290	3,168		14,334

Year	Section	Passenger Vehicle				Goods Vehicle						Total
		Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	
2023	Starting point – Fuyang East	14,816	32	101	114	2,485	1,006	329	687	472	3,215	23,318
	Fuyang East-Yuanzhai	13,737	27	51	108	2,253	868	319	645	458	3,235	21,763
	Yuanzhai – Sishipu	17,116	36	59	129	2,597	1,019	415	699	476	3,540	26,142
	Sishipu – Nanzhao	6,709	15	23	53	1,240	420	187	324	254	2,254	11,507
	Nanzhao-Zhouji	6,840	22	38	63	1,385	468	229	389	292	4,196	13,953
	Zhouji – Terminal point	7,227	14	25	59	1,176	404	126	309	247	1,810	11,432
	Sections in average	10,907	25	55	87	1,883	710	276	519	372	3,267	18,145
January- October 2024	Starting point – Fuyang East	15,150	31	107	122	2,571	1,067	289	673	544	3,067	23,621
	Fuyang East-Yuanzhai	14,055	26	56	122	2,320	914	283	622	531	3,023	21,953
	Yuanzhai – Sishipu	17,491	35	63	144	2,652	1,058	349	679	559	3,251	26,281
	Sishipu – Nanzhao	7,275	12	26	62	1,272	429	144	279	288	1,919	11,707
	Nanzhao-Zhouji	7,037	14	30	68	1,274	426	145	286	295	2,084	11,659
	Zhouji – Terminal point	7,744	11	28	65	1,183	409	110	268	280	1,533	11,629
	Sections in average	11,263	22	56	96	1,900	728	222	473	419	2,549	17,727

The trend is shown in the chart below:

Traffic volume growth of the main sections of Fuzhou Expressway over years (absolute number, vehicles per day)



As it is observed from the above statistics and chart that, the traffic volume of each of the project’s sections basically increased at a steady growth trend before 2019. From 2020–2022, the traffic volume fluctuated to some extent due to the impact of public health events. After the conclusion of the public health events in 2023, traffic volumes returned growth trend again and reached an all-time high of 18,145 vehicles per day (vpd) in that year. The average traffic volume for January-October 2024 was 17,727 vpd, representing a decrease as compared to that of 2023.

- ② The toll revenue (tax inclusive) and growth rate of Fuzhou Expressway from 2013–October 2024 are shown in the chart below:

Year	Toll revenue (tax inclusive) (RMB '0,000)	Growth rate
2013	20,817.20	–
2014	24,398.20	17.2%
2015	27,796.70	13.9%
2016	31,990.10	15.1%
2017	35,232.60	10.1%
2018	27,518.20	-21.9%
2019	30,432.10	10.6%
2020	28,642.90	-5.9%
2021	40,343.90	40.9%
2022	37,420.00	-7.2%
2023	44,061.10	17.7%
January–October 2024	32,851.60	–

The project's toll revenue basically increased at a steady growth trend before 2019. In 2020, the project was toll-free for 79 days in the first half of the year due to the public health event, resulting in a decrease in annual toll revenue. In 2022, there was a significant decrease in passenger vehicle and inter-regional trips due to the public health event, resulting in a decline in revenue as compared to that of 2021. The conclusion of the public health event in 2023 coincided with a surge in traffic volumes on the Nanzhao-Zhouji Section in the second half of the year, resulting in a material increase in revenue for the year.

(2) Revenue forecast for main business

CHELBI Engineering Consultants, Inc. is a professional organization for traffic volume forecast and research, which has made traffic volume and toll forecast for Fuzhou Expressway and issued the Report on Traffic Flow Evaluation and Toll Income Calculation for the Fuyang to Zhouji Section of Fuyang to Lu'an Expressway. As review made by the professional valuers on the relevant calculation basis and financial analysis data in the evaluation and forecast report, the forecast of toll revenue was determined by directly converting the conclusion of the above-mentioned report into revenue (tax exclusive). As a result, the forecast of toll revenue of highway operation rights for future operating years in this valuation was based on the Report on Traffic Flow Evaluation and Income Calculation for the Fuyang to Zhouji Section of Fuyang to Lu'an Expressway.

According to the disclosure in the Report on Traffic Flow Evaluation and Toll Income Calculation for the Fuyang to Zhouji Section of Fuyang to Lu'an Expressway, the process of the traffic volume and toll revenue forecast is as follows:

- ① Through survey of the traffic volume of the on-site road network and collection of the regional traffic volume survey data related to expressways, the regional traffic and travel characteristics will be grasped, and combining the traffic volume data surveyed and collected with the networking data of expressways in Anhui Province, the basic OD data for the traffic volume forecast of the project will be developed;
- ② Conducting social, economic and traffic studies in the main attraction occurrence areas based on the composition of the directions of traffic flow, analyzing and predicting the elasticity coefficient, and adopting the elasticity coefficient method to further predict the growth of traffic volume;
- ③ Adopting a “four-stage approach”, establishing a model of the relationship between economic society and transport indicators based on the survey on transport and economic society, and applying the current OD data to forecast the traffic distribution, while fully considering the impact of other modes of transport on highway traffic;
- ④ Studying the travel route choice of the regional traffic volume from the perspective of regional traffic and travel, carrying out traffic distribution, forecasting and arriving at the future traffic volume of the relevant sections of the project, and finally developing the final traffic volume forecast of the relevant sections of the project;

- ⑤ According to the toll standard prescribed under the “Notice on Issuing the Adjustment Plan for the Toll Charging Methods of Toll Roads in Anhui Province by the Department of Transportation of Anhui Province, Anhui Provincial Development and Reform Committee and Anhui Provincial Finance Department” (Wan Jiao Lu [2019] No. 144), the toll rates were adjusted in accordance with the relevant requirements of the Adjustment Plan for the Toll Charging Methods of Toll Roads in Anhui Province (Specifically, the passenger vehicles are charged by vehicle type and goods vehicles are charged by axle) and relevant preferential policies;
- ⑥ Taking into consideration the traffic volume forecast and the adjusted toll rates, the toll revenue for the forecast period is arrived at.

The forecast results of the main revenue (excluding VAT) are shown in the table below:

Unit: RMB'0,000

	November – December					
Year	2024	2025	2026	2027	2028	2029
Revenue	6,254.05	39,614.29	41,250.87	42,816.91	44,340.89	45,940.39
Year	2030	2031	2032	2033	2034	2035
Revenue	48,225.74	50,339.75	52,189.27	53,899.25	55,611.50	57,322.71
Year	2036	2037	2038	2039		
Revenue	59,067.40	60,788.52	62,474.48	63,228.29		

2. Costs of the main business

Costs of the main business mainly include road maintenance costs, mechanical and electrical maintenance costs, road assets safety expenses, production operating expenses, mechanical and electrical maintenance – electricity charge, networking settlement service fees, depreciation of fixed assets, amortization of intangible assets, cost – employee compensation and accrued safety production expenses.

(1) Road maintenance costs

The road maintenance costs are the daily maintenance expenses for preventive, restorative, special maintenance, emergency maintenance and other types of pavement maintenance and regular maintenance and repair of the road and its facilities along the road, as well as the separately approved special maintenance expenses for daily road crossing cleaning and pavement marking for each component (including ancillary facilities) of the road. Based on the combination of historical maintenance expenditures, the enterprise made a forecast of future maintenance expenditures. The road maintenance costs for October-December 2024 and 2025 are measured in accordance with the enterprise's budget, the road maintenance costs from 2026 to 2039 are measured in accordance with the geometric growth rate of Anhui Transportation Holding Group's maintenance inputs in the historical years, with other costs forecast based on corresponding quotas; and the expenditures for the refurbishment of the entire road surface were finally estimated in the year when the toll period expired for consideration. After interviewing and communicating with the enterprise, the final forecast is based on the costs upon its confirmation.

(2) Mechanical and electrical maintenance costs

The mechanical and electrical maintenance costs are daily costs incurred during the course of normal operation of the enterprise. The enterprise has estimated the future mechanical and electrical maintenance costs based on the historical mechanical and electrical expenditures and the mechanical and electrical budget of Fuzhou Expressway for 2024, including: based on the corporate budget for October-December 2024 and 2025, and based on a certain growth rate following the confirmation of the enterprise's mechanical and electrical department upon interviews and communications from 2026 to 2039.

(3) Mechanical and electrical maintenance – electricity charge

Electricity charge is the daily cost incurred during the course of normal operation of the enterprise. The electricity cost for October-December 2024 and 2025 is estimated based on the electricity budget provided by the enterprise, and the forecast for 2026 to 2039 and subsequent years is based on the average growth rate of electricity charge in the past years.

(4) Production operating expenses, road assets safety expenses and other costs

The production operating expenses, road assets safety expenses and other costs are the operating costs incurred by the enterprise in daily operations. After a comprehensive analysis of the historical situation, future forecast will be made based on the proportion of revenue in the historical years excluding contingent expenses multiplied by the revenue for each year of the forecast period.

(5) Networking settlement service fees

According to the Operation Service Agreement for Toll Road Network of Anhui Province entered into between Fuzhou Expressway and Anhui Transportation United Card Holding Co., Ltd. and the Operation Service Agreement of Toll Road Network of Anhui Province entered into with Anhui Expressway Network Operations Company Limited, the settlement standard rate of service fee is 0.33% and 0.33% of the networking settlement toll respectively, and in this valuation, forecast was made in accordance with the settlement standard of networking settlement toll.

(6) Safety fees

According to the Regulation of Enterprise on Withdrawal and Usage of Its Safety Production Fee (Cai Zi [2022] No. 136): Based on the operating revenue of the previous year, the amount of the accrued safety fees for the current year is determined, which are withdrawn at 1% of the revenue month by month; the accrued safety production fees will be terminated until it is higher than 1.5% of the revenue of the previous year. In this valuation, forecast was made in accordance with the abovementioned Regulation.

(7) Depreciation and amortization

The fixed assets of the appraisal target mainly include buildings, vehicles, machinery and equipment, electronic equipment, etc. Fixed assets are valued at the actual cost at the time of acquisition; in this valuation, the depreciation amount for the future operating period was estimated in accordance with the depreciation policy for fixed assets implemented by the enterprise, based on the appraised value of the audited fixed assets as of the benchmark date and the enterprise's plan to add new fixed assets in the future, etc.. The intangible assets of the appraisal target mainly include land use rights, road assets and software. In this valuation, the amortization amount for the future operation period was estimated in accordance with the amortization policy and the amortization period of intangible assets implemented by the enterprise, based on the audited book value as of the benchmark date and the enterprise's plan to add intangible assets in the future.

(8) Cost – employee compensation

Based on the analysis of historical annual wages per capita, employee compensation is forecasted according to the staffing and wage payment standards of the valued enterprise and taking into account the company's remuneration system. The forecast of five insurances (namely pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance) and two funds (namely housing provident fund and enterprise annuity), welfare expenses, labor union expenses and educational expenses are made in accordance with the accrual policies of the valued enterprise.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November – December					
	2024	2025	2026	2027	2028	2029
Total	4,221.07	19,403.72	20,016.52	20,566.44	21,099.38	21,732.88
Road maintenance costs	1,992.13	5,597.75	5,813.68	6,068.33	6,306.39	6,587.06
Mechanical and electrical maintenance costs	33.66	150.00	153.00	156.00	159.00	162.00
Road assets safety expenses	6.05	38.31	39.89	41.41	42.88	44.43
Production operating expenses	7.39	46.79	48.72	50.57	52.37	54.26
Mechanical and electrical maintenance – electricity charge	12.85	99.00	101.00	103.00	105.00	107.00
Networking settlement service fees	41.28	261.45	272.26	282.59	292.65	303.21
Depreciation and amortization	1,899.48	11,797.71	12,104.63	12,307.04	12,505.71	12,751.52
Cost – employee compensation	228.24	1,412.70	1,483.34	1,557.50	1,635.38	1,717.15
Safety production expenses	–	–	–	–	–	6.25

Year	2030	2031	2032	2033	2034	2035
Total	22,188.79	22,617.91	22,967.96	23,453.47	23,830.08	24,018.91
Road maintenance costs	6,849.53	7,158.89	7,448.26	7,789.25	8,108.28	8,484.12
Mechanical and electrical maintenance costs	165.00	168.00	171.00	174.00	177.00	181.00
Road assets safety expenses	46.64	48.68	50.47	52.12	53.78	55.43
Production operating expenses	56.96	59.46	61.64	63.66	65.68	67.71
Mechanical and electrical maintenance – electricity charge	109.00	111.00	113.00	115.00	117.00	119.00
Networking settlement service fees	318.29	332.24	344.45	355.74	367.04	378.33
Depreciation and amortization	12,816.38	12,812.21	12,759.62	12,788.75	12,724.09	12,406.49
Cost – employee compensation	1,803.01	1,893.16	1,987.81	2,087.20	2,191.56	2,301.14
Safety production expenses	23.99	34.28	31.71	27.74	25.65	25.68
Year	2036	2037	2038	2039		
Total	24,309.74	24,660.46	24,996.93	57,822.14		
Road maintenance costs	8,835.85	9,250.12	9,637.90	43,522.52		
Mechanical and electrical maintenance costs	185.00	189.00	200.00	150.00		
Road assets safety expenses	57.12	58.79	60.42	61.15		
Production operating expenses	69.77	71.80	73.79	74.68		
Mechanical and electrical maintenance – electricity charge	121.00	123.00	125.00	128.00		
Networking settlement service fees	389.84	401.20	412.33	417.31		
Depreciation and amortization	12,209.29	12,003.37	11,797.81	10,646.15		
Cost – employee compensation	2,416.20	2,537.01	2,663.86	2,797.05		
Safety production expenses	25.67	26.17	25.82	25.29		

3. Forecast of other business revenue and cost

Other business revenue in historical years includes rescue business income, road damage compensation income, etc. Other business expense includes the cost corresponding to the above other business revenue. Due to the small amount and the uncertainty of its occurrence, no forecast is made in this valuation.

4. Forecast of taxes and surcharges

As disclosed in the audited financial report of the appraisal target as of the benchmark date, the taxes for the appraisal target are mainly VAT, urban construction tax, education surcharge, local education surcharge, stamp duty, water conservancy fund, property tax and land use tax.

The toll revenue is subject to a simplified taxing method, and the annual VAT for each year is determined at 3% of the revenue of a future year;

The urban construction tax, education surcharge and local education surcharge are calculated based on the payable VAT, and are estimated at the prescribed tax rates;

The stamp duty is estimated at 0.03% of the maintenance and mechanical and electrical engineering contract;

The water conservancy fund is estimated at 0.06% of revenue of the previous year;

The property tax and land use tax are estimated based on the house area, land area and at the prescribed tax rate.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November – December					
	2024	2025	2026	2027	2028	2029
Total	37.45	227.57	234.35	241.05	247.55	254.31
Urban maintenance and construction tax	13.13	83.19	86.63	89.92	93.12	96.47
Education surcharge (including local)	9.38	59.42	61.88	64.23	66.51	68.91
Stamp duty	0.61	1.72	1.79	1.87	1.94	2.02
Water conservancy fund	4.28	22.94	23.77	24.75	25.69	26.60
Property tax	6.14	36.84	36.84	36.84	36.84	36.84
Land use tax	3.91	23.45	23.45	23.45	23.45	23.45

APPENDIX I**PRC VALUATION REPORTS**

Year	2030	2031	2032	2033	2034	2035
Total	263.57	272.65	280.66	288.03	295.32	302.62
Urban maintenance and construction tax	101.27	105.71	109.60	113.19	116.78	120.38
Education surcharge (including local)	72.34	75.51	78.28	80.85	83.42	85.98
Stamp duty	2.10	2.20	2.29	2.39	2.49	2.60
Water conservancy fund	27.56	28.94	30.20	31.31	32.34	33.37
Property tax	36.84	36.84	36.84	36.84	36.84	36.84
Land use tax	23.45	23.45	23.45	23.45	23.45	23.45
Year	2036	2037	2038	2039		
Total	310.04	317.40	324.63	338.50		
Urban maintenance and construction tax	124.04	127.66	131.20	132.78		
Education surcharge (including local)	88.60	91.18	93.71	94.84		
Stamp duty	2.71	2.83	2.95	13.10		
Water conservancy fund	34.39	35.44	36.47	37.48		
Property tax	36.84	36.84	36.84	36.84		
Land use tax	23.45	23.45	23.45	23.45		

5. Forecast of period costs

(1) Management fee forecast

The management fee is road property management service fee.

Road property management service fee: The forecast of road property management service fee is made based on the analysis of the content and change trend of each of the fees in historical years. Road property management service fee of 2024 is estimated based on the Service Agreement signed between Fuzhou Expressway, Anhui Transportation Holding Group Company Limited Fuyang Management Center and Anhui Transportation Holding Group Company Limited Lu'an West Management Center. Such service fee is mainly used to cover the personnel costs of the management services provided by Anhui Transportation Holding Group Company Limited Fuyang Management Center and Anhui Transportation Holding Group Company Limited Lu'an West Management Center to Fuzhou Expressway, the road property management service fee is, therefore, estimated based on the scope of services provided and personnel arrangements, as well as the personnel remuneration system of Anhui Transportation Holding Group Company Limited Fuyang Management Center and Anhui Transportation Holding Group Company Limited Lu'an West Management Center for 2025 and subsequent years.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November – December					
	2024	2025	2026	2027	2028	2029
Total	73.63	466.81	490.15	514.66	540.39	567.41
Road property management service fee	73.63	466.81	490.15	514.66	540.39	567.41
Year	2030	2031	2032	2033	2034	2035
Total	595.78	625.57	656.85	689.69	724.18	760.39
Road property management service fee	595.78	625.57	656.85	689.69	724.18	760.39

Year	2036	2037	2038	2039
Total	798.41	838.33	880.24	924.26
Road property management service fee	798.41	838.33	880.24	924.26

6. Income tax forecast

Since the income tax rate for Fuzhou Expressway is 25%, the income tax rate for the estimate year is estimated at 25%.

According to the tax policy, the production safety expenses provided by the enterprises need to be adjusted. According to the Announcement of the State Taxation Administration on the Pre-taxation Deduction of Simple Production Maintenance Fee for Coal Mining Enterprises and Safety Production Fee for Enterprises in High-Risk Industries (State Taxation Administration Announcement No. 26 of 2011): the simple production maintenance fee and safety production fee that are provided by enterprises in accordance with relevant regulations shall not be deducted before tax.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November – December					
	2024	2025	2026	2027	2028	2029
Total profit	1,921.89	19,516.18	20,509.84	21,494.76	22,453.57	23,385.79
Safety production fee	–	–	–	–	–	6.25
Income tax rate	0.25	0.25	0.25	0.25	0.25	0.25
Income tax	480.47	4,879.05	5,127.46	5,373.69	5,613.39	5,848.01
Year	2030	2031	2032	2033	2034	2035
Total profit	25,177.59	26,823.61	28,283.79	29,468.05	30,761.93	32,240.80
Safety production fee	23.99	34.28	31.71	27.74	25.65	25.68
Income tax rate	0.25	0.25	0.25	0.25	0.25	0.25
Income tax	6,300.40	6,714.47	7,078.88	7,373.95	7,696.89	8,066.62

Year	2036	2037	2038	2039
Total profit	33,649.22	34,972.33	36,272.68	4,143.39
Safety production fee	25.67	26.17	25.82	25.29
Income tax rate	0.25	0.25	0.25	0.25
Income tax	8,418.72	8,749.62	9,074.62	1,042.17

7. Additional capital forecast

Additional capital refers to the operation funds required to be increased and long-term capital input exceeding one year without changing the current operating and production conditions, such as the capital investment required for expansion of production capacity (fixed assets purchased), as well as the additional operation funds required and replacement of assets necessary for continued operation.

In this valuation, it was assumed that the appraisal target would make appropriate capital investment to enhance its current operation capacity as needed. The additional capital during the future operating period mainly includes the replacement of the existing assets, the increase in operation funds and capital expenditures necessary for continued operation as of the benchmark date. Therefore, the additional capital, as defined in this report, is:

Additional capital = asset replacement + increase in working capital + capital expenditure

(1) Forecast of asset replacement investment

Based on the premise and foundation of the earnings forecast and while maintaining the current scale and condition of the assets, taking into account the historical annual replacement and depreciation and recovery of the assets of the enterprise and the asset renewal plan table (資產更新計劃表) provided by the enterprise, the estimation of future asset replacement and transformation expenses are made. It is assumed that the assets will be replaced when they reach the end of their useful lives.

(2) Forecast of increase in working capital

The increase in working capital represents the operating capital that the enterprise requires to be increased, without changing the current conditions of its principal business, so as to maintain normal business operations, which are additional funds needed to maintain the enterprise's ability to operate on a going concern basis, such as the basic capital required for maintaining normal business operations, including cash reserves, inventory purchases, and advance payments for goods (receivables) on behalf of customers, as well as payables. The increase in working capital refers to the cash occupied by acquiring commercial credit of others due to changes in the company's operating activities, as well as the cash reserves and inventory required to maintain normal business operations. In addition, in economic activities, providing commercial credit can correspondingly reduce the immediate payment of cash. Usually, the contents of other receivables and payables are irrelevant to or temporarily dealing with the main business, so they need to be specifically distinguished and determined based on their relevance to the estimated business operations. Therefore, estimating the increase in working capital only needs to consider the main factors such as cash reserves, receivables, inventory, and payables required for normal business operations. The increased amount in working capital, as defined in this report, is:

Increase in working capital = working capital in the current period – working capital in the previous period

where:

Working capital = operating cash + inventory + receivables – payables

Operating cash = total annual cash cost/12

Total annual cash cost = total cost of sales + total expenses in the period – total non-cash cost

Inventory = total operating cost/inventory turnover

Receivables = total operating revenue/receivable turnover ratio

Payables = total operating costs/payable turnover ratio

Based on the investigation of the operating conditions of the appraisal target and the statistical analysis of the audited historical assets, profit or loss, income and costs and expenses, as well as the estimated results of the income and costs for each year of the future operating period, and according to the above definition, the operating cash (minimum cash holdings), inventory, receivables, payables, and their increase in working capital for each year of the future operating period can be arrived at.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November – December					
	2024	2025	2026	2027	2028	2029
Minimum cash holdings	666.77	691.70	719.70	751.26	781.80	816.40
Receivables	1,094.08	1,133.41	1,180.23	1,225.04	1,268.64	1,314.41
Payables	2,995.65	3,086.60	3,205.82	3,344.73	3,475.71	3,628.51
Working capital	-1,234.80	-1,261.49	-1,305.89	-1,368.43	-1,425.27	-1,497.70
Increase in working capital	1,045.76	-26.69	-44.40	-62.54	-56.84	-72.43
Year	2030	2031	2032	2033	2034	2035
Minimum cash holdings	850.65	889.14	926.18	967.89	1,008.32	1,054.15
Receivables	1,379.79	1,440.28	1,493.19	1,542.12	1,591.11	1,640.07
Payables	3,773.37	3,942.01	4,100.87	4,285.91	4,460.52	4,664.61
Working capital	-1,542.93	-1,612.59	-1,681.50	-1,775.90	-1,861.09	-1,970.40
Increase in working capital	-45.22	-69.67	-68.90	-94.40	-85.19	-109.31
Year	2036	2037	2038	2039		
Minimum cash holdings	1,098.60	1,148.89	1,198.18	4,034.46		
Receivables	1,689.98	1,739.23	1,787.46	1,809.03		
Payables	4,857.29	5,081.86	5,297.31	22,231.34		
Working capital	-2,068.70	-2,193.74	-2,311.66	-16,387.85		
Increase in working capital	-98.30	-125.04	-117.92	-14,076.19		

(3) Forecast of capital expenditure

In this valuation, there was no capital expenditure during the forecast period.

8. Results of cash flow forecast

The forecast of future earnings in this valuation was mainly, based on market research and analysis of the relevant industry, a professional judgment made based on the comprehensive situation including the operating conditions of comparable enterprises, market demand, and future development of the relevant industry. When making the forecast, the profit or loss resulting from non-operating income and expenses, subsidy income, and other non-recurring income were not taken into consideration. The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November – December					
	2024	2025	2026	2027	2028	2029
Revenue	6,254.05	39,614.29	41,250.87	42,816.91	44,340.89	45,940.39
Cost	4,221.07	19,403.72	20,016.52	20,566.44	21,099.38	21,732.88
Taxes and surcharges	37.45	227.57	234.35	241.05	247.55	254.31
Administrative expenses	73.63	466.81	490.15	514.66	540.39	567.41
Operating profit	1,921.89	19,516.18	20,509.84	21,494.76	22,453.57	23,385.79
Total profit	1,921.89	19,516.18	20,509.84	21,494.76	22,453.57	23,385.79
Income tax	480.47	4,879.05	5,127.46	5,373.69	5,613.39	5,848.01
Net profit	1,441.42	14,637.14	15,382.38	16,121.07	16,840.17	17,537.78
Add: depreciation, amortization, etc.	1,899.48	11,797.71	12,104.63	12,307.04	12,505.71	12,757.77
Less: increase in working capital	1,045.76	-26.69	-44.40	-62.54	-56.84	-72.43
Less: asset replacement	532.84	4,160.88	3,140.97	2,933.55	2,944.55	2,956.75
Net cash flows	1,762.30	22,300.66	24,390.44	25,557.10	26,458.17	27,411.24

APPENDIX I**PRC VALUATION REPORTS**

Year	2030	2031	2032	2033	2034	2035
Revenue	48,225.74	50,339.75	52,189.27	53,899.25	55,611.50	57,322.71
Cost	22,188.79	22,617.91	22,967.96	23,453.47	23,830.08	24,018.91
Taxes and surcharges	263.57	272.65	280.66	288.03	295.32	302.62
Administrative expenses	595.78	625.57	656.85	689.69	724.18	760.39
Operating profit	25,177.59	26,823.61	28,283.79	29,468.05	30,761.93	32,240.80
Total profit	25,177.59	26,823.61	28,283.79	29,468.05	30,761.93	32,240.80
Income tax	6,300.40	6,714.47	7,078.88	7,373.95	7,696.89	8,066.62
Net profit	18,877.19	20,109.14	21,204.92	22,094.10	23,065.03	24,174.18
Add: depreciation, amortization, etc.	12,840.38	12,846.49	12,791.33	12,816.50	12,749.74	12,432.17
Less: increase in working capital	-45.22	-69.67	-68.90	-94.40	-85.19	-109.31
Less: asset replacement	585.84	465.77	480.42	473.00	487.00	619.71
Net cash flows	31,176.95	32,559.52	33,584.74	34,532.00	35,412.96	36,095.95
Year	2036	2037	2038	2039		
Revenue	59,067.40	60,788.52	62,474.48	63,228.29		
Cost	24,309.74	24,660.46	24,996.93	57,822.14		
Taxes and surcharges	310.04	317.40	324.63	338.50		
Administrative expenses	798.41	838.33	880.24	924.26		
Operating profit	33,649.22	34,972.33	36,272.68	4,143.39		
Total profit	33,649.22	34,972.33	36,272.68	4,143.39		
Income tax	8,418.72	8,749.62	9,074.62	1,042.17		
Net profit	25,230.50	26,222.70	27,198.05	3,101.22		
Add: depreciation, amortization, etc.	12,234.96	12,029.54	11,823.63	10,671.43		
Less: increase in working capital	-98.30	-125.04	-117.92	-14,076.19		
Less: asset replacement	610.89	352.77	279.42	40.00		
Net cash flows	36,952.87	38,024.50	38,860.19	27,808.84		

9. The recovery value of assets at the end of the operating period

Recovery of assets at the end of the period of the appraised enterprise mainly includes recovery of working capital and recovery of fixed assets.

(1) Recovery of working capital

Additional working capital is recovered at the end of the operating period, and the amount of recovery is determined by the amount of working capital at the end of the income period.

(2) Recovery of fixed assets

Assets recorded by the appraised enterprise as fixed assets are not required to be transferred to the government at the end of the operating period. The recovery amount of the assets after the termination of the operating period is measured based on the full replacement value of the existing assets with reference to the recovery rate of equipment disposed of by the appraised enterprise in recent years.

10. Determination of appraised value of operating assets

Substituting the expected net cash flows obtained and the recovery value of the assets at the end of the operating period into equation (2), the value of the operating assets of the appraisal target was obtained to be RMB2,763,620,400.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November– December					
	2024	2025	2026	2027	2028	2029
Net cash flows	1,762.30	22,300.66	24,390.44	25,557.10	26,458.17	27,411.24
Discount rate	7.04%	7.04%	7.04%	7.04%	7.04%	7.04%
Discount factor	0.9943	0.9557	0.8928	0.8341	0.7792	0.7280
Discounted value	1,752.34	21,311.84	21,775.98	21,316.93	20,617.10	19,954.99

Year	2030	2031	2032	2033	2034	2035
Net cash flows	31,176.95	32,559.52	33,584.74	34,532.00	35,412.96	36,095.95
Discount rate	7.04%	7.04%	7.04%	7.04%	7.04%	7.04%
Discount factor	0.6801	0.6354	0.5936	0.5546	0.5181	0.4840
Discounted value	21,203.68	20,687.62	19,935.60	19,149.79	18,346.75	17,470.70
Year	2036	2037	2038	2039		
Net cash flows	36,952.87	38,024.50	38,860.19	27,808.84		
Discount rate	7.04%	7.04%	7.04%	7.04%		
Discount factor	0.4522	0.4224	0.3947	0.3687		
Discounted value	16,709.17	16,062.95	15,336.33	10,253.08		
Total present value of forecast period				281,884.83		
Present value of asset recovery				-5,522.79		
Value of the operating assets P				276,362.04		

IV. Determination of appraised value regarding non-operating or surplus assets (liabilities)

It was verified that as at 31 October 2024, the Valuation Benchmark Date, it was disclosed in the pro forma balance sheet which had been audited by the accountants that the value of the following assets were not taken into account in this estimate of operating assets and should be categorized as surplus non-operating assets beyond the value of operating assets forecasted in this valuation.

C₁: The value of current surplus or non-operating assets (liabilities) of the appraisal target existing as at the benchmark date;

Other receivables, as disclosed in the audited balance sheet, refer to the current accounts in the accounts of the appraisal target as at the benchmark date which were collected by Anhui Transportation Holding Group Company Limited on behalf of others. As calculated and verified by the valuers, the accounts were in non-operating transaction nature and will be treated as a surplus asset.

C₂: The value of non-current surplus or non-operating assets (liabilities) of the appraisal target existing as at the benchmark date.

Fixed assets, declared by enterprise and verified by the valuers as assets of the appraisal target held as at the benchmark date for retirement, are treated as surplus assets.

The specific situation is shown in the following table.

Breakdown of Valuation of Non-operating or Surplus Assets (Liabilities)

Unit: RMB'0,000

Project Name	Book Value as at the Valuation Benchmark Date	Appraised Value as at the Valuation Benchmark Date
Other receivables	13,449.00	13,449.00
Subtotal of current surplus/non-operating assets	13,449.00	13,449.00
Fixed assets – assets to be retired	2.49	1.34
Subtotal of non-current surplus/non-operating liabilities	2.49	1.34
C₁: Net value of current surplus/non-operating assets (liabilities)	13,449.00	13,449.00
C₂: Net value of non-current surplus/non-operating assets (liabilities)	2.49	1.34
C: Net value of surplus/non-operating assets, liabilities	13,451.50	13,450.34

V. Valuation results by adopting income approach

Substituting the arrived-at value (P=RMB2,763,620,400) of operating assets and the value (C=RMB134,503,400) of other surplus or non-operating assets existing as at the benchmark date into equation (1), the value (E=RMB2,898,120,000) of the entire equity interests of the shareholders of the appraisal target was obtained.

VI. Sensitivity analysis of the valuation of the target assets

Taking into account the characteristics of the business model and the extent of the impact of changes in financial indicators of the target company, sensitivity analysis was conducted in respect of valuation results of the assets using operating revenue and discount rate indicators. The specific results of the sensitivity analysis are as follows:

Unit: RMB'0,000

Rate of change in revenue	Revenue		Discount rate		Rate of change in equity value
	Value of the entire shareholders' equity interests	Rate of change in equity value	Value of the entire shareholders' equity interests	Rate of change in discount rate	
10%	324,314.00	11.90%	10%	277,777.00	-4.15%
5%	307,063.00	5.95%	5%	283,692.00	-2.11%
0	289,812.00	0.00%	0	289,812.00	0.00%
-5%	272,561.00	-5.95%	-5%	296,134.00	2.18%
-10%	255,120.00	-11.97%	-10%	302,679.00	4.44%

Summary of the reasons for the appreciation of the Target Company's value under the asset-based approach as compared with its book value

The major reasons for the appreciation of the Target Company's value under the asset-based approach as compared with its book value are summarised as follows:

1. Buildings

- (1) The increase in value of buildings was mainly due to the increase in the cost of materials, labour and machinery for construction works as compared with that of the construction period, which led to the increase in the valuation;
- (2) The reasons for the increase in value of structures were mainly due to the increase in the costs of materials, labour and machinery for construction works as compared with that of the construction period, which led to the increase in the valuation.

2. Equipment assets

- (1) The increase in appraised original value of machinery and equipment was due to the fact that the current price of certain equipment was higher than the original purchase price on the books. The increase in the net appraised value was due to the faster accounting depreciation rate of machinery and equipment as compared to the actual depletion.
- (2) The decrease in the appraised original value of vehicles was due to the decrease in the market price of vehicles compared with the past, resulting in a decrease in the original value; the decrease in the net value was due to the faster accounting depreciation of vehicles compared with the actual depletion, resulting in an increase in the appraised net value.
- (3) The impairment of the appraised original value of electronic equipment was due to the fact that most of the electronic equipment had been over-aged and used, and the second-hand market acquisition price had been adopted in the valuation, resulting in the replacement price being lower than the original book value; the decrease of the appraised net value of electronic equipment was mainly attributable to the lower acquisition price in the second-hand market as compared with the net book value, which resulted in the decrease of the appraised net value.

3. Intangible assets – toll road concession rights

- (1) The increase in the appraisal of land use rights was mainly due to: the appraisal land was acquired at an early stage, with the economic development in recent years, the acquisition cost of land had increased substantially, which resulted in the increase in appraised value.
- (2) The increase in the appraisal of road assets was mainly due to: the roads were built at an early stage and the prices of construction materials and labour costs had risen to a certain extent on the Valuation Benchmark Date.

4. Intangible assets – other intangible assets

The increase in the appraisal of intangible assets – other intangible assets was due to the purchase price of the software at the Valuation Benchmark Date was higher as compared with the price at the time of acquisition; and the amortisation period accrued by the enterprise was lower than the software's usable economic life, which resulted in an increase in the net value of the appraisal.

Summary of the reasons for the appreciation of the Target Company's value under the income approach as compared with its book value

Fuzhou Expressway belongs to the transportation industry and is mainly responsible for the day-to-day operation and management of the Fuzhou Expressway, which is a section of the Jinan-Guangzhou Expressway planned by the Ministry of Transportation and Communications within the territory of Anhui Province, and is an important connecting section. The Target Company is located in an industry with a better development prospect, and the traffic volume of expressways in China (including Fuzhou Expressway) and the toll revenue of Fuzhou Expressway are expected to have continuous growth (details of which are set out in the Traffic Study Reports). Therefore, the appraisal value using the income approach is higher than the book value of the Target Company.

BACKGROUND AND QUALIFICATION OF THE PRC DOMESTIC VALUER**1. Introduction to the valuation agency**

Anhui Zhonglian Guoxin Assets Valuation Company Limited, formerly known as Anhui Assets Appraisal Firm (安徽資產評估事務所), was established in 1993 and affiliated to Anhui Provincial State-owned Assets Supervision and Administration Bureau (安徽省國有資產管理局). In November 1999, it was transformed into Anhui Guoxin Assets Evaluation Co., Ltd. (安徽國信資產評估有限責任公司) after going through restructuring and reorganization. Anhui Zhonglian Guoxin Assets Valuation Company Limited is a member of China United Assets Appraisal Group.

2. Qualification of the valuation agency

Anhui Zhonglian Guoxin Assets Valuation Company Limited has the Asset Appraisal Qualification (Cai Zi Bei An [2017] No. 072) (《資產評估資格》(財資備案[2017]072號)) registered and filed with Anhui Provincial Department of Finance, the qualification of undertaking securities business filed with the China Securities Regulatory Commission, the Land Appraisal Qualification (Wan Tu Gu Bei Zi [2018] No. 0042) (《土地估價資格》(皖土估備字[2018]0042號)) registered and filed with the Department of Natural Resources of Anhui Province and Qualification Certificate for Valuation of Exploration Right and Mining Right (Kuang Quan Ping Zi [2023] No. 017) (《探礦權採礦權評估資格證書》(礦權評資[2023]017號)) recognized by China Association of Mineral Resources Appraisers.

3. Introduction to the signed valuers

Xia Yan, an asset valuer (China Appraisal Society member No.: 34120008) and mineral right appraiser, has been practicing for 13 years from 2007 to present.

Wang Yi, an asset valuer (China Appraisal Society member No.: 34000016), cost engineer and certified public accountant, has been practicing for 28 years from 1995 to present.

Zhang Yi, an asset valuer (China Appraisal Society member No.: 34220038) and constructor, has been practicing for 3 years from 2018 to present.

This Asset Valuation Report is prepared in accordance with the Asset Valuation Standards of the PRC

**VALUATION OF THE ENTIRE SHAREHOLDERS' EQUITY INTERESTS OF
ANHUI SIXU EXPRESSWAY CO., LTD. IN RELATION TO THE PROPOSED
ACQUISITION OF EQUITY INTERESTS IN ANHUI SIXU EXPRESSWAY CO.,
LTD. BY ANHUI EXPRESSWAY COMPANY LIMITED**

ASSET VALUATION REPORT

Anhui Zhong Lian Guo Xin Ping Bao Zi (2024) No. 338

(Volume 1 of one volume in total)



Anhui Zhonglian Guoxin Assets Valuation Company Limited

Hefei, China

19 December 2024

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STATEMENT

- I. This Asset Valuation Report is prepared in accordance with the Basic Standards for Asset Valuation (資產評估基本準則) issued by the Ministry of Finance of the PRC and the Practicing Standards for Asset Valuation and the Code of Ethics for Asset Valuation (資產評估執業準則和職業道德準則) issued by the China Appraisal Society (the “Asset Valuation Standards”).
- II. The client or other users of the Asset Valuation Report shall use the Asset Valuation Report in accordance with the provisions of laws and administrative regulations as well as the scope of use indicated herein. Where the client or other users of the Asset Valuation Report use the Asset Valuation Report in violation of the preceding provisions, the asset valuation agency and asset valuers shall bear no liability thereof.
- III. This Asset Valuation Report shall be used only by the client, any other users of the Asset Valuation Report as agreed in the asset valuation engagement and any users of the Asset Valuation Report as prescribed by laws and administrative regulations. Save for the above, any other agencies or individuals shall not become the users of the Asset Valuation Report.
- IV. The asset valuation agency and asset valuers remind the users of the Asset Valuation Report to correctly understand and use the valuation conclusion, which does not equal to the realizable price of the appraised target. The valuation conclusion shall not be considered as a guarantee for the realizable price of the appraised target.
- V. The valuation conclusion is premised upon the authenticity, legality and completeness of the information provided by the client and other parties concerned. The list of assets and liabilities included in the scope of valuation, as well as the forward-looking financial information, ownership certificates and other materials required for the valuation, have been provided by and confirmed with seals or other ways by the client and the appraised entity.
- VI. The asset valuation agency and asset valuers do not have any existing or potential interests in the appraised target involved in the Asset Valuation Report, not interested, either presently or expectedly, in relevant concerned parties, and not biased against relevant concerned parties.
- VII. The asset valuers have carried out on-site inspection on the appraised target and its assets involved in the Asset Valuation Report, attended to the legal titles of the appraised target and its assets involved as necessary, verified the information related to the legal titles of the appraised target and its assets involved, and truthfully disclosed the issues identified in the process, and requested the client and other parties concerned to perfect their ownership so as to meet the requirements for issuing an Asset Valuation Report.

- VIII. The analysis, judgment and conclusion in the Asset Valuation Report issued by the asset valuation agency are subject to the assumptions and limitations set out in the Asset Valuation Report. The users of the Asset Valuation Report shall give due consideration to the assumptions, limitations, explanation on special issues and their impact on the valuation conclusions set out herein.
- IX. The asset valuation agency and asset valuers shall abide by the laws, administrative regulations and the Asset Valuation Standards, adhere to the principles of independence, objectivity and impartiality, and bear the liability for this Asset Valuation Report in accordance with the laws and regulations.

VALUATION OF THE ENTIRE SHAREHOLDERS' EQUITY INTERESTS OF ANHUI SIXU EXPRESSWAY CO., LTD. IN RELATION TO THE PROPOSED ACQUISITION OF EQUITY INTERESTS IN ANHUI SIXU EXPRESSWAY CO., LTD. BY ANHUI EXPRESSWAY COMPANY LIMITED
ASSET VALUATION REPORT

Anhui Zhong Lian Guo Xin Ping Bao Zi (2024) No. 338

SUMMARY

Anhui Zhonglian Guoxin Assets Valuation Company Limited accepted the joint engagement of Anhui Transportation Holding Group Company Limited and Anhui Expressway Company Limited to assess the market value of the entire shareholders' equity interests in Anhui Sixu Expressway Co., Ltd. as at the Valuation Benchmark Date in relation to the economic behaviour of the proposed acquisition of 100% equity interests in Anhui Sixu Expressway Co., Ltd. by Anhui Expressway Company Limited.

The valuation and conclusion are summarised below:

- I. Purpose of valuation: According to the "Minutes of the Board of Directors of Anhui Transportation Holding Group – Research and Consideration on Determining the Target Road Properties to Carry out Capital Operation Matters" (Issue No. 14, 2024) (《安徽交控集團董事會會議紀要-研究審議確定標的路產開展資本運作事宜》(2024第14期)) issued by Anhui Transportation Holding Group Company Limited on 25 October 2024, Anhui Expressway Company Limited intends to acquire the equity interests in Anhui Sixu Expressway Co., Ltd. held by Anhui Transportation Holding Group Company Limited, and for which an asset valuation is required to provide value reference for the relevant economic behaviour of the client.
- II. Appraised target and scope of the valuation:

The appraised target is the value of entire shareholders' equity interests of Anhui Sixu Expressway Co., Ltd., and the scope of valuation covers all audited assets and liabilities corresponding to the pro forma statements of Anhui Sixu Expressway Co., Ltd.. The book value of assets is RMB1,231,049,500, the book value of liabilities is RMB16,875,300 and the book value of owner's equity (net assets) is RMB1,214,174,300.
- III. Type of value: market value.
- IV. Valuation Benchmark Date: 31 October 2024.
- V. Valuation methods: income approach and asset-based approach.

VI. Valuation conclusion:

Based on the estimated traffic volume and revenue projections of Sixu Expressway by CHELBI Engineering Consultants, Inc., and the judgment of the management of the enterprise for future development trends and operation plans, the market value of the entire shareholders' equity interests in Anhui Sixu Expressway Co., Ltd. on the Valuation Benchmark Date, i.e. 31 October 2024, amounts to RMB1,862,680,000, representing an increase of RMB648,505,700 in appraisal value as compared with the book value, with an appreciation rate of 53.41%.

The valuation conclusion has been drawn based on the income approach.

According to the laws and regulations related to asset valuation, asset valuation reports involving valuation of business for legal compliance purposes shall only be used upon the client has performed the supervisory and administrative procedures regarding asset valuation as required by law and regulations. The valuation conclusions shall be effective from 31 October 2024 to 30 October 2025 for a term of one year.

VII. Explanation on other specific matters

(I) Citation of conclusions of reports issued by other institutions

1. The book values of various assets and liabilities on the Valuation Benchmark Date in this Asset Valuation Report are the ([2024] Jinghui Xingwan Fenshenzi No. 00550008 ([2024]京會興皖分審字第00550008號)) audit report issued by the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership).
2. The future traffic flow income in this Asset Valuation Report refers to the results of the "Traffic Flow Evaluation and Toll Income Calculation Report for the Huaibei Section of Sixian to Xuchang Expressway" issued by CHELBI Engineering Consultants, Inc. regarding the estimated traffic volume and revenue projections for Sixu Expressway.

In addition, there is no reference to the conclusions of reports issued by other institutions in this Asset Valuation Report.

(II) Incomplete or defective ownership information

1. As at the Valuation Benchmark Date, the buildings of Anhui Sixu Expressway Co., Ltd. which have not applied for property ownership certificates are set out in the table below:

No.	Name of building	Structure	Date of completion	Unit of measure	Gross floor area	Book value (RMB)	
						Original book value	Net book value
1	Complex at Suixi Toll Station	Steel hybrid	2012-12-24	m ²	2,280.00	4,854,538.88	2,997,138.37
2	Equipment room at Suixi Toll Station	Steel hybrid	2012-12-24	m ²	163.00	787,358.07	486,106.12
3	Complex at Tiefu Toll Station	Steel hybrid	2012-12-24	m ²	2,190.00	4,336,073.87	2,677,043.83
4	Equipment room at Tiefu Toll Station	Steel hybrid	2012-12-24	m ²	163.00	895,996.12	553,178.05
5	Office building at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	740.00	1,722,637.05	1,063,536.97
6	Dormitory building at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	2,700.00	4,997,777.00	3,085,571.99
7	Traffic police building at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	1,185.00	1,271,724.37	785,148.50
8	Canteen at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	382.00	2,543,377.86	1,570,253.23
9	Equipment room at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	163.00	903,711.25	557,941.29
10	Garbage Station at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	15.00	66,760.38	41,217.12
11	Concierge at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	14.00	61,852.60	38,187.11
12	Complex at Huaiyong Mainline Toll Station (Henan Side)	Steel hybrid	2012-12-24	m ²	1,260.00	2,844,911.70	1,756,416.87
13	Equipment room at Huaiyong Mainline Toll Station (Henan Side)	Steel hybrid	2012-12-24	m ²	163.00	910,598.91	562,193.65

No.	Name of building	Structure	Date of completion	Unit of measure	Gross floor area	Book value (RMB)	
						Original book value	Net book value
14	Garbage Station at Huaiyong Mainline Toll Station (Henan Side)	Steel hybrid	2012-12-24	m ²	15.00	70,295.53	43,399.68
15	Concierge at Huaiyong Mainline Toll Station (Henan Side)	Steel hybrid	2012-12-24	m ²	14.00	62,667.95	38,690.50
16	Toll complex in Huaibeinan	Steel hybrid	2015-12-19	m ²	2,805.00	4,050,803.47	2,893,848.99
17	Maintenance complex in Huaibeinan	Steel hybrid	2015-12-19	m ²	619.00	1,047,217.78	748,120.75
18	Machinery storage in Huaibeinan	Steel hybrid	2015-12-19	m ²	250.00	512,425.89	366,071.37
19	Equipment room in Huaibeinan	Steel hybrid	2015-12-19	m ²	160.00	433,116.88	309,413.89
	Total				15,281.00	32,373,845.56	20,573,478.26

Anhui Sixu Expressway Co., Ltd. has provided relevant property rights descriptions for buildings for which no property rights certificates have been issued, proving that all assets included in the scope of this valuation belong to Anhui Sixu Expressway Co., Ltd. and that this valuation has not taken into account the possible impact of the absence of certificates for the abovementioned properties on the conclusion of the valuation.

For the floor area of buildings for which no property rights certificate has been issued, this valuation is determined on the basis of the declared floor area provided by the appraised entity and verified on-site by the valuers. There may be discrepancies with the actual area for which certificates will be issued in the future, which are brought to the attention of the users of the report.

2. As of the Valuation Benchmark Date, the owner of the land use right certificate included in the scope of valuation was “Anhui Transportation Investment Group Company Limited* (安徽省交通投資集團有限責任公司)” and the owner of the vehicle certificate was “Anhui Transportation Holding Group Company Limited* (安徽省交通控股集團有限公司)”. As of the issuance date of the Asset Valuation Report, the appraised entity was in the process of changing the titles of the vehicles and land use rights, and Anhui Sixu Expressway Co., Ltd. has provided relevant property right descriptions of the vehicles and land use rights with unchanged property right certificates to prove that the vehicles and land use rights included in the scope of the valuation belong to Anhui Sixu Expressway Co., Ltd., and the valuation has not taken into account the impact of the abovementioned unchanged circumstances on the valuation conclusion.
3. As of the Valuation Benchmark Date, the allocated land occupied by Dongliu Interchange within the scope of this valuation had not been issued with land use rights certificates, and the valuation is based on the area disclosed in the final accounts report on behalf of the Company, which may differ from the area actually issued with certificates in the future, and the valuation has not taken into account the impact that the aforesaid lack of issuance of certificates of land use rights may have on the valuation conclusion.

(III) Matters that may have an impact on the valuation conclusion between the Valuation Benchmark Date and the Asset Valuation Report date

1. As of the Valuation Benchmark Date, the registered capital of Anhui Sixu Expressway Co., Ltd. of RMB5 million has not yet been fully paid in, and the capital paid in after the Valuation Benchmark Date has not been considered in this valuation result; as of the issuance date of the report, the capital of Anhui Sixu Expressway Co., Ltd. has been fully paid in.

Apart from that, the valuation has not identified any other matters between the Valuation Benchmark Date and the date of the Asset Valuation Report that may have an impact on the valuation conclusion.

(IV) Explanation of other matters

1. As the tax mode selected by Anhui Sixu Expressway Co., Ltd. is simple tax collection, the input tax on non-current assets acquired is not deductible, and the valuation of valuated non-current assets (including fixed assets and intangible assets) includes value-added tax.

2. The assets included in the scope of this valuation shall not include the supporting service areas, gas stations, billboards, and other subsidiary facilities along the project route, as well as their operating rights.

The above content is extracted from the full text of the Asset Valuation Report. For details of the valuation and correct understanding of the valuation conclusion, please read the full text of the Asset Valuation Report.

VALUATION OF THE ENTIRE SHAREHOLDERS' EQUITY INTERESTS OF ANHUI SIXU EXPRESSWAY CO., LTD. IN RELATION TO THE PROPOSED ACQUISITION OF EQUITY INTERESTS IN ANHUI SIXU EXPRESSWAY CO., LTD. BY ANHUI EXPRESSWAY COMPANY LIMITED
ASSET VALUATION REPORT

Anhui Zhong Lian Guo Xin Ping Bao Zi (2024) No. 338

FULL TEXT

Anhui Transportation Holding Group Company Limited and Anhui Expressway Company Limited:

Anhui Zhonglian Guoxin Assets Valuation Company Limited accepted the engagement of both parties, adhered to the principles of independence, objectivity and impartiality in accordance with the laws, administrative regulations and Asset Valuation Standards, adopted the income approach and the asset-based approach, and followed the necessary valuation procedures to assess the market value of the entire shareholders' equity interests of Anhui Sixu Expressway Co., Ltd. as at the Valuation Benchmark Date in relation to the proposed acquisition of 100% equity interests in Anhui Sixu Expressway Co., Ltd. by Anhui Expressway Company Limited. The Asset Valuation Report is presented as follows:

I. CLIENT, APPRAISED ENTITY AND OTHER USERS OF ASSET VALUATION REPORT

The clients of the valuation are Anhui Transportation Holding Group Company Limited (“Anhui Transportation Holding Group”) and Anhui Expressway Company Limited (the “Company”) while the appraised entity is Anhui Sixu Expressway Co., Ltd. (“Sixu Expressway”).

(I) Overview of client – Anhui Transportation Holding Group

Company name: Anhui Transportation Holding Group Company Limited

Company type: limited liability company (wholly state-owned)

Company domicile: No. 1666, Xizang Road, Baohe District, Hefei, Anhui Province

Legal representative: Xiang Xiaolong

Registered capital: RMB16,000 million

Date of establishment: 27 April 1993

Scope of business: General projects: business management; investment activities with own funds; asset management services for investment with own funds; engineering management services; maintenance of transportation facilities; automobile trailers, rescue, obstacle clearance services; housing leasing; non-residential real estate leasing. Licensed projects: road management and maintenance.

Unified social credit code: 91340000MA2MT9QA0T

(II) Overview of client – the Company

Company name: Anhui Expressway Company Limited

Company type: limited liability company (Taiwan, Hong Kong or Macau and domestic joint stock company and listed)

Company domicile: 520 Wangjiang West Road, Hefei City, Anhui Province

Legal representative: Wang Xiaowen

Registered capital: RMB1,658.61 million

Date of establishment: 15 August 1996

Scope of business: design, construction, supervision, toll collection, maintenance, emergency repairing, management of road assets and road right of high grade highways; storage; consultation services of expressway construction and operation, housing leasing, development, production and sales of automobiles and spare parts as well as high-tech products.

Unified social credit code: 91340000148973087E

Stock code: 600012.SH

(III) Overview of the appraised entity

1. Basic Company Information

Company name: Anhui Sixu Expressway Co., Ltd.

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

Company domicile: Wantong Building, 520 Wangjiang West Road, Tianle Community Service Centre, High-Tech District, Hefei City, Anhui Province.

Legal representative: Yu Xiaoxiang.

Registered capital: RMB5 million.

Date of establishment: 30 October 2024.

Scope of business: Licensed projects: road management and maintenance. General items: engineering management services; maintenance of traffic facilities.

Unified social credit code: 91340100MAE2D0X80X.

2. Historical Development of the Enterprise

Sixu Expressway was established on 30 October 2024 with a registered capital of RMB5,000,000 at the time of establishment, which has not been fully paid yet. Anhui Transportation Holding Group holds 100% equity interests in Sixu Expressway. In October 2024, Anhui Transportation Holding Group transferred its assets of the Sixu Expressway project (including the highway assets involved in the project as well as the related debts and liabilities, excluding the service area and gas station) to Sixu Expressway for nil consideration.

3. Scope of Business

Sixu Expressway is mainly responsible for the daily operation and management of Sixu Expressway.

(1) Project profile

Sixu Expressway was started in November 2009 and the two-way four-lane line with a designated speed of 120km/h was completed in December 2012. The Huaibei Section of Sihong to Xuchang Expressway is an important section of the “four vertical and eight horizontal” highway network planned by Anhui Province, starting from Xiaozhao Village, Gurao Town, Lieshan District, Huaibei City, and ending at the Section of Yongcheng, Henan of Anhui-Henan Provincial Border. The whole section is in the territory of Huaibei City, with starting and ending pile numbers of No. K396+713-K447+240. The toll mileage of the whole line is 52.2 kilometers. There are Tiefu Toll Station, Suixi Toll Station and Huaibei South Station. There are 3 extra-large bridges (Nantuo River Bridge, Huihe River Bridge, and Huihe River Bridge II), 3 large bridges, 9 medium bridges, 26 small bridges and 60 culverts.

(2) Concession period

On 17 November 2017, the “Reply of the Anhui Provincial People’s Government on the Toll Operation Period of Three Expressways, including the Wuhu to Yanchi Section of Liwu Expressway” (Wan Zheng Mi [2017] No. 212) issued by the Anhui Provincial People’s Government, it was approved that the toll operation period of Sixu Expressway was 30 years, i.e. from 24 December 2012 to 23 December 2042.

(3) Toll rates

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

Toll rates for passenger vehicles for Sixu Expressway

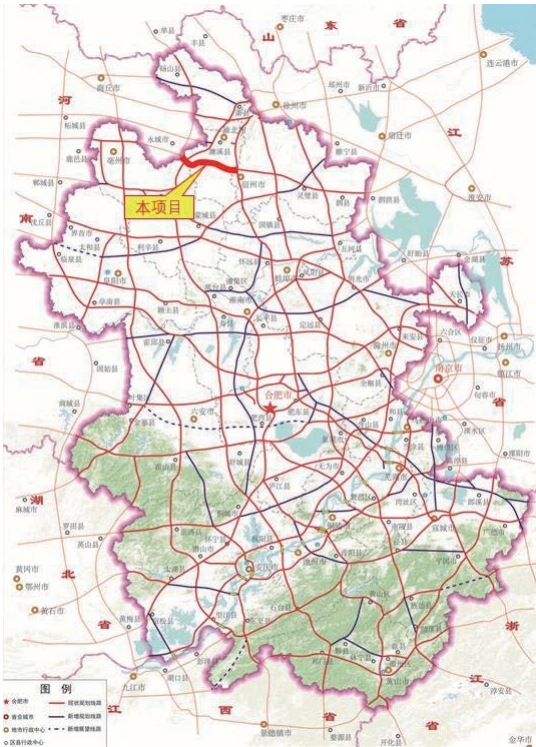
Class	Vehicle type	Authorized passenger capacity	Toll rate (RMB/vehicle kilometre)
Class 1 Passenger Vehicle	Micro/Small	≤9	0.45
Class 2 Passenger Vehicle	Medium	10-19	0.8
	Passenger car train	–	
Class 3 Passenger Vehicle	Large	≤39	1.1
Class 4 Passenger Vehicle		≥40	1.3

Toll rates for goods vehicles for Sixu Expressway

Class of Vehicle	JT/T489-2019 Classification Standard	Toll rate (RMB/kilometre)
Class 1	2 axles, the length of the vehicle is less than 6,000mm and the maximum allowable total mass is less than 4,500kg	0.45
Class 2	2 axles, the length of the vehicle is not less than 6,000mm or the maximum allowable total mass is not less than 4,500kg	0.9
Class 3	3 axles	1.35
Class 4	4 axles	1.7
Class 5	5 axles	1.85
Class 6	6 axles	2.2

For goods vehicles with more than six axles: based on the charging standard for Class 6 goods vehicles, for each additional axle, the charging standard is determined by a factor of 1.1. For goods vehicles with 10 axles and above, the toll rate shall be the same with the toll rate for goods vehicle with 10 axles.

(4) Location



4. Assets, Financial and Operating Conditions

According to the audited pro forma financial statements, as of 31 October 2024, the Valuation Benchmark Date, Sixu Expressway had total assets of RMB1,231,049,500, total liabilities of RMB16,875,300, and net assets of RMB1,214,174,300. From January to October 2024, it achieved a revenue of RMB187,347,100 and a net profit of RMB76,373,900.

The assets and financial position of the company for the last 1 year are shown in the table below:

Unit: RMB'0,000

Project/year	31 October 2024	31 December 2023
Total assets	123,104.95	120,573.55
Liabilities	1,687.53	531.00
Net assets	121,417.43	120,042.55

Project/year	January–October	
	2024	2023
Revenue	18,734.71	24,542.96
Total profit	10,183.18	14,358.08
Net profit	7,637.39	10,758.51
Auditor	Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership)	Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership)

The above data from the financial statements for the year 2023 and the period from January to October 2024 have been audited by the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership), which has issued an audit report with unqualified opinion ([2024] Jinghui Xingwan Fenshenzi No. 00550008 ([2024]京會興皖分審字第00550008號)). In our opinion, the accompanying Pro Forma Financial Statements was prepared in all major aspects in accordance with the basis of preparation set forth in Note 2 to the Pro Forma Financial Statements, fairly presenting the financial status of Sixu Expressway on 31 December 2023 and 31 October 2024, as well as the operating results and cash flow for the year 2023 and from January to October 2024.

5. Significant Accounting Policies Adopted by Sixu Company

The significant accounting policies adopted by Sixu Expressway have been revised in accordance with the latest Enterprise Accounting Standards, its application guidelines, interpretations and other relevant regulations (collectively referred to as “EAS”) that have been issued by the Ministry of Finance.

For details, see the audit report of Sixu Expressway.

(IV) Relationship between the clients and the appraised entity

Anhui Transportation Holding Group, the client of this engagement, is the controlling shareholder of the Company, and Sixu Expressway, being the appraised entity, is a wholly-owned subsidiary of Anhui Transportation Holding Group. The Company intends to acquire 100% equity interests in Sixu Expressway held by Anhui Transportation Holding Group in cash.

(V) Other users of the Asset Valuation Report

The users of this Asset Valuation Report are the clients and other users of the Asset Valuation Report as agreed in the asset valuation engagement contract. Unless otherwise stipulated by the laws and regulations of the PRC, no organization or individual shall be a user of the Asset Valuation Report by mere possession of this Asset Valuation Report unless they are confirmed as such by the asset valuation firm and the clients.

II. PURPOSE OF VALUATION

According to the “Minutes of the Board of Directors of Anhui Transportation Holding Group – Research and Consideration on Determining the Target Road Properties to Carry out Capital Operation Matters” (Issue No. 14, 2024) (《安徽交控集團董事會會議紀要-研究審議確定標的路產開展資本運作事宜》(2024第14期)) issued by Anhui Transportation Holding Group on 25 October 2024, the Company intends to acquire the equity interests in Sixu Expressway held by Anhui Transportation Holding Group, and for which an asset valuation is required to provide value reference for the relevant economic behaviour of the client.

III. TARGET AND SCOPE OF VALUATION

(I) Target and scope of valuation

The appraised target is the entire shareholders' equity interests of Sixu Expressway. The scope of valuation covers all assets and liabilities as set out in the audited pro forma statements of Sixu Expressway. As at the Valuation Benchmark Date, i.e. 31 October 2024, the book value of assets of Sixu Expressway was RMB1,231,049,500, the book value of liabilities was RMB16,875,300 and the book value of the owner's equity (net assets) was RMB1,214,174,300. Details are set out as follows:

Unit: RMB'0,000

Items	Book value
Total current assets	8,586.36
Total non-current assets	114,518.60
Fixed assets	5,138.36
Intangible asset	109,380.24
Total assets	123,104.95
Total current liabilities	1,687.53
Total liabilities	1,687.53
Owners' equity (net assets)	121,417.43

The data regarding the abovementioned assets and liabilities was extracted from the balance sheet of Sixu Expressway audited by the ([2024] Jinghui Xingwan Fenshenzi No. 00550008 ([2024]京會興皖分審字第00550008號)) audit report issued by the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership).

The basis for the preparation of the financial statements disclosures in the audit report are set out below:

1. The controlling shareholder of our company (i.e. Sixu Company) is Anhui Transportation Holding Group. Prior to 30 October 2024 (the date of establishment of our company (i.e. Sixu Company)), the date on which Anhui Transportation Holding Group transferred the assets, liabilities, business and personnel of Sixu Expressway to our company (i.e. Sixu Company) at nil consideration, the Huaibei Section of Sixu Expressway were operated and accounted for by Anhui Transportation Holding Group. In preparing the Pro Forma Financial Statements, our company (i.e. Sixu Company) has assumed that the transfer described above was completed at the beginning of the earliest reporting period presented in the Pro Forma Financial Statements (i.e.

1 January 2023). The Pro Forma Financial Statements was prepared on the basis of the historical accounting records of Anhui Transportation Holding Group for the Huaibei Section of Sixu Expressway transferred prior to 30 October 2024 (the date of establishment of our company (i.e. Sixu Company)), during which period our company (i.e. Sixu Company) was not established and the differences between the assets and liabilities of the businesses are shown as owners' equity; since 30 October 2024, our company (i.e. Sixu Company) has prepared the Pro Forma Financial Statements in accordance with our company (i.e. Sixu Company)'s accounting records.

2. Prior to 30 October 2024 (the date of establishment of our company (i.e. Sixu Company)), Anhui Transportation Holding Group managed and calculated the cash and cash equivalents of each road section it operates in a unified manner, and did not set up a separate bank account for the Huaibei Section of Sixu Expressway. Anhui Transportation Holding Group transferred the assets, liabilities, businesses and personnel related to the Huaibei Section of Sixu Expressway to our company (i.e. Sixu Company) at nil consideration, with 31 May 2024 as the benchmark date of the transfer. The assets transferred at nil consideration do not include any cash and cash equivalents and it is agreed that the profit or loss related to the Huaibei Section of Sixu Expressway from 31 May 2024 (the benchmark date of the transfer) shall belong and be borne by our company (i.e. Sixu Company). Based on the above, in preparing the Pro Forma Financial Statements, (i) assuming that all cash funds generated from operations less net cash and cash equivalents paid for operations prior to 31 May 2024 have been paid to Anhui Transportation Holding Group as if they were distributions to owners, and cash and cash equivalents are accordingly presented in zero; and (ii) assuming that all cash funds generated and paid for operations from 31 May 2024 (the benchmark date of the transfer) to 30 October 2024 (the date of establishment of our company (i.e. Sixu Company)) are collected and paid by Anhui Transportation Holding Group, and measured accordingly as related party transactions with Anhui Transportation Holding Group; the amount for distributions to owners under the assumption was RMB173,415,455.60 and RMB62,625,114.50 for the year 2023 and from January to October 2024, respectively. In addition, due to the immateriality of the interest income yielded from the aforementioned cash funds, the interest income was not considered in preparing the Pro Forma Financial Statements for the use of the Pro Forma Financial Statements.

The appraised target and scope of valuation is consistent with those involved in the economic behavior.

(II) Types and quantities of off-balance sheet assets declared by the enterprise

No off-balance sheet assets were identified in this valuation.

(III) Type, quantity and carrying amount (or valuation amount) of assets involved in making reference to the conclusions of reports issued by other institutions

The book values of various assets and liabilities on the benchmark date in this Asset Valuation Report are the audit results of the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership).

The future traffic flow income in this Asset Valuation Report refers to the results of the “Traffic Flow Evaluation and Toll Income Calculation Report for the Huaibei Section of Sixian to Xuchang Expressway” issued by CHELBI Engineering Consultants, Inc. regarding the estimated traffic volume and revenue projections for Sixu Expressway.

In addition, there is no reference to the conclusions of reports issued by other institutions.

IV. TYPE OF VALUE

Based on the purpose of this valuation, the value type of this valuation is defined as market value.

Market value refers to the estimated amount of the value of normal and fair transactions of the appraised target on the Valuation Benchmark Date when the willing buyer and willing seller act rationally without any coercion.

The reason for adopting the market value type is that the market value type is more reflective of the fairness and reasonableness of the parties to the transaction than other value types, so that the appraisal results can meet the needs of the purpose of this valuation.

V. VALUATION BENCHMARK DATE

The Valuation Benchmark Date for this project is 31 October 2024.

This Valuation Benchmark Date is determined by the clients taking into consideration the date of realisation of the implementation of the economic behaviour, as well as compliance, the end of the accounting period and other factors.

VI. BASIS FOR VALUATION

The basis of valuation mainly includes the basis of economic behaviour, laws and regulations, the Asset Valuation Standards, the asset ownership, as well as the pricing determination basis used in the valuation and other reference information, as follows:

(I) Basis of the economic behaviour

1. “Minutes of the Board of Directors of Anhui Transportation Holding Group – Research and Consideration on Determining the Target Road Properties to Carry out Capital Operation Matters” (Issue No. 14, 2024) (《安徽交控集團董事會會議紀要-研究審議確定標的路產開展資本運作事宜》(2024年第14期)) issued by Anhui Transportation Holding Group on 25 October 2024.

(II) Basis of laws and regulations

1. The Asset Appraisal Law of the People’s Republic of China (Order of the President of the People’s Republic of China [2016] No. 46);
2. The Company Law of the People’s Republic of China (amended for the second time at the 7th meeting of the Standing Committee of the 14th National People’s Congress on 29 December 2023);
3. The Civil Code of the People’s Republic of China (Order of the President of the People’s Republic of China No. 45);
4. The Enterprise Income Tax Law of the People’s Republic of China (Order of the President of the People’s Republic of China [2018] No. 23);
5. The Law of the People’s Republic of China on the State-Owned Assets of Enterprises (Order of the President of the People’s Republic of China [2008] No. 5);
6. The Land Administration Law of the People’s Republic of China (passed at the 12th meeting of the Standing Committee of the 13th National People’s Congress on 26 August 2019);
7. The Highway Law of the People’s Republic of China (amended at the 30th meeting of the Standing Committee of the 12th National People’s Congress on 4 November 2017);

8. The Urban Real Estate Administration Law of the People's Republic of China (amended for the third time at the 12th meeting of the Standing Committee of the 13th National People's Congress on 26 August 2019);
9. Measures for Financial Supervision and Administration of the Assets Valuation Industry (Decree No. 86 of the Ministry of Finance);
10. Measures for the Administration of State-owned Assets Appraisal (issued by Decree No. 91 of the State Council of the People's Republic of China on 16 November 1991 and amended in accordance with the Decision of the State Council on Amending and Repealing Part of the Administrative Laws and Regulations (Decree No. 732 of the State Council) (《國務院關於修改和廢止部分行政法規的決定》(國務院令第732號)) on 29 November 2020);
11. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council, 2005);
12. Measures for the Supervision and Administration of the Trading of State-Owned Assets of Enterprises (Decree No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance);
13. Circular on Printing and Distributing the Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises (Cai Zi [2022] No. 136);
14. Provisions on Several Issues Concerning the Management of State-owned Asset Appraisal (Decree No. 14 of the Ministry of Finance);
15. Detailed Rules for the Implementation of the Provisional Regulations on Value Added Tax of the People's Republic of China (Decree [2011] No. 65 of the Ministry of Finance and the State Administration of Taxation);
16. Notice on Implementation of Pilot Program of Replacing Business Tax with Value Added Tax in an All-round Manner (Cai Shui [2016] No. 36);
17. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 of 2019 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs);
18. Regulations for the Administration of Toll Highways (Decree No. 417 of the State Council of the People's Republic of China);

19. Supervision and Administration Measures for the Transaction of State-owned Assets of Enterprises in Anhui Province (Wan Guo Zi Chan Quan [2016] No. 144);
20. Interim Measures for the Assessment of State-owned Assets of Enterprises in Anhui Province (Wan Guo Zi Chan Quan [2018] No. 47);
21. Other laws and regulations relating to asset valuation, etc.

(III) Basis of valuation criteria

1. Basic Standards for Asset Valuation (Cai Zi [2017] No. 43);
2. Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
5. Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
6. Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practice Guidelines for Asset Valuation – Asset Valuation Approaches (Zhong Ping Xie [2019] No. 35);
8. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
9. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
10. Practicing Standards for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
11. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);

12. Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
13. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
14. Guidelines for Quality Control of Business of Asset Valuer (Zhong Ping Xie [2017] No. 46);
15. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
16. Guiding Opinions on Legal Ownership of Asset Valuation Target (Zhong Ping Xie [2017] No. 48).

(IV) Basis of asset ownership

1. Business Licence;
2. Real Estate Proprietorship Certificate;
3. Enterprise capital contribution certificate (articles of association, asset transfer agreement, etc.);
4. Economic business contracts, agreements and invoices related to the acquisition and use of assets or rights;
5. Vehicle Registration Certificate;
6. A statement of title to significant assets;
7. The basis of ownership of other assets.

(V) Basis of price determination

1. Profit forecast reports and information on future operations and planning prepared by the appraised entity;
2. Traffic Flow Evaluation and Toll Income Calculation Report for the Huaibei Section of Sixian to Xuchang Expressway issued by CHELBI Engineering Consultants, Inc.;
3. The Reply of the Anhui Provincial People's Government on the Toll Operation Period of Three Expressways, including the Wuhu to Yanchi Section of Liwu Expressway (Wan Zheng Mi [2017] No. 212) issued by the Anhui Provincial People's Government;
4. The Announcement on Loan Prime Rate (LPR) on the Valuation Benchmark Date Promulgated by the National Interbank Funding Center under Authorization published by the People's Bank of China;
5. Reply to the Feasibility Study Report on the Huaibei Section of Sihong to Xuchang Highway (Development and Reform Traffic [2009] No. 512);
6. Notice on the Adjustment of the Labor Cost Standard for Highway Engineering in Anhui Province (Anhui Jiao Jian Guan Han [2019] No. 210 of Anhui Provincial Department of Transportation);
7. Main Material Price Lists for traffic engineering in October 2024;
8. Guidance on Preparation of Investment Estimates for Highway Engineering Construction Project (JTG3820-2018), Guidance on Preparation of Estimates and Budgets for Highway Engineering Construction Project (JTG3830-2018), Estimates Index for Highway Engineering (JTG/T3821-2018), Estimates Quota for Highway Engineering (JTG/T3831-2018), Budgets Quota for Highway Engineering (JTG/T3832-2018) and Cost Quota for Highway Engineering Machinery Team (JTG/T3833-2018) issued and implemented under the Ministry of Transport Announcement (No. 86 of 2018);
9. Notice of the People's Government of Anhui Province on the Announcement of the Integrated Land Price Standard for Land Requisition District in the Province (Wan Zheng [2023] No. 62);

10. Notice of the Huaibei Municipal People's Government on the Adjustment of the Compensation Standards for Aboveground Buildings, Other Attachments and Seedlings on Requisitioned Collective-Land in Huaibei City (Huai Zheng Mi [2020] No. 18);
11. Notice of the Anhui Development and Reform Commission, the Finance Department of Anhui Province and the Department of Natural Resources of Anhui Province on the Adjustment of the Standard of Arable Land Reclamation Fee Collection and Other Related Issues (Wan Fa Gai Shou Fei [2019] No. 33);
12. Notice on the Issuance of the Implementation Rules of the Arable Land Occupation Tax in Anhui Province (Wan Cai Shui Fa [2019] No. 969);
13. Notice of the People's Government of Anhui Province on the Issuance of the Measures for the Collection and Management of Anhui Province Local Water Conservancy Construction Fund (Wan Zheng [2012] No. 54);
14. Notice of Huaibei Municipal People's Government on the Implementation of the Basic Pension Insurance Contribution Subsidy Policy for Eligible Social Security Recipients of Expropriated Land Farmers (Huai Zheng [2024] No. 17);
15. Notice of the Anhui Provincial Department of Housing and Urban-Rural Development on the Release of the 2018 Edition of the Pricing Basis for Construction Projects in Anhui Province (Jian Biao [2017] No. 191);
16. Dynamic Adjustment of Pricing Basis for Construction Projects in Anhui Province (1st Issue) (Anhui Provincial Department of Housing and Urban-Rural Development Announcement No. 51);
17. Report on the Breakdown of Preparing Assets Delivered for Use of the Huaibei Section of the Sihong to Xuchang Expressway on Behalf of the Company (Zhong Zhun Wan Dai Bian Zi [2017] No. 001);
18. Audit report issued by the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership) ([2024] Jinghui Xingwan Fenshenzi No. 00550008 ([2024]京會興皖分審字第00550008號));
19. Information on A-share listed companies queried by RoyalFlush iFinD software;
20. Part of the preliminary design, investment estimate contract, completion information, construction drawings, financial information, etc. provided by the appraised entity;

21. Information such as acquisition contracts, invoices, payment vouchers, and information data released by the National Statistical Office for the relevant assets;
22. The Manual for Common Data and Parameters in the Latest Assets Valuation of China Financial & Economic Publishing House;
23. Relevant enquiry information and pricing parameter information collected by the valuation professionals of the organisation through market research.

(VI) Other reference materials

1. Accounting Standards for Business Enterprises – Basic Standards (Ministry of Finance Decree No. 33);
2. Other reference materials.

VII. VALUATION APPROACHES

(I) Selection of valuation approaches

Basic assets valuation approaches include the market approach, income approach and asset-based approach. According to Asset Valuation Basic Standards, one or multiple methods of asset valuation should be appropriately selected according to relevant conditions like valuation purpose, value type and data collected.

The market approach refers to a valuation idea that value of the appraised target is defined by comparing the appraised target with reference enterprises, enterprises with trade cases in the market, shareholders' equities, securities and other equity assets. The two common methods of the market approach are the reference enterprise comparison approach and merger and acquisition case comparison approach. The basic prerequisite for the adoption of the market approach is the existence of an open market in which such assets are actively traded, and the availability of the necessary information about the transaction and the transaction target.

The income approach refers to a valuation method to determine the value of the asset being appraised by estimating the present value of future expected income of the asset. The basic principle of the income approach is that when purchasing an asset, the amount a reasonable purchaser willing to pay will not be higher than the future return of the acquired assets. The prerequisites for using the income approach to value an asset are that the expected income can be quantified, and the risks associated with the expected income, which are closely related to discounting, can be predicted.

The asset-based approach refers to the valuation approach that determines the value of the appraised target by reasonably appraising the contribution value to the enterprise arising from its various assets and liabilities on balance sheet and various identifiable assets and liabilities off-balance sheet of the enterprise, with reference to the balance sheet of the appraised entity as at the Valuation Benchmark Date.

These three basic approaches measure the value of assets from different perspectives, and their independent existence illustrates the differences between the different approaches. Selecting one or multiple approaches to appraise certain asset will depend on the purpose of valuation, target of valuation, market condition, data available and many other factors.

The applicability of the three basic approaches of asset valuation, namely the market approach, the income approach and the asset-based approach, has been analysed in the light of the relevant conditions such as the purpose of valuation, target of valuation, type of value and collection of information.

The Huaibei Section of Sixu Expressway is a section of Sixu Expressway. Based on the characteristics of the appraised entity, after making enquiries with domestic listed companies in the same industry, there are relatively few individuals matching the appraised entity in terms of various factors such as business type, operation mode, asset scale and operating results, etc. There are also differences in the asset scale and revenue scale of Sixu Expressway and those of listed companies in the same industry. The recent property rights transaction market involves relatively few equity transactions of similar industries and of the same scale, and in view of the current development status of the property rights market in China and the limitations of market information, it is relatively difficult to obtain detailed financial data and transaction background of the relevant cases from the public normal channels, and it is difficult to reasonably quantify the impact of various comparable factors on the enterprise value. Therefore, the market approach is not adopted in the valuation.

Sixu Expressway has been opened to traffic since 2012 and it has been in operation for 12 years as at the Valuation Benchmark Date. The road condition has matured and the expected revenue and risks for the future years can be reasonably estimated, thus the income approach is selected for the valuation.

On the basis of the financial audit as at the Valuation Benchmark Date, the scope of assets and liabilities under valuation provided by Sixu Expressway for appraisal is clear, which can be verified and assessed item by item by means of financial information, purchase and construction information and on-site investigation, thus the asset-based approach is selected for the valuation.

In the light of the foregoing, it is determined that the income approach and the asset-based approach shall be adopted for the valuation.

(II) Introduction of the income approach

1. Overview

Discounted cash flow approach is an approach for the estimation of the enterprise value by discounting the future expected net cash flow of the enterprise to the present value. The basic idea is to derive the appraised value by estimating the future expected net cash flow of the assets which are then discounted to the present value with an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundations and conditions to continue as a going concern; there is a stable corresponding relation between its operation and income; and the future income and risk can be forecasted and quantified. The greatest difficulty in using the approach of discounted cash flow is to predict the expected future cash flow, and the objectivity and reliability of data collection and processing. An objective and fair prediction of expected future cash flows, as well as a reasonable selection of discount rates, will ensure an objective valuation result.

2. Basic valuation idea

Based on the due diligence and the asset composition and main business characteristics of the appraised entity, this valuation is to estimate the value of the owner's equity of the appraisal target based on its audited financial statements. The basic valuation idea of this valuation is:

- (1) For the assets and main business included in the financial statements, the value of operating assets is arrived by discounting the expected revenue (equity cash flows) estimated based on the historical changes in operating conditions in recent years, the traffic flow and revenue prediction of Sixu Expressway issued by CHELBI Engineering Consultants, Inc. and financial analysis;
- (2) For surplus or non-operating assets (liabilities) that are included in the scope of the financial statements and may be clearly determined by the valuer based on the information currently available, their values are calculated separately;
- (3) The value of equity capital (total shareholders' equity) of the appraisal target is arrived by adding up the values of the above assets and liabilities.

3. Valuation model

- (1) Basic model of income approach

The basic model for this valuation is:

$$E = P + C \quad (1)$$

Wherein:

E: The value of the total shareholders' equity (net assets) of the appraisal target;

P: The value of the operating assets of the appraisal target;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + Pn \times (1+r)^{-n} \quad (2)$$

Wherein:

R_i: Expected earnings of the ith year in future (equity cash flows);

r: Discount rate;

n: Estimated future earnings period;

P_n: The recovery value of assets at the end of the operating period;

C: Value of surplus or non-operating assets (liabilities) of the appraised entity existing on the benchmark date;

$$C = C_1 + C_2 \quad (3)$$

C₁: Value of current surplus or non-operating assets (liabilities) existing on the benchmark date;

C₂: Value of non-current surplus or non-operating assets (liabilities) existing on the benchmark date.

(2) Income indicators

In this valuation, the equity cash flow of the enterprise is used as the income indicator of the operating assets of the appraisal target. As the appraisal target has no interest-bearing debt as at the benchmark date and there is no loan plan during the forecast period, the income indicator is defined as:

$$R = \text{Net profit} + \text{Non-cash costs such as depreciation and amortization} - \text{Additional capital} \quad (4)$$

According to the business history and future market development of the appraisal target, we estimate its equity cash flows in the future, and discount and sum up the equity cash flows in the future operation period to calculate the value of operating assets of the enterprise.

(3) Discount rate

In this valuation, we determined the discount rate (r) by adopting the capital asset pricing model (CAPM):

r : The cost of equity capital (r) was determined using the capital asset pricing model (CAPM);

$$r = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (5)$$

Wherein:

r_f : Risk-free rate of return;

r_m : Expected return of the market;

ε : Characteristic risk adjustment factor of the appraisal target;

β_e : Expected market risk factor of the equity capital of the appraised entity.

4. Determination of earning period

This valuation adopts a finite term as the earning period. According to the “Reply of the Anhui Provincial People’s Government on the Toll Operation Period of Three Expressways, including the Wuhu to Yanchi Section of Liwu Expressway” (Wan Zheng Mi [2017] No. 212) issued by the Anhui Provincial People’s Government on 17 November 2017, it was approved that the toll operation period of Sixu Expressway was 30 years, i.e. from 24 December 2012 to 23 December 2042. Therefore, the earning period is until 23 December 2042.

(III) Introduction to the asset-based approach

The asset-based approach refers to a valuation idea for determining the value of the appraised target based on reasonable valuation of all assets and liabilities.

Set forth below are the valuation approaches for various assets and liabilities:

1. Current assets**(1) Other receivables**

Represents toll revenue collection, staff petty cash borrowing and transitional gains and losses receivable from the Group. The valuers verified the toll revenue statements and book records, conducted random checks on part of original receipts and other relevant information to verify the authenticity, aging, business content and amount of the transactions, and checked confirmation letters and documents to verify there are no discrepancies in the amounts recorded in the accounts, statement and bills. The appraisal value is determined at the verified carrying amount.

2. Non-current assets**(1) Fixed assets – buildings and structures**

According to the characteristics of appraised target and the purpose of appraisal, and based on the information available, the cost approach shall be adopted for the valuation.

The cost approach is an asset valuation method in which the difference between the full cost of reacquiring or constructing an appraised asset in a new condition under current conditions and the depreciation of physical obsolescence, depreciation of functional obsolescence and depreciation of economic obsolescence that has already occurred for the appraised asset is used as the appraisal value of the appraised asset. Or first estimating the depreciation rate of the appraised asset is compared to its new condition, and then multiplying the full cost and the depreciation rate to obtain the product as the appraisal value.

Calculation formula:

Appraised value = full replacement price – depreciation of physical obsolescence – depreciation of functional obsolescence – depreciation of economic obsolescence

Or: Appraised value = full replacement price × depreciation rate

Steps of operation:

① Determination of full replacement price of the buildings

Based on the relevant budget (or final accounts) information, construction drawings and on-site surveys of major buildings, the valuers analyzed combined with the actual situation of building assets, and determined the full replacement value in accordance with the following formula:

Full replacement price (tax inclusive) = comprehensive construction cost + upfront and other expenses + capital cost

A. Comprehensive construction cost

a. Budget (or final accounts) adjustment approach

For the building projects with complete materials on completion and final accounts, the valuers used the current local or industrial standard reference price to calculate the direct standard reference price based on the quantity of work of all segments and items as determined in the original completion materials. And then the comprehensive construction cost (construction and installation costs) on the Valuation Benchmark Date was calculated according to the current standard price and adjustments documents in the specific location of the construction project.

b. Cost per square meter approach was adopted to determine the comprehensive construction cost of buildings with small value and simple structure.

B. Determination of upfront and other expenses

The upfront and other expenses were determined based on the upfront and other expense standards stipulated by relevant national, industrial and local authorities, as well as the investment scale of the appraised entity's fixed assets, the selection of reasonable expense items and the reasonable rate.

The name, charging base, charging standard and charging basis of the upfront and other expenses are shown in the table below:

No.	Name	Charging basis	Charging basis
1	Construction unit (owner) management fee	Construction and installation costs	
2	Information fee for construction project	Construction and installation costs	
3	Project supervision fee	Construction and installation costs	With reference to Measures for Preparation of Budget Estimates and Budgets for Highway Engineering Construction Projects (JTG 3830-2018), and partial reference to Measures for Preparation of Investment Estimates for Highway Engineering Construction Projects (JTG 3820-2018)
4	Design document review fee	Construction and installation costs	
5	Completion (handover) test and inspection fee	Length of roads/bridges/tunnels	
6	Cost of preliminary work on construction project	Construction and installation costs	
7	Special evaluation (assessment) fee	Construction and installation costs	
8	Joint trial-commissioning fee	Construction and installation costs	
9	Engineering insurance fee	Construction and installation costs (excluding equipment costs)	

Upfront and other expenses = comprehensive construction cost × rate of upfront and other expenses (tax inclusive)

C. Capital costs

The capital cost was the loan interest for the capital invested in the construction of the project during the construction period, using the Loan Prime Rate (LPR) published by the National Interbank Funding Center on 21 October 2024 as authorised by the People's Bank of China, and the reasonable construction period was calculated on the basis of the normal condition cycle of the construction, assuming capitals were invested evenly across different stages:

$$\text{Capital cost} = (\text{comprehensive construction cost} + \text{upfront and other expenses}) \times \text{loan base rate} \times \text{reasonable construction period} \times 50\%$$

② Determination of depreciation rate

In the course of this valuation, the depreciation rate was determined based on the toll operation period of Sixu Expressway, the design life of the building and the on-site survey, and the estimated remaining service life of the building. The formula is as follows:

$$\text{Depreciation rate} = \text{remaining service life} \div (\text{actual used service life} + \text{remaining service life}) \times 100\%$$

③ Determination of appraised value

$$\text{Appraised value} = \text{full replacement price} \times \text{depreciation rate}$$

(2) Fixed assets – equipment assets

The equipment assets included in the scope of the valuation are machinery and equipment, vehicles and electronic equipment. In accordance with the purpose of appraisal, the attributes and characteristics of the assets under valuation and the information available, the cost approach has been adopted for the valuation.

The cost approach is an asset valuation method in which the difference between the full cost of reacquiring or constructing an appraised asset in a new condition under current conditions and the depreciation of physical obsolescence, depreciation of functional obsolescence and depreciation of economic obsolescence that has already occurred for the appraised asset is used as the

appraisal value of the appraised asset. Or first estimating how new the appraised asset is compared to its new condition, i.e., finding the depreciation rate, and then multiplying the full cost and the depreciation rate to obtain the product as the appraised value.

Calculation formula:

Appraised value = full replacement price – depreciation of physical obsolescence – depreciation of functional obsolescence – depreciation of economic obsolescence

Appraised value = full replacement price × depreciation rate

① Determination of full replacement price

A. Machinery and equipment

Replacement value = tax-inclusive purchase price + tax-inclusive freight and miscellaneous expenses + tax-inclusive installation and commissioning fees + other expense for construction (tax-inclusive) + capital costs

- a. Tax-inclusive purchase price is determined primarily by requesting quotations from manufacturers or trading companies to quote, and referring to the recent contract prices of similar equipment. Equipment for which market quotations are not available is determined its replacement purchase price by adjusting the approved original cost by analysing equipment purchase contracts, price trends and producer price index.
- b. Tax-inclusive freight and miscellaneous expenses are based on the tax-inclusive purchase price and are calculated at different rates depending on the distance between the manufacturer and the location of the equipment. If the purchase price includes freight and miscellaneous expenses, no additional freight and miscellaneous expenses will be calculated.

- c. Tax-inclusive installation and commissioning fees are based on the tax-inclusive purchase price and are calculated at different installation rates pursuant to the characteristics, weight, ease of installation of the equipment and size of the commissioning workload. If the purchase price includes installation and commissioning fees, no additional installation and commissioning fees will be calculated.
- d. Other expenses include management fees, investigation and design fees, project supervision fees, and engineering insurance fees, which were calculated based on the standard of other expenses for construction projects in the area where the equipment is located, combined with the characteristics of the equipment itself.
- e. Capital cost was calculated on the basis of the reasonable construction period of the appraised entity with reference to the Loan Prime Rate (LPR) published by the National Interbank Funding Center upon authorization for the same period. The capital cost was calculated on the basis of uniform inputs.

Capital cost = (tax-inclusive purchase price + tax-inclusive freight and miscellaneous expenses + tax-inclusive installation and commissioning fees + other expenses) × loan rate × reasonable construction period × 50%

B. Vehicles

According to the local vehicle market sales information and other recent vehicle market price information, the current tax-inclusive purchase price of transport vehicles was determined. On this basis, according to the Vehicle Purchase Tax Law of the People's Republic of China, the vehicle purchase tax and new vehicle registration fee, etc., were included in determining the full replacement price. The formula is as follows:

Full replacement price (tax inclusive) = current tax-inclusive purchase price + vehicle purchase tax + new vehicle registration fee, etc.

For vehicles to be scrapped, the appraised value was determined in accordance with the recycling price of a company qualified to recycle scrap vehicles.

C. Electronic equipment

According to recent market price information obtained from local market information and recent quotations from relevant professional websites, the full replacement price was determined on the basis of the tax-inclusive purchase price.

Replacement value (tax inclusive) = tax-inclusive purchase price of equipment

For over-age electronic equipment, the appraised value was determined on the basis of the second-hand market recovery price.

② Determination of depreciation rate

On the basis of professional on-site surveys and relevant technical and testing information, taking into account the current technical status of equipment, the actual time in use, the usual load of equipment, the original manufacturing quality, the technical level of the operators, the repair and maintenance of equipment, the working environment and intensity, etc., and listening to the operators and management personnel on the actual use and technology of equipment. It is determined in accordance with the following principles:

A. Depreciation rate of machinery and equipment

In the course of this valuation, the depreciation rate under the useful life approach was determined based on the economic service life of the equipment and the on-site survey, and the estimated remaining service life of the equipment. The formula is as follows:

Depreciation rate under the useful life approach = remaining service life \div (actual used service life + remaining service life) \times 100%

B. Depreciation rate of vehicles

With reference to the Provisions on the Standard for Compulsory Scrapping of Motor Vehicles (Decree No. 12, 2012 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection), the final depreciation rate was determined by the following methods, whichever is lower, subject to survey situation, where:

Depreciation rate of useful life = $(1 - \text{serviced life} \div \text{stipulated or economic use life}) \times 100\%$

Depreciation rate of mileage = $(1 - \text{travelled mileage} \div \text{stipulated mileage}) \times 100\%$

Depreciation rate = Min (depreciation rate of useful life, depreciation rate of mileage) + variance adjustment rate (a)

Where: a – vehicle special case adjustment factor. That is, the necessary survey and appraisal of the commissioned vehicle, if the survey and appraisal results differ significantly from the depreciation rate determined in accordance with the above methods, appropriate adjustments will be made, and if the results of both are comparable, no adjustments will be made.

C. Depreciation rate of electronic equipment

In the course of this valuation, the depreciation rate was determined based on the economic service life of the equipment and the on-site survey, and the estimated remaining service life of the equipment. The formula is as follows:

Depreciation rate = $\text{remaining service life} \div (\text{actual used service life} + \text{remaining service life}) \times 100\%$

③ Determination of appraised value

Appraised value = full replacement price × depreciation rate

(3) Intangible assets – toll road concessions

The assets included in the toll road concessions are mainly land use rights within the expressway and at the toll stations, as well as road assets such as roadbeds, pavements and bridges. Toll road concession is the core asset of Sixu Expressway, which accounts for a large proportion of the assets. The subject of the transaction is the equity interest of Sixu Expressway, and the overall income approach has been adopted for the valuation of the entire shareholders' equity. In order to avoid duplication of the overall valuation method, the cost approach has been adopted for the valuation of the toll road concession under the asset-based approach.

① Land use rights

According to the Practicing Standards for Asset Valuation – Real Estate and with reference to the Valuation Criterion for Urban Land (GB/T 18508-2014), the common land appraisal approach include market comparison approach, income capitalization approach, residual approach, cost approaching approach, reference land price coefficient correction approach, etc. In selecting the method for the valuation, the analysis is made according to the site investigation of the subject of appraisal and related information collected and based on the Valuation Criterion for Urban Land considering the scope of application of different appraisal methods, conditions of use and the purpose of appraisal. See the following for details:

A. Reasons for selecting valuation approach by the subject of appraisal

As the appraised land is a public utility land, and the use types for the area and surrounding land are mostly agricultural land (arable land, forest land, etc.), and the local government and relevant departments have published relevant documents on land requisition compensation standards, it is more appropriate to choose the cost approaching approach for valuation.

The basic idea of the cost approaching approach for the land price assessment is to determine the land price based mainly on the average standards of land acquisition expenses and land development expenses in the area where the subject to be evaluated is located, plus a certain amount of interest, profit and income of land appreciation. That is:

The formula is as follows: Land price = (land acquisition expense+ related tax + land development expense + investment interest + investment profit + income of land appreciation) × year modification coefficient × (1 + modification coefficient for area and individual factors)

Land development costs have been included in the relevant construction and installation costs of the project, therefore land development costs are not considered in this valuation; the cost approach is used to calculate the toll road concession in this valuation, which only requires the consideration of costs incurred for acquiring land use rights, therefore the investment profit is considered to be nil; the land use rights included in the scope of this valuation are all allocated land, therefore land appreciation incomes are not considered in this valuation.

- B. Reasons for not selecting valuation approach by the subject of appraisal
 - a. Income approach

As the appraised land is the land for ancillary facilities supporting the operation of Sixu Expressway, it is difficult to determine the land revenue of the appraised land based on the overall revenue of the enterprise, and it is therefore not appropriate to adopt the income approach for the valuation.

b. Residual approach

As the subject of appraisal is the public utility land located in an area where there are no market transaction cases of above-ground structures similar to those on the site under valuation, it is not possible to reasonably determine the total value of the property, and it is therefore not appropriate to adopt the residual approach for the valuation.

c. Market comparison approach

Due to the inactive trading market and the small number of comparable cases, it is not appropriate to adopt the market comparison approach for the valuation.

d. Reference land price approach

The reference land price reflects the regional average land price level. As the breakdown of land acquisition costs of the area where the appraised land is located is clearer, the reference land price cannot better reflect the various costs of the area where the appraised land is located, and it is therefore not appropriate to adopt the reference land price coefficient correction approach for the valuation.

② Road assets

For road assets such as roadbeds, pavements and bridges, this valuation was carried out using the cost approach. The formula is: Appraised value = full replacement price × depreciation rate

See “Fixed assets – buildings” for details of the method and process for determining the full replacement price and the depreciation rate of road assets.

(4) Intangible assets – other intangible assets

The appraised target is the customized application system software purchased by the enterprise, and it is not possible to obtain acquisition price of the same software in the open market, so this valuation was carried out using the cost approach.

The cost approach is a method of asset valuation in which the difference between the full replacement value of repurchasing or constructing the appraised asset in new condition under current conditions, less the functional and economic depreciation that has already occurred in the appraised asset, is taken as the appraised value of the appraised asset.

- ① The valuation adjusts the purchase price according to the ratio of the increase in the average salary of employees in urban units (information transmission, software and information technology services) in recent years, and uses the adjusted amount as the replacement cost.
- ② The depreciation rate is determined in accordance with the time and economic useful life of other intangible assets.
- ③ Appraised value = full replacement price × depreciation rate

For purchased software that has been amortized in the accounts and is no longer in use, the valuation is nil.

3. Liabilities

The valuers check and verify the actual debtors and amounts of various liabilities after the valuation purpose is fulfilled, and determine the appraised value based on the actual items and amounts of liabilities to be borne by the property owners after the valuation purpose is fulfilled.

VIII. IMPLEMENTATION AND STATUS OF VALUATION PROCEDURES

The overall valuation work is conducted in four phases:

(I) Preparation phase of valuation

1. To define the basic matters of the valuation business, evaluate the risks of the project, select valuation professionals and sign an asset valuation engagement contract.
2. To formulate the work plan of the asset valuation based on the purpose of valuation, the Valuation Benchmark Date and the scope of valuation for the project.
3. The valuers of the valuation project team cooperated with the enterprise to conduct asset inventories, fill in profit forecasts and detailed asset appraisal declaration forms, gained a detailed understanding of the assets under valuation, set up asset valuation work, and collected documents and information required for asset valuation.

(II) On-site survey and identification phase

The main work of the project team's on-site valuation phase is as follows:

1. To listen to the introduction of the general situation of the enterprise and the history and current status of the assets under valuation by the clients and the relevant personnel of the appraised entity, and to understand the financial system, operating conditions, technical status of fixed assets and road assets of the enterprise.
2. To audit and identify the detailed asset appraisal declaration forms provided by the enterprise, and to check with relevant financial records of the enterprise, and to assist the enterprise in making adjustments to the problems identified.
3. To conduct the comprehensive inventory verification of fixed assets and road assets based on the detailed asset inspection appraisal declaration forms, and to conduct on-site investigation of the operational status of major assets.
4. To review and collect the title certificates of the assets under valuation, and to check the ownership information provided by the enterprise.
5. To determine the specific valuation approaches based on the actual condition and characteristics of the appraisal target.

6. The valuer conducted on-site interviews with the client and the heads of financial department, maintenance department, equipment department and other departments of the appraised entity respectively on the current situation, asset maintenance, equipment maintenance and upkeep, production and operation, and future operation plan of the appraised entity.

(III) Analysis, valuation and summary phase

1. To process and analyze the relevant information and data obtained through various means to form applicable parameters of the appraisal model and estimate results according to the selected valuation approach.
2. To summarize estimated results of various assets formed. To comprehensively analyze and compare the measurement results obtained through different valuation approaches, to determine preliminary appraisal conclusions.

(IV) Report submission phase

The Preliminary Asset Valuation Report was drafted based on the above processes and opinions were exchanged with the clients on the valuation results after preliminary review. Upon independent analysis of relevant opinions, the report was modified and corrected in accordance with the internal review system and procedure for Asset Valuation Report of the asset valuation agency, and then the final Asset Valuation Report was issued.

IX. VALUATION ASSUMPTIONS

In this valuation, the valuer followed the below valuation assumptions:

(I) General assumptions

1. Transaction assumption

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

2. Open market assumption

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

3. Asset going-concern assumption

The going-concern assumption means that, the subject assets will continue to be used as per its current purpose and the manner, scale, frequency and environment of use. The valuer determines accordingly the method, parameters and basis for valuation if certain conditions change.

(II) Special assumptions

1. This valuation assumed that the external economic environment on the Valuation Benchmark Date remains unchanged, and there will be no significant changes in the current macro-economic in the PRC;
2. There are no significant changes in the socio-economic environment in which the enterprise operates and the policies on taxation and tax rates implemented;
3. The management of the enterprise has exercised due diligence in the future operating period and has continued to maintain the existing business management model;
4. The assets under valuation are in a normal, reasonable and lawful state of operation, use and maintenance to the extent permitted by foreseeable legal, economic and technical conditions;
5. The accounting policies to be adopted by the appraised entity in the future are substantially the same in material respects as those adopted in the preparation of this report;
6. During the future operating period, the composition of the enterprise's principal business, the composition of its revenues and costs, as well as the cost control and operation mode of its future business are basically consistent with the management's plan without material changes. Profits and losses arising from the changes in the principle business as a result of changes in the management, business strategies and business environment in the future are not taken into account;

7. This valuation assumes that the underlying information and financial information provided by the principal and the appraised enterprise are true, accurate and complete;
8. Each of the assets under valuation is premised on the actual inventory as at the Valuation Benchmark Date, and the current market value of the relevant assets is based on the effective domestic prices as at the Valuation Benchmark Date;
9. The scope of the valuation is based solely on the valuation return provided by the client and the appraised enterprise. Contingent assets and contingent liabilities that may exist outside the list provided by the client and the appraised enterprise have not been considered;
10. It is assumed that the cash inflow subsequent to the Valuation Benchmark Date inflow evenly and cash outflow subsequent to the Valuation Benchmark Date outflow evenly;
11. This valuation assumed that there are no material changes in the transportation industry policies, pricing principles and market conditions during the concession period;
12. This valuation assumed the discount policy for ETC users (which are provided by all expressways within the Anhui Province) will continue;
13. This valuation assumed that there is no unforeseen material expansion or reconstruction of the connecting highways of Sixu Expressway during the concession period, and there are no factors leading to material diversion impact from Sixu Expressway (such as any unforeseen new construction of expressway outside of the current planning by the PRC government);
14. This valuation assumed that there is no unforeseen material capital expenditure as a result of any material expansion or reconstruction during the concession period;
15. There are no force majeure and unforeseen factors that would have a material adverse impact on the appraised entity or appraised enterprise;

When the above conditions change, the valuation conclusions may usually become invalid.

X. VALUATION CONCLUSION

Based on the estimated traffic volume and revenue calculation of Sixu Expressway by CHELBI Engineering Consultants, Inc., and the future operation plans of the appraised entity and the management of the enterprise, and in accordance with relevant laws and regulations as well as Asset Valuation Standards, the income approach and asset-based approach were adopted to appraise the market value of the entire shareholders' equity interests of Sixu Expressway as of the Valuation Benchmark Date of 31 October 2024 through necessary valuation procedures.

(I) Valuation conclusion by using the asset-based approach

Using the asset-based approach, we conclude that the valuation conclusion as at the Valuation Benchmark Date of 31 October 2024 are as follows:

The book value, appraised value and the incremental value of the assets were RMB1,231.0495 million, RMB1,792.8587 million and RMB561.8092 million, respectively, representing a rate of increase of 45.64%;

The book value and appraised value of liabilities were RMB16.8753 million and RMB16.8753 million, respectively, and there was no change (whether increase or decrease) in the appraised value;

The book value, appraised value and the incremental value of owners' equity were RMB1,214.1743 million, RMB1,775.9834 million and RMB561.8091 million, respectively, representing a rate of increase of 46.27%. See the table below for details:

Summary of assets valuation results of Sixu Expressway

Unit: RMB0'000

Items	Book Value	Appraised Value	Increase or Decrease in Value	Rate of Increase %
	A	B	C = B-A	D = C/A × 100%
Current assets	8,586.36	8,586.36	–	–
Non-current assets	114,518.60	170,699.51	56,180.91	49.06
Including: Fixed assets	5,138.36	7,409.05	2,270.69	44.19
Intangible assets	109,380.24	163,290.45	53,910.21	49.29
Total assets	123,104.95	179,285.87	56,180.92	45.64
Current liabilities	1,687.53	1,687.53	–	–
Total liabilities	1,687.53	1,687.53	–	–
Net assets	121,417.43	177,598.34	56,180.91	46.27

Details of the valuation conclusion by using the asset-based approach are set out in the valuation schedule.

(II) Valuation conclusion by using the income approach

Upon implementation of valuation procedures including checking and verification, on-site inspection, market survey and confirmation as well as assessment and estimation, the discounted cash flow (DCF) approach was used to assess the value of the entire shareholders' equity interests of the enterprise.

The book value of the ownership interests of Sixu Expressway as at the Valuation Benchmark Date of 31 October 2024 was RMB1,214.1743 million, and the value of the entire shareholders' equity interests after valuation was RMB1,862.68 million, with an incremental value of the valuation of RMB648.5057 million, representing an rate of increase of 53.41%.

(III) Analysis of the valuation conclusions and final conclusion

In the valuation of Sixu Expressway, the value of the entire shareholders' equity interests calculated with the income approach was RMB1,862.68 million, which was RMB86.6966 million or 4.88% higher than that of RMB1,775.9834 million calculated with the asset-based approach.

The reasons for the difference between the two valuation approaches are mainly as follows:

The asset-based approach for the appraised target of the project reflects the value of assets from the perspective of replacement assets. It refers to the appraisal method that reasonably determines the value of the appraised target by appraising the value of various assets and liabilities on and off the balance sheets, based on the balance sheet of the appraised enterprise as at the Valuation Benchmark Date.

The income approach for the appraised target of the project is an appraisal method that takes the future income to be realised by the appraised entity's existing assets, and the present value discounted of risks, as the value of the appraised target from the perspective of future income. The income approach reflects the operating capability (profitability) of the assets.

Sixu Expressway belongs to the transportation industry, and is mainly responsible for the daily operation and management of Sixu Expressway, which is an important section connecting central and northern Anhui, thus the industry in which Sixu Company operates has good development prospects. The traffic volume on the expressway has continuous growth. The long-term assets are expected to have strong sustainable profitability in the future, and the expected profitability in the future is a core element of a company's value. Therefore, we believe that the conclusion of the income approach can reflect the value of the entire shareholders' equity interests more comprehensively and accurately.

Based on the aforesaid analysis, we have selected the income approach as the reference for the value of the entire shareholders' equity interests of Sixu Expressway. As a result, the value of the entire shareholders' equity interests of Sixu Expressway at the Valuation Benchmark Date was RMB1,862.68 million.

(IV) Validity of valuation conclusion:

According to relevant laws and regulations on asset valuation, the Asset Valuation Report involving statutory valuation business must be used by the clients after performing the asset valuation supervision and management procedures in accordance with the requirements of relevant laws and regulations. The valuation results shall be valid for a term of one year from 31 October 2024 to 30 October 2025.

XI. EXPLANATION OF SPECIAL MATTERS

(I) Citation of the conclusions of reports issued by other institutions

1. The book values of various assets and liabilities on the benchmark date in this Asset Valuation Report are the (Jinghui Xingwan Fenshenzi No. 00550008 ([2024]京會興皖分審字第00550008號)) audit results of the Anhui branch of Beijing Xinghua Certified Public Accountants (Special General Partnership).
2. The future traffic flow income in this Asset Valuation Report refers to the results of the "Traffic Flow Evaluation and Toll Income Calculation Report for the Huaibei Section of Sixian to Xuchang Expressway" issued by CHELBI Engineering Consultants, Inc. regarding the estimated traffic volume and revenue projections for Sixu Expressway.

In addition, there is no reference to the conclusions of reports issued by other institutions.

(II) Incomplete or defective ownership information

1. As of the Valuation Benchmark Date, details of the housing buildings of Sixu Expressway for which no proprietorship certificates have been issued are set out in the table below:

No.	Name of building	Structure	Date of completion	Unit of measure	Gross floor area	Book value (RMB)	
						Original book value	Net book value
1	Complex at Suixi Toll Station	Steel hybrid	2012-12-24	m ²	2280.00	4,854,538.88	2,997,138.37
2	Equipment room at Suixi Toll Station	Steel hybrid	2012-12-24	m ²	163.00	787,358.07	486,106.12
3	Complex at Tiefu Toll Station	Steel hybrid	2012-12-24	m ²	2190.00	4,336,073.87	2,677,043.83
4	Equipment room at Tiefu Toll Station	Steel hybrid	2012-12-24	m ²	163.00	895,996.12	553,178.05
5	Office building at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	740.00	1,722,637.05	1,063,536.97
6	Dormitory building at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	2700.00	4,997,777.00	3,085,571.99
7	Traffic police building at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	1185.00	1,271,724.37	785,148.50
8	Canteen at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	382.00	2,543,377.86	1,570,253.23
9	Equipment room at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	163.00	903,711.25	557,941.29
10	Garbage Station at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	15.00	66,760.38	41,217.12
11	Concierge at Huaiyong Mainline Toll Station (Anhui Side)	Steel hybrid	2012-12-24	m ²	14.00	61,852.60	38,187.11
12	Complex at Huaiyong Mainline Toll Station (Henan Side)	Steel hybrid	2012-12-24	m ²	1260.00	2,844,911.70	1,756,416.87
13	Equipment room at Huaiyong Mainline Toll Station (Henan Side)	Steel hybrid	2012-12-24	m ²	163.00	910,598.91	562,193.65

No.	Name of building	Structure	Date of completion	Unit of measure	Gross floor area	Book value (RMB)	
						Original book value	Net book value
14	Garbage Station at Huaiyong Mainline Toll Station (Henan Side)	Steel hybrid	2012-12-24	m ²	15.00	70,295.53	43,399.68
15	Concierge at Huaiyong Mainline Toll Station (Henan Side)	Steel hybrid	2012-12-24	m ²	14.00	62,667.95	38,690.50
16	Toll complex in Huaibeinan	Steel hybrid	2015-12-19	m ²	2805.00	4,050,803.47	2,893,848.99
17	Maintenance complex in Huaibeinan	Steel hybrid	2015-12-19	m ²	619.00	1,047,217.78	748,120.75
18	Machinery storage in Huaibeinan	Steel hybrid	2015-12-19	m ²	250.00	512,425.89	366,071.37
19	Equipment room in Huaibeinan	Steel hybrid	2015-12-19	m ²	160.00	433,116.88	309,413.89
	Total				15,281.00	32,373,845.56	20,573,478.26

Sixu Expressway has provided relevant property rights descriptions for buildings for which no property rights certificates have been issued, proving that all assets included in the scope of this valuation belong to Sixu Expressway and that this valuation has not taken into account the possible impact of the absence of certificates for the abovementioned properties on the conclusion of the valuation.

For the floor area of buildings for which no property rights certificate has been issued, this valuation is determined on the basis of the declared floor area provided by the appraised entity after general verification by the valuers. There may be discrepancies with the actual area for which certificates will be issued in the future, which are brought to the attention of the users of the report.

- As of the Valuation Benchmark Date, the owner of the land use right certificate included in the scope of valuation was “Anhui Transportation Investment Group Company Limited* (安徽省交通投資集團有限責任公司) and the owner of the vehicle certificate was “Anhui Transportation Holding Group Company Limited* (安徽省交通控股集團有限公司)”. As of the issuance date of the Asset Valuation Report, the appraised entity was in the process of changing the titles of the vehicles and land use rights, and Sixu Expressway has provided relevant property right descriptions of the vehicles and land use rights with unchanged property right certificates to prove that the vehicles and land use rights included in the scope of the valuation belong to Sixu Expressway and the valuation has not taken into account the impact of the abovementioned unchanged circumstances on the valuation conclusion.

3. As of the Valuation Benchmark Date, the allocated land occupied by Dongliu Interchange within the scope of this valuation had not been issued with land use rights certificates, and the valuation is based on the area disclosed in the final accounts report on behalf of the Company, which may differ from the area actually issued with certificates in the future, and the valuation has not taken into account the impact that the aforesaid lack of issuance of certificates of land use rights may have on the valuation conclusion.

(III) Situations where the valuation process is restricted

There were no circumstances prohibiting the carrying out of the valuation process in this valuation.

(IV) Incomplete valuation data

No incomplete valuation data were found in this valuation.

(V) Legal, economic, and other outstanding matters on the Valuation Benchmark Date

No outstanding legal, economic or other issues were found in this valuation as at the Valuation Benchmark Date.

(VI) Nature, amount, and relationship with the appraised target of matters such as guarantees, leases, and their contingent liabilities (or assets)

No guarantees, leases and their contingent liabilities (contingent assets) have been identified in this valuation.

(VII) Matters that may have an impact on the valuation conclusion between the Valuation Benchmark Date and the Asset Valuation Report date

1. As of the Valuation Benchmark Date, the registered capital of Sixu Expressway of RMB5 million has not yet been fully paid in, and the capital paid in after the Valuation Benchmark Date has not been considered in this valuation result; as of the issuance date of the report, the capital of Sixu Expressway has been fully paid in.

Apart from that, the valuation has not identified any other matters between the Valuation Benchmark Date and the date of the Asset Valuation Report that may have an impact on the valuation conclusion.

(VIII) Defects in the economic behaviour corresponding to the assets valuation that may have a significant impact on the valuation conclusion

No defects in the economic behaviour corresponding to the assets valuation that may have a significant impact on the valuation conclusion were identified.

(IX) Explanation of other matters

1. It is the legal responsibility for the asset valuer and the asset valuation firm to make professional judgment on the value of the assets for the valuation purposes depicted in this report, and no judgment whatsoever would be made by the asset valuer and the asset valuation firm as to the economic behaviour corresponding to the valuation purposes. To a large extent, the valuation depends on the information provided by the clients and the appraised entity. Therefore, valuation is premised on the fact that the relevant economic behaviour documents, asset title documents, license and accounting vouchers provided by the clients and the appraised entity were authentic and legal. The objectives of the asset valuer conducting the asset valuation are to estimate the value of the appraised target and to express professional advice thereof, and it is beyond the scope of the valuers' practice to confirm or express an opinion on the legal title of the appraised targets. The asset valuer does not have the ability to confirm or express an opinion on the legal title of the appraised targets and does not guarantee the legal title of the appraised targets. It is the responsibility of the client and the appraised entity to provide proof of authenticity, legality and completeness of ownership documents.
2. The profit forecast of the appraised entity obtained by the valuation firm is the basis of the income approach in this Asset Valuation Report. The asset valuer conducted necessary investigation, analysis, and judgment on the profit forecast of the appraised entity. After multiple discussions with the management and major shareholders of the appraised entity, as well as further amendments and improvement made by the appraised entity, the valuation firm accepted the relevant data of profit forecast of the appraised entity. The utilization of the profit forecast of the appraised entity by the valuation firm is not a guarantee of future profitability of the appraised entity. The appraised entity are held responsible for the authenticity, legality and completeness of the data, statements and the relevant information which were provided by the appraised entity and were used within the scope of this valuation.

3. In the event that any changes in the quantity and the pricing standard of assets occurred within the term of validity after the Valuation Benchmark Date, the principles set out below shall be followed:
 - (1) In the event that quantity of assets changes, corresponding adjustments shall be made to the quantity of assets according to the original valuation approach;
 - (2) In the event that the pricing standard of the assets changes and imposes obvious impacts on the asset valuation results, the clients shall timely employ qualified asset valuation agency to redetermine the appraised value;
 - (3) After the Valuation Benchmark Date, the clients shall give due consideration to changes in the quantity and the pricing standard of assets and make corresponding adjustment when determining prices.
4. The impact on the valuation conclusion of the tax provision that may arise from the increase or decrease in the valuation of fixed assets has not been taken into account in the current valuation using the asset-based approach.
5. In this valuation, the asset valuation institution and professionals shall not be liable for any other defective matters that may exist in the appraised entity affecting the valuation conclusions in the absence of any special explanations from the appraised entity at the time of the asset valuation which the asset valuer and professionals are generally unable to ascertain on the basis of their practising experience.
6. As the tax calculation mode selected by Sixu Company is the simplified tax collection method, none of the input tax on non-current assets acquired can be deducted, and the non-current assets (including fixed assets and intangible assets) under valuation all include value-added tax.
7. The assets included in the scope of this valuation shall not include the supporting service areas, gas stations, billboards, and other subsidiary facilities along the project route, as well as their operating rights.

XII. LIMITATIONS ON THE USE OF THE ASSET VALUATION REPORT

- (I) This Asset Valuation Report may only be used according to the objectives and purposes as stated herein. Meanwhile, the valuation conclusion reflects the market value under the valuation purpose based on the open market principle, without considering the impact of mortgages and guarantees that the appraised target may be subject to in the future, nor the impact of additional price which may be paid by special trading parties. Meanwhile, the effects of changes in national macroeconomic policies, the natural force and other force majeure on the price of assets are not taken into account. In general, if the aforesaid conditions and other situations such as going concern basis changes, valuation conclusion will become invalid. The valuation firm is not liable for invalidity of the valuation conclusion due to changes of such conditions.

This Asset Valuation Report is only valid when the economic behaviour complies with the state laws and regulations and the valuation report is approved by relevant authorities.

- (II) The asset valuation firm and its valuers shall not bear responsibilities if the clients or other users of the Asset Valuation Report fail(s) to use the Asset Valuation Report in accordance with the provisions of laws and administrative regulations or within scope of use specified in the Asset Valuation Report.
- (III) Except for the clients, other users of this Asset Valuation Report designed in the asset valuation entrustment contract and asset valuation users of this report stipulated by laws and administrative regulations, any other firms or individuals cannot be asset valuation users of this report.
- (IV) The users of the Asset Valuation Report shall correctly understand and use the valuation conclusion. The valuation conclusion is not equivalent to the realisable price of the appraised target, and the valuation conclusion shall not be considered as a guarantee of the realisable price of the appraised target.

XIII. DATE OF ASSET VALUATION REPORT

This Asset Valuation Report is dated 19 December 2024.

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Asset Valuer: Xia Yan (夏妍, Asset Valuer No.: 34120008)

Asset Valuer: Wang Yi (王毅, Asset Valuer No.: 34000016)

Asset Valuer: Zhao Yue (赵越, Asset Valuer No.: 34230129)

Anhui Zhonglian Guoxin Assets Valuation Company Limited

19 December 2024

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Postcode: 230088

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EXHIBIT INDEX

1. Economic behaviour documents (copies);
2. Asset valuation commissioning contract (copy);
3. Audit report of the appraised entity (copy);
4. Traffic flow evaluation and income calculation report (copy);
5. Business licenses of the client and the appraised entity as legal persons (copies);
6. Proof of major ownership information involved in the appraised targets (copy);
7. Statement letter from the client and the appraised entity;
8. Commitment letter from the signed asset valuer;
9. Notice of registration and filing of qualifications of the asset valuation institution (copy);
10. Business License for Enterprise Legal Person of the asset valuation institution (copy);
11. Practising membership certificate the signed asset valuer (copy);
12. Valuation result table.

FURTHER EXPLANATION AND NOTE OF THE VALUATION REPORT**I. Valuation model of income approach**

1. Overview

Discounted cash flow approach is an approach for the estimation of the enterprise value by discounting the future expected net cash flow of the enterprise to the present value. The basic idea is to derive the appraised value by estimating the future expected net cash flow of the assets which are then discounted to the present value with an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundations and conditions to continue as a going concern; there is a stable corresponding relation between its operation and income; and the future income and risk can be forecasted and quantified. The greatest difficulty in using the approach of discounted cash flow is to predict the expected future cash flow, and the objectivity and reliability of data collection and processing. An objective and fair prediction of expected future cash flows, as well as a reasonable selection of discount rates, will ensure an objective valuation result.

2. Basic valuation idea

Based on the due diligence and the asset composition and main business characteristics of the appraised entity, this valuation is to estimate the value of the owner's equity of the appraisal target based on its audited financial statements. The basic valuation idea of this valuation is:

- (1) For the assets and main business included in the financial statements, the value of operating assets is arrived by discounting the expected revenue (equity cash flows) estimated based on the historical changes in operating conditions in recent years, the traffic flow and revenue prediction of Sixu Expressway issued by CHELBI Engineering Consultants, Inc. and financial analysis;
- (2) For surplus or non-operating assets (liabilities) that are included in the scope of the financial statements and may be clearly determined by the valuer based on the information currently available, their values are calculated separately;
- (3) The value of equity capital (total shareholders' equity) of the appraisal target is arrived by adding up the values of the above assets and liabilities.

3. Valuation model

(1) Basic model of income approach

The basic model for this valuation is:

$$E = P + C \quad (1)$$

Wherein:

E: The value of the total shareholders' equity (net assets) of the appraisal target;

P: The value of the operating assets of the appraisal target;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + Pn \times (1+r)^{-n} \quad (2)$$

Wherein:

R_i: Expected earnings of the ith year in future (equity cash flows);

r: Discount rate;

n: Estimated future earnings period;

Pn: The recovery value of assets at the end of the operating period;

C: Value of surplus or non-operating assets (liabilities) of the appraised entity existing on the benchmark date;

$$C = C_1 + C_2 \quad (3)$$

C₁: Value of current surplus or non-operating assets (liabilities) existing on the benchmark date;

C₂: Value of non-current surplus or non-operating assets (liabilities) existing on the benchmark date.

(2) Income indicators

In this valuation, the equity cash flow of the enterprise is used as the income indicator of the operating assets of the appraisal target. As the appraisal target has no interest-bearing debt as at the benchmark date and there is no loan plan during the forecast period, the income indicator is defined as:

$$R = \text{Net profit} + \text{Non-cash costs such as depreciation and amortization} - \text{Additional capital} \quad (4)$$

According to the business history and future market development of the appraisal target, we estimate its equity cash flows in the future, and discount and sum up the equity cash flows in the future operation period to calculate the value of operating assets of the enterprise.

(3) Discount rate

In this valuation, we determined the discount rate (r) by adopting the capital asset pricing model (CAPM):

r : The cost of equity capital (r) was determined using the capital asset pricing model (CAPM);

$$r = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (5)$$

Wherein:

r_f : Risk-free rate of return;

r_m : Expected return of the market;

ε : Characteristic risk adjustment factor of the appraisal target;

β_e : Expected market risk factor of the equity capital of the appraised entity.

4. Determination of earning period

This valuation adopts a finite term as the earning period. According to the “Reply of the Anhui Provincial People’s Government on the Toll Operation Period of Three Expressways, including the Wuhu to Yanchi Section of Liwu Expressway” (Wan Zheng Mi [2017] No. 212) issued by the Anhui Provincial People’s Government on 17 November 2017, it was approved that the toll operation period of Sixu Expressway was 30 years, i.e. from 24 December 2012 to 23 December 2042. Therefore, the earning period is until 23 December 2042.

II. Determination of discount rate

1. Determination of discount rate after tax

(1) Estimation of risk-free rate of return (r_f)

As enquired on the website of China Assets Appraisal Association, the yield of treasury bonds provided by the China Central Depository & Clearing Co., Ltd. (CCDC) published on the website is shown in the following table:

Yield of China Treasury Bonds

Date	Period	On the date (%)
2024-10-31	3 months	1.41
	6 months	1.43
	1 year	1.43
	2 years	1.45
	3 years	1.58
	5 years	1.79
	7 years	2.03
	10 years	2.15
	30 years	2.34

This valuation is based on the assumption of continuous operation. According to the requirements of “Guidelines for Asset Evaluation Experts No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach” (Zhong Ping Xie [2020] No. 38) (《資產評估專家指引第12號– 收益法評估企業價值中折現率的測算》(中評協[2020]38號)), the yield to maturity with 10-year or more remaining treasury bonds can be used as the risk-free interest rate. This valuation uses the yield of 10-year treasury bonds as the risk-free interest rate, that is, $r_f=2.15\%$.

(2) Determination of market risk premium

Market risk premium refers to the expected excess of return by investors for their investment in the market with similar risks, which means risk compensation over the risk-free interest rate. Market risk premium can be calculated using historical market risk premium data. The valuation uses the long-term average return A share market index as the expected market yield (r_m) and the excess of the expected market yield over the risk-free interest rate is taken as the market risk premium.

Pursuant to the requirement of “Guidelines for Asset Evaluation Experts No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach” (Zhong Ping Xie [2020] No. 38) (《資產評估專家指引第12號– 收益法評估企業價值中折現率的測算》(中評協[2020]38號)), the representing stock market index in the PRC shall be used when calculating the market risk premium, such as CSI 300 Index and Shanghai Securities Composite Index. To calculate the excess return on the index over a period of time, the time span can be selected for more than ten years, the data frequency can be selected from weekly or monthly, and the calculation method can be arithmetic mean or geometric mean.

According to the research on A-share market in China conducted by the China United Assets Appraisal Group and together with the above guidelines, the representing Shanghai Composite Index was selected as the underlying index during the valuation process. Calculated and annualised to an annualised rate of return using the arithmetic mean and its arithmetic mean, geometric mean and harmonic mean were calculated, respectively, at weekly and monthly data frequencies. The expected market yield was determined as comprehensively analyzed, i.e. $r_m=9.31\%$.

$$\text{Market risk premium} = r_m - r_f = 9.31\% - 2.15\% = 7.16\%$$

(3) Determination of the β coefficient

Based on the stocks of companies listed on the Shanghai and Shenzhen Stock Exchanges in Shenwan's transportation industry, the comparability of the appraised enterprises and comparable companies in terms of business type, corporate scale, profitability, growth, industrial competitiveness and enterprise's development stage and other factors are taken into consideration. Selecting appropriate comparable companies, with the SSE Composite Index as the underlying index, and referring to the RoyalFlush Financial Terminal, calculating based on the market price as of the Valuation Benchmark Date, weighted adjusted β_e of comparable industries' stocks has been arrived at, i.e. the expected market risk coefficient of the appraised entity's equity capital, $\beta_e = 0.4769$, details are set out in the table below:

No	Stock Code	Stock Name	Main Business	Adjusted Beta	
				Original Beta	Excluding Financial Leverage
1	600012. SH	Anhui Expressway	Expressway management and operation	0.6724	0.6284
2	600035. SH	Chutian Expressway	Road and bridge operations	0.6563	0.4222
3	000429. SZ	GPED A	Highway transportation	0.3792	0.4595
4	000755. SZ	Shanxi Expressway	Expressway management and operation	0.5065	0.3976
		Average		0.5536	0.4769

(4) Risk coefficient based on characteristics of enterprise ε

In this valuation, the characteristic individual risks that may arise from the differences between the appraisal target and comparable listed companies in terms of corporate scale, enterprise development stage, core competitiveness of enterprise, dependence of enterprise on upstream and downstream, financing capabilities and financing costs of enterprise as well as the soundness of profit forecast are taken into consideration. The company's characteristic risk adjustment coefficient, $\varepsilon = 1.48\%$, is set out in the table below:

Risk factor	Influencing factor	Value of influencing factor	Weighted	Adjustment coefficient
Scale of enterprise	The scale of the enterprise is smaller than the average of comparable companies	2	20	0.40
Development stage of enterprise	The expressways it manages have been in operation for several years, and its business is more mature than comparable companies and the development is relatively stable	1	15	0.15
Core competitiveness of enterprise	The enterprise has an experienced management and relatively strong core competitiveness	1.5	15	0.23
Extent of external influence on enterprise	The enterprise is greatly influenced by macroeconomic situation, regional economic situation and regional road development	1.5	15	0.23
Financing capacity and financing costs of enterprise	The enterprise has strong profitability and good cash flow, and the risk in this respect is relatively weak	1	10	0.10

Risk factor	Influencing factor	Value of influencing factor	Weighted	Adjustment coefficient
Robustness of profit forecasts	Profit forecast is relatively robust, and the future annual growth rate is related to the industry level	1.5	20	0.30
Other factors	The supporting material of the profit forecast is rather sufficient and the realizability is relatively high	1.5	5	0.08
Total				1.48

(5) Cost of equity capital r_e

The discount rates arrived at through substituting the above parameters into the formula are set out in the following table:

Discount rate calculation table

Equity Ratio	100.00%
Debt Ratio	—
Weighted interest rate of loans	—
Risk-free interest rate r_f	2.15%
Expected market yield r_m	9.31%
Applicable tax rate	25.00%
Leverage-free β	0.4769
Equity β	0.4769
Characteristics risk coefficient	1.48%
CAPM	7.04%
Discount rate	7.04%

III. Net cash flow forecast

1. Analysis and forecast of main business revenue

The revenue from main business mainly represents toll income.

(1) Historical traffic volume and revenue of Sixu Expressway

- ① The traffic volume and growth trend (absolute number, vehicles per day) of the main sections of Sixu Expressway in the past years are shown below:

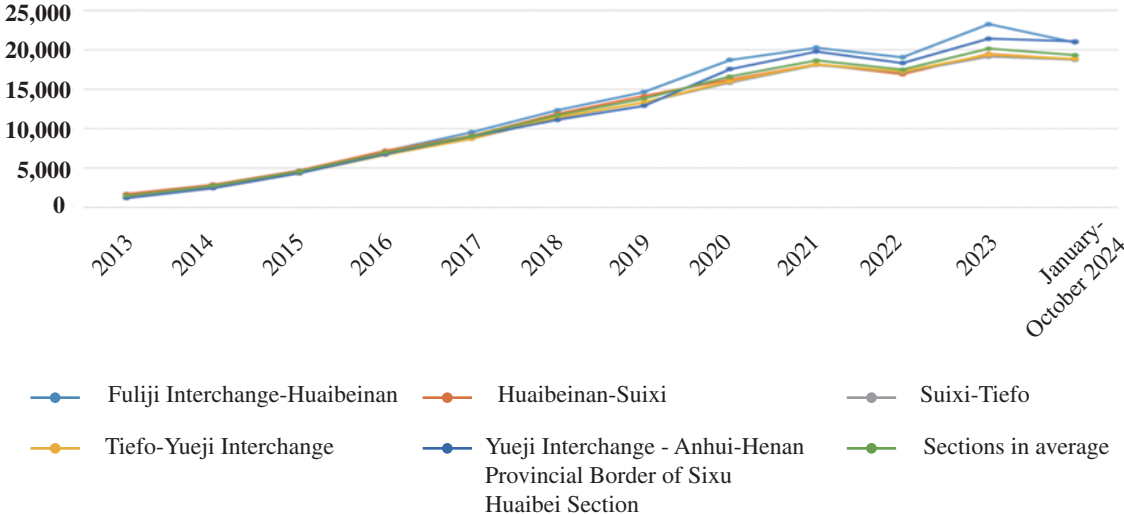
Year	Section	Passenger Vehicle				Goods Vehicle						Total
		Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	
2013	Fuliji-Huaibeinan	869	20	25	137	149	228	278	-	-	-	1,705
	Huaibeinan-Suixi	869	20	25	137	149	228	278	-	-	-	1,705
	Suixi-Tiefo	762	17	23	93	121	138	116	-	-	-	1,270
	Tiefo-Yueji	702	15	22	92	116	140	118	-	-	-	1,206
	Yueji – Anhui-Henan											
	Provincial Border	702	15	22	92	116	140	118	-	-	-	1,206
	Sections in average	813	18	24	116	136	187	203				1,497
2014	Fuliji-Huaibeinan	1,882	37	26	170	241	263	281	-	-	-	2,900
	Huaibeinan-Suixi	1,882	37	26	170	241	263	281	-	-	-	2,900
	Suixi-Tiefo	1,797	35	25	121	228	231	178	-	-	-	2,615
	Tiefo-Yueji	1,670	32	24	119	215	230	188	-	-	-	2,477
	Yueji – Anhui-Henan											
	Provincial Border	1,670	32	24	119	215	230	188	-	-	-	2,477
	Sections in average	1,831	36	25	147	234	248	234	-	-	-	2,755
2015	Fuliji-Huaibeinan	3,146	45	41	225	363	410	448	-	-	-	4,677
	Huaibeinan-Suixi	3,145	45	41	225	363	410	448	-	-	-	4,678
	Suixi-Tiefo	3,052	43	36	186	344	378	436	-	-	-	4,474
	Tiefo-Yueji	2,904	40	36	179	333	393	461	-	-	-	4,346
	Yueji – Anhui-Henan											
	Provincial Border	2,907	40	36	179	333	392	462	-	-	-	4,349
	Sections in average	3,088	44	39	206	353	397	445	-	-	-	4,571
2016	Fuliji-Huaibeinan	5,269	57	39	253	565	530	459	-	-	-	7,172
	Huaibeinan-Suixi	5,110	56	38	250	541	701	507	-	-	-	7,202
	Suixi-Tiefo	5,095	52	40	211	526	437	373	-	-	-	6,734
	Tiefo-Yueji	5,042	50	40	211	524	440	378	-	-	-	6,686
	Yueji – Anhui-Henan											
	Provincial Border	5,089	51	35	208	553	451	384	-	-	-	6,771
	Sections in average	5,129	54	39	232	540	550	438				6,982

Year	Section	Passenger Vehicle				Goods Vehicle						Total
		Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	
2017	Fuliji-Huaibeinan	6,810	59	39	260	722	857	807	-	-	-	9,555
	Huaibeinan-Suixi	6,560	58	38	258	662	802	750	-	-	-	9,127
	Suixi-Tiefo	6,536	55	35	213	620	621	640	-	-	-	8,720
	Tiefo-Yueji	6,559	56	35	214	629	637	657	-	-	-	8,787
	Yueji – Anhui-Henan											
	Provincial Border	6,658	57	34	207	714	650	688				9,010
	Sections in average	6,602	57	37	237	660	730	713	-	-	-	9,036
2018	Fuliji-Huaibeinan	9,168	65	39	274	834	1,034	938	-	-	-	12,352
	Huaibeinan-Suixi	8,874	64	38	272	792	985	901	-	-	-	11,925
	Suixi-Tiefo	8,875	63	36	237	749	775	663	-	-	-	11,398
	Tiefo-Yueji	8,853	62	36	237	755	811	717				11,471
	Yueji – Anhui-Henan											
	Provincial Border	8,597	61	33	228	790	765	666	-	-	-	11,140
	Sections in average	8,903	63	37	255	783	896	799	-	-	-	11,736
2019	Fuliji-Huaibeinan	11,204	64	39	257	989	1,219	893	-	-	-	14,666
	Huaibeinan-Suixi	10,842	64	38	254	937	1,143	859	-	-	-	14,137
	Suixi-Tiefo	10,800	63	37	216	885	875	456				13,331
	Tiefo-Yueji	10,776	62	37	216	892	896	467	-	-	-	13,346
	Yueji – Anhui-Henan											
	Provincial Border	10,377	60	34	208	913	858	447	-	-	-	12,896
	Sections in average	10,852	63	38	237	924	1,031	678				13,822
2020	Fuliji-Huaibeinan	13,820	46	49	208	1,287	597	423	395	184	1,722	18,731
	Huaibeinan-Suixi	11,985	34	32	188	1,113	485	351	367	176	1,516	16,248
	Suixi-Tiefo	11,977	32	30	163	1,125	458	295	341	170	1,252	15,842
	Tiefo-Yueji	12,053	32	30	162	1,173	468	313	369	169	1,274	16,045
	Yueji – Anhui-Henan											
	Provincial Border	12,975	34	31	165	1,395	556	342	395	183	1,492	17,568
	Sections in average	12,376	35	34	180	1,170	499	341	365	175	1,448	16,624
2021	Fuliji-Huaibeinan	14,193	35	36	222	1,627	761	369	579	283	2,181	20,285
	Huaibeinan-Suixi	13,098	33	34	212	1,480	613	279	511	270	1,681	18,211
	Suixi-Tiefo	13,233	30	31	190	1,511	593	259	484	267	1,504	18,101
	Tiefo-Yueji	13,212	31	31	189	1,558	603	269	498	267	1,530	18,188
	Yueji – Anhui-Henan											
	Provincial Border	14,240	32	31	190	1,800	683	287	537	291	1,702	19,792
	Sections in average	13,426	32	33	203	1,543	636	287	514	273	1,701	18,649

Year	Section	Passenger Vehicle				Goods Vehicle						Total
		Class 1	Class 2	Class 3	Class 4	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	
2022	Fuliji-Huaibeinan	11,985	20	25	138	1,545	775	468	640	261	3,216	19,074
	Huaibeinan-Suixi	11,209	18	22	132	1,411	637	336	548	248	2,344	16,906
	Suixi-Tiefu	11,280	18	21	123	1,453	640	337	551	245	2,497	17,166
	Tiefu-Yueji	11,224	18	22	123	1,500	651	347	561	246	2,592	17,284
	Yueji – Anhui-Henan											
	Provincial Border	11,985	18	21	120	1,701	720	352	582	253	2,595	18,348
	Sections in average	11,429	19	22	129	1,473	668	360	568	250	2,575	17,493
2023	Fuliji-Huaibeinan	15,882	25	50	186	1,647	774	430	649	310	3,317	23,269
	Huaibeinan-Suixi	14,593	23	45	175	1,450	553	223	485	289	1,650	19,485
	Suixi-Tiefu	14,532	24	42	156	1,445	526	192	460	283	1,483	19,143
	Tiefu-Yueji	14,590	24	42	157	1,505	542	200	473	287	1,562	19,381
	Yueji – Anhui-Henan											
	Provincial Border	16,157	24	43	157	1,790	605	210	504	305	1,621	21,417
	Sections in average	14,913	24	44	168	1,509	585	246	505	292	1,872	20,158
January- October	Fuliji-Huaibeinan	15,321	29	47	189	1,646	726	244	491	320	1,951	20,965
2024												
	Huaibeinan-Suixi	14,142	28	43	185	1,479	586	159	440	307	1,466	18,835
	Suixi-Tiefu	14,187	28	43	177	1,499	563	151	431	305	1,367	18,750
	Tiefu-Yueji	14,186	29	42	169	1,554	575	156	442	305	1,414	18,871
	Yueji – Anhui-Henan											
	Provincial Border	15,855	29	43	169	1,854	637	170	492	331	1,501	21,080
	Sections in average	14,494	28	44	181	1,545	605	171	450	310	1,515	19,344

The trend is shown in the chart below:

Traffic volume growth of the main sections of Huaibei Section over years
(absolute number, vehicles per day)



As it is observed from the above statistics and chart that, the traffic volume of each of the project’s sections basically increased at a steady growth trend before 2019. From 2020–2022, the traffic volume fluctuated to some extent due to the impact of public health events. After the conclusion of the public health events in 2023, traffic volumes returned growth trend again and reached an all-time high of 20,158 vehicles per day (vpd) in that year. The average traffic volume for January-October 2024 was 19,344 vpd, representing a decrease as compared to that of 2023, mainly due to the disappearance of sporadic factors related to public health events, leading to a normalisation of traffic volumes in 2024.

- ② The toll revenue (tax inclusive) and growth rate of Sixu Expressway from 2013–October 2024 are shown in the chart below:

Year	Toll revenue (tax inclusive) (RMB'0,000)	Growth rate
2013	2,781.60	–
2014	4,183.30	50.4%
2015	7,249.20	73.3%
2016	9,244.20	27.5%
2017	11,892.00	28.6%
2018	14,645.70	23.2%
2019	16,001.80	9.3%
2020	17,256.70	7.8%
2021	23,417.20	35.7%
2022	24,834.80	6.1%
2023	24,985.60	0.6%
January-October 2024	18,887.50	–

The project's toll revenue showed a steady upward trend from 2013 to 2023. In 2020, the project was toll-free for 79 days in the first half of the year due to the public health event, resulting in an impact on annual toll revenue to some extent.

- (2) Revenue forecast for main business

CHELBI Engineering Consultants, Inc. is a professional organization for traffic volume forecast and research, which has made traffic volume and toll forecast for Sixu Expressway and issued the Report on Traffic Flow Evaluation and Toll Income Calculation for the Huaibei Section of Sixian to Xuchang Expressway. As review made by the professional valuers on the relevant calculation basis and financial analysis data in the evaluation and forecast report, the forecast of toll revenue was determined by directly converting the conclusion of the above-mentioned report into revenue (tax exclusive). As a result, the forecast of toll revenue of highway operation rights for future operating years in this valuation was based on the Report on Traffic Flow Evaluation and Toll Income Calculation for the Huaibei Section of Sixian to Xuchang Expressway.

According to the disclosure in the Report on Traffic Flow Evaluation and Toll Income Calculation for the Huaibei Section of Sixian to Xuchang Expressway, the process of the traffic volume and toll revenue forecast is as follows:

- ① Through survey of the traffic volume of the on-site road network and collection of the regional traffic volume survey data related to expressways, the regional traffic and travel characteristics will be grasped, and combining the traffic volume data surveyed and collected with the networking data of expressways in Anhui Province, the basic OD data for the traffic volume forecast of the project will be developed;
- ② Conducting social, economic and traffic studies in the main attraction occurrence areas based on the composition of the directions of traffic flow, analyzing and predicting the elasticity coefficient, and adopting the elasticity coefficient method to further predict the growth of traffic volume;
- ③ Adopting a “four-stage approach”, establishing a model of the relationship between economic society and transport indicators based on the survey on transport and economic society, and applying the current OD data to forecast the traffic distribution, while fully considering the impact of other modes of transport on highway traffic;
- ④ Studying the travel route choice of the regional traffic volume from the perspective of regional traffic and travel, carrying out traffic distribution, forecasting and arriving at the future traffic volume of the relevant sections of the project, and finally developing the final traffic volume forecast of the relevant sections of the project;
- ⑤ According to the toll standard prescribed under the “Notice on Issuing the Adjustment Plan for the Toll Charging Methods of Toll Roads in Anhui Province by the Department of Transportation of Anhui Province, Anhui Provincial Development and Reform Committee and Anhui Provincial Finance Department” (Wan Jiao Lu [2019] No. 144), the toll rates were adjusted in accordance with the relevant requirements of the Adjustment Plan for the Toll Charging Methods of Toll Roads in Anhui Province (Specifically, the passenger vehicles are charged by vehicle type and goods vehicles are charged by axle) and relevant preferential policies;
- ⑥ Taking into consideration the traffic volume forecast and the adjusted toll rates, the toll revenue for the forecast period is arrived at.

The forecast results of the main revenue (excluding VAT) are shown in the table below:

Unit: RMB'0,000

	November-December						
Year	2024	2025	2026	2027	2028	2029	2030
Revenue	3,135.52	22,902.81	23,836.27	24,810.21	25,733.56	26,692.85	27,483.98
Year	2031	2032	2033	2034	2035	2036	2037
Revenue	28,295.05	29,164.75	30,119.30	31,074.60	32,028.74	32,961.13	33,887.24
Year	2038	2039	2040	2041	2042		
Revenue	34,805.02	35,712.55	36,607.46	37,482.93	37,474.94		

2. Costs of the main business

Costs of the main business mainly include road maintenance costs, mechanical and electrical maintenance costs, road assets safety expenses, production operating expenses, mechanical and electrical maintenance – electricity charge, networking settlement service fees, depreciation of fixed assets, amortization of intangible assets, cost – employee compensation and accrued safety production expenses.

(1) Road maintenance costs

The road maintenance costs are the daily maintenance expenses for preventive, restorative, special maintenance, emergency maintenance and other types of pavement maintenance and regular maintenance and repair of the road and its facilities along the road, as well as the separately approved special maintenance expenses for daily road crossing cleaning and pavement marking for each component (including ancillary facilities) of the road. Based on the combination of historical maintenance expenditures, the enterprise made a forecast of future maintenance expenditures. The road maintenance costs for October-December 2024 and 2025 are measured in accordance with the enterprise's budget, the road maintenance costs from 2026 to 2042 are measured in accordance with the geometric growth rate of Anhui Transportation Holding Group's maintenance inputs in the historical years, with other costs forecast based on corresponding quotas; and the expenditures for the refurbishment of the

entire road surface were finally estimated in the year when the toll period expired for consideration. After interviewing and communicating with the enterprise, the final forecast is based on the costs upon its confirmation.

(2) Mechanical and electrical maintenance costs

The mechanical and electrical maintenance costs are daily costs incurred during the course of normal operation of the enterprise. The enterprise has estimated the future mechanical and electrical maintenance costs based on the historical mechanical and electrical expenditures and the mechanical and electrical budget of Sixu Expressway for 2024, including: based on the corporate budget for October-December 2024 and 2025, and based on a certain growth rate following the confirmation of the enterprise's mechanical and electrical department upon interviews and communications from 2026 to 2042.

(3) Mechanical and electrical maintenance – electricity charge

Electricity charge is the daily cost incurred during the course of normal operation of the enterprise. The electricity cost for October-December 2024 and 2025 is estimated based on the electricity budget provided by the enterprise, and the forecast for 2026 to 2042 and subsequent years is based on the average growth rate of electricity charge in the past years.

(4) Production operating expenses and road assets safety expenses

The production operating expenses and road assets safety expenses are the operating costs incurred by the enterprise in daily operations. After a comprehensive analysis of the historical situation, future forecast will be made based on the proportion of revenue in the historical years multiplied by the revenue for each year of the forecast period.

(5) Networking settlement service fees

According to the Operation Service Agreement for Toll Road Network of Anhui Province entered into between Sixu Expressway and Anhui Transportation United Card Holding Co., Ltd. and the Operation Service Agreement of Toll Road Network of Anhui Province entered into with Anhui Expressway Network Operations Company Limited, the settlement standard rate of service fee is 0.33% and 0.33% of the networking settlement toll respectively, and in this valuation, forecast was made in accordance with the settlement standard of networking settlement toll.

(6) Safety fees

According to the Regulation of Enterprise on Withdrawal and Usage of Its Safety Production Fee (Cai Zi [2022] No. 136): Based on the operating revenue of the previous year, the amount of the accrued safety fees for the current year is determined, which are withdrawn at 1% of the revenue month by month; the accrued safety production fees will be terminated until it is higher than 1.5% of the revenue of the previous year. In this valuation, forecast was made in accordance with the abovementioned Regulation.

(7) Depreciation and amortization

The fixed assets of the appraisal target mainly include buildings, vehicles, machinery and equipment, electronic equipment, etc. Fixed assets are valued at the actual cost at the time of acquisition; in this valuation, the depreciation amount for the future operating period was estimated in accordance with the depreciation policy for fixed assets implemented by the enterprise, based on the appraised value of the audited fixed assets as of the benchmark date and the enterprise's plan to add new fixed assets in the future, etc.. The intangible assets of the appraisal target mainly include land use rights, road assets and software; in this valuation, the amortization amount for the future operation period was estimated in accordance with the amortization policy and the amortization period of intangible assets implemented by the enterprise, based on the audited book value as of the benchmark date and the enterprise's plan to add intangible assets in the future.

(8) Cost – employee compensation

Based on the analysis of historical annual wages per capita, employee compensation is forecasted according to the staffing and wage payment standards of the valued enterprise and taking into account the company's remuneration system. The forecast of five insurances (namely pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance) and two funds (namely housing provident fund and enterprise annuity), welfare expenses, labor union expenses and educational expenses are made in accordance with the accrual policies of the valued enterprise.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November – December						
	2024	2025	2026	2027	2028	2029	2030
Total	1,947.41	11,766.53	11,728.06	11,960.83	12,122.56	12,349.44	12,608.06
Road maintenance costs	489.21	2,666.00	2,514.75	2,618.29	2,710.62	2,824.73	2,926.53
Mechanical and electrical maintenance costs	12.34	110.00	112.00	114.00	116.00	118.00	120.00
Road assets safety expenses	2.65	19.34	20.13	20.95	21.73	22.54	23.21
Production operating expenses	12.56	91.76	95.50	99.40	103.10	106.94	110.11
Mechanical and electrical maintenance – electricity charge	15.89	109.00	111.00	113.00	115.00	117.00	119.00
Networking settlement service fees	20.69	151.16	157.32	163.75	169.84	176.17	181.39
Depreciation and amortization	1,113.76	6,837.01	6,846.06	6,866.66	6,823.36	6,813.31	6,839.37
Cost – employee compensation	279.18	1,774.12	1,862.83	1,955.97	2,053.77	2,156.46	2,264.28
Others	1.11	8.14	8.47	8.82	9.15	9.49	9.77
Safety production expenses	–	–	–	–	–	4.80	14.39
Year	2031	2032	2033	2034	2035	2036	2037
Total	12,806.25	12,991.55	13,217.23	13,512.49	13,815.50	14,174.78	14,575.15
Road maintenance costs	3,052.30	3,164.53	3,303.14	3,426.87	3,579.64	3,716.06	3,884.42
Mechanical and electrical maintenance costs	122.00	124.00	126.00	129.00	132.00	135.00	138.00
Road assets safety expenses	23.89	24.63	25.43	26.24	27.05	27.83	28.61
Production operating expenses	113.36	116.84	120.67	124.49	128.32	132.05	135.76
Mechanical and electrical maintenance – electricity charge	121.00	123.00	125.00	128.00	131.00	134.00	137.00
Networking settlement service fees	186.75	192.49	198.79	205.09	211.39	217.54	223.66
Depreciation and amortization	6,787.54	6,727.15	6,673.26	6,695.18	6,690.54	6,751.91	6,815.59
Cost – employee compensation	2,377.49	2,496.37	2,621.19	2,752.25	2,889.86	3,034.35	3,186.07
Others	10.06	10.37	10.71	11.05	11.39	11.72	12.05
Safety production expenses	11.87	12.17	13.05	14.32	14.33	14.31	13.99

Year	2038	2039	2040	2041	2042
Total	14,980.70	15,491.68	15,945.89	16,391.32	37,062.84
Road maintenance costs	4,034.83	4,220.39	4,386.20	4,590.71	25,653.53
Mechanical and electrical maintenance costs	141.00	144.00	147.00	150.00	153.00
Road assets safety expenses	29.39	30.16	30.91	31.65	31.64
Production operating expenses	139.44	143.07	146.66	150.17	150.14
Mechanical and electrical maintenance – electricity charge	140.00	143.00	146.00	149.00	152.00
Networking settlement service fees	229.71	235.70	241.61	247.39	247.33
Depreciation and amortization	6,894.69	7,036.25	7,132.60	7,172.96	6,582.41
Cost – employee compensation	3,345.37	3,512.64	3,688.27	3,872.69	4,066.32
Others	12.37	12.70	13.02	13.33	13.32
Safety production expenses	13.89	13.77	13.61	13.42	13.13

3. Forecast of other business revenue and cost

Other business revenue in historical years includes rescue business income, road damage compensation income, etc. Other business expense includes the cost corresponding to the above other business revenue. Due to the small amount and the uncertainty of its occurrence, no forecast is made in this valuation.

4. Forecast of taxes and surcharges

As disclosed in the audited financial report of the appraisal target as of the benchmark date, the taxes for the appraisal target are mainly VAT, urban construction tax, education surcharge, local education surcharge, stamp duty, water conservancy fund, property tax and land use tax.

The toll revenue is subject to a simplified taxing method, and the annual VAT for each year is determined at 3% of the revenue of a future year;

The urban construction tax, education surcharge and local education surcharge are calculated based on the payable VAT, and are estimated at the prescribed tax rates;

The stamp duty is estimated at 0.03% of the maintenance and mechanical and electrical engineering contract;

The water conservancy fund is estimated at 0.06% of revenue of the previous year;

The property tax and land use tax are estimated based on the house area, land area and at the prescribed tax rate.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November – December						
	2024	2025	2026	2027	2028	2029	2030
Total	20.35	135.33	139.27	143.36	147.30	151.34	154.80
Urban maintenance and construction tax	6.58	48.10	50.06	52.10	54.04	56.05	57.72
Education surcharge (including local)	4.70	34.35	35.75	37.22	38.60	40.04	41.23
Stamp duty	0.15	0.83	0.79	0.82	0.85	0.88	0.91
Water conservancy fund	2.43	13.12	13.74	14.30	14.89	15.44	16.02
Property tax	5.55	33.32	33.32	33.32	33.32	33.32	33.32
Land use tax	0.93	5.61	5.61	5.61	5.61	5.61	5.61

Year	2031	2032	2033	2034	2035	2036	2037
Total	158.23	161.88	165.88	169.93	173.99	177.96	181.90
Urban maintenance and construction tax	59.42	61.25	63.25	65.26	67.26	69.22	71.16
Education surcharge (including local)	42.44	43.75	45.18	46.61	48.04	49.44	50.83
Stamp duty	0.95	0.99	1.03	1.07	1.11	1.16	1.21
Water conservancy fund	16.49	16.98	17.50	18.07	18.64	19.22	19.78
Property tax	33.32	33.32	33.32	33.32	33.32	33.32	33.32
Land use tax	5.61	5.61	5.61	5.61	5.61	5.61	5.61
Year	2038	2039	2040	2041	2042		
Total	185.81	189.68	193.50	197.25	204.07		
Urban maintenance and construction tax	73.09	75.00	76.88	78.71	78.70		
Education surcharge (including local)	52.21	53.57	54.91	56.22	56.21		
Stamp duty	1.25	1.31	1.36	1.42	7.74		
Water conservancy fund	20.33	20.88	21.43	21.96	22.49		
Property tax	33.32	33.32	33.32	33.32	33.32		
Land use tax	5.61	5.61	5.61	5.61	5.61		

5. Forecast of period costs

(1) Management fee forecast

The management fee is road property management service fee.

Road property management service fee: The forecast of road property management service fee is made based on the analysis of the content and change trend of each of the fees in historical years. Road property management service fee of 2024 is estimated based on the Service Agreement signed between Sixu Expressway, Anhui Transportation Holding Group Company Limited Suzhou Management Center. Such service fee is mainly used to cover the personnel costs of the management services provided by Anhui Transportation Holding Group Company Limited Suzhou Management Center to Sixu Expressway, the road property management service

fee is, therefore, estimated based on the scope of services provided and personnel arrangements, as well as the personnel remuneration system of Anhui Transportation Holding Group Company Limited Suzhou Management Center for 2025 and subsequent years.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November – December						
	2024	2025	2026	2027	2028	2029	2030
Total	39.65	257.14	270.00	283.50	297.67	312.55	328.18
Road property management service fee	39.65	257.14	270.00	283.50	297.67	312.55	328.18
Year	2031	2032	2033	2034	2035	2036	2037
Total	344.59	361.82	379.91	398.91	418.85	439.79	461.78
Road property management service fee	344.59	361.82	379.91	398.91	418.85	439.79	461.78
Year	2038	2039	2040	2041	2042		
Total	484.87	509.12	534.57	561.30	589.37		
Road property management service fee	484.87	509.12	534.57	561.30	589.37		

6. Income tax forecast

Since the income tax rate for Sixu Expressway is 25%, the income tax rate for the estimate year is estimated at 25%.

According to the tax policy, the production safety expenses provided by the enterprises need to be adjusted. According to the Announcement of the State Taxation Administration on the Pre-taxation Deduction of Simple Production Maintenance Fee for Coal Mining Enterprises and Safety Production Fee for Enterprises in High-Risk Industries (State Taxation Administration Announcement No. 26 of 2011): the simple production maintenance fee and safety production fee that are provided by enterprises in accordance with relevant regulations shall not be deducted before tax.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November – December						
	2024	2025	2026	2027	2028	2029	2030
Total profit	1,128.11	10,743.81	11,698.95	12,422.52	13,166.02	13,879.51	14,392.94
Safety production fee	–	–	–	–	–	4.80	14.39
Income tax rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Income tax	282.03	2,685.95	2,924.74	3,105.63	3,291.51	3,471.08	3,601.83
Year	2031	2032	2033	2034	2035	2036	2037
Total profit	14,985.97	15,649.50	16,356.28	16,993.27	17,620.40	18,168.59	18,668.40
Safety production fee	11.87	12.17	13.05	14.32	14.33	14.31	13.99
Income tax rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Income tax	3,749.46	3,915.42	4,092.33	4,251.90	4,408.68	4,545.73	4,670.60
Year	2038	2039	2040	2041	2042		
Total profit	19,153.63	19,522.07	19,933.49	20,333.05	-381.33		
Safety production fee	13.89	13.77	13.61	13.42	13.13		
Income tax rate	0.25	0.25	0.25	0.25	0.25		
Income tax	4,791.88	4,883.96	4,986.78	5,086.62	–		

7. Additional capital forecast

Additional capital refers to the operation funds required to be increased and long-term capital input exceeding one year without changing the current operating and production conditions, such as the capital investment required for expansion of production capacity (fixed assets purchased), as well as the additional operation funds required and replacement of assets necessary for continued operation.

In this valuation, it was assumed that the appraisal target would make appropriate capital investment to enhance its current operation capacity as needed. The additional capital during the future operating period mainly includes the replacement of the existing assets, the increase in operation funds and capital expenditures necessary for continued operation as of the benchmark date. Therefore, the additional capital, as defined in this report, is:

Additional capital = asset replacement + increase in working capital + capital expenditure

(1) Forecast of asset replacement investment

Based on the premise and foundation of the earnings forecast and while maintaining the current scale and condition of the assets, taking into account the historical annual replacement and depreciation and recovery of the assets of the enterprise and the asset renewal plan table (資產更新計劃表) provided by the enterprise, the estimation of future asset replacement and transformation expenses are made. It is assumed that the assets will be replaced when they reach the end of their useful lives.

(2) Forecast of increase in working capital

The increase in working capital represents the operating capital that the enterprise requires to be increased, without changing the current conditions of its principal business, so as to maintain normal business operations, which are additional funds needed to maintain the enterprise's ability to operate on a going concern basis, such as the basic capital required for maintaining normal business operations, including cash reserves, inventory purchases, and advance payments for goods (receivables) on behalf of customers, as well as payables. The increase in working capital refers to the cash occupied by acquiring commercial credit of others due to changes in the company's operating activities, as well as the cash reserves and inventory required to maintain normal business operations. In addition, in economic activities, providing

commercial credit can correspondingly reduce the immediate payment of cash. Usually, the contents of other receivables and payables are irrelevant to or temporarily dealing with the main business, so they need to be specifically distinguished and determined based on their relevance to the estimated business operations. Therefore, estimating the increase in working capital only needs to consider the main factors such as cash reserves, receivables, inventory, and payables required for normal business operations. The increased amount in working capital, as defined in this report, is:

Increase in working capital = working capital in the current period – working capital in the previous period

where:

Working capital = operating cash + inventory + receivables – payables

Operating cash = total annual cash cost/12

Total annual cash cost = total cost of sales + total expenses in the period – total non-cash cost

Inventory = total operating cost/inventory turnover

Receivables = total operating revenue/receivable turnover ratio

Payables = total operating costs/payable turnover ratio

Based on the investigation of the operating conditions of the appraisal target and the statistical analysis of the audited historical assets, profit or loss, income and costs and expenses, as well as the estimated results of the income and costs for each year of the future operating period, and according to the above definition, the operating cash (minimum cash holdings), inventory, receivables, payables, and their increase in working capital for each year of the future operating period can be arrived at.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November-December						
	2024	2025	2026	2027	2028	2029	2030
Minimum cash holdings	332.27	443.50	440.94	460.09	478.68	499.60	519.77
Receivables	625.73	655.27	681.98	709.85	736.27	763.71	786.35
Payables	1,003.60	1,600.17	1,094.48	1,138.45	1,177.76	1,226.14	1,269.39
Working capital	-45.61	-501.39	28.44	31.48	37.19	37.18	36.73
Increase in working capital	674.95	-455.79	529.83	3.04	5.71	-0.01	-0.44
Year	2031	2032	2033	2034	2035	2036	2037
Minimum cash holdings	542.47	564.66	589.73	614.32	641.96	668.86	699.11
Receivables	809.55	834.44	861.75	889.08	916.38	943.05	969.55
Payables	1,322.62	1,370.22	1,428.81	1,481.61	1,546.52	1,604.61	1,676.01
Working capital	29.40	28.88	22.67	21.78	11.82	7.31	-7.35
Increase in working capital	-7.33	-0.53	-6.21	-0.88	-9.97	-4.51	-14.66
Year	2038	2039	2040	2041	2042		
Minimum cash holdings	728.57	761.70	793.98	830.29	2,605.06		
Receivables	995.81	1,021.78	1,047.38	1,072.43	1,072.20		
Payables	1,739.93	1,818.49	1,888.84	1,975.30	10,752.72		
Working capital	-15.55	-35.01	-47.48	-72.58	-7,075.46		
Increase in working capital	-8.20	-19.46	-12.46	-25.10	-7,002.88		

(3) Forecast of capital expenditure

In this valuation, there was no capital expenditure during the forecast period.

8. Results of cash flow forecast

The forecast of future earnings in this valuation was mainly, based on market research and analysis of the relevant industry, a professional judgment made based on the comprehensive situation including the operating conditions of comparable enterprises, market demand, and future development of the relevant industry. When making the forecast, the profit or loss resulting from non-operating income and expenses, subsidy income, and other non-recurring income were not taken into consideration.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November-	2025	2026	2027	2028	2029	2030
	December 2024						
Revenue	3,135.52	22,902.81	23,836.27	24,810.21	25,733.56	6,692.85	27,483.98
Cost	1,947.41	11,766.53	11,728.06	11,960.83	12,122.56	12,349.44	12,608.06
Taxes and surcharges	20.35	135.33	139.27	143.36	147.30	151.34	154.80
Administrative expenses	39.65	257.14	270.00	283.50	297.67	312.55	328.18
Operating profit	1,128.11	10,743.81	11,698.95	12,422.52	13,166.02	13,879.51	14,392.94
Total profit	1,128.11	10,743.81	11,698.95	12,422.52	13,166.02	13,879.51	14,392.94
Income tax	282.03	2,685.95	2,924.74	3,105.63	3,291.51	3,471.08	3,601.83
Net profit	846.08	8,057.86	8,774.21	9,316.89	9,874.52	10,408.44	10,791.11
Add: depreciation, amortization, etc.	1,113.76	6,837.01	6,846.06	6,866.66	6,823.36	6,818.11	6,853.76
Less: increase in working capital	674.95	-455.79	529.83	3.04	5.71	-0.01	-0.44
Less: asset replacement	1,768.22	488.99	386.40	269.80	281.37	298.95	1,202.79
Net cash flows	-483.33	14,861.67	14,704.04	15,910.71	16,410.80	16,927.60	16,442.53

APPENDIX I**PRC VALUATION REPORTS**

Year	2031	2032	2033	2034	2035	2036	2037
Revenue	28,295.05	29,164.75	30,119.30	31,074.60	32,028.74	32,961.13	33,887.24
Cost	12,806.25	12,991.55	13,217.23	13,512.49	13,815.50	14,174.78	14,575.15
Taxes and surcharges	158.23	161.88	165.88	169.93	173.99	177.96	181.90
Administrative expenses	344.59	361.82	379.91	398.91	418.85	439.79	461.78
Operating profit	14,985.97	15,649.50	16,356.28	16,993.27	17,620.40	18,168.59	18,668.40
Total profit	14,985.97	15,649.50	16,356.28	16,993.27	17,620.40	18,168.59	18,668.40
Income tax	3,749.46	3,915.42	4,092.33	4,251.90	4,408.68	4,545.73	4,670.60
Net profit	11,236.51	11,734.08	12,263.95	12,741.37	13,211.72	13,622.87	13,997.80
Add: depreciation, amortization, etc.	6,799.40	6,739.32	6,686.31	6,709.50	6,704.87	6,766.22	6,829.58
Less: increase in working capital	-7.33	-0.53	-6.21	-0.88	-9.97	-4.51	-14.66
Less: asset replacement	318.78	310.40	360.40	323.37	453.58	1,233.79	336.36
Net cash flows	17,724.46	18,163.53	18,596.07	19,128.38	19,472.97	19,159.81	20,505.68
Year	2038	2039	2040	2041	2042		
Revenue	34,805.02	35,712.55	36,607.46	37,482.93	37,474.94		
Cost	14,980.70	15,491.68	15,945.89	16,391.32	37,062.84		
Taxes and surcharges	185.81	189.68	193.50	197.25	204.07		
Administrative expenses	484.87	509.12	534.57	561.30	589.37		
Operating profit	19,153.63	19,522.07	19,933.49	20,333.05	-381.33		
Total profit	19,153.63	19,522.07	19,933.49	20,333.05	-381.33		
Income tax	4,791.88	4,883.96	4,986.78	5,086.62	-		
Net profit	14,361.75	14,638.11	14,946.72	15,246.43	-381.33		
Add: depreciation, amortization, etc.	6,908.58	7,050.02	7,146.21	7,186.38	6,595.54		
Less: increase in working capital	-8.20	-19.46	-12.46	-25.10	-7,002.88		
Less: asset replacement	349.40	360.80	256.79	181.95	134.00		
Net cash flows	20,929.13	21,346.79	21,848.60	22,275.97	13,083.10		

9. The recovery value of assets at the end of the operating period

Recovery of assets at the end of the period of the appraised enterprise mainly includes recovery of working capital and recovery of fixed assets.

(1) Recovery of working capital

Additional working capital is recovered at the end of the operating period, and the amount of recovery is determined by the amount of working capital at the end of the income period.

(2) Recovery of fixed assets

Assets recorded by the appraised enterprise as fixed assets are not required to be transferred to the government at the end of the operating period. The recovery amount of the assets after the termination of the operating period is measured based on the full replacement value of the existing assets with reference to the recovery rate of equipment disposed of by the appraised enterprise in recent years.

10. Determination of appraised value of operating assets

Substituting the expected net cash flows obtained and the recovery value of the assets at the end of the operating period into equation (2), the value of the operating assets of the appraisal target was obtained to be RMB1,783,380,800.

The forecast results are shown in the following table:

Unit: RMB'0,000

Year	November-	2025	2026	2027	2028	2029	2030
	December 2024						
Net cash flows	-483.33	14,861.67	14,704.04	15,910.71	16,410.80	16,927.60	16,442.53
Discount rate	7.04%	7.04%	7.04%	7.04%	7.04%	7.04%	7.04%
Discount factor	0.9943	0.9557	0.8928	0.8341	0.7792	0.7280	0.6801
Discounted value	-480.59	14,202.71	13,127.91	13,271.00	12,787.90	12,323.11	11,182.75

Year	2031	2032	2033	2034	2035	2036	2037
Net cash flows	17,724.46	18,163.53	18,596.07	19,128.38	19,472.97	19,159.81	20,505.68
Discount rate	7.04%	7.04%	7.04%	7.04%	7.04%	7.04%	7.04%
Discount factor	0.6354	0.5936	0.5546	0.5181	0.4840	0.4522	0.4224
Discounted value	11,261.82	10,781.80	10,312.58	9,910.14	9,425.17	8,663.70	8,662.47
Year	2038	2039	2040	2041	2042		
Net cash flows	20,929.13	21,346.79	21,848.60	22,275.97	13,083.10		
Discount rate	7.04%	7.04%	7.04%	7.04%	7.04%		
Discount factor	0.3947	0.3687	0.3445	0.3218	0.3006		
Discounted value	8,259.89	7,870.65	7,525.88	7,168.45	3,933.28		
Total present value of forecast period					180,190.60		
Present value of asset recovery					-1,852.52		
Value of the operating assets					178,338.08		

IV. Determination of appraised value regarding non-operating or surplus assets (liabilities)

It was verified that as at 31 October 2024, the Valuation Benchmark Date, it was disclosed in the pro forma balance sheet which had been audited by the accountants that the value of the following assets were not taken into account in this estimate of operating assets and should be categorized as surplus non-operating assets beyond the value of operating assets forecasted in this valuation.

C₁: The value of current surplus or non-operating assets (liabilities) of the appraisal target existing as at the benchmark date;

Other receivables, as disclosed in the audited balance sheet, refer to the current accounts in the accounts of the appraisal target as at the benchmark date which were collected by Anhui Transportation Holding Group Company Limited on behalf of others. As calculated and verified by the valuers, they will be treated as a surplus asset.

C₂: The value of non-current surplus or non-operating assets (liabilities) of the appraisal target existing as at the benchmark date.

Fixed assets, declared by enterprise and verified by the valuers as assets of the appraisal target held as at the benchmark date for retirement, are treated as surplus assets.

The specific situation is shown in the following table.

Breakdown of Valuation of Non-operating or Surplus Assets (Liabilities)

Unit: RMB'0,000

Project Name	Book Value as at the Valuation Benchmark Date	Appraised Value as at the Valuation Benchmark Date
Other receivables	7,928.74	7,928.74
Subtotal of current surplus/non-operating assets	7,928.74	7,928.74
Fixed assets – assets to be retired	5.08	1.06
Subtotal of non-current surplus/non-operating liabilities	5.08	1.06
C1: Net value of current surplus/non-operating assets (liabilities)	7,928.74	7,928.74
C2: Net value of non-current surplus/non-operating assets (liabilities)	5.08	1.06
C: Net value of surplus/non-operating assets, liabilities	7,933.82	7,929.81

V. Valuation results by adopting income approach

Substituting the arrived-at value (P=RMB1,783,380,800) of operating assets and the value (C=RMB79,298,100) of other surplus or non-operating assets existing as at the benchmark date into equation (1), the value (E=RMB1,862,680,000) of the entire equity interests of the shareholders of the appraisal target was obtained.

VI. Sensitivity analysis of the valuation of the target assets

Taking into account the characteristics of the business model and the extent of the impact of changes in financial indicators of the target company, sensitivity analysis was conducted in respect of valuation results of the assets using operating revenue and discount rate indicators. The specific results of the sensitivity analysis are as follows:

Unit: RMB'0,000

	Revenue		Discount rate			
	Value of the entire		Value of the entire			
	Rate of change in revenue	shareholders' equity interests	Rate of change in equity value	Rate of change in discount rate	shareholders' equity interests	Rate of change in equity value
	10%	208,689.00	12.04%	10%	177,470.00	-4.72%
	5%	197,478.00	6.02%	5%	181,784.00	-2.41%
	0	186,268.00	0.00%	0	186,268.00	0.00%
	-5%	175,058.00	-6.02%	-5%	190,930.00	2.50%
	-10%	163,847.00	-12.04%	-10%	195,779.00	5.11%

Summary of the reasons for the appreciation of the Target Company's value under the asset-based approach as compared with its book value

The major reasons for the appreciation of the Target Company's value under the asset-based approach as compared with its book value are summarised as follows:

1. Buildings

- (1) The increase in value of buildings was mainly due to the increase in the cost of materials, labour and machinery for construction works, which led to the increase in replacement cost and the increase in the valuation;
- (2) The increase in value of structures was mainly due to the increase in the costs of materials, labour and machinery for construction works, which led to the increase in the replacement cost and the increase in the valuation.

2. Equipment assets

- (1) The increase in appraised original value of machinery and equipment was due to the fact that the current price of certain equipment was higher than the original purchase price on the books. The increase in the net appraised value was due to the faster accounting depreciation rate of machinery and equipment as compared to the actual depletion.
- (2) The decrease in the appraised original value of vehicles was due to the decrease in the market price of vehicles compared with the past, resulting in a decrease in the original value; the decrease in the net value was due to the faster accounting depreciation of vehicles compared with the actual depletion, resulting in an increase in the appraised net value.
- (3) The decrease in the appraised original value of electronic equipment was due to the fact that most of the electronic equipment of the enterprise had been over-aged and used, and the second-hand market acquisition price had been adopted in the valuation, resulting in the replacement price being lower than the original book value and the decrease in the appraised original value of electronic equipment; the increase of the appraised net value of electronic equipment was mainly attributable to the faster rate of accounting depreciation as compared with the actual depletion, which resulted in the increase of the appraised net value.

3. Intangible assets – toll road concession rights

- (1) The increase in the appraisal of land use rights was mainly due to: the appraisal land was acquired at an early stage, with the economic development in recent years, the acquisition cost of land had increased substantially, which resulted in the increase in appraised value.
- (2) The increase in the appraisal of road assets was mainly due to: the roads were built at an early stage and the prices of construction materials and labour costs had risen to a certain extent on the Valuation Benchmark Date.

4. Intangible assets – other intangible assets

The increase in the appraisal of intangible assets – other intangible assets was due to the purchase price of the software at the Valuation Benchmark Date was higher as compared with the price at the time of acquisition; and the amortisation period accrued by the enterprise was lower than the software's usable economic life, which resulted in an increase in the net value of the appraisal.

Summary of the reasons for the appreciation of the Target Company's value under the income approach as compared with its book value

Sixu Expressway belongs to the transportation industry and is mainly responsible for the day-to-day operation and management of Sixu Expressway, which is an important section connecting central to northern Anhui. The Target Company is located in an industry with a better development prospect, and the traffic volume of expressways in China (including Sixu Expressway) and the toll revenue of Sixu Expressway are expected to have continuous growth (details of which are set out in the Traffic Study Reports). Therefore, the appraisal value using the income approach is higher than the book value of the Target Company.

BACKGROUND AND QUALIFICATION OF THE PRC DOMESTIC VALUER**1. Introduction to the valuation agency**

Anhui Zhonglian Guoxin Assets Valuation Company Limited, formerly known as Anhui Assets Appraisal Firm (安徽資產評估事務所), was established in 1993 and affiliated to Anhui Provincial State-owned Assets Supervision and Administration Bureau (安徽省國有資產管理局). In November 1999, it was transformed into Anhui Guoxin Assets Evaluation Co., Ltd. (安徽國信資產評估有限責任公司) after going through restructuring and reorganization. Anhui Zhonglian Guoxin Assets Valuation Company Limited is a member of China United Assets Appraisal Group.

2. Qualification of the valuation agency

Anhui Zhonglian Guoxin Assets Valuation Company Limited has the Asset Appraisal Qualification (Cai Zi Bei An [2017] No. 072) (《資產評估資格》(財資備案[2017]072號)) registered and filed with Anhui Provincial Department of Finance, the qualification of undertaking securities business filed with the China Securities Regulatory Commission, the Land Appraisal Qualification (Wan Tu Gu Bei Zi [2018] No. 0042) (《土地估價資格》(皖土估備字[2018]0042號)) registered and filed with the Department of Natural Resources of Anhui Province and Qualification Certificate for Valuation of Exploration Right and Mining Right (Kuang Quan Ping Zi [2023] No. 017) (《探礦權採礦權評估資格證書》(礦權評資[2023]017號)) recognized by China Association of Mineral Resources Appraisers.

3. Introduction to the signed valuers

Xia Yan, an asset valuer (China Appraisal Society member No.: 34120008) and mineral right appraiser, has been practicing for 13 years from 2007 to present.

Wang Yi, an asset valuer (China Appraisal Society member No.: 34000016), cost engineer and certified public accountant, has been practicing for 28 years from 1995 to present.

Zhao Yue, an asset valuer (China Appraisal Society member No.: 34230129), has been practicing for 2 years from 2020 to present.

**REPORT ON TRAFFIC FLOW EVALUATION AND TOLL INCOME
CALCULATION FOR THE FUYANG TO ZHOUI SECTION OF FUYANG
TO LU'AN EXPRESSWAY AND THE HUAIBEI SECTION OF SIHONG TO
XUCHANG EXPRESSWAY**

CHELBI Engineering Consultants, Inc.

December 2024

1 INTRODUCTION

1.1 Introduction on the Project Expressways

CHELBI Engineering Consultants, Inc. has been commissioned by Anhui Transportation Holding Group Company Limited and Anhui Expressway Company Limited to conduct an independent research on traffic flow evaluation and revenue calculation for the Fuyang to Zhouji Section of Fuyang to Lu'an Expressway (Fuzhou Expressway) and Huaibei Section of Sihong to Xuchang Expressway (Huaibei Section of Sixu Expressway). The traffic flow forecast and evaluation period of Fuzhou Expressway is from 1 November 2024 to 26 December 2039, and the traffic flow forecast and evaluation period of the Huaibei Section of Sixu Expressway is from 1 November 2024 to 23 December 2042.

1.2 Fuzhou Expressway

Fuzhou Expressway starts from Liuxiaoji, Lixin County, Bozhou City, and ends at Fengjing Town, Huoqiu County, Lu'an City, with chargeable mileage of 83.57 kilometres. There are two-way four lanes with a design speed of 120 km/h, and the total investment is RMB3.484 billion. The toll period is from 27 December 2009 to 26 December 2039.

Fuzhou Expressway passes through Lixin County in Bozhou City, Yingquan District, Yingdong District and Yingshang County in Fuyang City, and Huoqiu County in Lu'an City, intersecting with Ningluo Expressway, Chuxin Expressway, and Hezhou Expressway. By connecting multiple expressways horizontally and vertically, Fuzhou Expressway forms a major regional route linking Shandong, Henan, Anhui and Jiangxi in the north-south direction, and provides a fast travel route between the western region of Anhui and Anhui's provincial capital Hefei and the Nanjing Metropolitan Area in the east-west direction, strengthening the connection between the north of Anhui Province and the Huaihai Economic Zone, as well as the Wuhan Metropolitan Area, and playing a significant role in promoting regional economic development.

1.3 Huaibei Section of Sixu Expressway

The Huaibei Section of Sixu Expressway starts from Suzhou Hub, and ends at Tiefo Town, Huaibei City, with chargeable mileage of 52.2 kilometres. There are two-way four lanes with a design speed of 120 km/h, and the total investment is RMB2.055 billion. The toll period is from 24 December 2012 to 23 December 2042.

The Huaibei Section of Sixu Expressway serves as an integral part of the “five vertical and ten horizontal” expressway network in Anhui Province, and a key inter-provincial route connecting the provinces of Jiangsu, Anhui and Henan. It radiates across the entire Huaihai Economic Zone, playing a vital role in strengthening the connections between various cities in northern Anhui and promoting economic and social development of the Project area.

1.4 Project Location

The location of Fuzhou Expressway and Huaibei Section of Sixu Expressway is shown in Figure 1.



Figure 1 Location of Fuzhou Expressway and Huaibei Section of Sixu Expressway

1.5 Research Background

In order to carry out the acquisition of Fuzhou Expressway and Huaibei Section of Sixu Expressway, and to evaluate the market value of the Project based on the future traffic flow growth trend and toll income of the Project, Anhui Transportation Holding Group Company Limited and Anhui Expressway Company Limited jointly commissioned CHELBI Engineering Consultants, Inc. to conduct a traffic flow evaluation research and revenue calculation.

2 RESEARCH CONTENTS AND THOUGHT PROCESS

According to the historical traffic flow data and other relevant information of the Project, this report assesses the traffic flow of the Project and estimates the vehicle toll income of the Project, providing a basis for decision-making by Anhui Transportation Holding Group and Anhui Expressway.

The research of this report mainly includes the following two aspects:

- (1) Forecasts and analysis of traffic volume for Fuzhou Expressway and Huaibei Section of Sixu Expressway during the toll concession period;
- (2) Estimation of vehicle toll revenue for Fuzhou Expressway and Huaibei Section of Sixu Expressway.

Specific work scope covers:

- ① Analysis of regional economic development;
- ② Analysis of historical traffic flow data;
- ③ Analysis of traffic forecast model;
- ④ Analysis of traffic flow and toll income forecast.

3 FORECAST PERIOD

Based on the toll period of the Project, and considering the traffic flow impact on the Project after the completion of the planned expressways and railways or expressways and railways under construction in the impacted area, the forecast and evaluation years for Fuzhou Expressway are included for the period from 2024 to 2039, and the years 2024, 2025, 2026, 2030, 2035 and 2039 are selected as the feature years of the forecast for traffic flow forecasts. The forecast benchmark year is 2023.

The forecast and evaluation years for Huaibei Section of Sixu Expressway are included for the period from 2024 to 2042, and the years 2024, 2025, 2026, 2030, 2035, 2040 and 2042 are selected as the feature years of the forecast for traffic flow forecasts. The forecast benchmark year is 2023.

4 BASIS OF PREPARATION

- (1) The Highway Law of the People's Republic of China;
- (2) Regulations for the Administration of Toll Highways (Decree No. 417 of the State Council of the People's Republic of China, 2004);

- (3) Notice of the National Development and Reform Commission on Issuing the Outline and Instructions for the Preparation of Feasibility Study Reports for Investment Projects (Fa Gai Tou Zi Gui [2023] No. 304) (《國家發展改革委關於印發投資項目可行性研究報告編寫大綱及說明的通知》(發改投資規[2023]304號));
- (4) Notice of the National Development and Reform Commission and the Ministry of Finance on Standardising the Implementation of the New Mechanism for Government and Social Capital Cooperation Forwarded by the General Office of the State Council (Guo Ban Han [2023] No. 115) (國務院辦公廳轉發國家發展改革委、財政部《關於規範實施政府和社會資本合作新機制的指導意見》的通知(國辦函[2023]115號));
- (5) Codes for Compilation of Feasibility Study Report on Highway Construction Projects (2010, Ministry of Transport);
- (6) Technical Standard for Highway Engineering (JTG B01-2014);
- (7) Economic Evaluation Methods and Parameters for Highway Construction Projects (《公路建設項目經濟評價方法與參數》);
- (8) Relevant regional planning and thematic studies;
- (9) Other laws, regulations and information.

5 CONCLUSIONS OF THE RESEARCH

5.1 The Forecast Approach of the Traffic Volume

A four-stage approach is adopted for the traffic volume forecast. In accordance with the economic and social, traffic and transport data, relevant road traffic volume and other information of the area where the Project is located and based on the analysis of the current economic and social, traffic and transport situation in the area, the economic and social development of the affected area of the Project is forecasted, so as to forecast the growth rate of traffic volume for the future road network as well as the corresponding production and attraction of traffic trips. The final results of the traffic volume forecast for the Project

is obtained through the analysis of traffic volume assignment and diversion impacts on the future road network, and considering the transfer impacts on the Project after the completion of the planned railway. The workflow of the traffic volume forecast is shown in Figure 2.

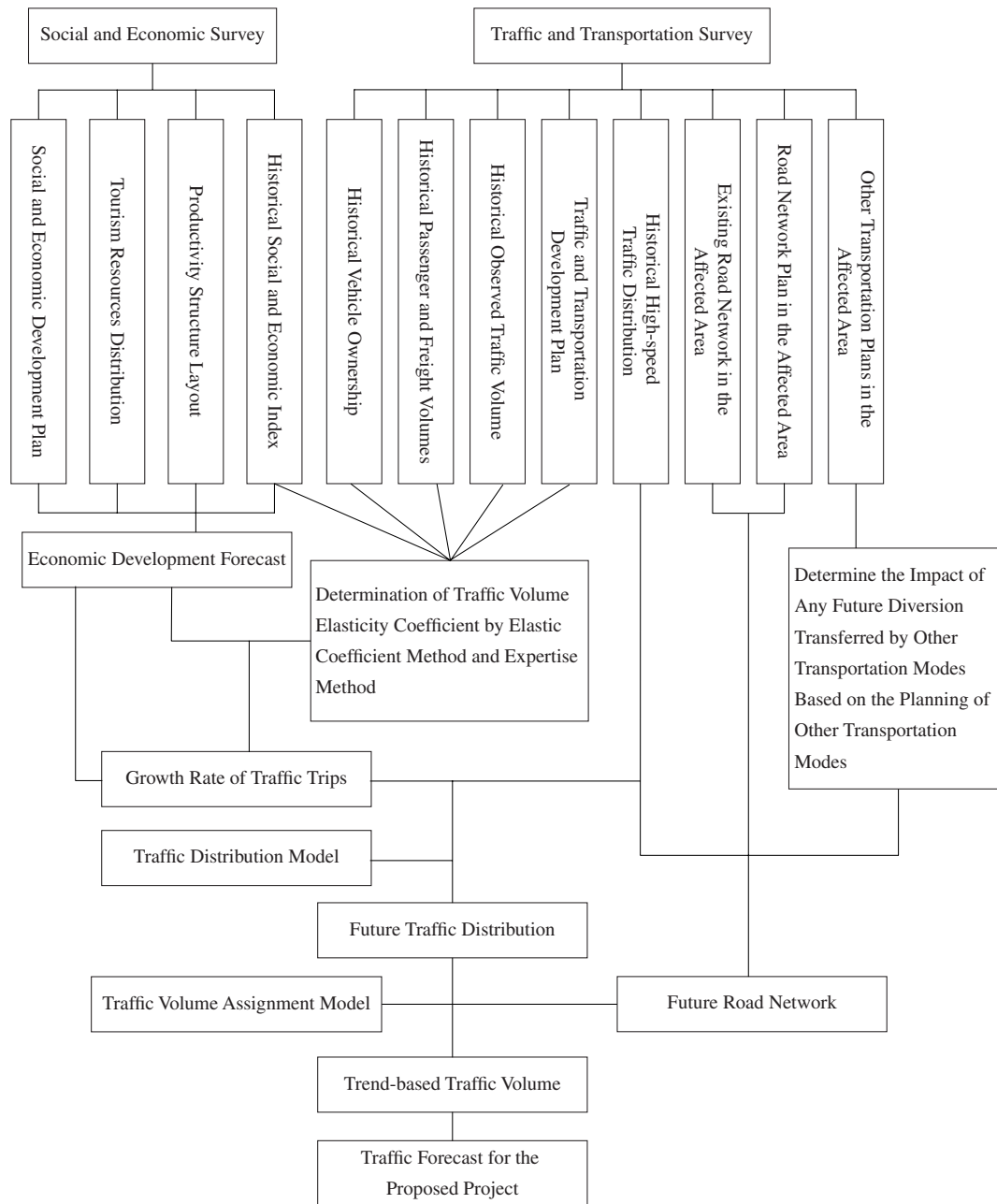


Figure 2 Workflow of the traffic volume forecast

5.2 The Forecast Results of the Traffic Volume and Revenue

(1) Forecast Results of the Traffic Volume of Fuzhou Expressway

Table 1 Forecast Results of the Traffic Volume of Fuzhou Expressway

Year	Absolute Traffic Volume (Vehicles/Day)	Increase over the Previous Year
November to December 2024	16,072	—
2024	17,451	-3.8%
2025	18,485	5.9%
2026	19,269	4.2%
2027	20,022	3.9%
2028	20,756	3.7%
2029	21,528	3.7%
2030	22,623	5.1%
2031	23,639	4.5%
2032	24,531	3.8%
2033	25,355	3.4%
2034	26,182	3.3%
2035	27,010	3.2%
2036	27,855	3.1%
2037	28,690	3.0%
2038	29,510	2.9%
2039	30,315	2.7%

Notes: ① Hezhou Expressway is expected to open in early 2025, which forms another regional route from the northwest of Anhui Province to Hefei along with Fuzhou Expressway, and will attract some traffic volumes from Chuxin Expressway to Fuzhou Expressway;

② The Fuyang Section of Xuzhou-Huaipei-Fuyang Expressway is expected to open by the end of 2025, which will divert some traffic volumes from Fuzhou Expressway;

③ Huaibei-Suzhou-Fuyang Intercity Railway is expected to open by the end of 2025, which will divert some passenger traffic volumes from Fuzhou Expressway;

- ④ The planned Subofu Expressway (Suqian-Suzhou Expressway and Mengcheng-Fuyang Expressway) is expected to open by the end of 2029, which forms another regional route in the direction of Wuhan to Suqian along with Fuzhou Expressway, and will attract some traffic volumes from Shanghai-Chengdu and Shanghai-Shaanxi Routes to Fuzhou Expressway;
- ⑤ The diversion impacts on Fuzhou Expressway upon completion of the relevant highways under construction/planned highways are considered on the basis of a duration of three years;
- ⑥ The forecast has excluded free vehicle impacts during the data analysis and forecasting process.

(2) *Forecast Results of Toll Revenue of Fuzhou Expressway*

Table 2 Forecast Results of Toll Revenue of Fuzhou Expressway (including tax)

Year	Revenue (RMB0'000)	Increase over the Previous Year
November to December 2024	6,442	—
2024	39,293	-10.8%
2025	40,803	3.8%
2026	42,488	4.1%
2027	44,101	3.8%
2028	45,671	3.6%
2029	47,319	3.6%
2030	49,673	5.0%
2031	51,850	4.4%
2032	53,755	3.7%
2033	55,516	3.3%
2034	57,280	3.2%
2035	59,042	3.1%
2036	60,839	3.0%
2037	62,612	2.9%
2038	64,349	2.8%
2039	65,125	1.2%
Total	806,865	—

(3) *Forecast Results of the Traffic Volume of Huaibei Section of Sixu Expressway***Table 3 Forecast Results of the Traffic Volume of Huaibei Section of Sixu Expressway**

Year	Absolute Traffic Volume (Vehicles/Day)	Increase over the Previous Year
November to December 2024	15,380	—
2024	18,683	-7.3%
2025	19,883	6.4%
2026	20,709	4.2%
2027	21,571	4.2%
2028	22,391	3.8%
2029	23,244	3.8%
2030	23,951	3.0%
2031	24,677	3.0%
2032	25,451	3.1%
2033	26,297	3.3%
2034	27,144	3.2%
2035	27,992	3.1%
2036	28,821	3.0%
2037	29,646	2.9%
2038	30,465	2.8%
2039	31,275	2.7%
2040	32,074	2.6%
2041	32,858	2.4%
2042	33,628	2.3%

Notes: ① The Sucheng to Sihong Section of Yanluo Expressway opened in September 2024, which forms another regional route from Henan to Jiangsu along with Suzhou Section of Sixu Expressway and Huaibei Section of Sixu Expressway, and will attract some traffic volumes from Lianhuo Expressway to Huaibei Section of Sixu Expressway;

② Bomeng Expressway and Wumeng Expressway are expected to open by the end of 2025, which will divert some traffic volumes from Huaibei Section of Sixu Expressway;

- ③ Xuzhou-HuaiBei-Fuyang Expressway is expected to open by the end of 2025, which will attract some traffic volumes from Deshang Expressway to Suixi-Yueji Section in the Huaibe Section of Sixu Expressway;
- ④ Huaibe-Suzhou-Fuyang Intercity Railway is expected to open by the end of 2025, which will divert some passenger traffic volumes from Huaibe Section of Sixu Expressway;
- ⑤ The planned Subofu Expressway (Suqian-Suzhou Expressway and Mengcheng-Fuyang Expressway) is expected to open by the end of 2029, which forms another regional route in the direction of Xuzhou to Fuyang along with Huaibe Section of Sixu Expressway, and will divert some traffic volumes from Huaibe Section of Sixu Expressway;
- ⑥ The diversion impacts on Huaibe Section of Sixu Expressway upon completion of the relevant highways under construction/planned highways are considered on the basis of a duration of three years;
- ⑦ The forecast has excluded free vehicle impacts during the data analysis and forecasting process.

(4) Forecast Results of Toll Revenue of Huaibe Section of Sixu Expressway

Table 4 Forecast Results of Toll Revenue of Huaibe Section of Sixu Expressway (including tax)

Year	Revenue (RMB0'000)	Increase over the Previous Year
November to December 2024	3,230	–
2024	22,117	-11.5%
2025	23,590	6.7%
2026	24,551	4.1%
2027	25,555	4.1%
2028	26,506	3.7%
2029	27,494	3.7%
2030	28,308	3.0%
2031	29,144	3.0%
2032	30,040	3.1%
2033	31,023	3.3%
2034	32,007	3.2%
2035	32,990	3.1%

Year	Revenue (RMB0'000)	Increase over the Previous Year
2036	33,950	2.9%
2037	34,904	2.8%
2038	35,849	2.7%
2039	36,784	2.6%
2040	37,706	2.5%
2041	38,607	2.4%
2042	38,599	0.0%
Total	<u>570,835</u>	<u>—</u>

The traffic volume of the Project Expressways will be continuously influenced by the opening of planned expressways or expressways under construction, but such impact will gradually stabilize as the road network structure becomes more established and road users become increasingly familiar with the network. In the long term, when the road network no longer undergoes significant changes, the traffic growth on the Project Expressways will primarily be driven by the trends associated with economic and industrial development.

1. RESPONSIBILITY STATEMENT

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

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

As at the Latest Practicable Date, none of the Directors, supervisors, chief executives of the Company had or was deemed to have any interests or short positions in any Shares, or underlying Shares or debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which he has or is deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange and be disclosed herein pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS DISCLOSABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at the Latest Practicable Date, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the persons (except directors, supervisors and chief executives of the Company) who, directly or indirectly, were interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of section 336 of Part XV of the SFO are as follows:

Name of Shareholder	Capacity	Number of Shares	Type of shares	% of H Shares
China Merchants Highway Network Technology Holdings Co., Ltd	Interests in controlled corporation	92,396,000 (Long position)	H shares	18.74%
HSBC Holdings plc	Interests in controlled corporation	98,525,221 (Long position)	H shares	19.98%
		99,825,933 (Short position)		20.25%
China Post Life Insurance Co., Ltd.	Beneficial owner	24,828,000 (Long position)	H shares	5.04%

Name of Shareholder	Capacity	Number of Shares	Type of shares	% of A Shares
Anhui Transportation Holding Group	Beneficial owner	524,644,220	A shares	45.01%
China Merchants Highway Network Technology Holdings Co., Ltd	Beneficial owner	404,191,501	A shares	34.68%

Save as disclosed above, as at the Latest Practicable Date, according to the register required to be stored under the provisions of section 336 of Part XV of the SFO, the Company has not received any notice that the persons were interested or had short position in the shares or underlying shares of the Company on the Latest Practicable Date.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors of the Company and their respective close associates as defined under the Listing Rules had any interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group nor any conflicts of interest which has or may have with the Group.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the date of this circular, none of the Directors has any direct or indirect interest in any asset which has been acquired or disposed of by, or leased to, or which is proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2023, the date to which the latest published audited consolidated financial statements of the Group were made up.

There was no contract or arrangement in which a Director is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

7. SERVICE CONTRACTS

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

8. EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Guoyuan Capital (Hong Kong) Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Anhui Zhonglian Guoxin Assets Valuation Company Limited* (安徽中聯國信資產評估有限責任公司)	PRC qualified domestic valuer
CHELBI Engineering Consultants, Inc* (華傑工程諮詢有限公司)	PRC qualified traffic consultant
Shenwan Hongyuan Capital (H.K.) Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above experts:

- a) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- b) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which it appears.

9. GENERAL

This circular has been prepared in both English and Chinese. In the event of inconsistency, the English text of this circular shall prevail over their respective Chinese texts for the purpose of interpretation.

10. DOCUMENTS ON DISPLAY

The following documents will be published on the website of the Stock Exchange and of the Company, for a period of 14 days from the date of this circular:

- (a) the Acquisition Agreement;
- (b) the letter from Independent Financial Adviser, the text of which is set out on pages 30 to 52 of this circular;
- (c) the PRC Valuation Reports, the text of which is set out in Appendix I to this circular;
- (d) the Traffic Study Reports in relation to the Target Expressways prepared by CHELBI Engineering Consultants, Inc* (華傑工程諮詢有限公司), the text of a summary of which is set out in Appendix II to this circular; and
- (e) the written consents from the experts referred to in the section headed “8. EXPERTS AND CONSENTS” of this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



安徽皖通高速公路股份有限公司

ANHUI EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 995)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting (the “EGM”) of Anhui Expressway Company Limited (the “Company”) will be held at 2:30 p.m. on 27 February 2025 (Thursday) at the conference room of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC. Unless otherwise indicated, capitalized terms used herein shall have the same meaning as those defined in the circular of the Company dated 10 February 2025.

The following matters will be dealt with in the forthcoming EGM:

ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the Company’s acquisition of 100% equity interests in Target Companies held by Anhui Transportation Holding Group pursuant to the Acquisition Agreement dated 31 December 2024 and entered into with Anhui Transportation Holding Group by cash payment, and the authorisation to the Board, the chairman of the Board of the Company as delegated by the Board and the persons authorised by the chairman of the Board of the Company to deal with all matters relating to the Acquisition Agreement and all the transactions contemplated thereunder with full powers within the scope of the relevant laws and regulations.
2. To consider and approve the resolution in relation to the Reconstruction and Expansion Project of Gaojie Expressway.

By order of the Board
Anhui Expressway Company Limited
Lee Chung Shing
Company Secretary

Hefei, Anhui, the PRC
10 February 2025

As at the date of this notice, the Board comprises: Wang Xiaowen (Chairman), Yu Yong, Chen Jiping and Wu Changming, being the executive directors; Yang Xudong and Du Jian, being the non-executive directors; and Zhang Jianping, Lu Taiping and Zhao Jianli, being the independent non-executive directors.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

I. Meeting attendees

Any Shareholders who hold Shares in the Company and whose names appeared on the register of the Company at the close of trading on 24 February 2025 (Monday) are entitled to attend the EGM.

II. Proxy

1. Any Shareholder who is eligible to attend the EGM and to vote thereat shall have the right to appoint in writing one or more persons (who may or may not be a Shareholder(s)) as his proxy(ies) to attend and to vote at the EGM. After filling in the form of proxy and returning the same, the proxy(ies) may attend and vote at the EGM. In case of more than one proxy appointed by a Shareholder, such proxies may exercise their voting rights only when the relevant resolution is put to the vote on a poll.
2. The appointment of a proxy should be made through a written instrument signed by the Shareholder or by his/her/its agent as authorized in writing. In the event such instrument is signed by the authorized agent of the appointor, such authorization or other authority that authorizes such signatory shall be notarized. To be valid, such notarized authorization or other authorization together with the instrument shall be deposited, in the case of holders of A Shares, at the registered office of the Company at 520 Wangjiang West Road, Hefei, Anhui, the PRC or, in the case of holders of H Shares, at the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, 24 hours before the time for holding the EGM.

III. It is expected that the EGM will take half a day. The Shareholders or their proxies who attend the EGM should bear their own accommodation and traveling expenses

IV. The register of the holders of H Shares of the Company will be closed from 24 February 2025 (Monday) to 27 February 2025 (Thursday) (both days inclusive), during which period no transfer of H Shares of the Company will be registered. In order for the holders of H Shares to qualify for attending the EGM of the Company, all share certificates with completed transfer forms must be lodged with the Company's H Share registrar, i.e. Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on 21 February 2025 (Friday).

The address of the H Share registrar in Hong Kong:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

V. Office address of the Company: 520 Wangjiang West Road, Hefei, Anhui, the PRC

Tel: 86-551-65338697, 63738923, 63738922, 63738989
Fax: 86-551-65338696
Contact persons: Wu Changming, Ding Yu

NOTICE OF EXTRAORDINARY GENERAL MEETING

VI. Matters of concern for voting

1. For the purpose of the EGM, a vote may be cast by way of voting in the physical meeting (for holders of H Shares and holders of A Shares) or online voting (for holders of A Shares only). The system of online voting, the beginning day and the ending day, as well as the voting time, are as follows:

System for online voting: Shanghai Stock Exchange Online Voting System for Shareholders' General Meetings

The time at which the period for online voting begins and ends: from 27 February 2025 to 27 February 2025

The time for voting on the voting platform of the Shanghai Stock Exchange Online Voting System is the trading period, that is, 9:15–9:25, 9:30–11:30 and 13:00–15:00, of the day on which the EGM is convened. The time for voting on the Internet voting platform is 9:15–15:00 on the day on which the EGM is convened

2. Any vote in relation to accounts in respect of margin trading and securities lending, refinancing, buyback agreement business and investors of the Northbound Trading Link shall be cast in accordance with the provisions of the Rules of Implementation of the Shanghai Stock Exchange Limited for Online Voting in Shareholders' General Meetings of Listed Companies and other relevant regulations.
3. Any holder of A Shares of the Company who would like to cast his or her vote through the Shanghai Stock Exchange Online Voting System for Shareholders' General Meetings could either log in the voting platform of the exchange's system (through the terminus of any specified securities trading company) or the internet voting platform (URL: vote.sseinfo.com) to vote. Any investor who logs in the internet voting platform to vote for the first time is required to have his or her identity as a Shareholder verified. For details, please refer to the instructions for the internet voting platform on the website.
4. Any holder of A Shares of the Company under more than one Shareholder's account may vote using any of the said accounts through the Shanghai Stock Exchange Online Voting System for Shareholders' General Meetings. After voting, such a Shareholder is deemed to have cast his or her votes in the same way in respect of all the ordinary Shares of the same class held under his or her said accounts.
5. For holder of A Shares, if the same vote is cast more than once by way of voting in the physical meeting, via Shanghai Stock Exchange Online Voting System or otherwise, the vote first in time prevails.
6. For online voting, submission can only be made after the Shareholder has voted on all the resolution(s).

This notice was originally prepared in Chinese. In case of discrepancies between the Chinese and the English versions, the Chinese version shall prevail.

* For identification purpose only