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

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

(Stock Code: 00177)

**ANNOUNCEMENT ON RELATED/CONNECTED
TRANSACTION AND DISCLOSEABLE TRANSACTION
SUBSCRIPTION OF EQUITY INTEREST IN JIANGSU
COMMUNICATIONS HOLDING GROUP FINANCE CO., LTD.**

The board of directors (the “**Board**”) and all directors of the Company warrant that there are no false representations or misleading statements contained in, or material omissions from, this announcement, and jointly and severally accept responsibilities for the truthfulness, accuracy and completeness of its contents.

On 30 July 2019, the eleventh meeting of the ninth session of the Board was held, at which the capital contribution by the Company to Group Finance Company was considered and approved. On 30 July 2019, the Company, Communications Holding, Jinghu Expressway and Group Finance Company entered into the Capital Increase Agreement, pursuant to which the Company and Communications Holding agreed to make capital contributions to Group Finance Company in cash of RMB606.8 million and RMB303.4 million, respectively. The capital contribution will enable the Company to obtain 25% of the total share capital of Group Finance Company, as enlarged by the Capital Increase.

Pursuant to Rule 10.1.3 (2) of the Shanghai Listing Rules, the counterparties to the related transaction are related persons of the Company and thus the transaction constitutes a related transaction; and pursuant to Rule 10.2 of the Shanghai Listing Rules and the principle of aggregation of transactions conducted with the same related person within consecutive twelve months, the aggregated amount of the relevant transactions accounts for more than 5% of the audited absolute value of the net assets of the Company in the latest period, the transaction is subject to approval at general meeting of the Company and Communications Holding is required to abstain from voting thereon.

As Group Finance Company, Jinghu Expressway and the Company are controlled by Communications Holding, pursuant to Rule 14A.07 of the Hong Kong Listing Rules, Group Finance Company is a connected person of the Company and thus the capital contribution to Group Finance Company by the Company constitutes a connected transaction. Since the percentage ratio of total assets as calculated under Rule 14.07 of the Hong Kong Listing Rules is more than 5% but less than 25%, the transaction also constitutes a discloseable transaction. Accordingly, the abovementioned transaction is subject to announcement, circular and independent shareholders' approval requirements under the Hong Kong Listing Rules.

Warning:

As the Capital Increase is subject to fulfillment of the conditions precedent set out in the subsection headed (II) Conditions precedent to the Capital Increase Agreement and other material terms under IV. MAJOR TERMS OF THE CAPITAL INCREASE AGREEMENT, the Capital Increase may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

IMPORTANT NOTICE:

- 1. The pricing of the related/connected transaction is fair and reasonable. The related/connected transaction has no adverse impact on the Company, will not impair the interests of the Company or non-related/connected shareholders, in particular those of the minority shareholders, and is in the interests of the Company and its shareholders as a whole. And the risks associated with the related/connected transaction are small.**
- 2. There was no similar transaction between the Company and Communications Holding in the past twelve months.**
- 3. The Capital Increase of Group Finance Company is subject to approval by the Jiangsu Bureau of China Banking and Insurance Regulatory Commission.**

I. OVERVIEW OF THE RELATED/CONNECTED TRANSACTION

The subject of the related/connected transaction is that Jiangsu Expressway Company Limited (the “**Company**”) and Jiangsu Communications Holding Company Limited (“**Communications Holding**”), the controlling shareholder of the Company agreed to make capital contributions to Jiangsu Communications Holding Group Finance Co., Ltd. (“**Group Finance Company**”) in cash of RMB606.8 million and RMB303.4 million, respectively (the “**Capital Increase**”). The capital contribution will enable the Company to obtain 25% of the total share capital of Group Finance Company, as enlarged by the Capital Increase. Jiangsu Jinghu Expressway Company Limited (“**Jinghu Expressway**”, a subsidiary of Communications Holding), an existing shareholder of Group Finance Company, will not participate in the Capital Increase. On 30 July 2019, the eleventh meeting of the ninth session of the Board was held, at which the abovementioned transaction was considered and approved.

Pursuant to Rule 10.1.3 (2) of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the “**Shanghai Listing Rules**”), the counterparties to the related transaction are related persons of the Company and thus the transaction constitutes a related transaction; and pursuant to Rule 10.2 of the Shanghai Listing Rules and the principle of aggregation of transactions conducted with the same related person within consecutive twelve months, the aggregated amount of the relevant transactions accounts for more than 5% of the audited absolute value of the net assets of the Company in the latest period, the transaction is subject to approval at general meeting of the Company and Communications Holding is required to abstain from voting thereon.

The related transaction does not constitute a material asset restructuring under the Measures for Administration of Material Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》).

As Group Finance Company, Jinghu Expressway and the Company are controlled by Communications Holding, pursuant to Rule 14A.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), Group Finance Company is a connected person of the Company and thus the capital contribution to Group Finance Company by the Company constitutes a connected transaction. Since the percentage ratio of total assets as calculated under Rule 14.07 of the Hong Kong Listing Rules is more than 5% but less than 25%, the transaction also constitutes a discloseable transaction. Accordingly, the abovementioned transaction is subject to announcement, circular and independent shareholders’ approval requirements under the Hong Kong Listing Rules.

The Independent Board Committee comprising Messrs. Zhang Zhuting, Chen Liang, Lin Hui, Zhou Shudong and Liu Xiaoxing has been formed to advise the independent shareholders on the Capital Increase Agreement dated 30 July 2019 entered into among the Company, Communications Holding, Jinghu Expressway and Group Finance Company in relation to the capital contributions to Group Finance Company (the “**Capital Increase Agreement**”) and the transaction contemplated thereunder. An independent financial adviser has been appointed by the Company to advise the Independent Board Committee and the independent shareholders in respect of the Capital Increase Agreement and the transaction contemplated thereunder.

An extraordinary general meeting will be convened to seek for independent shareholders’ approval of the Capital Increase Agreement and the transaction contemplated thereunder. A circular setting out details of the Capital Increase Agreement together with, amongst others, the letter of advice from the independent financial advisor to the Independent Board Committee and the independent shareholders, the recommendation from the Independent Board Committee to the independent shareholders, the asset valuation report on Group Finance Company by D&P China (HK) Limited (“**D&P**”) and the notice of the 2019 first extraordinary general meeting of the Company will be despatched on 9 August 2019 to H Shareholders as required under the Hong Kong Listing Rules. The circular will be uploaded onto the websites of the Company, the Hong Kong Stock Exchange and the Shanghai Stock Exchange on the same date.

As the Capital Increase is subject to fulfillment of the conditions precedent set out in the subsection headed (II) Conditions precedent to the Capital Increase Agreement and other material terms under IV. MAJOR TERMS OF THE CAPITAL INCREASE AGREEMENT, the Capital Increase may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

II. INFORMATION ON RELATED/CONNECTED PERSONS

(I) Information on the relationships with the related/connected persons

The Company and Group Finance Company are subsidiaries controlled by Communications Holding and thus are related legal persons under Rule 10.1.3 (2) of the Shanghai Listing Rules.

As Communications Holding, Group Finance Company and Jinghu Expressway are connected persons of the Company, the capital contribution to Group Finance Company by the Company constitutes a connected transaction under Rule 14A.07 of the Hong Kong Listing Rules.

(II) Basic information on the related/connected persons

1. Basic information on the related/connected persons

Communications Holding

Registered office:	No. 291 Zhongshan East Road, Nanjing
Business nature:	Limited liability company (wholly state-owned)
Legal representative:	Cai Renjie
Registered capital:	RMB16,800,000,000
Principal business:	Operation and management of state-owned assets within the scope of authorization of the provincial government; investment, construction, operation and management of transport infrastructure, transportation and other related sectors; toll expressways operation; industry investment and domestic trading. (Projects subject to approval as required by laws shall only be conducted after approval by the competent authority)
Total assets at the end of the latest accounting period(2018):	RMB454,026,662,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)
Net assets at the end of the latest accounting period (2018):	RMB185,500,697,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)
Revenue from principal operations for the latest accounting period (2018):	RMB47,017,415,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)
Net profit for the latest accounting period(2018):	RMB12,006,819,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)

The Company

Registered office:	No. 6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Business nature:	Joint-stock limited company
Legal representative:	Gu Dejun
Registered capital:	RMB5,037,747,000
Principal business:	Construction, management, maintenance and toll collection of toll roads and expressways in Jiangsu Province
Total assets at the end of the latest accounting period (2018):	RMB48,162,729,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)
Net assets at the end of the latest accounting period (2018):	RMB29,353,857,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)
Revenue from principal operations for the latest accounting period (2018):	RMB9,969,011,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)
Net profit for the latest accounting period (2018):	RMB4,475,711,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)

Jinghu Expressway

Registered office:	Room 2901, No. 128 Shanxi Road, Nanjing
Business nature:	Limited liability company
Legal representative:	Huang Ming
Registered capital:	RMB3,614,975,000
Principal business:	Expressways construction, management, maintenance and collection of tolls from vehicles under relevant regulations; warehousing, sales of general merchandise and stationery, high-grade highway management, technical consulting, design, production and publication of print advertising and road signs, light boxes, outdoor advertising, housing and site leasing, passenger service, ordinary freight, online sales of goods, tourism information, logistics information, and traffic information consulting. The following operations are only for branches: retail of pre-packaged food, cigarettes, cosmetics, hygiene products, health food, primary agricultural products, cultural and sporting goods, electronic products, clothing, handicrafts, electrical appliances, retail of refined oil, catering services, retail of books and audio-visual products, car repair, accommodation, and bathing. (Projects subject to approval as required by laws shall only be conducted after approval by the competent authority)
Total assets as at the end of the latest accounting period (2018):	RMB15,603,600,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)

Net assets as at the end of the latest accounting period (2018):	RMB9,826,831,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)
Revenue from principal operations for the latest accounting period (2018):	RMB3,371,839,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)
Net profit for the latest accounting period (2018):	RMB1,178,225,000 (in accordance with the Accounting Standards for Business Enterprises of the PRC)

2. *Business developments of the related/connected persons during last three years*

Communications Holding: It was established by the Party Committee of Jiangsu Province and the government of Jiangsu Province in 2000 to serve as a provincial investment and financing platform for key transportation infrastructure construction projects. It plays three major roles: (i) serving as the main channel for investment and financing of transportation infrastructure projects in the province, responsible for investment and financing of key transportation infrastructure construction such as expressways, railways, ports and airports in the province; (ii) in charge of the operation and management of expressways and cross-river bridges in the province; and (iii) in charge of the operation and management of relevant competitive enterprises' assets and market. Over the years, it has gradually formed a "one body and two wings" business development strategic framework, with investment and financing of integrated transportation business as the core body and finance and "transportation PLUS" as the two wings. Currently, it has 35 subordinate enterprises and institutions, including 17 enterprises engaged in road and bridge operations, 15 enterprises engaged in non road-and-bridge business and three public institutions, with a total of approximately 30,000 employees. It is the controlling shareholder of two listed companies, namely Jiangsu Expressway Company Limited (600377.SH ; 0177.HK) and Jiangsu Financial Leasing Co., Ltd. (600901.SH). As at the end of 2018, its total assets and net assets amounted to RMB454 billion and RMB185.5 billion, respectively. For the year of 2018, it recorded revenue of RMB47 billion and total profit of RMB12 billion. Overall, it enjoys sound development momentum.

Jinghu Expressway: Jiangsu Jinghu Expressway Company Limited is a large state-owned enterprise approved by the Jiangsu Provincial Government and controlled by Communications Holding. The total length of the expressways that it owns and operates is about 406 kilometers, among which, the 261.5-km-long Xinyi-Huai'an section of the Beijing-Shanghai Expressway opened to traffic in December 2000; the 35-km-long northwest ring of Yangzhou section of the Yangzhou-Liyang Expressway opened to traffic in October 2004; the 34-km-long Suzhou-Yangzhou section of the Beijing-Shanghai Expressway opened to traffic in December 2017; the 75-km-long Jiangdu-Liuhe Expressway opened to traffic in December 2012. Located in the Yangtze River Delta area, Beijing-Shanghai Expressway is the hub and artery of the expressway network in the Yangtze River Delta area and an important part of national expressway network. Backed by strong regional economy, the section has maintained a high traffic flow. As a result, the toll revenue has remained stable and recorded profits for three consecutive years, demonstrating strong profitability. The net cash flows generated from operating activities of the Company for the past three years recorded net inflow, which shows that it has strong cash flows. In another word, Jinghu Expressway's operation remains stable and it has sufficient operating cash flows.

Group Finance Company: As a non-bank financial institution established with the approval of China Banking and Insurance Regulatory Commission ("CBIRC"), it is qualified to provide various financial services to group members and meets all the indicators required under the Measures for the Administration of Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》) issued by CBIRC during the last three years, and thus maintained a satisfactory operating results and strong corporate strength. For details about Group Finance Company, please refer to the following section headed "Basic Information on the Subject of the Related/ Connected Transaction".

3. Communications Holding is the controlling shareholder of the Company and holds 54.44% equity interest in the Company. The outstanding balance of the borrowing due from Jiangsu Guangjing Xicheng Expressway Company Limited, a subsidiary of the Company, to Communications Holding is RMB1.3 billion.

III. BASIC INFORMATION ON THE SUBJECT OF THE RELATED/ CONNECTED TRANSACTION

(I) Subject of the transaction

1. Type of the transaction: Joint investment with related persons

2. Basic information on Group Finance Company

Registered office: 29-31/F, Tower 2, No. 242 Lushan Road, Jianye District, Nanjing

Corporate form: Limited liability company

Legal representative: Cheng Fengyan

Registered capital: RMB1,000,000,000

Principal business: provision of financial and financing consultancy and credit verification and relevant consultancy and agency businesses to the group members; assisting the group members to receive and pay the amounts from transactions; handling the entrusted loans between or among the group members; acceptance and discount of negotiable instruments for the group members; handling settlement by transfer of accounts between the group members and design of settlement and clearance plans; taking deposit from the group members; granting loans and financial lease to the group members; interbank lending; handling entrusted investments between the group members, underwriting the corporate group members; investment in securities (excluding investment in secondary stock market); equity investments in financial institutions. (Projects subject to approval as required by laws shall only be conducted after approval by the competent authority)

Total assets at the end of the latest accounting period (2018):	RMB13,324,778,410 (in accordance with the Accounting Standards for Business Enterprises of the PRC)
Net assets at the end of the latest accounting period (2018):	RMB1,462,735,090 (in accordance with the Accounting Standards for Business Enterprises of the PRC)
Revenue from principal operations for the latest accounting period (2018):	RMB380,391,290 (in accordance with the Accounting Standards for Business Enterprises of the PRC)
Net profit for the latest accounting period (2018):	RMB155,670,620 (in accordance with the Accounting Standards for Business Enterprises of the PRC)

3. Ownership of the subject of the transaction

The equity interest of Group Finance Company is clear and free from any mortgages, pledges or any other selling restrictions. It is neither subject to litigations, arbitrations or judicial measures such as seizure or freezing of assets, nor subject to any other circumstances that may affect the transfer of ownership.

4. Major financial indicators

Major audited financial indicators of Group Finance Company over the past two years are as follows:

Unit: RMB'0,000

Items	31 December 2018	31 December 2017
Total assets	1,332,477.84	1,042,957.85
Net assets	146,273.51	135,706.45
	2018	2017
Profit before tax	20,560.18	14,571.13
Net profit after tax	15,567.06	11,061.88

5. *The transaction will not result in any change in the scope of the consolidated financial statements of the Company*

The Company's capital contribution to Group Finance Company will not result in changes in the scope of the consolidated financial statements of the Company. As the Company will finance the capital contribution to Group Finance Company with its own funds, the investment will not have any impact on the Company's balance sheet. In addition, the Company has not provided any guarantee to Group Finance Company, nor engaged Group Finance Company for wealth management.

6. *The existing business of the Company and Group Finance Company*

The Company entered into the Financial Services Agreement with Group Finance Company with a term of three years commencing from 1 April 2019. Pursuant to the agreement, the maximum daily deposit balance (including interest accrued thereon) of the Company and its subsidiaries (collectively, the "**Group**") in Group Finance Company shall not exceed RMB500 million; and the Company will strictly limit the maximum daily deposit balance such that it would not represent 5% or more of the total asset, audited revenue, and market capitalisation calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, whichever is the lowest. Group Finance Company undertakes that the deposit interest rates shall not be lower than the interest rate offered to the Group by any joint-stock or large state-owned commercial banks in China or lower than the average interest rate applicable to the deposits of the same kinds and for the same period made by any third party with Group Finance Company, meanwhile, the Group Finance Company grants a comprehensive revolving credit in the amount of at least RMB2 billion to the Group, and undertakes that the loan interest rate offered to the Group would not be higher than the benchmark interest rate of loan for the same period set by the People's Bank of China and the rate offered to the Group by any joint-stock or large state-owned commercial banks in China. The Group is not required to provide any security or guarantee.

7. *Special audit and asset valuation*

According to provisions on the valuation and administration of state-owned property rights, Group Finance Company engaged Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) to carry out special financial audit; and engaged Shanghai Lixin Appraisal Co., Ltd. to conduct asset valuation, with relevant submission made to relevant authorities for approval or filings.

According to the Valuation Report of Jiangsu Communications Holding Group Finance Co., Ltd. (Xin Zi Ping Bao Zi (2019) No. 80021) dated 22 July 2019, the valuation was performed on the net assets of Group Finance Company, with 31 March 2019 as the valuation date, and the valuation result under the market approach was selected as the conclusion. Pursuant to the valuation, the appraised net assets value of Group Finance Company is RMB1,517 million, which is RMB66.77 million higher than the book value of RMB1,450.23 million as set out in the Audit Report of Jiangsu Communications Holding Group Finance Co., Ltd., with a valuation surplus of 4.60%.

Based on the current registered capital of Group Finance Company of RMB1,000 million, the corresponding appraised value of RMB1 of registered capital is RMB1.517, the proposed price for subscription for RMB1 additional registered capital is RMB1.517, subject to the filing with the State-owned assets administration authority.

According to D&P, an independent overseas valuer engaged by the Company, the preliminary valuation of shareholders' equity of Group Finance Company on the above-mentioned valuation date is RMB1,538 million. The asset appraisal result used as the basis for determining the price of the subscription represents a slight discount to the valuation assessed by D&P. The appraised value arrived at by the PRC valuer is adopted as the pricing basis of the Capital Increase. The parties shall subscribe for the additional registered capital in a lump sum in cash in Renminbi.

IV. MAJOR TERMS OF THE CAPITAL CONTRIBUTION AGREEMENT

(I) Date:

30 July 2019

(II) Parties:

- (i) Group Finance Company;
- (ii) the Company;
- (iii) Communications Holding; and
- (iv) Jinghu Expressway

(III) The Capital Increase Proposal

Group Finance Company intends to increase its registered capital by RMB600 million, and the Company and Communications Holding propose to subscribe for RMB400 million and RMB200 million of the additional registered capital by making cash contribution of RMB606.8 million and RMB303.4 million, respectively. Upon completion of the Capital Increase, the registered capital of Group Finance Company will be increased to RMB1,600 million, comprising RMB1,100 million from Communications Holding, representing 68.75% equity interest in Group Finance Company, RMB400 million from the Company representing 25% equity interest in Group Finance Company, and RMB100 million from Jinghu Expressway, representing 6.25% equity interest in Group Finance Company.

According to this proposal, of the capital contribution to be made by the Company, RMB400 million will be credited into the registered capital of Group Finance Company, and the remaining RMB206.8 million will be credited into the capital reserve of Group Finance Company.

The registered capitals of Group Finance Company before and after the Capital Increase are set out below:

No.	Shareholders	Before the Capital Increase		Capital Increase		After the Capital Increase	
		Registered capital (RMB'0,000)	Shareholding percentage (%)	Capital subscribed (RMB'0,000)	Cash contribution (RMB'0,000)	Registered capital (RMB'0,000)	Shareholding percentage (%)
1	Communications Holding	90,000	90.00	20,000	30,340	110,000	68.75
2	The Company	-	-	40,000	60,680	40,000	25.00
3	Jinghu Expressway	10,000	10.00	-	-	10,000	6.25
	Total	<u>100,000</u>	<u>100.00</u>	<u>60,000</u>	<u>91,020</u>	<u>160,000</u>	<u>100.00</u>

(IV) Conditions precedent to the Capital Increase Agreement and other material terms

As the capital contribution to be made by the Company to Group Finance Group constitutes a related/connected transaction under relevant listing rules, thus the capital contribution is subject to approval of shareholders at general meeting of the Company. Furthermore, the Company's participation in the Capital Increase of Group Finance Group is subject to the approval of the Board and shareholders' general meeting of the Company, the board of directors of Communications Holding, and the board of directors and shareholders' general meeting of Group Finance Company. On 30 July 2019, the Company entered into the conditional Capital Increase Agreement with Communications Holding, Group Finance Company and Jinghu Expressway, the principal terms of which are as follows :

1. The price of subscription for the additional registered capital of Group Finance Group will be paid in cash, which has been determined according to the value of shareholders' equity of Group Finance Group as appraised by a PRC valuer as at 31 March 2019. Based on the appraised net asset value per share of RMB1.517, the price of subscription for the additional registered capital is calculated by multiplying 151.7%. Thus, the Company shall pay RMB606.8 million in cash to subscribe for RMB400 million registered capital of Group Finance Group, and Communications Holding shall pay RMB303.4 million in cash to subscribe for RMB200 million registered capital of Group Finance Group.

2. The Capital Increase is subject to satisfaction of the following conditions precedent:
 - (1) Group Finance Company having provided to the Company the resolution approving the Capital Increase passed at its shareholders' general meeting, and the statements made by the shareholders of Group Finance Company to waive their preemptive rights in whole and/or in part;
 - (2) The Company having provided to Group Finance Company the resolution approving the Capital Increase passed at its shareholders' general meeting;
 - (3) Group Finance Company having made in writing to the Company a full, true and complete disclosure regarding its assets, liabilities, equity, external guarantees and all information related to the Capital Increase;
 - (4) As of the completion date, Group Finance Company having not experienced any significant adverse changes in its business operations, financial position or assets; Group Finance Company, operating as a going concern, having maintained its existence in good standing without any illegal act or non-compliance; Group Finance Company having not disposed of, or created security interests, on any of its major assets, nor has it incurred or assumed any significant debts, other than those conducted in the ordinary course of business;
 - (5) As of the completion date, there having been no pending or threatened actions or proceedings by any government department or judicial authority to impose restrictions on or prohibit the completion of any transaction contemplated under the Capital Increase Agreement or any transactions incidental thereto;
 - (6) Group Finance Company, the Company and Communications Holdings having fulfilled their respective obligations to obtain approvals and/or complete filing procedures in respect of the Capital Increase;
 - (7) The proposal for the Capital Increase having been approved by the Jiangsu Bureau of China Banking and Insurance Regulatory Commission, with a copy filed with to China Banking and Insurance Regulatory Commission;

- (8) The shareholders' general meeting of the Company having approved and agreed to the Capital Increase Agreement and the execution of all other transaction documents and transactions under the Capital Increase Agreement, including but not limited to all relevant regulatory approvals from competent authorities;
- (9) The Capital Increase being in compliance with the requirements of the PRC laws;
- (10) The Capital Increase Agreement having been signed and sealed by the legal or authorized representatives of the parties thereto; and
- (11) As of the completion date, neither Communications Holding nor Jinghu Expressway having transferred, in whole or in part, their equity interest in Group Finance Company to any third party other than shareholders of Group Finance Company, or creating security interests or any other encumbrance on such equity interest.

The conditions precedent (3), (4) and (11) above can be waived by the Company in writing.

- 3. The Company shall, within 15 working days after all conditions precedent are fulfilled, remit the consideration payable in one lump sum to the designated account of Group Finance Company for capital verification.
- 4. The Company may nominate one person as a director of Group Finance Company. Prior to the Capital Increase, Communications Holding may nominate two persons as directors of Group Finance Company (one of whom acts as the chairman of the board), and Jinghu Expressway may nominate one person as a director of Group Finance Company. The employees of Group Finance Company have the right to nominate a director.

V. REASONS AND BENEFITS OF THE RELATED/CONNECTED TRANSACTION AND ITS EFFECTS ON THE COMPANY

1. The Capital Increase to Group Finance Company will be conducive to exploring new operational types of multi-level financial investment of the Company.

The “13th Five-year” development plan of the Company proposes that it will focus on infrastructure investment and operation with investments in finance and quasi-finance equity and functional properties as two wings to achieve the sustainable development of the Company. The Company is principally engaged in toll road infrastructure investment and construction, which is a capital intensive industry that requires support from the finance and quasi-finance industries. The Company is required to establish a “transportation plus finance” industrial layout with the synergy of industry and finance.

The participation in the Capital Increase of Group Finance Company is out of the consideration on expanding into the corporate financial investment sector, which initiated new operational types of multi-level financial investment of the Company. The corporate financial services business conducted by Group Finance Company enjoys excellent development prospects, which will achieve synergised development with the Company’s principal businesses and is in line with the needs in the strategic development of the Company.

2. The Capital Increase to Group Finance Company will be beneficial to creating new growth point of profit for the Company.

As a non-bank financial institution established with the approval of China Banking and Insurance Regulatory Commission (“CBIRC”) and subject to its regulation, Group Finance Company is qualified to provide various financial services to group members and meets all the indicators required under the Measures for the Administration of Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》) issued by CBIRC, and thus maintained a satisfactory operating results and has strong profitability. Group Finance Company has recorded profits each year since its establishment. It achieved a net profits of RMB156 million in 2018, representing an increase of 40.73% as compared with 2017. It also recorded outstanding return on net assets with a return on net assets of 10.64% in 2018, representing an increase of 2.49% as compared with 2017, which will be beneficial to further enhancement of the operating results of the Company.

3. The Capital Increase to Group Finance Company will be favourable to the long-term and stable low-cost capital support for the Company's principal business.

Upon the completion of the Capital Increase, it will enhance the capital base of Group Finance Company and will be favourable to long-term and stable low-cost capital support for the Company's principal business and reducing financial expenses, thereby improving the return on assets and shareholders' returns of the Company.

4. The Capital Increase to Group Finance Company will be helpful for the Company to enjoy more flexible and effective corporate financial services.

Group Finance Company is a capital financing and control platform within the system of Communications Holding and serves as a "booster" and "lubricant" for financial services, which initiated a set of system for featured financial products to better meet the financial demands of group members.

The participation in the Capital Increase of Group Finance Company by the Company will help it expand its types of financial business and provide more flexible and efficient corporate financial services and products. As its shareholder, the Company will also enjoy such financial services and enjoy excellent financial environment for the business development of the Group Finance Company.

Since the capital to be contributed to Group Finance Group will be funded by the Company's internal resources, there will be little effects on the Company's cash flows, balance sheet and key financial indicators.

VI. THE PROCEDURES FOR THE CONSIDERATION OF THE RELATED/ CONNECTED TRANSACTION

The related transaction has been considered and approved at the eleventh meeting of the ninth session of the Board of the Company, at which Mr. Gu Dejun, Mr. Chen Yanli and Mr. Chen Yongbing, all being related directors, have abstained from voting. The related transaction is subject to consideration and approval at general meeting of the Company and Communications Holding shall abstain from voting.

Pursuant to the Shanghai Listing Rules, the five independent directors of the Company agreed to submit the proposal for the related transaction at the eleventh meeting of the ninth session of the Board for consideration and expressed independent opinions as follows: the transaction is conducted in the ordinary and usual course of business of the Company on normal commercial terms, the transaction terms are fair and reasonable, the transaction does not impose any negative effects on the Company, the income and profit of the Company are not dependent on such related transaction, and there are no circumstances affecting the independence of the Company as a listed company, and the transaction does not prejudice the interests of the Company and its unrelated shareholders, especially the minority shareholders, and is in the interests of the shareholders as a whole.

Pursuant to the Shanghai Listing Rules, the audit committee of Company issued audit opinion in writing on the related transaction, which is as follows:

The Capital Increase Agreement is entered into on the basis of willingness, equality and fairness, and does not prejudice the legitimate interests of the Company and its minority shareholders.

In light of the above, we agree that the entering into of the Capital Increase Agreement among the Company, Communications Holding and Jinghu Expressway be submitted to the Board for consideration.

The directors of the Company, including independent non-executive directors, are of the view that the terms of the Capital Increase to Group Finance Company by the Company are fair and reasonable, and in the interests of the Company and the shareholders as a whole.

Pursuant to the Hong Kong Listing Rules, the capital contribution by the Company to Group Finance Company constitutes a connected transaction and a discloseable transaction and shall be subject to announcement, circular and independent shareholders' approval requirements.

The transaction is subject to approval of the Jiangsu Bureau of China Banking and Insurance Regulatory Commission.

VII. INFORMATION ON HISTORICAL RELATED/CONNECTED TRANSACTIONS THAT NEED TO BE SPECIALLY STATED

From the beginning of the year to the date of this announcement, the balance of the outstanding borrowing due from a subsidiary of the Company to Communications Holding is RMB1.3 billion. The average daily deposit balance of the Company and its subsidiaries in Group Finance Company and working capital loans from Group Finance Company amounted to RMB244.3 million and RMB805.9 million, respectively. Within the 12 months prior to the related/connected transaction, the balance of the borrowing due from a subsidiary of the Company to Communications Holding is RMB1.3 billion, the average daily deposit balance of the Company and its subsidiaries in Group Finance Company and working capital loans from Group Finance Company amounted to RMB295.4 million and RMB808 million, respectively. There is no similar transaction conducted with other related/connect persons by the Company.

VIII. ATTACHMENTS TO THE ONLINE ANNOUNCEMENT

1. Opinions of independent directors as signed and confirmed by independent directors
2. Audit Report of Jiangsu Communications Holding Group Finance Co., Ltd.
3. Valuation Report of Jiangsu Communications Holding Group Finance Co., Ltd.

By Order of the Board

Yao Yongjia

Executive Director and Secretary to the Board

Nanjing, the PRC, 30 July 2019

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

Gu Dejun, Sun Xibin, Yao Yongjia, Chen Yanli, Chen Yongbing, Wu Xinhua, Hu Yu, Ma Chung Lai, Lawrence, Zhang Zhuting, Chen Liang*, Lin Hui*, Zhou Shudong*, Liu Xiaoxing**

* *Independent Non-executive Directors*