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 advisers.

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

江 蘇 寧 滬 高 速 公 路 股 份 有 限 公 司

JIANGSU EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 00177)

(1) PROPOSED ISSUANCE OF DEBT FINANCING PRODUCTS
(2) DISCLOSEABLE AND RELATED PARTY/CONNECTED TRANSACTION IN RESPECT OF ACQUISITION OF YS ENERGY COMPANY
(3) ELECTION OF DIRECTORS
AND
(4) NOTICE OF 2021 ANNUAL GENERAL MEETING

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

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

A notice convening the 2021 Annual General Meeting to be held at 6 Xianlin Avenue, Nanjing, the PRC on Friday, 17 June 2022 at 3:00 p.m. is set out on pages N-1 to N-9 of this circular and a letter from the Board is set out on pages 1 to 41 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company or in case of holders of H shares of the Company, to Hong Kong Registrars Limited, the registrar of H shares of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and, in any event, not less than 24 hours before the time appointed for the holding of the Annual General Meeting (being no later than 3:00 p.m. on Thursday, 16 June 2022 (Hong Kong/Beijing time)). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish, in which case you will be deemed to have withdrawn the proxy you have appointed.

17 May 2022

CONTENT

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

"Acquisition"	the proposed acquisition of 100% equity interests of YS Energy Company from Jiangsu Communications Holding
"Annual General Meeting" or "AGM"	the 2021 annual general meeting of the Company to be held on 17 June 2022 to consider and, if thought fit, to approve the Overseas Debt Financing Products Issuance, the UST Notes Issuance, the MT Notes Issuance, the Corporate Bonds Issuance, the Acquisition, the election of directors and other usual matters of an annual general meeting
"associates"	has the same meaning as defined in the Listing Rules
"Board"	the board of Directors of the Company
"Company"	江蘇寧滬高速公路股份有限公司(Jiangsu Expressway Company Limited), a joint stock limited company established in the PRC with limited liability and whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 00177) and the Shanghai Stock Exchange (Stock Code: 600377) and traded in the form of American Depository Receipts on the OTC Markets Group Inc. in the United States (Ticker: JEXYY)
"Completion"	the completion of the Acquisition
"Completion Date"	the fifth business day in the PRC after fulfilment (or wavier) of all conditions precedent to Completion and which shall be the date when the Company pays the First Transfer Payment to Jiangsu Communications Holding
"Consideration"	RMB2,457 million, being the transfer consideration for the Target Equity
"Corporate Bonds"	the corporate bonds of up to RMB3 billion to be issued by the Company
Corporate Bonds Issuance"	the registration and issue of Corporate Bonds, which will be issued in one issue or in tranches from the date of approval at the Annual General Meeting and within the validity period of registration

"Debt Financing Products"	the Corporate Bonds, the Overseas Debt Financing Products, the UST Notes and the MT Notes
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H Shares"	overseas-listed foreign shares of RMB1.00 each, which are issued by the Company in Hong Kong, subscribed in Hong Kong dollars and listed on the Hong Kong Stock Exchange
"H Shareholders"	holders of H Shares
"Independent Board Committee"	the independent board committee of the Company comprising all the independent non-executive directors of the Company, namely Messrs. Lin Hui, Zhou Shudong, Liu Xiaoxing, Yu Mingyuan and Xu Guanghua
"Independent Financial Advisor" or "GTJA"	Guotai Junan Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
"Independent Shareholders"	Shareholders of the Company, other than Jiangsu Communications Holding and its associates
"Jiangsu Communications Holding"	江蘇交通控股有限公司(Jiangsu Communications Holding Limited#), a wholly state-owned company established in the PRC with limited liability, the controlling shareholder of the Company

"Kroll" or "Valuer"	Kroll (HK) Limited (formerly known as D&P China (HK) Limited), a professional business valuer appointed by the Company, to assess the value of YS Energy Company
"Latest Practicable Date"	12 May 2022, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained in this Circular
"Listing Rules"	Hong Kong Listing Rules and Shanghai Listing Rules
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Hong Kong Listing Rules
"MT Notes"	the medium-term notes of up to RMB6 billion (including the registration of perpetual medium-term notes of up to RMB2 billion) to be issued by the Company
"MT Notes Issuance"	the registration and issuance of MT Notes, which will be issued in one issue or in tranches from the date of approval at the Annual General Meeting and within the validity period of the registration
"Overseas Debt Financing Products"	the debt financing products with a scale not exceeding the equivalent of RMB500 million to be issued by the Company
"Overseas Debt Financing Products Issuance"	the proposed overseas registration and issue of Overseas Debt Financing Products, which will be issued in one issue or in tranches from the date of approval at the Annual General Meeting and within the validity period of registration
"PRC"	the People's Republic of China, which for the purpose of this Circular excludes Hong Kong, the Macao Special Administrative Region and Taiwan
"Reporting Accountants"	KPMG Huazhen LLP
"Report from KPMG Huazhen LLP"	the report by KPMG Huazhen LLP as required under Rule 14.62(2) of the Hong Kong Listing Rules, as set out in Appendix II to this circular
"RMB"	Renminbi, the lawful currency of the PRC

"Rudong Company"	蘇交控如東海上風力發電有限公司(Sujiaokong Rudong Offshore Wind Power Co. Ltd.#), a company established in the PRC with limited liability and a subsidiary of YS Energy Company
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Shanghai Listing Rules"	The Rules Governing the Listing of Stocks on Shanghai Stock Exchange
"Shanghai Stock Exchange"	The Shanghai Stock Exchange
"Shareholders"	holders of shares of the Company
"State-owned Asset Valuation Report"	the valuation report (Tianxing Pingbao Zi (2022) No. 0652) prepared by a PRC valuer with the relevant State-owned asset valuation qualifications, commissioned by Jiangsu Communications Holding as required under the relevant State-owned Assets requirements, to assess the value of the Target Equity as at the Valuation Date
"Stock Exchange Letter"	the letter titled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" issued by the Hong Kong Stock Exchange on 4 July 2011 (accompanied with a reply in Chinese from the State Administration of Taxation to the Hong Kong Inland Revenue Department issued on 28 June 2011)
"Target Equity"	the 100% equity interests in YS Energy Company, currently held by Jiangsu Communications Holding
"Target Group"	YS Energy Company and its 10 subsidiaries and 3 investees
"UST Notes"	the ultra-short-term notes of up to RMB8 billion to be issued by the Company
"UST Notes Issuance"	the registration and issuance of UST Notes by the Company, which will be issued in one issue or in tranches from the date of approval at the Annual General Meeting and within the validity period of the registration

"Valuation Report"	the valuation report of Kroll on the Target Equity as at the Valuation Date, as set out in Appendix I to this circular
"Valuation Date"	31 December 2021
"YS Energy Company"	江蘇雲杉清潔能源投資控股有限公司(Jiangsu Yunshan Green Energy Investment Holding Company, Limited#), a company established in the PRC with limited liability, wholly-owned by Jiangsu Communications Holding
"%"	percentage

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

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

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

(Stock Code: 00177)

Directors:	*PRC Registered Office:*
Chen Yanli	6 Xianlin Avenue
Wang Yingjian	Qixia District
Yao Yongjia	Nanjing
Wu Xinhua	Jiangsu Province
Li Xiaoyan	PRC
Ma Chung Lai, Lawrence	
Lin Hui*	*Hong Kong Registered Office:*
Zhou Shudong*	17th Floor, One Island East
Liu Xiaoxing*	18 Westlands Road
Yu Mingyuan*	Taikoo Place
Xu Guanghua*	Quarry Bay,
	Hong Kong

* *Independent non-executive Directors*

17 May 2022

To shareholders of the Company

Dear Sir or Madam,

(1) PROPOSED ISSUANCE OF DEBT FINANCING PRODUCTS
(2) DISCLOSEABLE AND RELATED PARTY/CONNECTED TRANSACTION IN RESPECT OF ACQUISITION OF YS ENERGY COMPANY
(3) ELECTION OF DIRECTORS
AND
(4) NOTICE OF 2021 ANNUAL GENERAL MEETING

A. INTRODUCTION

Debt Financing Products Issuance

The Board announced on 28 March 2022 that it has resolved to approve the following proposals:

(i) to issue overseas debt financing products of not more than the equivalent of RMB500 million from the date of approval at the Annual General Meeting and within the validity period of registration;

(ii) to issue ultra-short-term notes of not more than RMB8 billion from the date of approval at the Annual General Meeting and within the validity period of registration;

(iii) to issue medium-term notes of not more than RMB6 billion (including the registration of perpetual medium-term notes of up to RMB2 billion) from the date of approval at the Annual General Meeting and within the validity period of registration; and

(iv) to submit the above proposal (i), (ii) and (iii) to the Annual General Meeting for consideration and approval.

The Board announced on 30 April 2022 that it has resolved to approve the following proposals:

(i) to issue corporate bonds of not more than RMB3 billion from the date of approval at the Annual General Meeting and within the validity period of registration; and

(ii) to submit the above proposal to the Annual General Meeting for consideration and approval.

Election of Directors

On 9 October 2021, the Board announced that (i) the election of Mr. Wang Feng as an executive director of the Company and (ii) submit such proposal to the shareholders at general meeting for consideration and approval.

On 30 April 2022, the Board announced that (i) the election of Mr. Chen Yunjiang as an executive director of the Company and (ii) submit such proposal to the shareholders at general meeting for consideration and approval.

On 12 May 2022, the Board announced that (i) the election of Mr. Ge Yang as an independent non-executive director of the Company and (ii) submit such proposal to the shareholders at general meeting for consideration and approval.

The Acquisition

The Board announced on 30 April 2022 that it has resolved to approve the following proposals:

(i) the Acquisition; and

(ii) the Acquisition be submitted to the Annual General Meeting for consideration and approval.

The purpose of this circular is to provide, among other things, (i) details of the Debt Financing Product Issuance, (ii) details of the Acquisition; (iii) information on the proposed election of the Directors; and (vi) notice of the Annual General Meeting, in accordance with Hong Kong Listing Rules.

B. ISSUE OF DEBT FINANCING PRODUCTS

(I) Overseas Debt Financing Products Issuance

On 28 March 2022, the Board announced that it has resolved to submit to the AGM to consider and approve by way of ordinary resolution the registration and issuance of the Overseas Debt Financing Products (including but not limited to overseas bonds and other debt financing products, ultra-short term notes, medium-term notes and corporate bonds) of not exceeding RMB500 million equivalent from the date of approval at the AGM and within the validity period of the registration in one issue or in tranches. The Overseas Debt Financing Products are not convertible into Company's shares.

Details of the proposed Overseas Debt Financing Products Issuance are as follows:

(1) **Issue size and method**: The maximum issue size of the Overseas Debt Financing Products to be issued shall not exceed RMB500 million in aggregate within the validity period of the registration in one issue or in tranches, the specific issue method is to be determined by any executive Director of the Company, with the lead underwriter, having regards to the market conditions before the issue.

(2) **Target subscribers and arrangement for placement to shareholders**: Target subscribers are investors in compliance with the requirements of relevant overseas laws and regulations. The Overseas Debt Financing Products shall not be placed to the existing shareholders on a preferential basis.

(3) **Interest rate**: Actual interest rate is to be determined by any executive Director of the Company, with reference to the market conditions including but not limited to: the prevailing market rate(s) for similar financing instruments with similar term, credit rating and principal of the Overseas Debt Financing Products at the time of issue.

(4) **Maturity**: not exceeding 3 years from the date of issuance.

(5) **Use of proceeds**: to replenish working capital, repay interest bearing debts, project construction, capital contribution dividend payment (being business operations that comply with the national laws, regulation and policies).

(6) **Listing**: To be determined by any executive Director of the Company, with reference to the market conditions at the time of issue.

(7) **Guarantee**: The specific type of guarantee (if necessary) is to be determined by any executive Director of the Company, with reference to the market conditions at the time of issue and approved within his authority.

(8) **Validity period of the resolution**: within the two years period commencing from the date on which the resolution is approved at the AGM and within the validity period of registration of the Overseas Debt Financing Products.

(9) **Authorisation arrangement**: Any executive Director of the Company be generally and unconditionally authorised to determine, approve and handle the following matters according to the Company's needs and market conditions:

1) to determine the specific terms, conditions and related matters of the Overseas Debt Financing Products to be issued, including but not limited to total principal amount, interest rate or its methods of determination, terms, credit rating, guarantee, protection measures for repayment, any repurchase or redemption terms, any placement arrangement and option to adjust nominal interest rate, etc.;

2) to make all necessary and incidental arrangements for the Overseas Debt Financing Products Issuance (including but not limited to obtaining approvals, engaging intermediaries, determination of underwriting arrangements, preparation and dissemination of relevant application documents to regulatory authorities, obtaining approvals from such regulatory authorities and execution of all requisite documents and disclosures of relevant information in accordance with applicable laws);

3) in case of any changes in regulatory policies or market conditions, to adjust the specific issue proposals relating to the issue or other related matters according to the opinion of regulatory authorities; and

4) upon completion of the issue, to determine and approve matters relating to the listing and lockup of rate for the principal and interests of relevant Overseas Debt Financing Products.

(II) Proposed UST Notes Issuance

On 28 March 2022, the Board announced that it has resolved to submit to the AGM to consider and approve by way of ordinary resolution the registration and issuance of the UST Notes not exceeding RMB8 billion within the validity period of the registration in one issue or in tranches. The UST Notes are not convertible into Company's shares.

Details of the proposed UST Notes Issuance are as follows:

(1) **Issue size and method**: The maximum issue size of the UST Notes to be issued shall not exceed RMB8 billion in aggregate within the validity period of registration in one issue or in tranches, the specific issue method is to be determined by any executive Director of the Company, with the lead underwriter, having regards to the market conditions before the issue.

(2) **Target subscribers and arrangement for placement to shareholders**: Target subscribers are investors in compliance with the requirements of relevant laws and regulations. The UST Notes shall not be placed to the existing shareholders on a preferential basis.

(3) **Interest rate**: Actual interest rate is to be determined by any executive Director of the Company, with reference to the market conditions including but not limited to: the prevailing market rate(s) for similar financing instruments with similar term, credit rating and principal of the UST Notes, reference rate(s) from the People's Bank of China, at the time of issue.

(4) **Maturity**: within 270 days from the date of issuance.

(5) **Use of proceeds**: to replenish working capital, repayment of interest bearing debts and other business operations that comply with the national laws, regulations and policies.

(6) **Listing**: To be determined by any executive Director of the Company, with reference to the market conditions at the time of issue.

(7) **Guarantee**: The specific type of guarantee (if necessary) is to be determined by any executive Director of the Company, with reference to the market conditions at the time of issue and approved within his authority.

(8) **Validity period of the resolutions**: within the two years period commencing from the date on which the resolution is approved at the AGM and within the validity period of registration of the UST Notes.

(9) **Authorisation arrangement**: Any executive Director of the Company be generally and unconditionally authorised to determine, approve and handle the following matters according to the Company's needs and market conditions:

1) to determine the specific terms, conditions and related matters of the UST Notes to be issued, including but not limited to total principal amount, interest rate or its methods of determination, terms, credit rating, guarantee, protection measures for repayment, any repurchase or redemption terms, any placement arrangement and option to adjust nominal interest rate, etc.;

2) to make all necessary and incidental arrangements for the UST Notes Issuance (including but not limited to obtaining approvals, engaging intermediaries, determination of underwriting arrangements, preparation and dissemination of relevant application documents to regulatory authorities, obtaining approvals from such regulatory authorities and execution of all requisite documents and disclosures of relevant information in accordance with applicable laws);

3) in case of any changes in regulatory policies or market conditions, to adjust the specific issue proposals relating to the issue or other related matters according to the opinion of regulatory authorities; and

4) upon completion of the issue, to determine and approve matters relating to the listing and lockup of rate for the principal and interests of relevant UST Notes.

(III) Proposed MT Notes Issuance

On 28 March 2022, the Board announced that it has resolved to submit to the AGM to consider and approve by way of ordinary resolution the registration and issuance of MT Notes not exceeding RMB6 billion (including the registration of perpetual medium-term notes of up to RMB2 billion) within the validity period of the registration in one issue or in tranches. The MT Notes are not convertible into Company's shares.

Details of the proposed MT Notes Issuance are as follows:

(1) **Issue size and method**: The maximum issue size of the MT Notes to be issued shall not exceed RMB6 billion (including the registration of perpetual medium-term notes of up to RMB2 billion) in aggregate within the validity period of the registration in one issue or in tranches, the specific issue method is to be determined by any executive Director of the Company, with the lead underwriter, having regards to the market conditions before the issue.

(2) **Target subscribers and arrangement for placement to shareholders**: Target subscribers are investors in compliance with the requirements of relevant laws and regulations. The MT Notes shall not be placed to the existing shareholders on a preferential basis.

(3) **Interest rate**: Actual interest rate is to be determined by any executive Director of the Company, with reference to the market conditions including but not limited to: the prevailing market rate(s) for similar financing instruments with similar term, credit rating and principal of the MT Notes, reference rate(s) from the People's Bank of China, at the time of issue.

(4) **Maturity**: other than the perpetual MT Notes of not more than RMB2 billion, other MT Notes within 3 years to 5 years from the date of issuance.

(5) **Use of proceeds**: Replenishment of the Company's and/or its subsidiaries' working capital and capital expenditure, repayment of the Company's and/or its subsidiaries' debts and capital requirements for new projects, etc.

(6) **Listing**: To be determined by any executive Director of the Company, with reference to the market conditions at the time of issue.

(7) **Guarantee**: The specific type of guarantee (if necessary) is to be determined by any executive Director of the Company, with reference to the market conditions at the time of issue and approved within his authority.

(8) **Validity period of the resolutions**: within the two years period commencing from the date on which the resolution is approved at the AGM and within the validity period of registration of the MT Notes.

(9) **Authorisation arrangement**: Any executive Director of the Company be generally and unconditionally authorised to determine, approve and handle the following matters according to the Company's needs and market conditions:

1) to determine the specific terms, conditions and related matters of the MT Notes to be issued, including but not limited to total principal amount, interest rate or its methods of determination, terms, credit rating, guarantee, protection measures for repayment, any repurchase or redemption terms, any placement arrangement and option to adjust nominal interest rate, etc.;

2) to make all necessary and incidental arrangements for the MT Notes Issuance (including but not limited to obtaining approvals, engaging intermediaries, determination of underwriting arrangements, preparation and dissemination of relevant application documents to regulatory authorities, obtaining approvals from such regulatory authorities and execution of all requisite documents and disclosures of relevant information in accordance with applicable laws);

3) in case of any changes in regulatory policies or market conditions, to adjust the specific issue proposals relating to the issue or other related matters according to the opinion of regulatory authorities; and

4) upon completion of the issue, to determine and approve matters relating to the listing and lockup of rate for the principal and interests of relevant MT Notes.

(IV) Proposed Corporate Bonds Issuance

On 30 April 2022, in order to meet the needs of the Company's operation and business development, further expand financing channels and reduce financing costs, the Company proposed the public issuance of corporate bonds to professional investors, the Board announced that it has resolved to submit to the AGM to consider and approve by way of ordinary resolution the registration and issuance of Corporate Bonds not exceeding RMB3 billion from the date of approval at the AGM and within the validity period of the registration in one issue or in tranches. The Corporate Bonds are not convertible into Company's shares.

At the Annual General Meeting, the following aspects of the public issuance of Corporate Bonds will be submitted for the shareholders to consider and approve by separate resolutions:

(1) **Issuance Scale**: the scale of the public issuance of Corporate Bonds shall not exceed RMB3 billion (inclusive of RMB3 billion) and the Board be authroised to determine the specific scale of the issuance within the above range according to the Company's capital needs and the market conditions at the time of issue.

(2) **Face Value and Issue Price of Corporate Bonds**: the face value of the Corporate Bonds under the public issuance is RMB100 and the Corporate Bonds be issued at par value.

(3) **Issuance Method**: (i) the Corporate Bonds be issued by way of public issuance to professional investors in compliance with the Administrative Measures for the Issuance and Trading of Corporate Bonds; (ii) according to the actual capital needs, the issuance be conducted in one or multiple tranches within the validity period of filing, approval and registration with the relevant regulatory authorities and the Board be authorised to determine the specific issuance method based on the Company's capital needs and the market conditions at the time of issue.

(4) **Maturity and Type of Corporate Bonds**: the term of maturity of the Corporate Bonds shall be not more than 5 years (inclusive of 5 years), which may be single-term bonds or hybrid bonds with multiple terms and the Board be authorised to determine the specific term composition and issuance scale of the Corporate Bonds according to the Company's capital needs and the market conditions at the time of issue.

(5) **Coupon Rate of Corporate Bonds**: the coupon rate of the Corporate Bonds shall not exceed the interest rate level prescribed by the State Council or other competent authorities, and the Board be authorised to determine the coupon rate based on the market conditions and the needs of the Company.

(6) **Method of Repayment of Principal and Interest**: the interest of the Corporate Bonds shall be accrued as simple interest annually instead of compound interest, no other interest will be accrued for overdue, interest shall be paid once a year, and the principal shall be repaid in a lump sum upon maturity together with the last installment of interest and the Board be authorised to determine the specific method of repayment of principal and interest based on the Company's capital needs and the market conditions at the time of issuance.

(7) **Placing Arrangement for Shareholders of the Company**: the Corporate Bonds may be placed to the shareholders of the Company and the Board be authorised to determine whether to place and the specific placing arrangements (including the proportion of placing) based on market conditions and specific matters relating to the issuance.

(8) **Redemption or Repurchase Terms**: the Board be authorised to determine whether the issuance of the Corporate Bonds shall include any redemption terms or repurchase terms and relevant terms in accordance with the relevant regulations and market conditions.

(9) **Guarantee Terms**: the Corporate Bonds are not guaranteed.

(10) **Use of Proceeds**: the proceeds from the public issuance of Corporate Bonds are intended to be used for mergers and acquisitions, repayment of interest-bearing debts, replenishment of working capital, project construction and other purposes permitted by laws and regulations and the Board be authroised to determine the specific use of proceeds according to the capital needs of the Company and the financial structure of the Company.

(11) **Underwriting method**: the lead underwriter shall be responsible for the establishment of an underwriting syndicate to underwrite any non-subscribed portion.

(12) **Trading and Exchange Markets**: upon the approval of the public issuance of Corporate Bonds, the Company will apply to the Shanghai Stock Exchange and the CSRC for the listing and trading of the Corporate Bonds and the Board be authorised to handle the listing and trading matters in accordance with the relevant requirements of the Shanghai Stock Exchange and the CSRC.

(13) **Protection Measures for Repayment**: During the term of the Corporate Bonds, in the event that the Company expects to be unable to repay the principal and interest of the Corporate Bonds as scheduled or unable to repay the principal and interest of the bonds as scheduled when they fall due, the Company shall at least take the following measures, and the Board be authorised to handle all matters in relation to the following measures:

(1) not to make any distribution of profits to shareholders;

(2) to postpone the implementation of capital expenditure projects such as material external investment, merger or acquisition;

(3) to reduce or suspend the payment of salary and bonus to directors and senior management; and

(4) the main responsible person shall not be transferred.

(14) **Effective Period of the Resolutions**: the resolutions on the public issuance of Corporate Bonds shall be effective from the date of approval at the general meeting of the Company to the expiry date of the regulatory approval of the Corporate Bonds.

(15) **Authorisations in respect of this Issuance of Corporate Bonds**: In order to ensure that the public issuance of Corporate Bonds can be conducted out in an orderly and efficient manner, it will be proposed at the general meeting to authorize the Board and its authorized persons to deal with all matters relating to the issuance of Corporate Bonds at their sole discretion within the scope permitted by the relevant laws and regulations as well as the prevailing market conditions and based on the principle of maximizing the interests of the Company's shareholders.

As set out in the preliminary results announcement of the Company for the year ended 31 December 2021, the total gearing ratio (being liabilities/total assets) was 47.74%. It is anticipated that the issuance in full of the Debt Financing Products in an orderly manner will have no material adverse effect on the financial position of the Company. The Board considers that the issue of Debt Financing Products will be beneficial to the broadening of the financing channels of the Company, reduction of finance costs of the Company and its subsidiaries and improvement of the debt structure of the Company and therefore recommends the issue of Debt Financing Products in due course with reference to the market conditions subject to the relevant approval. Upon being approved at the Annual General Meeting, the issue of the Debt Financing Products will still be subject to approval by relevant regulatory authorities. The Company intends to submit the relevant documents in respect of the issue of the Debt Financing Products to the relevant regulatory authorities for their approval after the proposed issue of the Debt Financing Products have been approved at the Annual General Meeting. Upon issue of the Debt Financing Products by the Board as authorised by the Annual General Meeting, the Company will comply with its disclosure obligations in respect of the issue of the Debt Financing Products in accordance with relevant provisions of the Listing Rules.

There is uncertainty as to whether the Issuance of the Debt Financing Products will be finally executed. Shareholders and investors are advised to be cautious about the uncertainty.

C. THE ACQUISITION

(I) Equity Transfer Agreement

On 29 April 2022, with a view to optimize the Company's industrial structure layout, open up new profit growth points, and achieve sustainable development, the Company (as the transferee) and Jiangsu Communications Holding (as the transferor) entered into the Equity Transfer Agreement, the main terms of which are as follows:

1. Parties to the Agreement

Transferor:	Jiangsu Communications Holding (the controlling shareholder of the Company)
Transferee:	the Company
Target Company:	Jiangsu Yunshan Green Energy Investment Holding Company, Limited

2. Equity Transfer

Jiangsu Communications Holding agreed to transfer its holding of 100% equity interests in YS Energy Company to the Company. After completion of the transfer, YS Energy Company will become a subsidiary of the Company.

3. Transfer Consideration and Bases of Pricing

The Consideration for the transfer of the Target Equity shall be RMB2,457 million.

The Consideration was arrived at after arms length negotiation of the parties having regards to (i) the valuation of the Target Equity as at the Valuation Date and (ii) the capital contribution of RMB111 million paid by Jiangsu Communications Holding to YS Energy Company subsequent to the Valuation Date. Given the capital contribution of RMB111 million remitted by Jiangsu Communications Holding to YS Energy Company on 14 January 2022 (i.e. made after the Valuation Date), had the capital contribution been made on or before the Valuation Date, the valuation would have been increased accordingly.

The profit and loss realized by YS Energy Company during the transaction transition period (from the Valuation Date to the Completion Date) and the increase or decrease in net assets due to reasons other than profit and loss are all attributed to the Company.

4. Conditions Precedent for Completion of the Transfer of the Target Equity

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

(i) The Target Equity transfer having been internally approved (except Condition Precedent to Completion (ii)) by parties to the Equity Transfer Agreement;

(ii) The Target Equity transfer having been approved by the Company's shareholders at general meeting (where Jiangsu Communications Holding and its associates (as defined under the Hong Kong Listing Rules) shall abstain from voting); and

(iii) State Development Bank, Jiangsu Branch, not having demanded for early repayment of the loan advanced to Rudong Company due to the change of control of YS Energy Company.

The Company may waive Condition Precedent to Completion (iii) above. The parties to the Equity Transfer Agreement shall try their best to complete their respective tasks and endeavour to confirm the completion date on or before 31 December 2022 and to complete.

5. Payment of the Consideration

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

If, prior to 31 July 2022, all conditions precedent to Completion are satisfied (or waived, if applicable), then the Company shall pay 30% of the Consideration (i.e. RMB737.1 million as the **First Transfer Payment** to Jiangsu Communications Holding within 5 PRC working days after all conditions precedent to Completion are satisfied. Pursuant to the Equity Transfer Agreement, the parties to the agreement agreed that the date the Company pays the First Transfer Payment to Jiangsu Communications Holding is the Completion Date.

The latest date for payment of the remaining Consideration (i.e. 70% of the Consideration as the **Second Transfer Payment**) is 31 December 2022. Interest shall be payable on the Second Transfer Payment at the prevailing 1-year loan prime rate market quotation published by the National Interbank Funding Center (authorised by the People's Bank of China) on the 20th day of each month during the deferred payment period which commences from the Completion Date and ends on the actual payment date of the Second Transfer Payment.

6. Completion

Completion of the Target Equity transfer shall take place within 5 PRC working days after all conditions precedents to Completion are satisfied (or waived (if applicable). The Completion Date shall be the date on which the First Transfer Payment is remitted to the designated bank account of Jiangsu Communications Holding by the Company. The parties to the Equity Transfer Agreement shall arrange the relevant filing and registration of the transfer with the relevant local department of the State Administration for Market Regulation as soon as practicable after Completion.

Subsequent to Completion, the Company shall enjoy all rights and take up all responsibilities as the shareholder of YS Energy Company, including the future capital contribution in 2025 of RMB276 million* pursuant to the terms of the existing articles of association of YS Energy Company.

* *Had Jiangsu Communications Holding made the capital contribution of RMB276 million to YS Energy Company before the Valuation Date, the valuation of the Target Equity and the consideration payable by the Company would have to be adjusted upwards accordingly.*

7. Arrangement on Related/Connected Loans

The Company undertakes that, from the Completion Date, it will take necessary measures, including but not limited to providing shareholder loans to YS Energy Company for its early repayment of the related/connected loans, so as to reduce the relevant related party/connected transactions of the Target Group, Jiangsu Communications Holding shall provide necessary cooperation in this regard.

As at the Latest Practicable Date, the aggregate loan amount was RMB560.7161 million. The Company will provide YS Energy Company with a shareholder loan of RMB560.7161 million on the Completion Date.

8. Arrangement on Related/Connected Guarantee to Third Party

Jiangsu Communications Holding agreed to continue the provision of a guarantee in favour of State Development Bank, Jiangsu Branch in respect of a loan (with total credit of RMB4 billion) granted to Rudong Company, a 72%-owned subsidiary of YS Energy Company, on the original terms.

The Company undertakes that it will use its best commercial endeavour to replace Jiangsu Communications Holding as the guarantor of such loan within 1 year of the Completion Date. In case the creditor imposes additional obligations on the Company, YS Energy Company or its subsidiaries, the Company will comply with the relevant approval requirements and disclosable obligations.

9. Non-compete Obligations

Non-compete Undertakings

Jiangsu Communications Holding undertakes that for so long as it remains a shareholder of the Company, Jiangsu Communications Holding (including its subordinates but excluding the Group) shall not acquire any holding or make any investment or participate in any other capacity within the Jiangsu Province, any business related to all existing and future operations or investments in clean energy businesses in which the Target Group involves ("**Clean Energy Businesses**"). However, Jiangsu Communications Holding (including its subordinates) is not restricted from holding less than 5% of the issued share capital or securities of other listed companies whose main business is Clean Energy Businesses.

For the avoidance of doubt, Jiangsu Communications Holding shall have the rights to continue its holding of 31.08% equity interests in 南通天生港發電有限公司 (Nantong Tiansheng Port Electricity Company Limited#) ("**Nantong Tiansheng Port Company**") which engages in thermal power and Clean Energy Businesses, subject to Jiangsu Communications Holding's compliance of the obligations on Business Opportunity Preference and Preferred Acquisition Rights.

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

Business Opportunity Preference

Jiangsu Communications Holding undertakes that for so long as it remains a shareholder of the Company, Jiangsu Communications Holding (including its subordinates but excluding the Group and Nantong Tiansheng Port Company) shall promptly inform the Company and YS Energy Company upon having knowledge that the business in which it participates constitutes direct or indirect competition with the Clean Energy Business of the Target Group, or discovers any potential business opportunities of Clean Energy Business. If the Company and YS Energy Company decide to invest within 7 working days after receiving such notice, the Company and YS Energy Company shall have priority to invest, and Jiangsu Communications Holding should actively co-ordinate. Nevertheless, the participation in competitive allocation of clean energy projects (such as offshore wind power projects) in the name of Jiangsu Communications Holding ultimately for YS Energy Company's investment is excluded.

Preferred Acquisition Rights

Jiangsu Communications Holding undertakes that for so long as it remains a shareholder of the Company, when Jiangsu Communications Holding (including its subordinates but excluding the Group and Nantong Tiansheng Port Company) intends to sell its equity in any energy company (including but not limited to equities related to clean energy business and Nantong Tiansheng Port Company), Jiangsu Communications Holding shall notify the Company and YS Energy Company of the proposed acquirer, the price and main terms of the proposed sale of equity in a written notice, and the Company and YS Energy Company shall have the right to purchase the equity on the same terms, subject to the waiver of pre-emption by other shareholders of the relevant company.

10. Dispute Resolution

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

(II) Basic information of the Parties to the Equity Transfer Agreement

1. The Company

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

2. Jiangsu Communications Holding

The basic information of Jiangsu Communications Holding is as follows:

Registered Address:	No. 291 Zhongshan Eastern Road, Nanjing
Business Nature:	Limited liability company (wholly state-owned)*
Legal Representative:	Cai Renjie
Registered Capital:	RMB16,800,000,000
Business Scope:	Engaged in the operation and management of state-owned assets within the scope of authorization of the provincial government; investment, construction, operation and management of transport infrastructure, transportation and other related sectors; collection of tolls from vehicles; and industry investment and domestic trading. (For projects subject to approval according to law, business activities can only be carried out after approval by relevant departments)
Total assets at the end of the latest accounting period (2021):	RMB695,684,989,000#
Net assets at the end of the latest accounting period (2021):	RMB279,317,112,000#
Revenue from operations for the latest accounting period (2021):	RMB57,417,140,000#
Net profit for the latest accounting period (2021):	RMB16,765,631,000#

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

\# Jiangsu Communications Holding's financial statements dated 25 April 2022 were audited by Zhongxinghua Certified Public Accountants LLP in accordance with the Accounting Standards for Business Enterprises of the PRC

Jiangsu Communications Holding is Jiangsu Province's provincial investment and financing platform for key transportation infrastructure construction projects. It mainly undertakes four responsibilities: first, to be responsible for the investment and financing of key transportation infrastructure construction projects such as expressways, railways, airports, and ports in the province. By the end of 2021, the accumulative completed investment tasks amounted to RMB412.2 billion; of which, RMB326 billion for expressways, RMB72.3 billion for railways, and RMB13.9 billion for ports, airports and others. Second, is to be responsible for the investment tasks of the provincial railway group, the provincial port group and the eastern airport group. Currently, accounting for 96.25% of the provincial railway group; 29.64% of the provincial port group; and 27.3% of the eastern airport group. Third, to be responsible for the province's expressways, the operation and management of bridges across the river. Managing 88% of expressways in the province, with a mileage of 4,381 k.m., including 7 cross-river bridges (being Jiangyin Bridge, Sutong Bridge, Runyang Bridge, Taizhou Bridge, Chongqi Bridge, Shanghai-Sutong Yangtze River Railway Bridge and Wufengshan Yangtze River Bridge), 364 toll stations and 97 pairs of service areas. Fourth, is to make use of the main business of transportation, and be responsible for the asset and market operation and management of relevant competitive enterprises involving financial investment, power and energy, passenger transportation, smart transportation, cultural media, etc.. At present, there are 33 enterprises and institutions under its supervision, with about 28,000 employees; and it holds 2 listed companies, namely the Company (600377.SH; 0177 .HK) and Jiangsu Financial Leasing Co., Ltd.# 江蘇金融租賃股份有限公司 (600901.SH). As of the end of 2021, the group's total assets and net assets were RMB695.7 billion and RMB279.3 billion, representing an increase of 11.86% and 10.53% respectively over the previous year. In 2021, the group's operating income and total profit were RMB57.4 billion and RMB16.8 billion, respectively, an increase of 30.16% and 61.54% respectively over the previous year.

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

Jiangsu Communications Holding is the controlling shareholder of the Company, holding approximately 54.44% of the Company's equity. The outstanding loan due from the Company, Jiangsu Guangjing Xicheng Expressway Co., Ltd. and Wufengshan Bridge Co., Ltd., subsidiaries of the Company, to Jiangsu Communications Holding are RMB500 million, RMB1.65 billion and RMB550 million, respectively. Save as set out in the published announcements of the Company, there is no other relationship between the Group and Jiangsu Communications Holding and its associates, whether in terms of property rights, business, assets, personnel or otherwise.

3. YS Energy Company

YS Energy Company (i.e. the target company) is a limited liability company established in the People's Republic of China on 29 November 2016, the basic information of which is as follows:

Registered Address:	18th Floor, Building 2, No. 399, Middle Jiangdong Road, Jianye District, Nanjing
Business Nature:	limited liability company (sole proprietorship invested or controlled by a non-natural person)
Legal Representative:	Li Jianfeng
Registered Capital:	RMB2,000,000,000 (paid-in capital: RMB1,724,000,000)
Business Scope:	Photovoltaic power generation, wind power generation; investment, development and operation management of photovoltaic power generation and wind power generation; energy saving technology, new energy technology investment, development, technology transfer, technical consultation; investment, research and development and sales of power equipment and electrical equipment; investment consulting; asset management. (For projects subject to approval according to law, business activities can only be carried out after approval by relevant departments)

Total assets at the end of the latest accounting period (2021):	RMB6,475,943,360#
Net assets at the end of the latest accounting period (2021):	RMB2,251,954,910 #
Revenue from operations for the latest accounting period (2021):	RMB441,053,120#
Net profit for the latest accounting period (2021):	RMB118,353,680 #

in accordance with the Accounting Standards for Business Enterprises of the PRC

(III) Information on the Target Group

1. The Target Group

YS Energy Company and its subsidiaries are engaged in photovoltaic, offshore wind power and other clean energy power generation. The Target Group operates 4 ground-mount photovoltaic power stations (with total installed capacity of 66 MW) in the cities of Xuzhou and Yancheng, Jiangsu, and 62 distributed photovoltaic power facilities in the cities of Xuzhou, Yancheng, Lianyungang, Huaian, Suqian, and Changzhou, Jiangsu (with total installed capacity of 50.6 MW), and operates an offshore wind power station in Nantong City, Jiangsu Province, with an installed capacity of 300 MW. Of the 62 distributed photovoltaic power facilities, 54 are operated by YS Energy Company (with total installed capacity of 22.35 MW, of which 3.89 MW connected to grid in 2017 and 18.46 MW connected to grid in 2018).

The subsidiaries of the YS Energy Company are all limited liability companies established in the PRC, the basic information of which is as follows:

Subsidiaries	Shareholding Percentage	Core Business	Grid-Connection Date
Sujiaokong New Energy Technology Fengxian Co., Ltd.# 蘇交控新能源科技豐縣有限公司	100%	Operating a 20 MW ground-mount on-grid photovoltaic power generation station in the City of Xuzhou, Jiangsu (being agri-photovoltaic complementary power facilities)	21 January 2017
Sujiaokong Clean Energy Tongshan Co., Ltd.# 蘇交控清潔能源銅山有限公司	100%	Operating 2 distributed photovoltaic power generation facilities on rooftop of buildings in the City of Xuzhou, Jiangsu with 5.5 MW and 1 MW respectively	5.5 MW: 12 August 2017 1 MW: 25 January 2017
Sujiaokong Clean Energy Jiangsu Co., Ltd.# 蘇交控清潔能源江蘇有限公司	100%	In the process of planning investment in transport related and photovoltaic power projects	Not applicable
Sujiaokong Clean Energy Xuzhou Co., Ltd.# 蘇交控清潔能源徐州有限公司	100%	Operating 2 distributed photovoltaic power generation facilities on rooftop of buildings in the City of Xuzhou, Jiangsu with 0.6 MW and 0.3 MW respectively	0.6 MW: 29 July 2016 0.3 MW: 14 February 2017
Sujiaokong Fengxian Agricultural Science and Technology Co., Ltd.# 蘇交控豐縣農業科技有限公司	100%	Leasing of agriculture land of the agri-photovoltaic complementary power facilities of Sujiaokong New Energy Technology Fengxian Co., Ltd. and Sujiaokong Fengxian Renewal Energy Co., Ltd.	Not applicable
Liyang Youke Energy Co., Ltd.# 溧陽市優科能源有限公司	90%	Operating an aggregate of 4.68 MW distributed photovoltaic power generation facilities on rooftop of buildings in the City of Changzhou, Jiangsu	Phase I – 3.424 MW: 18 November 2017 Phase II – 1.261 MW: 1 December 2019
Yancheng Yuanshan Photovoltaic Power Co., Ltd.# 鹽城雲杉光伏發電有限公司	80%	Operating 26 MW ground-mount on-grid photovoltaic power station in the City of Yancheng, Jiangsu	29 June 2018
Rudong Company	72%	Operating a 300 MW offshore wind power plant in Nantong, Jiangsu	First turbine: 19 December 2020 All turbines: 31 October 2021

Subsidiaries	Shareholding Percentage	Core Business	Grid-Connection Date
Changzhou Jintan Heyi New Energy Technology Co. Ltd.# 常州金壇禾一新能源科技有限公司	70%	Operating 10.79 MW distributed photovoltaic power generation facilities on rooftop of buildings in the City of Changzhou, Jiangsu	Phase I – 4.8 MW: July 2020 Phase II – 5.99 MW: October 2020
Sujiaokong Fengxian Renewal Energy Co., Ltd.# 蘇交控豐縣再生能源有限公司	70%	Operating two 10 MW ground-mount photovoltaic power stations (being agri-photovoltaic complementary power facilities) and a 0.8 MW distributed photovoltaic power generation facility in the Fengxian of Xuzhou, Jiangsu	Phase I – 10 MW on grid photovoltaic power station: 21 January 2017 Phase II – 10 MW distributed photovoltaic power station: 15 June 2018 0.8 MW distributed photovoltaic power station: 20 November 2017

YS Energy Company has invested in the following companies which are established in the PRC:

Associated Companies	Shareholding Percentage	Core Business	Grid-Connection Date
Jiangsu Nengtou Xincheng Photovoltaic Power Co., Ltd.# 江蘇能投新城光伏發電有限公司	49%	Operating 7.2 MW distributed photovoltaic power generation facilities on rooftop of buildings in the City of Xuzhou, Jiangsu	23 November 2017
Longyuan Donghai Wind Power Co., Ltd.# 龍源東海風力發電有限公司	30%	Operating a 100 MW ground wind power in the City of Lianyungang, Jiangsu	Phase I – December 2014 Phase II – December 2015
Three Gorges New Energy Nantong Co., Ltd. (hereinafter referred to as "**Three Gorges Nantong Company**")# 三峽新能源南通有限公司	20%	Operating a 400 MW offshore wind power plant in Nantong, Jiangsu	First turbine: 16 November 2020 All turbines: 25 December 2021

The English names are for identification purpose only.

2. Financial Information

Set out below is the financial information of the Target Group for the two financial years ended 31 December 2020 and 2021, which were audited by ShineWing Certified Public Accountants LLP, the Target Group's statutory auditors (who has issued a standard unqualified opinion), and for the unaudited financial information for the three months ended 31 March 2022, prepared by the Target Group:

(RMB0'000)

	As at the end of 2020 (audited)	**As at the end of 2021 (audited)**	**As at the end of the first quarter of 2022 (unaudited)**
Total Assets #	433,779.90	647,594.34	655,005.07
Net Assets*	204,623.12	225,195.49	241,717.37
	For the year 2020 (audited)	**For the year 2021 (audited)**	**For the first quarter of 2022 (unaudited)**
Operating Income	10,614.01	44,105.31	15,170.56
Profit before taxation	3,419.74	12,114.10	5,431.06
Profit after taxation	3,226.52	11,835.37	5,372.97
Net profits attributable to shareholders of YS Energy	2,894.42	8,270.47	4,441.60

* In 2020 and in 2021, Jiangsu Communications Holding made capital contribution of RMB140 million and RMB40 million to YS Energy Company for YS Energy Company's pro rata capital contribution to Three Gorges Nantong Company (a 20% associated company of YS Energy Company Company). In 2021, minority shareholders of Rudong Company (a 72% subsidiary of YS Energy Company Company) made pro rata capital contribution of an aggregate of RMB47.37 million.

On 14 January 2022, Jiangsu Communications Holding made capital contribution of RMB111 million (which was applied as YS Energy Company's pro rata capital contribution to Rudong Company). During the first quarter of 2022, special reserve for safety production of YS Energy Company increased by RMB490,000..

3. Key Clean Energy Projects

The Target Group has invested in 67 clean energy projects. As of 31 December 2021, the total installed capacity of the grid-connected projects was 526.6 MW (including equity share of installed capacity of investees), of which: 300 MW of offshore wind power with controlling interests, 113.1 MW of photovoltaic power with controlling interests, and 110 MW of wind power with equity participation and 3.5 MW of photovoltaic power with equity participation. In 2021, amongst projects which YS Energy Company has a controlling interests, the total power generation was 623,177,800 kWh, of which: 143,862,100 kWh of photovoltaic and 479,315,700 kWh of wind power; the total on-grid power was 601,602,300 kWh, completing 106.86% of the annual target on-grid power, of which: 143,168,500 kWh of photovoltaic, completing 108.05% of the annual target on-grid electricity, and 458,433,800 kWh of wind power, completing 106.49% of the annual target on-grid electricity.

Target Group's equity interest in power stations and the corresponding electricity generation in recent 3 years are as follows:

Year	**Equity Share of the Capacity of Power Stations (MW)**	**Equity Share of On-Grid Electricity Generation (Million kWh)**
2019	136.0	134
2020	146.0	139
2021	526.6	601

Key Clean Energy Business Projects of the Target Group are as follows:

(1) *Wind power plant in which the Target Group has a controlling interest – Jiangsu Rudong H5# Offshore Wind Farm project*

Project company	**Rudong Company**
Type of Project	Offshore wind power generation
Site of Construction	North-eastern side of Pufferfish Sandbar, Rudong Sea, Rudong County, Nantong, Jiangsu (Centre of the farm being 48 k.m. from the shore)
Mode of Power Generation	All electricity connected to grid
Estimated Investment Amount	RMB5,565.66 million
Capital Ratio	Capital ratio 25% Loan financing ratio 75%
Project Final Accounts	Pending
Filed Capacity	300 MW
Installed Capacity	300 MW
Progress of Work	Grid-connected

Project Overview	The wind farm is rectangular in shape, with a length of about 12 km from east to west, and a width of about 4.4 km from north to south. The planned sea area is 52 sq. km. The planned installed capacity is 300 MW, with 75 wind turbines (each with a capacity of 4 MW), and a 220 kV offshore booster station for the wind farm. The annual on-grid electricity is 940.81 million kWh. The construction period of this project is 34 months. The project commenced construction in July 2019. In 2021, power generation was 479,315,700 kWh, utilization hours were 3,138.75 hours, and on-grid electricity was 458,433,500 kWh. Loss of power generation was 72,436,900 kWh (including: 31,546,800 kWh failures loss, 1,601,700 kWh planned maintenance loss, 3,037,400 kWh on-site loss, 36,220,200 kWh off-site loss, and 30,900 kWh wind abandonment loss). Average wind speed was 6.56m/s. The average utilization rate of the generator set was 93.4%, the utilization rate of the wind farm was 92.48%, and the comprehensive field power consumption rate* was 5.59%.
Grid-connection Date	The first wind turbine: 19 December 2020 All wind turbines: 31 October 2021
On-grid Electricity Price	RMB0.3910/kWh
Subsidized Electricity Price	RMB0.4590/kWh
Electricity business licence	Granted
Sea Use Right	Up to 19 February 2048

* The comprehensive field power consumption rate is the proportion of the power consumed by equipment and facilities in the power generation production process.

(2) *Wind power plant in which the Target Group invests – Jiangsu Rudong H6# Offshore Wind Farm project*

Project Company	**Three Gorges Nantong Company**
Type of Project	Offshore wind power generation
Site of Construction	Rudong, Nantong, Jiangsu, (Centre of the farm being 50 k.m. from the shore)
Mode of Power Generation	All electricity connected to grid
Estimated Investment Amount	RMB7,123.16 million
Capital Ratio	Capital ratio 25%
	Loan financing ratio 75%
Project Final Accounts	Pending
Filed Capacity	400 MW
Installed Capacity	400 MW
Progress of Work	Grid-connected

Project Overview

The wind farm is trapezoidal in shape, with an average east-west length of about 13.7 km and a maximum width of about 8.2 km from north to south. The planned sea area is about 66 sq. km. The planned total installed capacity of the project is 400 KW with 100 wind turbines (each with a capacity of 4 MW), a 220 kV offshore booster station, an offshore converter station and an onshore converter station. According to the estimation of feasibility study, the annual on-grid electricity will be 1,269.26 million kW, and the annual equivalent full-load hours will reach 3,173 hours after the completion of the project. It can save 0.381 million tons of standard coal and reduce carbon dioxide emissions by 1.058 million tons per year.

The project is the first offshore wind power project in China that adopts a long-distance, high-voltage 400 kV flexible DC transmission scheme. It is also the first project using DC submarine cable in China. The transmission distance of the DC submarine cable exceeds 100 km. The hard joints, soft joints and terminals were newly developed. The construction scale of the offshore converter platform of the project is the largest in China, and it would be the first time float-over method applied to the offshore converter platform.

In January-March 2022, power generation was 226.1403 million kWh, utilization hours were 565.35 hours, and on-grid electricity was 218.0103 million kWh.

Grid-connected Date	The installation of the first wind turbine was completed on 26 July 2020, the installation of all wind turbines was completed on 25 September 2021, the grid-connected production commenced on 29 November 2021, and full-capacity grid-connected power generation on 25 December 2021
On-grid Electricity Price	RMB0.3910/kWh
Subsidized Electricity Price	RMB0.4590/kWh
Electricity Business Licence	Granted

(3) *Photovoltaic power station in which the Target Group has a controlling interest – Photovoltaic project in Bufeng Town, Yan City, Jiangsu Province*

Project Company Name	**Yancheng Yuanshan Photovoltaic Power Company, Limited# 鹽城雲杉光伏發電有限公司**
Type of Project	Ground Photovoltaic
Site of Construction	Yancheng Development Zone, Bufeng Town, Yancheng, Jiangsu
Mode of Power Generation	All electricity connected to grid
Estimated Investment Amount	RMB181.54 million
Capital Ratio	Capital ratio 30%
	Loan financing ratio 75%
Project Final Accounts	RMB175.26 million

English name is for identification purpose only.

Filed Capacity	26 MW
Installed Capacity	26 MW
Progress of Work	Grid-connected
Project Overview	The single-unit rated power of 285Wp polysilicon photovoltaic elements in this project is installed with a fixed inclination angle of 24 degrees, using 12 sets of 500-KW inverters, 32 sets of 630-KW inverters, and 22 step-up transformers. The project commenced construction on 15 March 2018. During the 25-year operation period of the project, the annual average on-grid electricity is estimated to be 29.1877 million kWh, and the annual average power generation and utilization hour is estimated to be 1,069.15 hours.
Grid-connected Date	29 June 2018
On-grid Electricity Price	RMB0.3910/kWh
Subsidized Electricity Price	RMB0 0.4590/kWh
Electricity Business licence	Granted

As at the Latest Practicable Date, the power stations of Target Group have been in operation for a total of 2,114 days with an accumulative power generation of 1.344 billion kWh. Its green energy electricity generation has saved the usage of 406.5 thousand tons of standard coal and reduced emissions of 1,013.5 thousand tons of carbon dioxide, 75 thousand tons of sulphur dioxide, and 38 thousand tons of nitrogen oxides.

(IV) Valuation Report

In order to ascertain the fair value of the Target Equity from the prospective of the Company and to determine whether the pricing is reasonable, the Company appointed Kroll, an independent valuation agency, to assess the value of the Target Equity in accordance with international standards and requirements. The assessment of the fair value of the Target Equity as of the Valuation Date is RMB2,355 million, which is slightly higher than the appraised value in the State-owned Asset Valuation Report (on which Jiangsu Communications Holding proposed the consideration in accordance with the Measures for the Supervision and Administration of the Transaction on State-Owned Assets of Enterprises).

To develop its opinion of value, Kroll has considered three generally accepted approaches to value: cost, market and income*. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern business, as it does not capture future earning potential of the business. Thus, cost approach is not utilized in the valuation. Kroll has searched for publicly listed companies for application of guideline companies approach but no companies are similar to YS Energy Company in all aspects. In particular, one of YS Energy Company's major wind power project, Jiangsu Rudong H5# offshore wind farm, just completed installation of all wind turbines in October 2021 and hence its stage of commercial operation might differ from other publicly listed Chinese renewable energy companies. In view of the above, in forming its opinion, Kroll relies upon the income approach as primary approach to determine the business enterprise value of YS Energy Company and use Guideline Transaction Method (GTM) under market approach as secondary approach for cross check.

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

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

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

Kroll adopts the discount cash flow method in the income approach and based on certain assumptions to evaluate YS Energy Company which constitutes a profit forecast under Rule 14.61 of the Hong Kong Listing Rules. Hence, the requirements of Rules 14.60A and 14.62 of the Hong Kong Listing Rules apply.

Key Assumptions

Due to the changing environments in which YS Energy Company, the key assumptions adopted by Kroll in the valuation of 100% equity interest in YS Energy Company using the income approach are as follows:

- no major changes are expected in political, legal and economic conditions in China;
- regulatory environment and market conditions for renewable energy industry will be developing according to prevailing market expectations;
- there will be no major changes in the current taxation law applicable to renewable energy industry;
- YS Energy Company will not be constrained by the availability of finance;
- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations;
- YS Energy Company will retain competent management, key personnel and technical staff to support their ongoing operations;
- there will be no change in government policy that the YS Energy Company's solar power plants will be eligible for subsidy if they reach 22,000 usable hours or reasonable useful life of 20 years;
- there will be no change in government policy that the YS Energy Company's Rudong wind farm will be eligible for subsidy if it reaches 52,000 usable hours throughout its life cycle; and
- government subsidy receivable collection period of the YS Energy Company's wind farm and solar power plants will be approximately 2 years and 3 years, respectively.

Confirmation

KPMG Huazhen LLP, the Company's Reporting Accountants, was engaged to report on the calculation of the discounted future cash flows used in the Valuation Report, as required by Rule 14.62(2) of the Hong Kong Listing Rules. The discounted future cash flows do not involve the adoption of accounting policies. So far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the directors of the Company as set out in the Valuation Report.

The board of directors of the Company has (i) discussed with the senior management of YS Energy Company and Kroll on the basis and assumptions of the discount cash flow valuation of YS Energy Company in the Valuation Report; (ii) reviewed the discount cash flow valuation as set out in the Preliminary Assessment; and (iii) considered the report from the Reporting Accountants of the Company. Based on the above basis and subject to the assumptions set out above, the board of directors of the Company confirmed that the discount cash flow valuation as set out in the Valuation Report was made after due and careful enquiry by the directors of the Company. The confirmation by the Company to the Stock Exchange is set out in Appendix 3 to this Circular.

The Valuation Report and the report form the Reporting Accountant are set out in Appendix 1 and Appendix 2 of this Circular.

(V) Reasons and Benefits of the Transaction

The implementation of this transaction is mainly a focus of the Company's strategic interest and commercial benefits.

Firstly, is to respond to national policies, reorganize resources and invest in the clean energy industry. On 27 December 2016, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the "Guiding Opinions on Innovating the Government's Resource Allocation", encouraging state-owned enterprises to optimize and strengthen listed companies through asset injection, and encourage state-controlled listed companies to allocate resources through mergers and reorganizations. The Company has also been paying attention to researching investment opportunities in order to strengthen the integration of resources, adjust and optimize the industrial layout structure of the Group, and improve the quality, efficiency and sustainable development capability of development.

On 22 September 2020, President Xi Jinping proposed the goal of "strive to peak carbon dioxide emissions by 2030 and strive to achieve carbon neutrality by 2060" at the 75th United Nations General Assembly. On 11 May 2021, the National Energy Administration issued the "Notice on Matters Concerning the Development and Construction of Wind Power and Photovoltaic Power in 2021", stating that in 2021, the national wind power and photovoltaic power generation would account for about 11% of the electricity consumption of the whole society, with increases to follow year by year, to ensure that non-fossil energy consumption accounts for about 20% of primary energy consumption in 2025. Non-fossil energy will still have great market potential. By conducting this transaction to invest in the field of clean energy, the Company will comply with the world and national power generation requirements and meet market demand.

Secondly, is to actively implement the strategy of "carbon dioxide peaking and carbon neutrality" and fulfill social responsibilities. In September 2021, the Central Committee of the Communist Party of China and the State Council jointly released a document titled "Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy" proposing to ensure the realization of "carbon dioxide peaking and carbon neutrality" as scheduled. Wind energy and solar energy have developed rapidly in recent years, technological innovation has continued to drive down the cost of power generation, and the proportion of clean energy installation capacity has continued to increase. It is expected to maintain rapid growth for a relatively longer period in the future.

The clean energy power generation projects held by YS Energy Company are located in Jiangsu Province. Jiangsu Province is currently the province with the largest scale of offshore wind power in operation in China. As at the end of December 2021, with the connection of the last batch of offshore wind turbines in the sea area of Yancheng, all the offshore wind power projects under construction in Jiangsu Province have been successfully connected to the grid at full capacity. The installed capacity of offshore wind power reached 11.8 million KW, accounting for nearly half of the national total. Combined with the endowment of solar and wind resources in Jiangsu Province, Jiangsu Province is suitable for the development of clean energy.

Thirdly, is to expand the business scope of the Group and achieve sustainable development. The Group's current core business is the investment, construction, operation and management of toll roads and bridges in Jiangsu Province, and the development of supporting operations in service areas along expressways (including refueling, catering, shopping, advertising and accommodation, etc.) Hence, in order to make full use of the Company's capital strength and other advantages, actively enhance corporate value and achieve sustainable development, the Company needs to improve its industrial structure and optimize its industrial layout. Through the acquisition of YS Energy Company, the Company can overcome the entry barriers of the clean energy industry, quickly enter the clean energy industry, and expand its business scope. In this way, the sustainable development capability and risk-resistance capability of the Group could be enhanced, the value of the Company could be enhanced, and the interests of the Company and its shareholders could be better protected.

Fourthly, is to achieve business synergy to facilitate the development of the Group's clean energy business. The current core business of YS Energy Company is clean energy power generation such as photovoltaic power, and offshore wind power. Photovoltaic and offshore wind power as renewable energy is the future development direction of green energy travel. The Group currently holds a large number of core assets such as expressways, service areas and toll stations, and has green energy travel consumption venues for end users. With the acquisition of YS Energy Company, the Group can apply the photovoltaic equipment of YS Energy Company to the land resources on both sides of the expressways, the existing service areas, toll stations, etc. of the Group to further increase coverage of photovoltaic applications in expressway service areas, toll stations, and inter-change areas by YS Energy Company. At the same time, Jiangsu Yangtze Commerce and Energy Co., Ltd.# 江蘇長江商業能源有限公司, a subsidiary of the Company, with brand operation capabilities and rich experience, using the influence of the Group to develop new business areas, will assist YS Energy Company to rapidly expand its business scale and brand influence, jointly build a comprehensive transportation clean energy service center with national influence, improve resource utilization efficiency and economic benefits. Furthermore, the Company has the advantages of good credit and low financing costs. The incorporation of YS Energy Company into the Group will broaden the financing channels of YS Energy Company, increase the opportunity to obtain more high-quality projects, expand its business scale and increase its income level.

Fifthly, is to acquire high-quality assets to enhance the asset quality and profitability of the Group. With the increase in the number of operating projects of YS Energy Company, the scale of assets, revenue and profitability of YS Energy Company will gradually increase. The annual rate of return of this investment is expected to be more than 10%, which is higher than the rate of return of the toll road core business of the Company. The injection of equity of YS Energy Company into the Company is conducive to improving the asset quality and profitability of the Company and enhancing the sustainable operation ability of the Company.

\# *English name for identification purpose only*

(VI) Financial Impact of the Acquisition of the Target Group on the Group

After Completion, the YS Energy Company will be wholly-owned by the Company. The financial results of the YS Energy Company will be consolidated into the accounts of the Group.

Based on the information in the above section "(III) Information about the Target Group – (2) Financial Information", assuming the acquisition of the YS Energy Company had been carried out and has been consolidated into the accounts of the Company on 31 March 2022 and the Company had paid the Consideration in full, the unaudited pro forma consolidated total assets of the enlarged Group should be increased by approximately RMB4,093.05 million, while the unaudited pro forma consolidated liabilities of the enlarged Group should be increased by approximately RMB4,132.88 million, subject to audit.

As at the Latest Practicable Date, the power stations of the Target Group have all been put into operation and are expected to generate stable income in the future. Therefore, the acquisition of the Target Group is expected to have a positive impact on the future long-term earnings of the Group.

(VII) Listing Rules Implications

According to Article 6.3.3 of the Shanghai Listing Rules, the counterparty of this transaction is a related party of the Company, hence, the transaction constitutes a related party transaction. The transaction should be calculated cumulatively according to the "principle of cumulative calculation within 12 consecutive months" to meet the disclosure requirements of Article 6.3.7 of the Shanghai Listing Rules. The proportion of the aggregate relevant amount to the absolute value of the Company's latest audited net assets is higher than 5%. Therefore, this transaction needs to be submitted to the shareholders' meeting for approval and Jiangsu Communications Holding shall abstain from voting.

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

As Jiangsu Communications Holding is the controlling shareholder of the Company, it is a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. Hence, the Equity Transfer Agreement and the transactions contemplated thereunder constitute connected transactions of the Company. The Consideration is RMB2,457 million. In addition, (i) the Company undertakes to replace Jiangsu Communications Holding as the guarantor of the loan advanced by the State Development Bank, Jiangsu Branch, to Rudong Company (total credit facility is RMB4 billion, and the loan withdrawn amount is RMB2,363 million) within 1 year from the Completion Date, (ii) the Company will provide financial assistance to YS Energy Company to replace loans advanced by Jiangsu Communications Holding and its associates, if all loans are repaid in full (except for the RMB300 million loan by Jiangsu Communications Holding to Rudong Company from designated use of proceeds of an issue of green bonds), such shareholder loan(s) will amount to RMB560.716 million. As the highest applicable percentage ratio calculated according to Rule 14.07 of the Hong Kong Listing Rules is above 5% but below 25%, the Equity Transfer Agreement and the transactions contemplated thereunder also constitute a discloseable transaction. As such, the transaction is subject to the notification, announcement, circular and independent shareholders' approval requirements (where Jiangsu Communications Holding and its associates shall abstain from voting) under Rules 14.33, 14A.35 and 14A.36 of the Hong Kong Listing Rules.

As to the leases entered into between the Target Group and the associates of Jiangsu Communications Holding, since the Company will recognise them as right-to-use assets upon Completion, they will not constitute as continuing connected transactions of the Company

(VIII) Review Procedures Performed and to be Performed on this Transaction

The transaction has been considered and approved at the Ninth Meeting of the Tenth Session of the board of directors of the Company, and related/connected directors Mr. Chen Yanli and Mr. Wang Yingjian, being officers of Jiangsu Communications Holding, have abstained from voting. This transaction has to be submitted to the general meeting of shareholders for consideration and approval where Jiangsu Communications Holding and its associates are required to abstain from voting.

The five independent directors of the Company have issued prior approval opinion, agreed to submit the related party transaction proposal to the Ninth Meeting of the Tenth Session of the board of directors of the company for consideration and expressed their independent opinions at the meeting as follows:

> Based on the requirements of the strategic development plan, the Company continuously improves the Company's comprehensive profitability and core competitiveness, which is conducive to the Company's long-term development and is in line with the Company's overall interests. The terms of transaction are on general commercial terms. The transaction price was fair and reasonable, and had no negative impact on the Company. There was no situation that would harm the interests of the Company and all shareholders, especially minority shareholders. We agree to submit the above related party transaction proposal to the Ninth Meeting of the Tenth Session of the board of directors of the Company for consideration.

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

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

(IX) Recommendation

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 42 to 43 of this circular which contains its advice to the Independent Shareholders in connection with the Equity Transfer Agreement and the connected transaction contemplated thereunder; (ii) the letter from GTJA set out on pages 44 to 75 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the Equity Transfer Agreement and the connected transaction contemplated thereunder, and the principal factors and reasons taken into consideration in arriving at its advice; and (iii) the additional information set out in the Appendices 1 and 2 to this circular.

Directors (including independent non-executive Directors) considered that the Acquisition is a strategic investment of the Company on normal commercial terms which are fair and reasonable, and is in the interest of the Company and its shareholders as a whole. Directors (including independent non-executive Directors) therefore recommend that the Independent Shareholders (i.e. Shareholders other than Jiangsu Communications Holding and its associate) to vote in favour of the ordinary resolution to be proposed at the AGM to approve the Equity Transfer Agreement and the transaction contemplated thereunder.

D. ELECTION OF DIRECTORS

Due to job changes, Mr. Sun Xibin and Mr. Cheng Xiaoguang have tendered their respective resignation as director of the Company on 8 October 2021 and 12 May 2022. After their resignation, Mr. Sun and Mr. Cheng will not hold any positions in the Company. According to the relevant provisions of the Company Law and the Articles of Association, the resignation of Mr. Sun and Mr. Cheng took when the resignation applications was delivered to the Board of Directors of the Company.

As Mr. Lin Hui has been an independent non-executive director of the Company for 6 years, he has to resign from his directorship in accordance with the requirements of the Shanghai Listing Rules. His resignation will take effect on the date when the new independent non-executive director is appointed by the Company.

The articles of association of the Company provides that the board of directors of the Company shall comprise of 13 members. Upon review by the Nomination Committee of the Board of Directors of the Company, it is proposed that Mr. Chen Yunjiang, Mr. Wang Feng and Mr. Ge Yang be nominated as directors of the Tenth session of the Board of Directors of the Company, and their tenure will commence from the date of the AGM and end on the date of the 2023 annual general meeting of shareholders.

Please refer to Appendix III for personal information of the Director candidates of the Company.

The Company will enter into an executive director service contract with each of Mr. Wang and Mr. Chen and an independent non-executive director service contract with Mr. Ge.

According to the Company's annual report for the year ended 31 December 2021, Mr. Wang Feng as a deputy general manager and the general manager of the Company received salary and allowance in the sum of RMB635,200 (the date of appointment as the general manager is 8 October 2021).

E. BOOK CLOSURE FOR H SHARES

According to the articles of association of the Company, registration of transfers of H shares will be suspended by the Company from 18 May 2022 to 17 June 2022 (both days inclusive). As set out in the announcement of the Company of 29 April 2022, holders of H shares of the Company who wish to be eligible to attend and vote at the AGM must deliver their instruments of transfer together with the relevant share certificates to Hong Kong Registrars Limited, the registrar of H shares of the Company, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, **no later than 4:30 p.m. on Tuesday, 17 May 2022**. **Registered shareholders of the Company as at close of business of 31 May 2022 are entitled to attend and vote at the AGM.**

F. THE AGM

The AGM will be held at 6 Xianlin Avenue, Nanjing, the PRC on Friday, 17 June 2022 at 3:00 p.m.. A notice of the said meeting is set out on pages N-1 to N-9 of this circular. Ordinary resolutions will be proposed for approving the Overseas Debt Financing products Issuance, the UST Notes Issuance, the MT Notes Issuance, the Acquisition, the proposed election of the Directors and other ordinary matters of an annual general meeting. The Corporate Bonds Issuance will be proposed as a special resolution.

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

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

All resolutions will be voted by way of poll.

For H shareholders, whether or not you are able to attend the AGM, you are requested to (i) complete the accompanying confirmation slip in accordance with the instructions printed thereon and return the same to the Company no later than Thursday, 9 June 2022, and to (ii) complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company not less than 24 hours before the time appointed for holding the AGM (being no later than 3:00 p.m. on Thursday, 16 June 2022 (Hong Kong/Beijing time)). Completion and return of the form of proxy will not preclude H shareholders from attending and voting at the AGM. Under these circumstances, the H shareholders will be deemed to have withdrawn the appointment of the proxy.

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

By order of the Board
Jiangsu Expressway Company Limited
Yao Yongjia
Executive Director and Company Secretary

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

江蘇寧滬高速公路股份有限公司
JIANGSU EXPRESSWAY COMPANY LIMITED
(Established in the People's Republic of China as a joint-stock limited company)
(Stock Code: 00177)

17 May 2022

To Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF ACQUISITION OF YS ENERGY COMPANY

We refer to the circular dated 17 May 2022 (the "**Circular**") to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the connected transaction contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the Circular. GTJA has been appointed to advise the Independent Shareholders and us in this regard.

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

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

Yours faithfully,
For and on behalf of
Independent Board Committee
Lin Hui **Zhou Shudong** **Liu Xiaoxing** **Yu Mingyuan** **Xu Guanghua**
Independent Non-executive Directors

The following is the full text of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition of YS Energy Company for the purpose of inclusion in this circular.

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

27th Floor, Low Block,
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong
17 May 2022

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF ACQUISITION OF YS ENERGY COMPANY

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 Equity Transfer Agreement, the acquisition of the Target Equity (the "**Acquisition**"), and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company dated 17 May 2022 (the "**Circular**") of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in this Circular.

On 30 April 2022, with a view to optimize the Company's industrial structure layout, open up new profit growth points, and achieve sustainable development, the Company (as the transferee) and Jiangsu Communications Holdings (as the transferor) entered into the Equity Transfer Agreement, pursuant to which the Company agreed to acquire 100% equity interest in YS Energy Company held by Jiangsu Communications Holding at a consideration of RMB2,457 million. Upon Completion, YS Energy Company and its subsidiaries will become subsidiaries of the Company.

LISTING RULES IMPLICATION

Equity Transfer Agreement

As Jiangsu Communications Holding is the controlling shareholder of the Company, it is a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. Hence, the Equity Transfer Agreement and the transactions contemplated thereunder constitute connected transactions of the Company.

As set out in the Board Letter, since the highest applicable percentage ratio calculated according to Rule 14.07 of the Hong Kong Listing Rules is above 5% but below 25%, the Equity Transfer Agreement and the transactions contemplated thereunder also constitute a discloseable transaction. As such, the transaction is subject to the notification, announcement, circular and independent shareholders' approval requirements (where Jiangsu Communication Holding and its associates shall abstain from voting) under Rules 14.33, 14A.35 and 14A.36 of the Hong Kong Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Messrs. Lin Hui, Zhou Shudong, Liu Xiaoxing, Yu Mingyuan and Xu Guanghua has been formed to advise the Independent Shareholders on the Acquisition.

We, Guotai Junan Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Equity Transfer Agreement are fair and reasonable; (ii) whether the Acquisition is conducted on normal commercial terms and in the ordinary and usual course of business of the Group; (iii) whether the Acquisition is in the interests of the Company and its shareholders as a whole; and (iv) whether the Independent Shareholders should vote on the ordinary resolution to be proposed at the Annual General Meeting to approve the Acquisition.

Apart from the normal professional fees for our services to the Company in connection with our appointment as described above, no arrangement exists whereby we shall receive any fees and benefits from the Group or where appropriate, any of their respective associates. We are independent from and not connected with the Group or where appropriate, any of its respective substantial shareholders, Directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Hong Kong Listing Rules. In the past two years, there was no engagement between the Group and us. Therefore, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

BASIS OF OUR OPINION

In formulating our advice and recommendations to the Independent Board Committee and the Independent Shareholders, we have considered and reviewed, among other things, (i) the information set out in the announcement of the Company dated 30 April 2022 in relation to, among other matters, the Equity Transfer Agreement; (ii) the Equity Transfer Agreement; (iii) the first quarterly report of the Company for the three months ended 31 March 2022 (the "**2022 First Quarterly Report**"); (iv) the annual report of the Company for the year ended 31 December 2021 (the "**2021 Annual Report**"); (v) the valuation report of the Target Group prepared by Kroll (HK) Limited ("**Kroll**"), a professional business valuer, which is engaged by the Company to assess the value of YS Energy Company (the "**Valuation Report**") as set out in Appendix I to this Circular; (vi) the valuation report of the Target Group prepared by Beijing Tianjian Xingye Asset Evaluation Co., Ltd. ("**Tianjian Xingye**"), a PRC valuer with the relevant State-owned asset valuation qualifications, which is commissioned by Jiangsu Communications Holding (the "**State-owned Asset Valuation Report**"); (vii) the audited consolidated financial statements of the Target Group for the year ended 31 December 2021 which were audited by ShineWing Certified Public Accountants LLP, the Target Group's statutory auditors; (viii) the unaudited management accounts of the Target Group for the three months ended 31 March 2022; (ix) the industry report prepared by China Energy Engineering Group Jiangsu Power Design Institute Co., Ltd ("**CEEC**") ("**Industry Report**") dated March 2022; (x) the report on profit forecast of the Target Group issued by the Reporting Accountants as set out in Appendix II of this Circular; (xi) the letter on profit forecast from the Board of the Company as set out in Appendix III of this Circular; and (xii) information set out in other relevant parts of this Circular. We have also enquired with and reviewed the information provided by the management of the Company regarding the Acquisition including but not limited to, the operations, financial conditions and prospects of the Target Group.

We have relied on the statement, information and representations contained or referred to in this Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinion and representations contained or referred to in this Circular and all statement, information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof and were made after due and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in this Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this Circular misleading. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group, parties to the Acquisition or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market, regulatory and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in the market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is our responsibility to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

Background of and reasons for the Acquisition

(i) Information on the Company

As set out in the Board Letter, the Company is mainly engaged in construction, management, maintenance and collection of tolls of roads and expressways in Jiangsu Province, as well as related ancillary services.

Set out below is the extract of the consolidated financial information of the Company for the three months ended 31 March 2022 and two years ended 31 December 2021 as extracted from the 2022 First Quarterly Report and the 2021 Annual Report:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the three months ended 31 March 2022
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Total operating income	8,032,467	13,792,587	2,578,308
Net profit	2,518,755	4,132,649	785,442
Net profit attributable to owners of the Company	2,464,214	4,178,794	795,301
	As at 31 December 2020	**As at 31 December 2021**	**As at 31 March 2022**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Cash and bank balances	386,713	496,127	488,336
Net assets	33,049,270	35,359,893	36,783,184

Source: The 2021 Annual Report and the 2022 First Quarterly Report.

As depicted by the above table, the Group recorded total operating income of approximately RMB13,792.6 million for the year ended 31 December 2021 ("**FY2021**"), representing an increase of approximately 71.7% as compared to that for the year ended 31 December 2020 ("**FY2020**"). For FY2021, the Group recorded net profit and net profit attributable to owners of the Company of approximately RMB4,132.6 million and RMB4,178.8 million, respectively, representing an increase of approximately 64.1% and approximately 69.6% as compared to those for FY2020, respectively.

As at 31 March 2022, the Group had cash and bank balances, held-for-trading financial assets and net assets of approximately RMB488.3 million, RMB3,119.0 million and RMB36,783.2 million, respectively. As at 31 December 2020, 31 December 2021 and 31 March 2022, the Group's gearing ratio (calculated as total liabilities divided by total assets) was approximately 45.9%, 47.7% and 46.4%, respectively. Based on the information set out in the 2021 Annual Report and the 2022 First Quarterly Report and as discussed with the Company, held-for-trading financial assets referred to wealth management products held by the Group which were classified as the current assets of the Group.

(ii) Information on Jiangsu Communications Holdings

With reference to the Board Letter, Jiangsu Communications Holding is the controlling shareholder of the Company, holding approximately 54.44% of the Company's equity. Jiangsu Communications Holding is Jiangsu Province's provincial investment and financing platform for key transportation infrastructure construction projects. It mainly undertakes four responsibilities: first, to be responsible for the investment and financing of key transportation infrastructure construction projects such as expressways, railways, airports, and ports in the province. By the end of 2021, the accumulative completed investments amounted to RMB412.2 billion; of which, RMB326 billion for expressways, RMB72.3 billion for railways, and RMB13.9 billion for ports, airports and others. Second, is to be responsible for the investments of the provincial railway group, the provincial port group and the eastern airport group, currently accounting for 96.3% of the provincial railway group; 29.6% of the provincial port group; and 27.3% of the eastern airport group. Third, to be responsible for the province's expressways, the operation and management of bridges across the river, managing 88% of expressways in the province, with a mileage of 4,381 k.m., including 7 cross-river bridges (being Jiangyin Bridge, Sutong Bridge, Runyang Bridge, Taizhou Bridge, Chongqi Bridge, Shanghai-Sutong Yangtze River Railway Bridge and Wufengshan Yangtze River Bridge), 364 toll stations and 97 pairs of service areas. Fourth, is to make use of the main business of transportation, and be responsible for the asset and market operation and management of relevant competitive enterprises involved in the industries of financial investment, power and energy, passenger transportation, smart transportation and cultural media. At present, there are 33 enterprises and institutions under its supervision, with about 28,000 employees. It currently holds two listed companies, namely the Company (600377.SH; 0177.HK) and Jiangsu Financial Leasing Co., Ltd. #江蘇金融租賃股份有限公司 (600901.SH). As of the end of 2021, the group's total assets and net assets were RMB695.7 billion and RMB279.3 billion, representing an increase of 11.86% and 10.53% respectively over the previous year. In 2021, the group's operating income and total profit were RMB57.4 billion and RMB16.8 billion, respectively, an increase of 30.16% and 61.54% respectively over the previous year.

\# The English name is for identification purpose only.

(iii) Information on the Target Group

(a) Basic information

With reference to the Board Letter, YS Energy Company is a limited liability company established in the People's Republic of China on 29 November 2016 with registered capital of RMB2,000,000,000 (paid-in capital amounted to RMB1,724,000,000). The core business of the Target Group is photovoltaic, offshore wind power and other clean energy power generation. The Target Group operates four ground-mount on-grid photovoltaic power stations (with total installed capacity of 66.0 MW) in the cities of Xuzhou and Yancheng, Jiangsu Province, and 62 distributed rooftop photovoltaic power facilities in in the cities of Xuzhou, Yancheng, Lianyungang, Huaian, Suqian, and Changzhou, Jiangsu Province (with total installed capacity of 50.6 MW), and operates an offshore wind power station in Nantong City, Jiangsu Province, with an installed capacity of 300 MW. Out of the 62 distributed rooftop photovoltaic power facilities, 54 are operated by YS Energy Company (with total installed capacity of 22.35 MW, of which 3.89 MW connected to grid in 2017 and 18.46 MW connected to grid in 2018).

As of 31 December 2021, the total installed capacity of the grid-connected projects was approximately 526.6 MW (including equity share of installed capacity), of which 300 MW of offshore wind power with controlling interests, 113.1 MW of photovoltaic power with controlling interests, 110 MW of wind power with equity participation and 3.5 MW of photovoltaic power with equity participation. In 2021, the total power generation of the Target Group (for projects which YS Energy Company has a controlling interests) was 623,177,800 kWh, with 143,862,100 kWh of photovoltaic and 479,315,700 kWh of wind power. The total on-grid power was 601,602,300 kWh, representing 106.86% of the annual target of the Target Group.

YS Energy Company has 10 subsidiaries and three invested companies. Set out below are the details of the subsidiaries and invested companies:

Name of Company	**Type of clean energy**	**Installed capacity of wind/photovoltaic power (in MW)**	**First grid-connection month**	**Percentage of interest owned by YS Energy Company**
Sujiaokong New Energy Technology Fengxian Co., Ltd.# 蘇交控新能源科技豐縣有限公司	Photovoltaic	20	January 2017	100%
Sujiaokong Clean Energy Tongshan Co., Ltd.# 蘇交控清潔能源銅山有限公司	Photovoltaic	6.5	January 2017	100%
Sujiaokong Clean Energy Jiangsu Co., Ltd.# 蘇交控清潔能源江蘇有限公司	Photovoltaic	N/A *(Note 1)*	N/A *(Note 1)*	100%
Sujiaokong Clean Energy Xuzhou Co., Ltd.# 蘇交控清潔能源徐州有限公司	Photovoltaic	0.9	July 2016	100%
Sujiaokong Fengxian Agricultural Science and Technology Co., Ltd.# 蘇交控豐縣農業科技有限公司	Photovoltaic	N/A *(Note 2)*	N/A *(Note 2)*	100%
Liyang Youke Energy Co., Ltd.# 溧陽市優科能源有限公司	Photovoltaic	4.7	November 2017	90%

Name of Company	Type of clean energy	Installed capacity of wind/photovoltaic power (in MW)	First grid-connection month	Percentage of interest owned by YS Energy Company
Yancheng Yuanshan Photovoltaic Power Co., Ltd.# 鹽城雲杉光伏發電有限公司	Photovoltaic	26	June 2018	80%
Rudong Company# 如東公司	Offshore wind	300	December 2020	72%
Changzhou Jintan Heyi New Energy Technology Co. Ltd.# 常州金壇禾一新能源科技有限公司	Photovoltaic	10.8	July 2020	70%
Sujiaokong Fengxian Renewal Energy Co., Ltd.# 蘇交控豐縣再生能源有限公司	Photovoltaic	20.8	January 2017	70%
Jiangsu Nengtou Xincheng Photovoltaic Power Co., Ltd.# 江蘇能投新城光伏發電有限公司	Photovoltaic	7.2	November2017	49%
Longyuan Donghai Wind Power Co., Ltd.# 龍源東海風力發電有限公司	Grond-mount wind	100	December 2014	30%
Three Gorges New Energy Nantong Co., Ltd. (hereinafter referred to as "**Three Gorges Nantong Company**")# 三峽新能源南通|有限公司	Offshore wind	400	November 2020	20%

Note 1: In the process of planning investment in transport related photovoltaic power projects

Note 2: Currently no clean energy projects in operation

\#   The English name is for identification purpose only.

(b) Financial information

Certain financial information of the Target Group for the years ended 31 December 2020 and 2021, and the three months ended 31 March 2022 are set out below:

	As at 31 December 2020	As at 31 December 2021	As at 31 March 2022
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*
Total assets *(Note)*	4,337,799.0	6,475,943.4	6,550,050.7
Net assets *(Note)*	2,046,231.2	2,251,954.9	2,417,173.7

	For the year ended 31 December 2020 *RMB'000* *(audited)*	For the year ended 31 December 2021 *RMB'000* *(audited)*	For the three months ended 31 March 2022 *RMB'000* *(unaudited)*
Operating income	106,140.1	441,053.1	151,705.6
Profit before taxation	34,197.4	121,141.0	54,310.6
Profit after taxation	32,265.2	118,353.7	53,729.7
Net profit attributable to shareholders of YS Energy Company	28,944.2	82,704.7	44,416.0

Note: In 2020 and in 2021, Jiangsu Communications Holding made capital contribution of RMB140 million and RMB40 million to YS Energy Company for YS Energy Company's pro rata capital contribution to Three Gorges Nantong Company (a 20% associated company of YS Energy Company). In 2021, minority shareholders of Rudong Company (a 72% subsidiary of YS Energy Company) made pro rata capital contribution of an aggregate RMB47.37 million.

On 14 January 2022, Jiangsu Communications Holding made capital contribution of RMB111 million (which was applied as the YS Energy Company's pro rata capital contribution to Rudong Company). During the first quarter of 2022 special reserve for safety production of YS Energy Company increased by RMB490,000.

As depicted by the above table, YS Energy Company recorded operating income of approximately RMB441.1 million for FY2021, representing an increase of approximately 315.5% as compared to that for FY2020. For FY2021, YS Energy Company recorded net profit of approximately RMB118.4 million, representing an increase of approximately 266.8% as compared to those for FY2020. The net profit of YS Energy Company for the three months ended 31 March 2022 was approximately RMB53.7 million, which represented approximately 45.4% of the total net profit recorded in FY2021.

(c) Key clean energy projects

Set out below are the details of several key projects of the Target Group:

(1) Wind power plant in which the Target Group has a controlling interest – Jiangsu Rudong H5# Offshore Wind Farm project

Project company	Rudong Company
Type of Project	Offshore wind power generation
Site of Construction	North-eastern side of Pufferfish Sandbar, Rudong Sea, Rudong County, Nantong, Jiangsu (Centre of the farm being 48 km from the shore)

Mode of Power Generation	All electricity connected to grid
Estimated Investment Amount	RMB5,565.7 million
Installed Capacity	300MW
Progress of Work	Grid-connected
Project Overview	The wind farm is rectangular in shape, with a length of approximately 12 km from east to west, and a width of approximately 4.4 km from north to south. The planned sea area is approximately 52 sq. km. The planned installed capacity is 300 MW, with 75 wind turbines (each with a capacity of 4 MW), and a 220 kV offshore booster station for the wind farm. The annual on-grid electricity is 940.8 million kWh. The construction period of this project is 34 months. The project commenced construction in July 2019. In 2021, power generation was 479,315,700 kWh, utilization hours were 3,138.75 hours, and on-grid electricity was 458,433,500 kWh. Loss of power generation was 72,436,900 kWh (including 31,546,800 kWh failures loss, 1,601,700 kWh planned maintenance loss, 3,037,400 kWh on-site loss, 36,220,200 kWh off-site loss, and 30,900 kWh wind abandonment loss). Average wind speed was 6.56 m/s. The average utilization rate of the generator set was 93.4%, the utilization rate of the wind farm was 92.48%, and the comprehensive field power consumption rate was 5.59%.
Grid-connection Date	The first wind turbine: 19 December 2020 All wind turbines: 31 October 2021
On-grid Electricity Price	RMB0.3910/kWh
Subsidized Electricity Price	RMB0.4590/kWh
Electricity business licence	Granted
Sea Use Right	Up to 19 February 2048

(2) Wind power plant in which the Target Group invests – Jiangsu Rudong H6# Offshore Wind Farm project

Project Company	Three Gorges Nantong Company
Type of Project	Offshore wind power generation
Site of Construction	Rudong, Nantong, Jiangsu, (Centre of the farm being 48 km from the shore)
Mode of Power Generation	All electricity connected to grid
Estimated Investment Amount	RMB7,123.16 million
Installed Capacity	400 MW
Progress of Work	Grid-connected
Project Overview	The wind farm is trapezoidal in shape, with an average east-west length of about 13.7 km and a maximum width of about 8.2 km from north to south. The planned sea area is about 66 sq. km. The planned total installed capacity of the project is 400 MW with 100 wind turbines (each with a capacity of 4 MW), a 220 kV offshore booster station, an offshore converter station and an onshore converter station for the wind farm. According to the estimation of a feasibility study, the annual on-grid electricity will be approximately 1,269.26 million kWh, and the annual equivalent full-load hours will reach 3,173 hours after the completion of the project. It can save 0.381 million tons of standard coal and reduce carbon dioxide emissions by 1.058 million tons per year.

	The project is the first offshore wind power project in China that adopts a long-distance, high-voltage 400 kV flexible DC transmission scheme. It is also the first project using DC submarine cable in China. The transmission distance of the DC submarine cable exceeds 100 km. The hard joints, soft joints and terminals were newly developed. The construction scale of the offshore converter platform of the project is the largest in China, and it was the first project in which float-over method was applied to an offshore converter platform. In March 2022, power generation was 226.1403 million kWh, utilization hours were 565.35 hours, and on-grid electricity was 218.0103 million kWh.
Grid-connected Date	The first wind turbine: 29 November 2021 All wind turbines: 25 December 2021
On-grid Electricity Price	RMB0.3910/kWh
Subsidized Electricity Price	RMB0.4590/kWh
Electricity Business Licence	Granted

(3) Photovoltaic power station in which the Target Group has a controlling interest – Photovoltaic project in Bufeng Town, Yancheng City, Jiangsu Province

Project Company Name	Yancheng Yuanshan Photovoltaic Power Company, Limited 鹽城雲杉光伏發電有限公司
Type of Project	Ground Photovoltaic
Site of Construction	Yancheng Development Zone, Bufeng Town, Yancheng, Jiangsu
Mode of Power Generation	All electricity connected to grid
Estimated Investment Amount	RMB181.54 million
Installed Capacity	26 MW
Progress of Work	Grid-connected
Project Overview	The single-unit rated power of 285Wp polysilicon photovoltaic elements in this project is installed with a fixed inclination angle of 24 degrees, using 12 sets of 500-KW inverters, 32 sets of 630-KW inverters, and 22 step-up transformers. The project commenced construction on 15 March 2018. During the 25-year operation period of the project, the annual average on-grid electricity is estimated to be 29.1877 million kWh, and the annual average power generation and utilization hours is estimated to be 1,069.15 hours.
Grid-connected Date	29 June 2018
On-grid Electricity Price	RMB0.3910/kWh
Subsidized Electricity Price	RMB0 0.4590/kWh
Electricity Business licence	Granted

English name is for identification purpose only.

Reasons for and benefits of the Acquisition

With reference to the Board Letter, the reasons and benefits for the Acquisition and the effects on the Company are set out below:

1. Respond to national policies, reorganise resources and invest in the clean energy industry;

2. Actively implement the strategy of "carbon dioxide peaking and carbon neutrality" and fulfill social responsibilities;

3. Expand the business scope of the Group and achieve sustainable development;

4. Achieve business synergy to facilitate the development of the Group's clean energy business; and

5. Acquire high-quality assets to enhance the asset quality and profitability of the Group

For detailed descriptions of the above reasons and benefits for the Acquisition, please refer to the Board Letter.

In order to assess the reasonableness and fairness in respect of the reasons and benefits for entering into the Equity Transfer Agreement, we have also considered the following factors:

1. **Continuous growth in the GDP of the PRC and Jiangsu Province.** The table below sets out the annual growth rate of the real gross domestic product ("**Real GDP**") and urbanization rate of the PRC and Jiangsu Province from 2017 to 2021:

	2017	**2018**	**2019**	**2020**	**2021**
Real GDP Growth Rate					
– The PRC	6.9%	6.7%	6.0%	2.2%	8.1%
– Jiangsu Province	7.2%	6.7%	6.1%	3.7%	8.6%
Urbanisation Rate					
– The PRC	60.2%	61.5%	62.7%	63.9%	64.7%
– Jiangsu Province	68.8%	69.6%	70.6%	73.4%	73.9%

Source: National Bureau of Statistics of China and Jiangsu Provincial Bureau of Statistics

According to the statistics compiled by the National Bureau of Statistics of China, the Real GDP in the PRC has been increasing at an annual rate of approximately 2.2% to 8.1% from 2017 to 2021. The Jiangsu Provincial Bureau of Statistics disclosed that the Real GDP in Jiangsu Province has been increasing at an annual rate of approximately 3.7% to 8.6% from 2017 to 2021. The urbanization rate of both the PRC and Jiangsu province has been increasing over the past five years. It is expected that the continuous growth in Real GDP and the increasing urbanization rate will drive the demand of energy consumption, including clean energy consumption.

2. **Focused direction with supportive government policies.** In recent years, the government policies have been undoubtedly supportive in the development of the clean energy industry. In addition to the supportive government policies mentioned in the Board Letter, we noted that in March 2021, the document of the 14th Five-Year Plan for National Economic and Social Development (2021–2025) and Vision 2035 (《中華人民共和國國民經濟和社會發展第十四個五年(2021–2025年）規劃和2035年遠景目標綱要》) was issued on the National People's Congress and the Chinese People's Political Consultative Conference, which states:

"… *Accelerate the development of non-fossil energy sources, insist on a combination of centralized and distributed power generation, vigorously increase the scale of wind power and photovoltaic power generation, accelerate the development of distributed energy sources in the East and Central China, and develop offshore wind power in an orderly manner… … We will accelerate the construction of hydropower bases in the southwest, safely and steadily promote the construction of coastal nuclear power, build a number of clean energy bases that complement each other, and increase the proportion of non-fossil energy in total energy consumption to about 20%* …"

We believe that the supportive government policies will continue to drive the growth of the clean energy industry in the PRC, including the East and Central China, where the Target Group's business operation is situated.

3. **Continuous growth in the clean energy industry.** Set out below are the newly installed capacity for wind power and photovoltaic power from 2012 to 2021 respectively:

Newly installed capacity (in million KW)

	Wind power	Photovoltaic power
2012	15.28	1.96
2013	12.96	1.07
2014	14.87	12.43
2015	21.01	8.25
2016	31.39	13.8
2017	20.24	31.71
2018	17.2	53.41
2019	21.27	45.25
2020	25.72	26.52
2021	72.11	48.2

Source: China Electricity Council (中國電力企業聯合會)

With reference to data published by China Electricity Council (中國電力企業聯合會), the wind power newly installed capacity has increased at a CAGR of 15.5%, from 15.28 million kW in 2012 to 72.11 million kW in 2021. The photovoltaic power newly installed capacity has increased at a CAGR of 54.8%, from 1.07 million kW in 2012 to 48.2 million kW in 2021. With clear and strong supportive government policies, the Acquisition will be conducive for the Group to tap into the fast-growing clean energy industry.

4. **Prime location to develop the offshore wind power business.** The clean energy power generation projects held by YS Energy Company are located in Jiangsu Province. Jiangsu Province is currently the province with the largest scale of offshore wind power in operation in China. As at the end of December 2021, with the connection of the last batch of offshore wind turbines in the sea area of Yancheng, all the offshore wind power projects under construction in Jiangsu Province have been successfully connected to the grid at full capacity. According to the Board Letter, the installed capacity of offshore wind power reached 11.8 million kilowatts, accounting for nearly half of the national total. Combined with the endowment of solar and wind resources in Jiangsu Province, Jiangsu Province is the prime location for the development of clean energy.

5. **Consistent with the Group's operational plan.** We noted in the 2021 Annual Report of the Group for the year ended 31 December 2021 that, the Group will leverage its resource advantages to optimise external investment and will prudently seek stable-income investment opportunities in finance, new energy and transportation infrastructure, and expand sources of profit. The acquisition of the Target Equity is in line with the Group's development strategy and favourable for the Group to achieve business sustainability.

Based on our independent due diligence procedures, and our discussion with the management of the Company and the Target Group, we consider that (i) the clean energy market in the PRC is expected to continue to grow; (ii) the Group is able to achieve business synergy through the acquisition of the Target Equity by utilizing the existing service areas and toll stations of the Group to increase the coverage of photovoltaic applications in expressways; and (iii) government policies continued to be highly supportive. Therefore, the reasons and benefits for the Acquisition are justified.

Principal terms of the Equity Transfer Agreement

1. Parties to the Agreement

Transferor: Jiangsu Communications Holding
Transferee: the Company
Target Company: YS Energy Company

2. Transfer Consideration and Bases of Pricing

The consideration for the transfer of the Target Equity shall be RMB2,457.0 million. The Consideration was arrived at after arm's length negotiation of the parties having regards to (i) the valuation of the Target Equity as at the Valuation Date and (ii) the capital contribution of RMB111 million paid by Jiangsu Communications Holding to YS Energy Company subsequent to the Valuation Date.

Given the capital contribution of RMB111 million remitted by Jiangsu Communications Holding to YS Energy Company on 14 January 2022 (i.e. made after the Valuation Date), had the capital contribution been made on or before the Valuation Date, the valuation would have been increased accordingly.

The profit and loss realized by YS Energy Company during the transaction transition period (from the Valuation Date to the Completion Date) and the increase or decrease in net assets due to reasons other than profit and loss are all attributed to the Company.

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

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

(i) The Target Equity transfer having been internally approved (except Condition Precedent to Completion (ii)) by parties to the Equity Transfer Agreement;

(ii) The Target Equity transfer having been approved by the Company's shareholders at general meeting (where Jiangsu Communications Holding and its associates (as defined under the Hong Kong Listing Rules) shall abstain from voting); and

(iii) State Development Bank, Jiangsu Branch, not having demanded for early repayment of the loan advanced to Rudong Company due to the change in control of YS Energy Company.

The Company may waive Condition Precedent to Completion (iii) above. The parties to the Equity Transfer Agreement shall try their best to complete their respective tasks and endeavour to confirm the completion date on or before 31 December 2022 and to complete.

4. *Payment of the Consideration*

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

If, prior to 31 July 2022, all conditions precedent to Completion are satisfied (or waived, if applicable), then the Company shall pay 30% of the Consideration (i.e. RMB737.1 million to Jiangsu Communications Holding within 5 PRC working days after all conditions precedent to Completion are satisfied. Pursuant to the Equity Transfer Agreement, the parties to the agreement agreed that the date the Company pays the First Transfer Payment to Jiangsu Communications Holding is the Completion Date.

The latest date for payment of the remaining Consideration (i.e. 70% of the Consideration as the Second Transfer Payment) is 31 December 2022. Interest shall be payable on the Second Transfer Payment at the prevailing 1-year loan prime rate market quotation published by the National Interbank Funding Center (authorised by the People's Bank of China) on the 20th day of each month during the deferred payment period which commences from the Completion Date and ends on the actual payment date of the Second Transfer Payment.

5. Completion

Completion of the Target Equity transfer shall take place within 5 PRC working days after all conditions precedents to Completion are satisfied (or waived (if applicable). The Completion Date shall be the date on which the First Transfer Payment is remitted to the designated bank account of Jiangsu Communications Holding by the Company. The parties to the Equity Transfer Agreement shall arrange the relevant filing and registration of the transfer with the relevant local department of the State Administration for Market Regulation as soon as practicable after Completion.

Subsequent to Completion, the Company shall enjoy all rights and take up all responsibilities as the shareholder of YS Energy Company, including the future capital contribution in 2025 of RMB276 million *(Note)* pursuant to the terms of the existing articles of association of YS Energy Company.

Note: Had Jiangsu Communications Holding made the capital contribution of RMB276 million to YS Energy Company before the Valuation Date, the valuation of the Target Equity and the consideration payable by the Company would have to be adjusted upwards accordingly.

6. Arrangement on Related/Connected Loans

The Company undertakes that, from the Completion Date, it will take necessary measures, including but not limited to providing shareholder loans to YS Energy Company for its early repayment of the related/connected loans, so as to reduce the relevant related party/connected transactions related to the Target Group. As at the Latest Practicable Date, the aggregate loan amount was approximately RMB560.7 million. The Company will provide YS Energy Company with a shareholder loan of RMB560.7 million on the Completion Date.

7. Arrangement on Related/Connected Guarantee to Third Party

Jiangsu Communications Holding agreed to continue to provide a guarantee in favour of State Development Bank, Jiangsu Branch in respect of a loan (with total credit of RMB4 billion) granted to Rudong Company, a 72%-owned subsidiary of YS Energy Company, on the original terms.

The Company undertakes that it will use its best commercial endeavour to replace Jiangsu Communications Holding as the guarantor of such loan within 1 year of the Completion Date. In case the creditor imposes additional obligations on the Company, YS Energy Company or its subsidiaries, the Company will comply with the relevant approval requirements and disclosure obligations.

8. Non-compete Obligations

Non-compete Undertakings

Jiangsu Communications Holding undertakes that for so long as it remains a shareholder of the Company, Jiangsu Communications Holding (including its subordinates but excluding the Group) shall not acquire any holding or make any investment or participate in any other capacity within the Jiangsu Province, any Clean Energy Businesses in which the Target Group involves in. However, Jiangsu Communications Holding (including its subordinates) is not restricted from holding less than 5% of the issued share capital or securities of other listed companies whose main business is Clean Energy Business.

For the avoidance of doubt, Jiangsu Communications Holding shall have the rights to continue its holding of 31.08% equity interests in 南通天生港發電有限公司 (Nantong Tiansheng Port Electricity Company Limited[#]) ("**Nantong Tiansheng Port Company**"), which engages in thermal power and Clean Energy Businesses, subject to Jiangsu Communications Holding's compliance of the obligations on Business Opportunity Preference and Preferred Acquisition Rights as set out in the Board Letter.

Business Opportunity Preference

Jiangsu Communications Holding undertakes that for so long as it remains a shareholder of the Company, Jiangsu Communications Holding (including its subordinates but excluding the Group and Nantong Tiansheng Port Company) shall promptly inform the Company and YS Energy Company upon having knowledge that the business in which it participates constitutes direct or indirect competition with the Clean Energy Business of the Target Group, or discovers any potential business opportunities of Clean Energy Business. If the Company and YS Energy Company decide to invest within 7 working days after receiving such notice, the Company and YS Energy Company shall have priority to invest, and Jiangsu Communications Holding should actively co-ordinate. Nevertheless, the participation in competitive allocation of clean energy projects (such as offshore wind power projects) in the name of Jiangsu Communications Holding for YS Energy Company's investment is excluded.

Preferred Acquisition Rights

Jiangsu Communications Holding undertakes that for so long as it remains a shareholder of the Company, when Jiangsu Communications Holding (including its subordinates but excluding the Group and Nantong Tiansheng Port Company) intends to sell its equity in any energy company (including but not limited to equities related to clean energy business and Nantong Tiansheng Port Company), Jiangsu Communications Holding shall notify the Company and YS Energy Company of the proposed acquirer, the price and main terms of the proposed sale of equity in a written notice, and the Company and YS Energy Company shall have the right to purchase the equity on the same terms, subject to the waiver of pre-emption by other shareholders of the relevant company.

For other key terms of the Equity Transfer Agreement, please refer to the Board Letter.

[#] The English name is for identification purpose only.

Basis of consideration

As noted from the Board Letter, the consideration of RMB2,457.0 million is determined after arm's length negotiation between the parties with reference to the appraised value of the Target Group as stated in the State-owned Asset Valuation Report which sets out a valuation on the Target Group as at 31 December 2021 (the "**Valuation Date**"), with the valuation amount of approximately RMB2,346.0 million ("**Appraised Value**"). Given the capital contribution of RMB111.0 million remitted by Jiangsu Communications Holding to YS Energy on 14 January 2022 (i.e. made after the Valuation Date), had the capital contribution been made on or before the Valuation Date, the valuation of the Target Group as at the Valuation Date would have been increased accordingly. The Consideration was agreed to be the sum of Appraised Value and the capital contribution of RMB111.0 million.

Given that the Consideration is made reference to the Appraised Value disclosed in the State-owned Asset Valuation Report, we have assessed the qualification and experience of Tianjian Xingye and obtained an understanding from Tianjian Xingye that Tianjian Xingye (i) is a long-established valuation firm possessing various qualifications on assets valuation; and (ii) has experiences in assets valuation in clean energy industry in the PRC and the person in-charge of the valuation of the Target Group has approximately 20 years of experience in conducting valuation services. Besides, we note that Tianjian Xingye is also qualified to engage in valuation services in relation to securities and futures, as approved by the Ministry of Finance of the PRC (中華人民共和國財政部) and the China Securities Regulatory Commission (中國證券監督管理委員會).

We understand that Kroll has been engaged by the Company to prepare a valuation report for valuing the Target Group as at the Valuation Date as well. As informed by Kroll, the Valuation Report, which is set out in Appendix I to this Circular, has been prepared with reference to the International Valuation Standards issued by the International Valuation Standards Council. For our due diligence purpose, other than reviewing the Valuation Report, we have also (i) obtained and reviewed the engagement letter entered into between the Company and Kroll; (ii) obtained and reviewed the qualification and experience of key members of Kroll; (iii) obtained an understanding from Kroll on the valuation approach taken and the basis in arriving its conclusion on the valuation of the Target Group; and (iv) discussed the key assumptions made in the Valuation Report. Based on our discussion with Kroll, we understand that the key assumptions set out in Appendix I to this Circular are in line with market practices and as such we believe those assumptions are reasonable. Moreover, based on our interview with Kroll, we understand that Kroll is independent to the Group, the Company and their respective associates.

Based on the aforesaid due diligence works, we understand that Kroll is a long-established international professional valuation firm with staff possessing the relevant professional qualifications and experience required to perform the valuation and the person in-charge of the valuation of the Target Group has over 15 years' experience in conducting valuation services to a wide range of clients in different industries. As such, we believe that Kroll possess relevant qualification and experience to prepare the Valuation Report. Besides, to derive the conclusion on the valuation, Kroll has confirmed to us that it has taken all relevant necessary procedures including but not limited to conducting management interviews, performing its own proprietary research and relying on the financial and operational information provided by the management of the Group. We also understand from Kroll that it has assumed the information provided by the management of the Group to be true, complete and accurate and has accepted it without verification.

Valuation methodology

Based on the State-owned Asset Valuation Report, we understand that Tianjian Xingye has finally chosen the income approach as the principal approach to value the Target Group. As stated above, the Appraised Value is approximately RMB2,346.0 million as at the Valuation Date.

We note from the Valuation Report that the valuation of the Target Group conducted by Kroll was primarily based on the income approach. Based on the Valuation Report, the valuation on the Target Group as at 31 December 2021 was approximately RMB2,355.0 million (the "**Reference Appraised Value**"), which differs from the Appraised Value by less than 0.4%.

Kroll has considered the three basic approaches to perform the valuation, namely the cost approach, income approach and market approach. In deciding the methodology applied, Kroll has considered:

(i) For the cost approach, while useful under certain circumstances, is generally not considered applicable to the valuation of a going concern business, as it does not capture future earning potential of the business; and

(ii) For the market approach, Kroll has searched for publicly listed companies for application of guideline companies approach but no companies are similar to the Target Group in all material aspects. In particular, one of the Target Group's major offshore wind power projects, namely Jiangsu Rudong H5# offshore wind farm, has just completed the installation of all wind turbines in October 2021 and hence its stage of operation might differ from other publicly listed clean energy companies based in the PRC.

    Consequently, having considered that the necessary information required for analyzing the historical financial information and future cash flows, as well as risk of the valuation subject could be collected, the income approach (discounted cash flow method) is adopted as the primary approach, with the Guideline Transaction Method ("**GTM**") under market approach as secondary approach for cross-checking purpose.

    We note that valuation methods commonly used in enterprise valuation include income approach, market approach and cost approach (asset-based approach).

After reviewing the Valuation Report, we understand that the cost approach is a method of replacing the historical costs of the assets and liabilities shown in the statement of the financial position of the Target Group and primarily involves the assessment of assets and liabilities to appraise the business value of the valuation subject. However, the cost approach did not take into consideration the future development of the Target Group. For the market approach, based on our independent search for companies listed in the Hong Kong Stock Exchange on our best effort basis, we are not aware of companies that are similar to the Target Group in all material aspects. We also understand that the income approach will be adopted when the future cash flows in an indicated period can be reliably estimated and can be measured in monetary terms. The income approach is also a better method in reflecting the value of businesses with sustainable development.

In assessing the reasonableness of the choice of valuation methodology, we have (i) conducted the independent due diligence work to ascertain the reasonableness of the assumptions used in the discounted FCF (as defined below) forecast (see the paragraph headed "Discounted cash flow" below for further details); (ii) considered independently the limitations of the market approach and the cost approach that are applicable to the Target Group as stated above; (iii) discussed with CEEC to understand the key assumptions in the preparation of the projected cash flows; (iv) reviewed the Industry Report; (v) discussed with Kroll on the basis of selection criteria of the valuation methodology; (vi) discussed with Tianjian Xingye on the basis of selection criteria of the valuation methodology; and (vii) sample reviewed circulars of companies listed on the Hong Kong Stock Exchange, and noted that the income approach is also used in the valuation of other clean energy projects.

Having considered the above, we are of the view that the aforesaid reasons for selecting the valuation methods and the adoption of income approach are reasonable in valuing the Target Group.

Principal assumptions

We note that Kroll has adopted the below key assumptions in preparation of the Valuation Report:

(i) no major changes are expected in the political, legal and economic environment in the PRC;

(ii) regulatory environment and market conditions for the clean energy industry will be developing according to prevailing market expectations;

(iii) there will be no major changes in the current taxation laws applicable to the YS Energy Company;

(iv) the Target Group will not be constrained by the availability of finance;

(v) the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and

(vi) the Target Group will retain competent management, key personnel and technical staff to support their ongoing operations.

(vii) There will be no change in government policy that the Target Group's solar power plants will be qualified for subsidy if they reach 22,000 usable hours or reasonable useful life of 20 years;

(viii) There will be no change in government policy that the Target Group's offshore wind farm under Rudong Company will be qualified for subsidy if it reaches 52,000 usable hours throughout its life cycle; and

(ix) The Target Group will collect government subsidy receivable within two years and three years for its wind farm and solar power plants respectively.

Discounted cash flow

We note that the Adjusted Present Value (the "**APV**") method was adopted under the income approach in the Valuation Report. APV is a modified form of Net Present Value ("**NPV**") that takes into account the present value of leverage effects separately. APV splits financing and non-financing cash flows and discounts them separately. Based on the Kroll Valuation Report, we note that the APV method is considered as a more appropriate valuation method for valuing companies with high leverage and dynamic capital structures because such method accounts for the impact of financing cash flow, such as tax shields, separately and explicitly. The APV method was used by Kroll because: (i) the Target Group is highly leveraged with a debt to equity ratio of approximately 145% as of the Valuation Date; and (ii) it is forecasted that the Target Group will repay the outstanding loan throughout the forecast period and reach a zero debt to equity ratio by 2038 (i.e. dynamic capital structures). The APV method values an enterprise or project by discounting projected free cash flows ("**FCF**") at a rate of return assuming all equity financing as fundamental value (the "**Fundamental Value**"). The Fundamental Value then adds the present value of tax shield effect and less total outstanding debt, to arrive at the value of the equity interest. The definition of FCF is represented by the following equation:

FCF = NI + DEPR + INT – CAPEX – NWC

Where:

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

Based on our discussion with Kroll, and our sample review of circulars of companies listed on the Hong Kong Stock Exchange, we noted that the APV method is also used in the valuation of other clean energy projects under the income approach.

In respect of the forecasted FCF, we note that Kroll has reviewed and relied on the Industry Report prepared by CEEC and discussed with CEEC to understand the assumptions, methodologies and conclusions of the Industry Report, in arriving at the projected revenue and operating expenses of the Target Group. We have conducted a search on CEEC and performed an interview with CEEC to assess the qualification and experience of CEEC. We noted that CEEC (i) is a long-established company engaged in the energy industry in the PRC providing planning and advisory services, contracting services, as well as the investment and operation of energy projects; (ii) possessed various qualifications in relation to engineering and power generation; and (iii) has experiences in various clean energy projects in the PRC and the person in-charge of the engagement has more than seven years of experience in this industry. We have also discussed with CEEC to obtain an understanding of the methodology and key assumptions involved in preparation of the Industry Report and the forecasted revenue and expenses of the Target Group.

We note that, Kroll has considered the projection period of the FCF to be from 2022 to 2045, based on, among others, the interview with management of the Target Group and discussion with CEEC regarding the reliability of projection beyond this period. Based on our sample review of circulars of companies listed on the Hong Kong Stock Exchange, we note that a forecast period of approximately 20 to 25 years for valuation of companies engaged in the clean energy industry is not uncommon. In addition, we note that the sea use right of one of the Target Group's major projects, namely the Jiangsu Rudong H5# Offshore Wind Farm project, is until February 2048, which is not far from the end of the projection period of 2045. In addition, we have reviewed the "Code for Economic Evaluation of Wind Farm" and the "Specification for Photovoltaic Power Generation System Performance" issued by the National Energy Administration, and noted that the forecast period used is not inconsistent with the guidelines provided thereunder. Therefore, we consider such projection period not unreasonable.

We also note that, Kroll has taken into consideration on the forecast of several parameters, including but not limited to electricity generation volume, electricity price, government subsidies, generation capacity, maintenance costs and staff costs provided by the Target Group and in the Industry Report. We note that Kroll believes that the forecast and information provided to and relied by them are reasonable. In particular, based on our discussion with Kroll and the YS Energy Company, we noted that the government subsidies in relation to the clean energy industry in the PRC has generally been delayed in recent years. Based on our independence research and discussion with Kroll, the delay in the receipt of government grants in the clean energy industry generally ranged from one to three years. Also, based on our discussion with the management of the Target Group, the Target Group has been experiencing a delay in the receipt of government grants of approximately one to three years. On a prudent basis, in preparation of the Valuation Report, Kroll has assumed a delay in the receipt of government subsidies of two years for wind power projects and three years for photovoltaic power projects in estimating the future cash flows of the Target Group.

On 24 March 2022, the Ministry of Finance of the PRC ("**MOF**") (中華人民共和國財政部) released the "Central Government Expenditures Budget for 2022" ("**2022 Government Budget**") (2022年中央政府性基金支出預算表). We noted in the 2022 Government Budget that the amount of budget allocated to the category of "other government fundings" under central primary fundings (中央本級支出) increased from approximately RMB92.8 billion in 2021 to approximately RMB452.9 billion in 2022. Although unlike in 2021, there is no further elaboration on the amount of budgeted government fundings allocated to subsidies related to the clean energy industry, as stated in the "Report of the Implementation of Central and Local Expenditures of 2021 and Budgeted Central and Local Expenditures of 2022" (關於2021年中央和地方預算執行情況與2022年中央和地方預算草案的報告) published by the MOF on 14 March 2022, it is clearly stated that "*… the funding gap of government subsidies in relation to the clean energy industry shall be escalated …*". As such, we believe that it is highly like that the government will expedite the payment and release of subsidies in relation to the clean energy industry in 2022. In addition, on 24 March 2022, the National Development and Reform Commission (國家發展和改革委員會), National Energy Administration (國家能源局) and the MOF jointly issued the "Notice on Self-Inspection of Subsidies of Clean Energy" (關於2021年中央和地方預算執行情況與2022年中央和地方預算草案的報告), with an intent to understand and verify the amount of government subsidies required in relation to the clean energy industry. We believe that this would further strengthen the confidence of industry players as well as demonstrate the government's intention to deal with the previous delay in payment of government subsidies. Having considered the above, and based on (i) our review of the Valuation Report; (ii) our review of the Industry Report; and (iii) discussion with the Target Group, the Company, the Reporting Accountants, Kroll and CEEC, we consider such assumption adopted in the forecast related to government subsidies to be appropriate.

Kroll confirmed that the Valuation Report is based on recognized valuation procedures and practices, and the underlying bases and assumptions adopted in the Valuation Report are commonly used in valuation practices and are fair and reasonable. Based on our review of the Valuation Report and our discussion with Kroll, we have not identified any major factors which would cast doubt on the fairness and reasonableness of the methodologies and bases adopted in arriving at the Valuation Report.

The discounted FCF forecast is reviewed and confirmed by the Directors. The report on discounted FCF forecast of the Target Group issued by the Reporting Accountants is set out in Appendix II of this Circular. We have discussed with the Reporting Accountants regarding their work performed on the discounted cash flow forecast. We understand that the Reporting Accountants has checked the arithmetical accuracy of the calculations, and considered whether the compilation of the FCF forecast in accordance with the bases and assumptions adopted by the Directors. The Reporting Accountants concluded that the discounted FCF forecast have been properly compiled in all material respects with the bases and assumptions adopted by the Directors, who are solely responsible for the discounted FCF forecast. The Board has also confirmed that the profit forecast including the assumptions in the Valuation Report has been made and adopted with due care and careful enquiry.

To further ascertain the reasonableness of the assumptions used in the discounted FCF forecast, we have conducted the below independent due diligence procedures including but not limited to (i) reviewed the policies in relation to on-grid electricity tariff and government subsidies for wind power and photovoltaic power generation projects published by the National Development and Reform Commission, National Energy Administration and the MOF; (ii) sample reviewed the electricity supply services agreements of the Target Group in respect of the Group's distributed photovoltaic power generation projects, to understand the pricing basis for off-grid electricity; (iii) reviewed the production and maintenance reports from 2017 to 2021, to understand the historical installed capacity, annual power generation and number of utilization hours of the Target Group; and (iv) sample reviewed the Target Group's operation and maintenance contracts with third-party contractors. Based on the above, we consider the assumptions used in the discounted FCF forecast are not unreasonable.

Discount rate

Based on the Valuation Report, we note that the discount rate used is based on the estimated weighted average cost of capital ("**WACC**"), which is equivalent to the unlevered cost of equity according to the APV method as described above. The unlevered cost of equity used was calculated based on the Capital Asset Pricing Model ("**CAPM**"), which is the most commonly adopted method of estimating the required rate of return for equity.

Set out below is the equation for cost of equity under CAPM:

$Ke = Rf + \beta (ERP) + \alpha$

Where:
Ke = Required rate of return for equity
Rf = Risk-free rate of return
Β = Unlevered beta
ERP = Equity risk premium
α = Alpha adjustment

To ascertain the reasonableness of the discount rate used, we have conducted the below independent due diligence procedures including but not limited to (i) reviewed the government long-term bond rate to cross check the risk-free rate; (ii) reviewed the calculation of unlevered beta. We noted that six comparable companies listed in the Hong Kong Stock Exchange were selected, and the unlevered beta for each of the comparable companies were appropriately adjusted based on levered beta as extracted from Bloomberg; (iii) for equity risk premium, we noted that the estimation approach of US equity risk premium plus the market systematic risk in the PRC is also used in other cases using income approach, in which the subject company is engaged in the clean energy industry; (iv) for the smaller size companies risk premium under alpha adjustment, we have checked the amount used against an empirical study in which we are given to understand that the data of the study is also used by other valuers, and found the risk premium applied to be in line with market; and (v) discussed with Kroll and been confirmed that each of the parameters used for determining the discount rates is in line with the industry practice and consistent with their experience in other similar transactions. Based on the above, we consider the discount rate of 7.5% applied in the Valuation Report is not unreasonable.

Discount for Lack of Marketability ("DLOM")

We note that Kroll has applied a DLOM of 5% in valuing the equity interest of the Target Group. DLOM reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

Kroll has adopted the option-pricing method as the primary method to estimate the DLOM. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. The cost of put option was determined by Finnerty option pricing model. Based on our independent research, we note that in addition to the option-pricing method, the IPO method and restricted stock method are also commonly used in determining the DLOM. However, as there was no public offering of the shares of YS Energy Company, and there were no two separate class of the shares of YS Energy Company, we consider that both of the aforementioned alternative methods are not applicable. Based on our review of the Valuation Report and discussion with Kroll, we noted that the option-pricing method is commonly used in estimating the DLOM in respect of privately owned companies, and consider that the 5% DLOM applied in the Valuation Report is not unreasonable.

Alternative assessment

In order to assess the fairness and reasonableness of the Appraised Value, based on our review of the Valuation Report, the guideline transaction method ("**GTM**") has been used as a cross-checking method. The guideline transactions were selected based on the below criteria:

(a) the target companies are principally engaged in electricity generation from clean energy sources with focus on wind and solar power in China;

(b) the transactions were completed between January 2020 to February 2022 and the acquirers or sellers are listed either in Hong Kong or the PRC; and

(c) the percentage of equity interest acquired in the transaction is not less than 50%.

Key information of the guideline transactions is set out below:

	Name of Target Companies	Completion Date	Transaction Price *(RMB'000)*	Book value of the target companies *(RMB'000)*	Implied transaction P/B ratio
1	Lvliang Northern Electric Power Yundingshan New Energy Co., Ltd.	05/06/2021	302,070	320,724	0.94
2	Daqing Dumeng Dairy Farm Wind Power Co., Ltd/Daqing Dumeng Huzhen Dairy Farm Wind Power Co., Ltd./Daqing Zhongdan Ruihao Wind Power Generating Co., Ltd./ Daqing Dumeng Hujitumo Wind Power Co., Ltd.	25/12/2020	548,981	628,297	1.03
3	Heilongjiang Lishu Wind Power Co., Ltd./Jixi Xinyuan Wind Power Co., Ltd.	04/01/2020	558,600	760,487	1.05
4	Guangdong Rundian New Energy Co., Ltd.	01/01/2021	1,382,508	665,445	2.08
5	Huaneng Shandong Taifeng Renewable Energy Co., Ltd.	30/06/2020	228,420	199,125	1.17
6	Mulei County Qianxin Energy Development Co., Ltd.	30/03/2021	147,750	124,019	1.21
7	Jarud Banner JA Photovoltaic Power Generation Co., Ltd.	08/12/2020	63,380	64,934	0.98
8	Fuyao Energy Technology (Shanghai) Co., Ltd.	15/12/2020	306,199	198,155	3.03
				Average	**1.44x**
				Median	**1.11x**
				Target Group	**1.31x**

Sources: Valuation Report

As illustrated above, the implied P/B ratios of the eight guideline transactions ranged from approximately 0.94 times to 3.03 times, with the average and median implied P/B ratio of approximately 1.44 times and 1.11 times respectively. The Target Group's implied P/B ratio based on the Reference Appraised Value is approximately 1.31 times which is within the aforesaid range, lower than the average implied P/B ratio of 1.44 times and higher than the medium implied P/B ratio of 1.11 times.

Conclusion

Having considered the above, we are of the opinion that the Consideration under the Equity Transfer Agreement is fair and reasonable without prejudice against the Independent Shareholders.

Non-compete Obligations

Under the Equity Transfer Agreement, Jiangsu Communications Holding is subject to certain non-compete obligations. For details, please refer to Board Letter and the paragraph headed "Principal terms of the Equity Transfer Agreement" stated above. In particular, such non-compete obligations do not apply to Nantong Tiansheng Port Company, a company engages in thermal power and Clean Energy Businesses in which Jiangsu Communications Holding owned 31.08% equity interests in.

Having considered that (i) there is no definite ending term for the non-compete undertakings, Business Opportunity Preference and Preferred Acquisition Rights (so long as Jiangsu Communications Holding remains a shareholder); and (ii) Jiangsu Communications Holding does not hold a controlling stake in Nantong Tiansheng Port Company; and (iii) the principal business of Nantong Tiansheng Port Company is thermal power. Based on our review of the audited financial statements of Nantong Tiansheng Port Company, we note that a majority of its revenue was derived from thermal power and fossil fuel power. Nantong Tiansheng Port Company only participates in the Clean Energy Businesses via investment in associates, without controlling interests. Therefore, we believe that such term is in the interests of the Company and its shareholders as a whole and without prejudice against the Independent Shareholders.

Profit and loss for the period between the Valuation Date and Completion Date

As stated in the Board Letter, the profit and loss realized by YS Energy Company during the transaction transition period (from the Valuation Date to the Completion Date) and the increase or decrease in net assets due to reasons other than profit and loss are all attributed to the Company.

Having considered that (i) the major wind power project of the Target Group, namely Jiangsu Rudong H5# offshore wind farm, has already commenced operation in 2021; (ii) the Target Group recorded net profits of RMB32.3 million and RMB118.4 million for the years ended 31 December 2020 and 2021 respectively; and (iii) based on our review of the unaudited management of the Target Group for the three months ended 31 March 2022, the Target Group recorded net profits of approximately RMB53.7 million, we believe that such term is in the interests of the Company and its shareholders as a whole and without prejudice against the Independent Shareholders.

Possible financial effects of the Acquisition

As set out in the Board Letter, upon Completion, the Company will hold 100% of equity interest in the Target Group which will become a subsidiary of the Company and will be consolidated in the financial statements of the Company.

For the year ended 31 December 2021, the consolidated net profit of the Group was approximately RMB4,132.6 million. Upon the Completion, the results of the Target Group will be consolidated with the Company. As stated above, the profit after tax of the Target Group for the year ended 31 December 2021 was approximately RMB118.4 million. As such, the proforma consolidated net profit of the Group with the inclusion of the results of the Target Group would be approximately RMB4,251.0, representing an increase of approximately 2.9%.

As at 31 December 2021, the consolidated net assets of the Group were approximately RMB35,359.9 million. Upon the Completion, the net assets of the Target Group will be consolidated with the Company. As stated above, the net assets of the Target Group as at 31 December 2021 were approximately RMB2,252.0 million. Taking into account the Consideration of RMB2,457.0 million, the proforma consolidated net assets of the Group with the inclusion of the net assets of the Target Group would be approximately RMB35,154.9, representing a decrease of approximately 0.6%.

As stated in the Board Letter, the Consideration shall be paid in cash and will be funded by the Group's own funds or financing funds. If the Group raised additional debt financing for the payment of Consideration, the gearing ratio of the Group would increase.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATIONS

After taking into consideration of the above principal factors and reasons as stated above, we are of the opinion that (i) the terms of the Equity Transfer Agreement are fair and reasonable; (ii) the Acquisition is conducted on normal commercial terms; and (iii) although the Acquisition is not in the ordinary and usual course of business of the Company, the Acquisition is made to meet the requirements of the strategic development plan of the Company and is conducive to the Company's long-term development and is in line with the Company's overall interests. Therefore, it is in the interests of the Company and its shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the Acquisition at the Extraordinary General Meeting. We also recommend the Independent Shareholders to vote in favour of the resolution(s) at the Annual General Meeting in this regard.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited

Iris Leung
Deputy General Manager

Note: Ms. Iris Leung is a responsible officer of Guotai Junan Capital Limited, and is a person licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO who has over 17 years of experience in corporate finance.

May 17, 2022

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

Our Ref.:153128

Dear Sirs,

EXECUTIVE SUMMARY LETTER

VALUATION REPORT ON FAIR VALUE OF 100% EQUITY INTEREST OF 江蘇雲杉清潔能源投資控股有限公司

Pursuant to the terms, conditions and purpose of an engagement agreement dated March 28, 2022 (the "**Engagement Agreement**") between Jiangsu Expressway Company Limited (the "**Company**" or the "**Client**") and Kroll (HK) Limited (formerly D&P China (HK) Limited"), we have performed an analysis of fair value ("Valuation") of 100% equity interest of 江蘇雲杉清潔能源投資控股有限公司("Jiangsu Yunshan" or the "Subject Company"), as of December 31, 2021 (the "Valuation Date"). We understand that the Company contemplates the acquisition of 100% equity interest of the Subject Company (the "Transaction") and the Valuation is prepared based on the underlying assumptions and information provided by the management of the Company and the Subject Company (together the "Management").

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

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

PURPOSE OF VALUATION

The Client intends to acquire 100% equity interest in Jiangsu Yunshan from its major shareholder. With the Client's approval and as stipulated by the Engagement Agreement in formulating our opinion on the transaction fair value of equity interest in the Subject Company, we relied upon completeness and accuracy of operational, and financial information provided by the Management. To the extent that any of these assumptions or facts changed, the result of our fair value conclusion should be different.

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

STANDARD AND BASIS OF THE VALUATION

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

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

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

INDUSTRY REPORT

The 江蘇如東H5#海上風電場項目工程顧問諮詢報告and 雲杉清能光伏發電項目工程顧問諮詢報告 (collectively "Industry Report") on the projected revenues and operating expenses of the Subject Company was prepared by 中國能源建設集團江蘇省電力設計院有限公司(the "Industry Consultant") dated March, 2022. It provides the projected revenue and operating expenses of the Subject Company between 2022 and 2045. The Industry Consultant has been involved in several renewable energy projects in different provinces in China and was hired by the Management of the Company as its industry consultant in this Valuation. A discussion with the Industry Consultant has been conducted to understand the assumptions, methodologies and conclusions of the Industry Report. We relied on the revenue and expenses projections provided by the Industry Consultant as basis in forming our opinion of value.

DESCRIPTION OF THE SUBJECT COMPANY

The Subject Company is a company established under the laws of PRC and is a wholly owned subsidiary of Jiangsu Communications Holding Co. Ltd. Established on 29 November 2016, the Subject Company is principally engaged in developing and operating sixty-six solar power plants and a wind farm. The Subject Company owns five wholly-owned subsidiaries and five controlling subsidiaries. All sixty-seven projects have completed construction phase and started commercial operation prior to the Valuation Date. Information of the Subject Company and its subsidiaries is listed as follows:

	Company	% of shareholding	Description of Core Business	Number of Projects
1	江蘇雲杉清潔能源投資控股有限公司	Subject Company	Photovoltaic power generation	54 solar power plants
2	蘇交控豐縣農業科技有限公司	100%	Agricultural technology development	N/A
3	蘇交控清潔能源徐州有限公司	100%	Photovoltaic power generation	2 solar power plants
4	蘇交控清潔能源銅山有限公司	100%	Photovoltaic power generation	2 solar power plants
5	蘇交控新能源科技豐縣有限公司	100%	Photovoltaic power generation	1 solar power plant
6	蘇交控清潔能源江蘇有限公司	100%	Photovoltaic power generation	N/A
7	溧陽市優科能源有限公司	90%	Photovoltaic power generation	2 solar power plants
8	鹽城雲杉光伏發電有限公司	80%	Photovoltaic power generation	1 solar power plant
9	蘇交控如東海上風力發電有限公司	72%	Wind power generation	1 wind farm
10	常州金壇禾一新能源科技有限公司	70%	Photovoltaic power generation	1 solar power plant
11	蘇交控豐縣再生能源有限公司	70%	Photovoltaic power generation	3 solar power plants

REVIEW OF COMBINED FINANCIAL STATEMENT OF THE SUBJECT COMPANY

We have reviewed the audited financial statements of the Subject Company for the financial years ended December 31, 2019, December 31, 2020, and December 31, 2021 provided by the Management without further verification.

The historical consolidated financial statements were presented as below:

RMB'000 unless specified otherwise	FY 2019	FY 2020	FY 2021
Revenue	106,916	106,140	441,053
Cost of revenue	(48,108)	(48,539)	(216,400)
Gross Profit	58,808	57,602	224,653
Earnings Before Interest and Tax ("**EBIT**")	43,748	43,484	198,094
Net Profit/Loss	37,861	32,265	118,354
Current Assets	299,377	549,718	656,112
Non-Current Assets	1,600,184	3,788,081	5,819,831
Current Liabilities	65,741	598,759	1,065,368
Non-current Liabilities	356,507	1,692,809	3,158,620
Non-Controlling Interest	232,026	381,826	458,362
Shareholders' Equity	1,245,287	1,664,405	1,793,593

Source: the Management

The Subject Company generates revenue from electricity tariff and power generated by power plants. It recorded consolidated revenue of approximately RMB106.9 million, RMB106.1 million and RMB441.1 million for FY 2019, FY2020 and FY2021 respectively. Total revenue increased by over 300% in 2021, resulting from commence of operation of 蘇交控如東海上風力發電有限公司("**Rudong**"), which contributes over 80% of total revenue of the Subject Company. Cost of Revenue primarily includes material costs, maintenance and repair costs, insurance, staff costs, depreciation and amortization and others. Cost of revenue was RMB48.1 million and RMB48.5 million for FY 2019 and FY 2020 respectively, and increased to RMB216.4 million for FY 2021. Earnings before Interest and tax ("**EBIT**") was RMB43.7 million and RMB43.5 million for FY 2019 and FY 2020 respectively. Due to commence of operation of Rudong wind farm in 2021, EBIT increased rapidly to RMB198.1 million for FY 2021. EBIT margin was 40.9%, 41.0% and 44.9% for FY 2019, FY 2020 and FY 2021 respectively.

Based on the consolidated management account of the Subject Company, as of December 31, 2021, total assets and net asset value amounted to approximately RMB6,476 million and RMB1,794 million respectively. Fixed assets amounted to approximately RMB4,945 million and are mainly machinery and equipment of a wind farm and solar power plants.

ECONOMIC OUTLOOK

A sound appraisal of a business or business interest must consider current and prospective economic conditions of the national economy. The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product (GDP), exchange rate, and the inflation rate. An overview of the national economies of China were essential to develop this outlook. The following economic discussion was extracted from Economist Intelligence Unit ("**EIU**") dated June 11, 2021.

China

The EIU forecasts that real GDP would grow by 8.5% in 2021, accelerating from a 2.3% expansion in 2020. Further national-level restrictions in response to the pandemic are unlikely, which would contain potential economic disruption. However, city-level lockdowns and transport restrictions in response to outbreaks will still cause localised disturbance. Growth will soften in 2022–25 as structural changes, including demographic ageing, become more pronounced. Stimulus measures will be used only to cushion the deceleration rather than reverse it, with authorities minimising the importance of hard GDP targets.

Consumer price inflation will moderate in 2021, reflecting a recovery in pork supply, which will pull food prices down. However, beyond food prices, inflationary pressures will be apparent as consumer demand strengthens and fuel costs rise in line with global oil prices. This will extend into early 2022, but will moderate thereafter.

The renminbi will remain relatively strong against the US dollar in the first half of 2021. This will reflect positive investor sentiment towards China's economic recovery, as well as gradual liberalisation of the country's financial services market, but also moves by the People's Bank of China (the central bank) to allow modest appreciation in response to rising global commodities prices. An expected strengthening in the dollar index by the second half of 2021, amid both US stimulus efforts and souring market sentiment regarding continued deterioration in US-China ties, will reintroduce mild depreciatory pressure. The resumption of export production elsewhere, as other markets gain control over Covid-19, will also erode the renminbi's value. EIU expects the currency to average Rmb6.46:US$1 in 2021 and to end the year at Rmb6.61:US$1. The renminbi will trend within a range of Rmb6.7-6.4:US$1 in 2022–25, albeit with an appreciating trend starting from 2023.

INDUSTRY OVERVIEW

The following section was extracted from "Renewable Energy and Electricity Interconnections for a Sustainable Northeast Asia" released by International Renewable Energy Agency ("**IRENA**") in May 2021.

China

For the last two decades, China has been considered the economic powerhouse of the world, fuelled by its high economic growth The country's rapidly growing energy demand has been met through growth in fuel imports, which has worked to increase China's energy trade both globally and within the Northeast Asia (NEA) region.

China is simultaneously the world's largest coal producer – producing 46.6%, or 3,693 million tonnes per year (Mt/yr), of global coal – and the world's largest coal importer, at 298 Mt/yr, although these imports account for only 8% of China's total coal consumption (IEA, 2020) A significant portion of these coal imports come from within the NEA region, with Mongolia and the Russian Federation acting as, respectively, the 2nd and 4th largest coal exporters to China, in 2019.

In 2018, China also became the world's largest oil importer A major part of this oil comes from the Russian Federation, which is the second largest oil exporter to China, providing 15.3% of total imports – a close second to Saudi Arabia (16.8%) Russian oil imports come mainly from the production of Siberian oil fields. As of 2019, China had also begun to import natural gas from the Russian Federation's eastern Siberia field through the Power of Siberia pipeline.

These energy imports contribute to making China the largest producer of electricity in the world Non-renewable generation dominates domestic electricity generation – which stood at 63% of total capacity (1,878.5 GW) and 74% of total generation (5,186 terawatt hours TWh) in 2018. While the government has taken steps to introduce electricity market competition, thus far, each generator is assigned to produce an allocated amount of electricity, rather than following a competitive economic dispatch approach.

Overall, China experiences a surplus of electricity production and this means that capacity factors, especially in coal power plants, have been relatively low. Restrictive measures have been placed on the construction of new coal power plants, but this has not yet reduced the dominance of non-renewable generation in the electricity mix. Yet, although electricity production is dominated by non-renewables, China also has abundant renewable resources for traditional hydropower, as well as wind and solar PV production. Indeed, it is the world's largest producer of renewable energy, as well as the largest manufacturer of associated equipment. Renewable power capacity almost doubled between 2013 and 2018, especially solar PV and wind capacity, which demonstrated impressive 885% and 141% growth rates, respectively Total renewable electricity capacity stood at 759 GW in 2019.

While renewable energy deployment currently relies on government support, the cost-competitiveness of renewables is increasingly changing the policy landscape In 2019, China held the world's largest solar auction – 22 GW of new capacity – and the lowest auction price was only USD0.04/kilowatt hour (kWh), while the average price was USD0.048/kWh. Due to the lack of transmission capacity and drastically falling costs in recent years, the Chinese government has decided to gradually phase out wind and solar feed-in-tariffs, beginning in 2018. The rapid increase of solar and wind generation has caused solar/wind power curtailment and transmission constraint issues in some regions, especially those areas with the highest quality renewable resources. In an effort to address these issues, China has developed a high voltage transmission network to increase transfer capacity between the electricity producing areas in the north and west and the load centre in the east. By 2019, renewable energy curtailment had been reduced to under 5%, nationwide. Some northern and western Chinese regions, however, are still experiencing high curtailment, such as Xinjiang (14%), Gansu (7.6%), and inner Mongolia (7.1%).

Currently, China's electricity demand remains robust and the country is committed to renewables development, despite the hindrance of curtailments, which the government is determined to overcome through a variety of measures to increase system flexibility.

In September 2020, President Xi Jinping announced China would achieve carbon neutrality by 2060. China's technological experience of high voltage direct current (HVDC) technology and a large market share in manufacturing and installing wind turbines and solar PV could underpin its intended role in NEA regional energy co-operation.

SCOPE OF WORK AND KEY ASSUMPTIONS

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

- Audited financial statements of the Subject Company for the financial years ended December 31, 2019, December 31, 2020 and December 31, 2021
- Breakdowns of revenue for different renewable projects
- Breakdowns of costs and expenses
- Prospective financial information and the breakdown of major revenue/cost of sales/operating expenses prepared by the Industry Consultant
- Management discussion on market condition of renewable energy sector and Jiangsu Province
- Other relevant documents

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

- the stage of development of the Subject Company
- the historical costs of the Subject Company
- the economic outlook for major countries affecting the industry
- the legal and regulatory issues of the renewable energy industry in general and other specific legal opinions relevant to the Subject Company
- the transaction prices of the guideline companies properties
- the risks associated with the Subject Company
- the history and experience of the Subject Company.

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

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

- There will be no change in government policy that the Subject Company's solar power plants will be eligible for subsidy if they reach 22,000 usable hours or reasonable useful life of 20 years;

- There will be no change in government policy that the Subject Company's Rudong wind farm will be eligible for subsidy if it reaches 52,000 usable hours ("Reasonable Usable Hours") throughout its life cycle;

- Government subsidy receivable collection period of the Subject Company's wind farm and solar power plants will be approximately 2 years and 3 years, respectively.

VALUATION METHODOLOGY OVERVIEW

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

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

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

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

To develop our opinion of value, the three generally accepted approaches to value are considered: cost, market and income. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern business, as it does not capture future earning potential of the business. Thus, cost approach is not utilized in the valuation. We searched for publicly listed companies for application of guideline companies approach but no companies are similar to the Subject Company in all material aspects. In particular, one of the Subject Company's major wind power project, Jiangsu Rudong H5# offshore wind farm,just completed installation of all wind turbines in October 2021 and hence its stage of commercial operation might differ from other publicly listed Chinese renewable energy companies. In view of the above, in forming our opinion, we rely upon the income approach as primary approach to determine the business enterprise value of the Subject Company and use Guideline Transaction Method (GTM) under market approach as secondary approach for cross check.

INCOME APPORACH

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

As the Subject Company was set up for renewable energy projects, its capital structure will change due to debt repayment or additional borrowing. The Adjusted Present Value (the "APV") method was used in order to exclude the distortion resulting from the change in capital structure over the concession period. APV is a modified form of Net Present Value (NPV) that takes into account the present value of leverage effects separately. APV splits financing and non-financing cash flows and discounts them separately. APV is considered as a more appropriate valuation method for valuing companies with high leverages and dynamic capital structures because this method account for the impact of financing cash flow, such as tax shields, separately and explicitly. We selected APV method in this appraisal because (1) the Subject Company had high leverages and debt to equity ratio of approximately 145% as of the Valaution Date and (2) Management forecasted that the Subject Company would repay the outstanding loan throughout the forecast period and reach zero debt to equity ratio by 2038 (i.e. dynamic capital structures).

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

Definition of Free Cash Flow

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

FCF = NI + DEPR + INT – CAPEX – NWC

Where:

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

A major requirement of the APV method is an earnings forecast, in particular a cash flow projection. The yearly FCF for the projection period of 2022 to 2045 was derived based on the above formula. We considered the projection period of 2022 to 2045 because: (1) based on discussion with Industry Consultant, the financial forecast period was consistent with industry practice in renewable energy sector. Beyond such period, the uncertainties would be so high that revenue and cost of renewable energy projects could not be predicted reliably; (2) based on interview with management of Subject Company, they believed local government and relevant authorities would grant and renew the operation right for such period; (3) the forecast period was consistent with those assumed in comparable transaction in renewable energy sector projects and 4) Based on "Code for Economic Evaluation of Wind Farm and Photovoltaic Power Generation" issued by National Energy Administration.

Discount Rate

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

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

1. Public companies listed in Hong Kong with trading history more than five years and with principal place of operation in the PRC; and

2. Companies that are

    a) companies that are principally engaged in electricity generation from renewable energy sources with focus on wind power; and

b) companies that generate positive operating profit in recent years

	Comparable Companies	Bloomberg Code	Market capitalization as of December 31, 2021 *(in million)*	Principal business activities
1	Concord New Energy Group Ltd	182 HK	RMB6,005.97	Concord New Energy Group Limited specializes in wind power electricity generation. The Companys principle businesses include wind farm investment and operations, and manufacturing of wind power equipment. Concord New Energy also provides wind power electricity generation services such as feasibility studies, technological consultation, power plant design, engineering,
2	China Datang Corp Renewable Power Co Ltd	1798 HK	RMB21,285.57	China Datang Corporation Renewable Power Co., Limited operates power generation businesses. The Company generates electricity from wind power, solar power, biomass power, and other renewable power. China Datang Corporation Renewable Power also develops low carbon technologies.

	Comparable Companies	Bloomberg Code	Market capitalization as of December 31, 2021 *(in million)*	Principal business activities
3	China Renewable Energy Investment Ltd	987 HK	HKD839.56	China Renewable Energy Investment Ltd, through its subsidiaries, principally engaged in the business of alternative energy. The Company is an alternative energy project developer focused on China.
4	Beijing Enterprises Clean Energy Group Ltd	1250 HK	RMB5,022.90	Beijing Enterprises Clean Energy Group Ltd. provides renewable energy services. The Company operates photovoltaic power and wind power businesses. Beijing Enterprises Clean Energy Group also involves in energy storage, micro-grid network, electricity sales, geothermal power generation, regional energy systems, and other new energy fields.

	Comparable Companies	Bloomberg Code	Market capitalization as of December 31, 2021 *(in million)*	Principal business activities
5	China Longyuan Power Group Corp Ltd	916 HK	RMB119,225.09	China Longyuan Power Group Corporation Limited designs, develops, and operates wind farms. The Company also provides thermal power, solar power, tidal power, biomass power, and geothermal power services. China Longyuan Power Group conducts wind farm repair, maintenance, and training businesses.
6	China Ruifeng Renewable Energy Holdings Ltd	527 HK	RMB306.53	China Ruifeng Renewable Energy Holdings Limited is an integrated company of wind power operation, wind power equipment manufacturing, power grid construction and diodes manufacturing. China Ruifeng owns several subsidiaries which is principally in the operation of wind farms.

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

$Ke = Rf + \beta\,(ERP) + \alpha$

Where

Ke	=	Required rate of return for equity			
Rf	=	Risk-free rate of return	=	3.33%	The Rf is based on the yield on Chinese government's long-term bond (maturity in 2051) as of the Valuation Date.
β	=	Unlevered Beta	=	0.29	Unlevered Beta is a measure of the relationship between industry risk and the aggregate market in all-equity scenario. It is based on the unlevered Betas of the selected comparable companies.
ERP	=	Equity risk premium	=	7.29%	The ERP is the expected return of the market (Rm) in excess of the risk-free rate (Rf), or, is based on US equity risk premium plus the market systematic risk in China.
α	=	Alpha adjustment	=	2.22%	The alpha adjustment reflects small size and other unsystematic risks which are not captured by the CAPM. In this appraisal, alpha adjustment was determined with consideration of (i) size of the Subject Company and risk premium of 1.22% of similar size companies in the low-cap decile (extracted from Cost of Capital Navigator of Kroll.); and (ii) unsystematic risk premium of 1% of the Subject Company as Rudong just completed construction and commenced operation in 2021.

As such, our analysis concludes that a discount rate of 7.5% is considered appropriate for appraising the Fundamental Value of the Subject Company.

Projection Assumption

The major projection assumptions were listed as below:

As of 31 December 2021 Years ended/ending 31 December *(All figures in RMB'000 unless specified otherwise)*	**2022**	**2023**	**2024**	**2025**	**2026**	**2030**	**2035**	**2040**	**2045**
Net Revenue *(Note 1)*	731,144	815,274	814,483	813,691	812,900	809,733	787,530	373,542	325,533
Cost and Operating Expenses	(324,812)	(326,134)	(326,787)	(327,463)	(328,374)	(359,317)	(363,741)	(393,892)	(336,026)
Earnings Before Interest & Tax (EBIT)	406,331	489,140	487,696	486,228	484,526	450,416	423,789	(20,349)	(10,493)
Net Interest Income/(Expenses)	(133,544)	(146,414)	(136,281)	(117,411)	(108,635)	(80,241)	(43,273)	(1,170)	–
Income Tax Expense	–	–	(43,927)	(46,102)	(46,986)	(92,544)	(95,129)	–	–
Net Income	272,787	342,726	307,488	322,715	328,904	277,632	285,387	(21,519)	(10,493)

Note 1: Revenue used in cashflow forecast is net of 13% VAT. Average pricing (RMB per kWh) including VAT adopted for Wind Power is shown below:

	2022	**2023**	**2024**	**2025**	**2026**	**2030**	**2035**	**2040**	**2045**
Electricity Price *(note 2)* *((RMB per kWh)*	0.850	0.850	0.850	0.850	0.850	0.850	0.850	0.391	0.391

Note 2: Based on Industry Report, the Ministry of Finance of the PRC (財建〔2020〕426號) specified that if Rudong reaches the Resaonable Usable Hours, it would be eligible to government subsidy with electricity tariff of RMB0.850 per kWh, and beyond the Reasonable Usable Hours electricity tariff would drop to RMB0.391 per kWh. According to such regulation, Industry Consultant forecasted that electricity tariff would be 0.850 per KWh from 2022 to 2037 and RMB0.391per kWh from 2038–2045.

Revenue

Revenue is derived by multiplication of electricity tariff and power generated by photovoltaic and wind power plants over a period of 24 years. The total electricity generation volume of controlled projects by the Subject Company amounted to approximately 623.18GWh in 2021. The projects include a wind farm and roof-top and ground solar power plants and. Over 80% of revenue is generated from the wind farm of Rudong. As the government subsidy would end by the end of 2037, the projected revenue was expected to drop in half in 2038 and then decline gradually towards 2045.

Generation Capacity and Volume

Generation capacity of a power plant is measured by Watt (W) while electricity tariff is measured in Watt-hour (Wh). The corresponding conversion factor from W into Wh is dependent on the utilisation hours of power plants. According to Industry Report, electricity generation volume and utilisation hours of solar power plants are derived from calculations related to degradation factor and full-load equivalent utilisation hours of the wind farm is 3,136h.

Electricity Tariff

For the wind farm, basic electricity price of RMB0.391/kWh and renewable energy subsidy of RMB0.459/kWh are adopted in the Financial Projections following the notice published by The Ministry of Finance of the PRC (財建〔2020〕426號), which specifies the reasonable utilization hours of the full life cycle of wind power and PV power generation projects and regulations on the settlement of subsidy funds, and the maximum subsidized period of projects as well as the total subsidized amount were consequently determined. For solar power plants, basic electricity price of RMB0.391/kWh is adopted in the Financial Projections following the notice described above(財建〔2020〕426號).

Cost of Revenue and Operating Expenses

Cost of revenue and operating expenses include material and other cost, depreciation expense, maintenance fee, insurance charges, labor cost, offshore royalties, demolition cost, tax surcharges and rents. We have reviewed the historical operating statistics of the Subject Company in 2021 and the estimation of cost of revenue and operating expenses was in line with those historical operating result. The projection of cost of revenue and operating expenses was mainly constructed with reference to Industry Report, with an expected annual growth rate based on inflation rate in China.

Income Tax

According to the Enterprise Income Tax Law in the PRC, income earned by enterprises from the public infrastructure facility projects, are entitled to a tax holiday of a three-year full exemption, followed by a three-year 50% exemption of enterprise income tax, commencing from their first turnover-making year.

In the Valuation, the Subject Company is subject to tax concession with charging zero tax for 2022–23. It will be charged with 12.5% income tax rate from 2024 to 2026, and a normal income tax rate of 25% from 2027 and onward.

Capital Expenditure

It was suggested by the Management to assume no future capital expenditure would be required for the Subject Company as all routine maintenance and major overhaul would be expensed when incur. Thus, the depreciation expense would be solely originated from the capitalized fixed assets, over a useful life of 20 years.

Working Capital

Major working capital requirements in running a wind farm and solar power plants would comprise of accounts receivable and accounts payable.

On accounts receivable side, it was categorized into three types based on the nature of revenue. For government subsidy related revenue, based on its historical pattern and industry norm, turnover period of wind and solar subsidy receivables was assumed to be 2 years and 3 years, respectively. For the revenue other than government subsidy, the turnover days were assumed to be 30 days. On accounts payable side, average credit term was assumed to be 30 days. As such, working capital is estimated to decrease from 165% of net revenue in 2022 to 116% of net revenue in 2033, then fall to 40% of net revenue of in 2038, and fall further to 3% of net revenue in 2045, as a result of drop in government subsidized revenue in later years of the projection period.

Calculation of Fundamental Value

The Fundamental Value of operation of the Subject Company was then calculated by adding the present values of the projected yearly FCF between 2022 and 2045. The present values were derived by discounting the FCF by a discount rate that was appropriate for the risk of investing in the project.

Tax Shield on Interest Expenses Attributable to the Loan Outstanding

Under the APV method, as the discount rate used was at all-equity financing level, an adjustment was made by addition of the present value of tax shield arising from the interest expenses on the outstanding loan balances of the Project Company during the projection period. As advised by the Management, interest expenses would be tax deductible. The implied cost of borrowing is 4% per annum, with reference to the loan agreements of the Subject Company and remaining loan tenor is expected to be 19 years. The discount rate used for calculation of the present value of the tax shield was the after-tax cost of debt of 3.00%, which was based on the borrowing cost of the Subject Company and the standard tax rate of 25%.

Value Indicated by Adjusted Present Value Method

Based on the APV method and 7.5% estimated asset discount rate, the enterprise value of operation of the Subject Company was concluded to be RMB3,964.8 million.

Considering collection period of government subsidies might have material impact on working capital requirement and timing of cashflow of the Subject Company, a sensitivity analysis on the business enterprise value of the Subject Company was made by varying the estimated government subsidies collection period for the wind farm as presented below:

Valuation matric	Indicated Enterprise Value of Operaton of the Subject Company on Marketable Basis
	(RMB'million)
Optimistic Case: collection period = 1 year	4,150.5
Base Case: collection period = 2 year	3,964.8
Pessimistic Case: collection period = 3 year	3,779.2

Additional Valuation Consideration

Long Term Investments

As of the Valuation Date, Jiangsu Yunshan held 30%, 49% and 20% equity interest ("**Investments**") in 龍源東海風力發電有限公司, 江蘇能投新城光伏發電有限公司and 三峽新能源南通有限公司, respectively (collectively, "**Investees**"). As the Projection does not include future revenue and costs of the Investees, the Investments were valued separately and their values were then added to enterprise value of operation of the Subject Company. Because the Subject Company only held non controlling stakes in the Investees, the Subject Company cannot obtain sufficient information of the Investees to prepare long term financial forecast for application of income approach. In addition, book values of the Investments accounted for less than 10% of total assets value of the Subject Company as of the Valuation Date. Under such circumstances, we (i) selected guideline company method ("**GCM**") under market approach and enterprise value ("**EV**") to latest financial year EBIT multiples of guideline companies to determine business enterprise values of 龍源東海風力發電有限公司and 江蘇能投新城光伏發電有限公司because these two investees already started full scale commercial operation and generated positive EBIT in 2021; (ii) used book value as a base to determine the value of investment in 三峽新能源南通有限公司because 三峽新能源南通有限公司has just completed construction and has not yet recorded positive EBIT in 2021.

When appraising the enterprise value of 龍源東海風力發電有限公司, we used the same set of identified guideline companies as the Subject Company (please refer to Income Approach- Discount Rate section) because both 龍源東海風力發電有限公司and the Subject Company focus on electricity generation by wind power. When appraising the enterprise value of 江蘇能投新城光伏發電有限公司, with consideration of its power source, we expanded the criteria for identification of guideline companies to (i) Hong Kong publicly listed companies that are engaged in electricity generation by solar power and (ii) companies that report positive EBIT in 2021 accoridng to latest information from Bloomberg Inc.. The identified guideline companies and their calculated EV/2021 EBIT, multiples were summarized below:

	Name and Bloomberg Code of Guideline Companies	**Enterprise Value as of December 31, 2021** *(in million)*	**Estimated/ Actual EBIT** note 1 **in 2021** *(in million)*	**EV/2021 EBIT** *multiple*
1	Concord New Energy Group Ltd (182 HK)note 2	RMB12,904.97	RMB1,079.00	11.96x
2	China Datang Corp Renewable Power Co Ltd (1798 HK) note 2	RMB89,556.57	RMB4,716.50	18.99x
3	China Renewable Energy Investment Ltd (987 HK) note 2	HKD1,252.56	N/A	N/A
4	Beijing Enterprises Clean Energy Group Ltd (1250 HK) note 2	RMB31,374.90	N/A	N/A
5	China Longyuan Power Group Corp Ltd (916 HK) note 2	RMB223,006.09	RMB12,464.20	17.89x
6	China Ruifeng Renewable Energy Holdings Ltd (527 HK) note 2	RMB1,983.53	N/A	N/A
7	Xinyi Energy Holdings Ltd (3868 HK) note 3	HKD34,866.60	RMB1,625.85	21.45x
8	GCL New Energy Holdings Ltd (451 HK) note 3	RMB10,164.82	RMB1,062.69	9.57x

Median of multiples of guideline companies that focus on wind power	17.89x
Average of multiples of guideline companies that focus on wind power	16.28x
Median of multiples of all identified guideline companies	17.89x
Average of multiples of all identified guideline companies	15.97x
Selected multiple for valuation of investments in 龍源東海風力發電有限公司and 江蘇能投新城光伏發電有限公司	17.89x

Source: Bloomberg LLC, Kroll Analysis

Note 1 We conducted the valuation in February and March 2022. During this period, guideline companies (Xinyi Energy Holdings Ltd and GCL New Energy Holdings Ltd) already reported actual EBIT in 2021. For these guideline companies, we used their reported actual 2021 EBIT for computation of EV/EBIT multiples. For those guideline companies that have not yet reported 2021 results, we referred to Bloomberg estimates in computation of EV/2021 EBIT multiples.

Note 2 Identified guideline companies that focus on wind power electricity generation

Note 3 Identified guideline companies that focus on solar power electricity generation

We multiplied the selected multiples by 2021 EBIT of 龍源東海風力發電有限公司and 江蘇能投新城光伏發電有限公司respectively, adjusted for 5% discount for lack of marketability (DLOM) (please refer to the section below for details), added non operating assets and subtracted interest bearing debt to derive fair values of equity interests of these two investees. We then multiplied the concluded equity value by the Subject Company's shareholding to derive the fair values of investments in 龍源東海風力發電有限公司 and 江蘇能投新城光伏發電有限公司as follow:

(RMB'million)	**龍源東海風力發電有限公司**	**江蘇能投新城光伏發電有限公司**
2021 EBIT of the investees	53.535	4.441
Selected EV/2021 EBIT multiple	17.89x	17.89x
Enterprise value of operation of investees	957.829	79.465
Adjusted for 5% DLOM	(47.891)	(3.973)
Added (subtracted) excess cash and non operating assets/(liabilities)	(35.824)	9.236
Subtracted interest bearing debt	(214.281)	(10.000)
Fair value of 100% equity interest	659.833	74.728
The Subject Company' shareholding in the Investee	30%	49%
Concluded Value	197.950	36.617

Concluded fair values of the Investments were summarized in the table below:

Name of the Investee	**Concluded fair values of the Investments**
龍源東海風力發電有限公司	197,950
江蘇能投新城光伏發電有限公司	36,617
三峽新能源南通有限公司	368,000
Total	602,567

Discount for Lack of Marketability ("DLOM")

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

In the Valuation, option-pricing method was used as the primary method to estimate the DLOM. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. The cost of put option was determined by Finnerty option pricing with consideration of the estimated time required to sell the subject company's shares and volatily of the company's share during that period. Generally speaking, the farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. Based on option-pricing method, we considered DLOM of 5% should be appropriate for valuing the equity interest of the Subject Company.

Conclusion of Value Range by Income Approach

After deriving enterprise value of operaton of the Subject Company and adjusting, we adjusted for 5% discount for lack of marketability, added the following excess cash and non-operating assets and subtracted outstanding debt attributable to the Subject Company to arrive at fair value of entire equity interest of the Subject Company:

– Added excess cash attributable to the Subject Company (i.e. excess cash of each subsidiary multiplied by the Subject Company's shareholding in respective subsidiary) of RMB100.5 million;

– Added book value of VAT tax receivable of RMB254.1 million, values of the Investments of RMB602.6 million, book value of investment properties of RMB34.7 million and subtracted dividend payable of RMB2.4 million;

– Subtracted outstanding debt attributable to the Subject Company (i.e. outstanding debt of each subsidiary multiplied by the Subject Company's shareholding in respective subsidiary) of RMB2,400.8 million.

	Income Approach – Adjusted Present Value Method		
(RMB'000)	Optimistic Case: Government Subsidy Receivable Collection Period =1 year	Base Case: Government Subsidy Receivable Collection Period =2 years	Pessimistic Case: Government Subsidy Receivable Collection Period =3 years
Indicated Value of Total Business Enterprise on a marketable basis	4,150,455	3,964,836	3,779,220
Subtracted 5% discount for lack of marketability at business enterprise value level	(207,523)	(198,242)	(188,961)
Added Cash and non-operating assets attributable to the Subject Company	989,470	989,470	989,470
Subtracted outstanding debt attributable to the Subject Company	(2,400,843)	(2,400,843)	(2,400,843)
Fair value of entire equity interest (Rounded)	2,531,000	2,355,000	2,179,000
Divided by book value of net assets	1,793,593	1,793,593	1,793,593
Implied Price/Book (P/B) ratio for cross check	1.41	1.31	1.21

Sources: the Management and Analysis of Kroll

MARKET APPROACH- GUIDELINE TRANSACTION METHOD

Due to variance in location of projects, stage of development and commercial operation, tariff and government subsidy policies, technologies involved, etc., and in the light of lacking market data appropriate adjustments, the guideline transaction method (GTM) under the market approach are only adopted as a cross-checking method.

The guideline transactions were selected based on the criteria below:

a) target companies are principally engaged in electricity generation from renewable energy sources with focus on wind and solar power in China; and

b) the transactions were completed between 2020 to February 2022 and acquirers/sellers are listed either in Hong Kong or China;

c) the percentage of equity interest acquired in the transaction is equal to or greater than 50%.

Key information of guideline transactions is summarized below:

	Target Companies	Location	Completion Date	Transaction Price *(RMB'000)*	Book value of the target company	Implied transaction P/B ratio
1	Lvliang Northern Electric Power Yundingshan New Energy Co., Ltd.	China	05/06/2021	302,070	320,724	0.94
2	Daqing Dumeng Dairy Farm Wind Power Co., Ltd/Daqing Dumeng Huzhen Dairy Farm Wind Power Co., Ltd./Daqing Zhongdan Ruihao Wind Power Generating Co., Ltd./Daqing Dumeng Hujitumo Wind Power Co., Ltd.	China	25/12/2020	548,981	628,297	1.03
3	Heilongjiang Lishu Wind Power Co., Ltd./Jixi Xinyuan Wind Power Co., Ltd.	China	04/01/2020	558,600	760,487	1.05
4	Guangdong Rundian New Energy Co., Ltd.	China	01/01/2021	1,382,508	665,445	2.08
5	Huaneng Shandong Taifeng Renewable Energy Co., Ltd.	China	30/06/2020	228,420	199,125	1.17
6	Mulei County Qianxin Energy Development Co., Ltd.	China	30/03/2021	147,750	124,019	1.21
7	Jarud Banner JA Photovoltaic Power Generation Co., Ltd.	China	08/12/2020	63,380	64,934	0.98
8	Fuyao Energy Technology (Shanghai) Co., Ltd.	China	15/12/2020	306,199	198,155	3.03
					Average	1.44x
					Median	1.11x

The median and average P/B multiples under the GTM was 1.11x and 1.44 respectively, while the Subject Company's implied P/B multiple derived by APV method under three scenarios ranged from 1.21x to 1.41x. Since the range of implied P/B multiples fall between the median and average P/B mutliples of identified guideline transactions, we considered the implied multiple and the results derived from income approach as reasonable.

SENSITIVITY/SCENARIO ANALYSIS

As part of our valuation, a sensitivity analysis of value indication arrived at using Income Approach was performed. We have tested sensitivity of entire equity value in the Subject Company to changes of discount rate.

	Income Approach – Adjusted Present Value Method				
(RMB'000)	**Discount rate = 7.00%**	**Discount rate = 7.25%**	**Discount rate = 7.50%**	**Discount rate = 7.75%**	**Discount rate = 8.00%**
Fair value of entire equity interest under base case (Rounded)	2,510,000	2,432,000	2,355,000	2,280,000	2,207,000
Implied Price/Book (P/B) ratio for cross check	1.40	1.36	1.31	1.27	1.23

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above, it is our opinion that the fair value of 100% equity interest of 江蘇雲杉清潔能源投資控股有限公司, as of the Valuation Date, is reasonably stated as RENMINBI TWO BILLION THREE HUNDRED AND FIFTY-FIVE MILLION (RMB2,355,000,000) ONLY.

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

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

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

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

Patrick Wu	Kevin Leung
Regional Managing Director	Managing Director

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

Mr. Kevin Leung has been involved in business valuation for the purpose of joint venture, merger and acquisition and public listing for over 18 years. Mr. Leung has prior experience in conducting equity interest valuation to China based renewable energy companies. He is an Accredited Senior Appraiser of American Society of Appraisers, a fellow member of the Association of Chartered Certified Accountants and charterholder of the Chartered Financial Analyst.

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

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

KPMG

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF 100% EQUITY INTEREST OF JIANGSU YUNSHAN GREEN ENERGY INVESTMENT HOLDING COMPANY, LIMITED

TO THE BOARD OF DIRECTORS OF JIANGSU EXPRESSWAY COMPANY LIMITED

We refer to the discounted future cash flows on which the business valuation ("the Valuation") dated 17 May 2022 prepared by Kroll (HK) Limited in respect of the appraisal of the fair value of 100% equity interest of Jiangsu Yunshan Green Energy Investment Holding Company, Limited ("the Target Company") as at 31 December 2021 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibilities

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the International Auditing and Assurance Standards Board ("IAASB") and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

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

Opinion

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

Other matters

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

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG Huazhen LLP
Beijing, China
Date: 17 May 2022

The following is the text of the Confirmation from the Board on the valuation of the Target Equity for inclusion in this circular.

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)

Listing Division
Hong Kong Exchanges and Clearing Limited
12/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

17 May 2022

Dear Sirs,

Company Name:	Jiangsu Expressway Company Limited (the "**Company**")
Stock Code:	177
Transaction:	Discloseable and Connected Transaction in respect of the acquisition of 100% of Jiangsu Yunshan Green Energy Investment Holding Company, Limited (hereinafter referred to as "**YS Energy Company**")
Matter:	Confirmation on Profit Forecast pursuant to Rule 14.62(3)

We refer to the circular of the Company dated 17 May 2022 on the captioned transaction to which this letter forms part. Unless otherwise stated, capitalized terms used in this letter shall have the same meanings as those defined in the circular.

We refer to the assessment of value of 100% equity interest in YS Energy Company as at 31 December 2021 (the "**Valuation**") by Kroll (HK) Limited ("**Kroll**"). The Valuation was prepared on the basis of income approach, which is deemed to be a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have reviewed and discussed internally and with Kroll the basis and assumption for preparing the Valuation. We have also reviewed the Valuation and considered the report from the Reporting Accountants of the Company who confirmed that so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the directors of the Company as set out in the Valuation.

For the purpose of Rule 14.62(3) of the Listing Rules, the board of directors of the Company considers that the bases and assumptions of the Valuation has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Jiangsu Expressway Company Limited
Yao Yongjia
Executive Director and Company Secretary

Set out below is information as required under Rule 13.51(2) of the Hong Kong Listing Rules in respect of the Director candidates for election at the AGM.

A. PERSONAL INFORMATION OF DIRECTOR CANDIDATES NOMINATED FOR ELECTION

Executive Directors

Chen Yunjiang, male, born in 1973, holds a master's degree, a member of the Communist Party of China, a senior economist, and is currently the Head of the Organization Department of the Party Committee and the Head of the Human Resources Department of the Jiangsu Communications Holding Limited. From August 1995 to March 1999, he worked in Nanjing Jinling Building Decoration Co., Ltd.#(南京金陵建築裝飾有限責任公司); from March 1999 to November 2016, he worked in Jiangsu Aviation Industry Group Co., Ltd.#(江蘇航空產業集團有限責任公司), during which he served as a staff member, an assistant manager, a deputy department head, a department head, an assistant to General Manager, a Deputy General Manager; from November 2016 to October 2021, he served as the General Manager of Jiangsu Yunshan Green Energy Investment Holding Company, Limited#(江蘇雲杉清潔能源投資控股有限公司); from October 2021 to November 2021, he served as the Chairman of Jiangsu Yunshan Green Energy Investment Holding Company, Limited#(江蘇雲杉清潔能源投資控股有限公司), during which he concurrently served as the Deputy Head of the Organization Department of the Party Committee and the Deputy Executive Head of the Human Resources Department of the Jiangsu Communications Holding Limited; and since November 2021, he has been serving as the Head of the Organization Department of the Party Committee and the Head of the Human Resources Department of the Jiangsu Communications Holding Limited. Mr. Chen has been engaged in corporate management for a long time and has extensive experience in corporate management.

Wang Feng, male, born in 1976, is a university graduate with a master's degree and also a senior engineer at a researcher level. Mr. Wang served as a manager of the engineering department, a deputy general manager and a Party committee member of Jiangsu Yangtze Bridge Co., Ltd.# (江蘇揚子大橋股份有限公司), a deputy general manager and a Party committee member of Jiangsu Yangtze River Expressway Management Co., Ltd.# (江蘇揚子江高速通道管理有限公司), and a deputy manager and a Party Committee member of Jiangsu Expressway Company Limited. He currently serves as the general manager and a deputy Party secretary of Jiangsu Expressway Company Limited. Mr. Wang has long been engaged in the management of roads and bridges, and has accumulated rich experience in expressway management.

Independent non-executive Director

Ge Yang, male, born in June 1962, is a professor and doctoral supervisor at the School of Economics of Nanjing University. He was the deputy dean of the School of Economics of Nanjing University, and is currently the executive editor of "China Political Economy" (《中國政治經濟學》) of Nanjing University. He is also the vice-chairman of the Research of "Das Kapital" (中國《資本論》研究會), the vice-chairman of the Jiangsu Real Estate Economics Association (江蘇省房地產經濟學會), the vice-chairman of the Jiangsu Quality Association(江蘇省質量協會), and a member of the Expert Committee of the Jiangsu Provincial Department of Housing and Urban-rural Development(江蘇省住建廳專家委員會). He is also an independent director of Jiangsu Hengshun Vinegar-Industry Co., Ltd. (江蘇恒順醋業股份有限公司).

He has mainly been engaged in the teaching and research of socialist economic theory and Chinese economic issues. He has published more than 20 academic works such as "Basic Economic System of Socialism with Chinese Characteristics"(《中國特色社會主義基本經濟制度》), "Evolution and Explanation of Public Ownership System in Economic Transformation Period" (《經濟轉型期公有制產權制度的演化與解釋》) and so on. He has published more than 100 papers in magazines such as "Economic Research" (《經濟研究》), "Seeking Truth" (《求是》), "Financial Research" (《金融研究》), "Economics Dynamics" (《經濟學動態》) and "The Economist" (《經濟學家》). He has won the China Excellent Book Award (中華優秀圖書獎) of the National Press and Publication Administration, the first, second and third prizes of the Jiangsu Province Philosophy and Social Science Research Outstanding Achievement Award, the Jiangsu Province Teaching Achievement Special Award and the first prize, and the National Teaching Achievement First and second prizes, Baosteel Outstanding Teacher Award. He was the chief expert of major national social science projects, and had presided over and participated in more than 20 major national, key and provincial social science projects.

B. CONFIRMATION

Save as disclosed above, the above Director candidates have each confirmed that, he/she (i) is not related to any Directors, Supervisors, senior management, substantial or controlling shareholders of the members of the Group; (ii) does not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and (iii) has not held other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas, or other major appointments and professional qualifications.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Company's shareholders; and there is no other information required to be disclosed pursuant to Rule 13.51(2)(h)–13.51(2)(w) of the Hong Kong Listing Rules.

ILLUSTRATION ON THE ADOPTION OF CUMULATIVE POLL IN THE ELECTION OF DIRECTORS

I. The elections of directors, independent directors and supervisors at a shareholder's meeting will be numbered as separate groups of resolutions. Investors shall vote on each candidate under each separate group of resolution.

II. The number of shares reported shall represent the votes to be cast for the elections. For each group of resolutions, the total number of votes to which a shareholder is entitled for each share held by himself/herself shall be equal to the number of Directors or Supervisors to be elected under that particular group of resolutions. If a shareholder holds 100 shares of the company, and there are 10 directors to be elected at the AGM with 12 candidates taking part in the directorship election, that shareholder shall be entitled to a total number of 1,000 votes for the shares held by himself/herself in respect of that particular group of resolutions on the election.

III. Voting of shareholders shall be confined to the number of votes to which he/she is entitled in respect of each group of resolutions. Shareholders may cast their votes at their own discretion by casting his/her vote on one candidate or on different candidates in any combination. Upon completion of the voting, the votes will be counted cumulatively in respect of each of the resolutions.

IV. Example:

A listed company convenes a general meeting for election of members of the board of directors and Supervisory Committee by way of cumulative poll, and there are six candidates to be elected for five directorships and two candidates to be elected for three supervisorships. The matters required to be voted by poll are as follows:

Resolutions by cumulative poll		
4.00	Resolution in relation to election of directors	Number of votes
4.01	e.g.: Chen ××	
4.02	e.g.: Zhao ××	
4.03	e.g.: Jiang ××	
……	……	
4.06	e.g.: Song ××	

Resolutions by cumulative poll		
5.00	Resolution in relation to election of independent directors	Number of votes
5.01	e.g.: Zhang ××	
5.02	e.g.: Wang ××	
5.03	e.g.: Yang ××	
6.00	Resolution in relation to election of supervisors	Number of votes
6.01	e.g.: Li ××	
6.02	e.g.: Chen ××	
6.03	e.g.: Huang ××	

If an investor holds 100 shares in the company upon close of trading on the equity rights registration date, under the system of cumulative poll, he/she will be entitled to 500 votes for resolution No. 4.00 titled "Resolution in relation to election of directors", 200 votes for resolution No. 5.00 titled "Resolution in relation to election of independent directors" and 200 votes for resolution No. 6.00 titled "Resolution in relation to election of supervisors".

Such investor may cast a maximum of 500 votes on resolution No. 4.00 at his/her own discretion in favour of one candidate or different candidates in any combination.

Details are set out below:

No.	**Name of resolution**	**Number of votes**			
		Scenario I	Scenario II	Scenario III	Scenario…
4.00	Resolution in relation to election of directors	–	–	–	–
4.01	e.g.: Chen ××	500	100	100	
4.02	e.g.: Zhao ××	0	100	50	
4.03	e.g.: Jiang ××	0	100	200	
......	......	......	......	......	
4.06	e.g.: Song ××	0	100	50	

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company was as follows:

	RMB
Authorised share capital	
1,222,000,000 H Shares	1,222,000,000
3,815,747,500 Domestic Shares	3,815,747,500
	5,037,747,500
Issued share capital	
1,222,000,000 H Shares	1,222,000,000
3,815,747,500 Domestic Shares	3,815,747,500
	5,037,747,500

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, no Director or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) to be entered in the register referred to therein; or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Stock Exchange.

4. DISCLOSURE OF INTEREST UNDER DIVISION 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Number of A Shares

Name of shareholders	Capacity	Directly interested	Number of A shares	Percentage of A shares (total shares)
Jiangsu Communications Holding Company Limited	Other	Yes	2,742,578,825 (L)	71.88 % (54.44%) (L)
China Merchants Expressway Other Network & Technology Holdings Co., Ltd[(1)]	Other	Yes	589,059,077 (L)	15.44% (11.69%) (L)

Number of H Shares

Name of share holders	Capacity	Directly interested	Number of H shares	Percentage of H shares (total shares)
Mitsubishi UFJ Financial Group, Inc	Interest of controlled corporation[(2)]	No	146,754,597(L)	12.01%(2.91%) (L)
BlackRock, Inc.	Interest of controlled corporation[(3)]	No	132,683,158(L) 5,872,000(S)	10.86%(2.63%) (L) 0.48%(0.12%) (S)
JP Morgan Chase & Co.	Interest of controlled corporation/investment manager/custodian-corporation/approved lending agent[(4)]	No	85,117,105(L) 2,829,265(S) 52,105,699(P)	6.97%(1.69%) (L) 0.23%(0.06%) (S) 4.26%(1.03%) (P)
Citigroup Inc.	Interest of controlled corporation/approved lending agent/custodian-corporation[(5)]	No	73,336,093(L) 142,000(S) 72,839,925(P)	6.00%(1.46%)(L) 0.01%(0.00%)(S) 5.96%(1.45%)(P)
Newton Investment Management Limited	Investment manager	Yes	61,150,309(L)	5.00%(1.21%) (P)

Notes: (L) Long position; (S) Short position; (P) Lending pool

(1) China Merchants Group Limited was deemed to be interested in the Company by virtue of its controlling interest in its subsidiary, China Merchants Expressway Network.

(2) Mitsubishi UFJ Financial Group, Inc was deemed to be interested in the Company by virtue of its indirectly wholly-owned subsidiaries.

(3) BlackRock, Inc. was deemed to be interested in the long position of a total of 132,683,158 H Shares of the Company and in the short position of 2,829,265 H Shares (of which 354,000 H Shares were held through cash settled (off exchange) derivatives) by virtue of its control over a number of corporations, which were indirectly wholly-owned by BlackRock, Inc., except the following:

(a) BlackRock Holdco 6, LLC was indirectly owned as to 90% by BlackRock, Inc. BlackRock Holdco 6, LLC held interests in the Company through its indirectly wholly-owned subsidiaries as follows:

(i) BlackRock Institutional Trust Company, National Association held 19,015,876 H Shares (long position) and 5,518,000 H Shares (short position) of the Company.

(ii) BlackRock Fund Advisors held 47,110,000 H Shares (long position) of the Company.

(b) BR Jersey International Holdings L.P. was indirectly owned as to 86% by BlackRock, Inc. BR Jersey International Holdings L.P. held interests in the Company through its indirectly wholly-owned subsidiaries as follows:

(i) BlackRock Japan Co., Ltd. held 2,847,066 H Shares (long position) of the Company.

(ii) BlackRock Investment Management (Australia) Limited held 454,000 H Shares (long position) of the Company.

(iii) BlackRock Asset Management North Asia Limited held 1,035,491 H Shares (long position) of the Company.

(iv) BlackRock (Singapore) Limited held 150,000 H Shares (long position) of the Company.

(c) BlackRock Canada Holdings LP, was indirectly owned as to 99.9% by BR Jersey International Holdings L.P. (see note 3(b) above). BlackRock Canada Holdings LP held interests in the Company through its indirectly wholly-owned subsidiary, BlackRock Asset Management Canada Limited, which held 1,936,000 H Shares (long position) of the Company.

(d) BlackRock Group Limited was indirectly owned as to 90% by BR Jersey International Holdings L.P. (see note 3(b) above). BlackRock Group Limited held interests in the Company through its directly or indirectly wholly-owned subsidiaries as follows:

(i) BlackRock (Netherlands) B.V. held 2,908,041 H Shares (long position) of the Company.

(ii) BlackRock International Limited held 32,000 H Shares (long position) of the Company.

(iii) BlackRock Asset Management Ireland Limited held 11,905,865 H Shares (long position) of the Company.

(iv) BLACKROCK (Luxembourg) S.A. held 17,508,000 H Shares (long position) and 34,000 H Shares (short position) of the Company.

(v) BlackRock Investment Management (UK) Limited held 6,927,163 H Shares (long position) of the Company.

(vi) BlackRock Fund Managers Limited held 3,854,818 H Shares (long position) of the Company.

(vii) BlackRock Asset Management (Schweiz) AG held 6,000 H Shares (long position) of the Company.

(4) JPMorgan Chase & Co. was deemed to be interested in the long position of a total of 85,117,105 H Shares of the Company (of which 2,006,197 H Shares were held through cash settled (off exchange) derivatives) and the short position of 2,829,265 H Shares (of which 1,200,000 H Shares were held through physically settled (off exchange) derivatives and 530,000 H Shares were held through cash settled (off exchange) derivatives). JPMorgan Chase & Co. held interests in the following capacities:

Capacity	**Number of shares (long position)**	**Number of shares (short position)**	**Number of shares (lending pool)**
Interest of controlled corporation	4,236,306	2,829,265	–
Investment manager	28,741,000	–	–
Person having a security interest in shares	34,100	–	–
Approved lending Agent	–	–	52,105,699

(5) Citigroup Inc. was deemed to be interested in the long position of a total of 73,336,093 H Shares of the Company (of which 162,000 H Shares were held through cash settled (off exchange) derivatives) and short position of 142,000 H Shares of the Company (of which 136,000 H Shares were held through cash settled (off exchange) derivatives). Citigroup Inc. held interests in the following capacities:

Capacity	**Number of shares (long position)**	**Number of shares (short position)**	**Number of shares (lending pool)**
Interest of controlled corporation	496,168	142,000	–
Approved lending agent	–	–	72,839,925

Save as disclosed above, as far as the Company knows, as at the Latest Practicable Date, there is no any other person required to be disclosed pursuant to the SFO.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding service contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses, which would be considered to compete or would likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Hong Kong Listing Rules.

7. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS CONTRACTS

None of the Directors of the Company has any interest in any assets which had since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which would be significant in relation to the business of the Group.

9. EXPERTS QUALIFICATION AND CONSENT

The qualification of the experts who have been named in this circular and have given opinions or advice which are contained herein is set out below:

Name	Qualification
Guotai Junan Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Kroll (HK) Limited	Independent professional business valuer
KPMG Huazhen LLP	Public Interest Entity Auditor recognised in accordance with the Financial Reporting Council Ordinance, Chapter 588 of the Laws of Hong Kong

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of the experts was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, directly or indirectly, in any asset which had been, since December 31, 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL ADVERSE CHANGE

Save as set out in the 2022 first quarter results announcement of the Company that the operating and financial results of the Group was impacted by the pandemic, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

11. MISCELLANEOUS

(a) The PRC registered office of the Company is at 6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC. The Hong Kong registered office of the Company is at 17th Floor, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong.

(b) The registrar and transfer office of H Shares of the company is Hong Kong Registrars Limited, Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(c) The secretary to the Board of the Company is Mr. Yao Yongjia, an affiliated person of The Hong Kong Institute of Chartered Secretaries.

12. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the websites of the Stock Exchange(http://www.hkexnews.hk) and the Company (http://www.jsexpressway.com) from the date of this Circular up to and including the date of the AGM:

(a) the Equity Transfer Agreement;

(b) this Circular.

(c) the Letter from the Independent Board Committee, the full text of which as set out on pages 42 to 43 of this Circular;

(d) the Letter from the Independent Financial Advisor, the full text of which as set out on pages 44 to 75 of this Circular;

(e) the Valuation Report, the full text of which as set out in Appendix 1 to this Circular; and

(f) the Report from KPMG Huazhen LLP, the full text of which as set out in Appendix II to this Circular; and

(g) the Confirmation from the Board, the full text of which as set out in Appendix III to this Circular.

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

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

(Stock Code: 00177)

NOTICE OF 2021 ANNUAL GENERAL MEETING

Important Notice:

- Date of the AGM: 17 June 2022
- Online voting for the AGM: Shanghai Stock Exchange Online Voting System for Shareholders' Meetings.

NOTICE IS HEREBY GIVEN that the annual general meeting of Jiangsu Expressway Company Limited (the "**Company**") convened by the board (the "**Board**") of directors (the "**Directors**") of the Company for the year 2021 (the "**AGM**") will be held on Friday, 17 June 2022 at 3:00 p.m. at 6 Xianlin Avenue, Nanjing, Jiangsu Province, the People's Republic of China. Please note the following:

I. INFORMATION OF THE GENERAL MEETING

(1) Type and Session of General Meeting: 2021 AGM

(2) Convener: the Board

(3) Voting method: voting on site and online voting (for holders of A shares of the Company)

(4) Date, time and venue for on-site voting

- Date and time: 17 June 2022 at 3:00 p.m.
- Venue: 6 Xianlin Avenue, Nanjing, Jiangsu Province, the People's Republic of China

(5) System, commencement and ending time and date of online voting

Online voting system:	Shanghai Stock Exchange Online Voting System for Shareholders' Meetings
Commencement and ending time of online voting:	From 17 June 2022 to 17 June 2022
Voting period for online voting:	via the voting platform of the trading system of Shanghai Stock Exchange Online Voting System: the trading hours on the date of the AGM, i.e. 9:15 a.m.–9:25 a.m., 9:30 a.m.–11:30 a.m. and 1:00 p.m.–3:00 p.m. via internet platform: 9:15 a.m.–3:00 p.m. on the date of the AGM

(6) Margin trading, short selling and refinancing#, agreed repurchase accounts and Shanghai-Hong Kong Stock Connect Investors voting procedure: voting involving margin trading, short selling and refinancing, agreed repurchase accounts as well as by Shanghai-Hong Kong Stock Connect Investors should be conducted in accordance with regulations including "Self-Regulating Meeting Guidelines No. 1 for Companies Listed on the Shanghai Stock Exchange – Operating Standards".

(7) Regarding solicitation of voting rights from shareholders

Not applicable

refer to the margin trading, short selling and refinancing activities under the "Pilot Measures for Supervision and Administration of Refinancing Business"

II. RESOLUTIONS TO BE CONSIDERED AT THE AGM

Resolutions by non-cumulative poll

The following resolutions shall be considered by way of ordinary resolutions:

1. to approve the work report of the Board of the Company for the year ended 31 December 2021;

2. to approve the work report of the supervisory committee of the Company for the year ended 31 December 2021;

3. to approve the financial statements and audit report of the Company for the year ended 31 December 2021;

4. to approve the final financial report of the Company for 2021;

5. to approve the financial budget report of the Company for 2022;

6. to approve the final dividends distribution proposal of the Company for 2021: the Company proposed to distribute final dividends of RMB0.46 (tax inclusive) per share in favour of the shareholders;

7. to approve the appointment of KPMG Huazhen LLP as the Company's auditors of the annual financial report and internal control for the year 2022 at a remuneration of RMB3 million per year, of which fees for financial report audit and internal control audit are RMB2.3 million and RMB0.7 million respectively;

8. to approve the registration of overseas debt financing products of up to RMB500 million (inclusive) in 2022, including but not limited to overseas bonds and other debt financing products, which will be issued in one issue or in tranches within the validity period of the registration; and to authorize the Board and its authorized persons to handle all matters in relation to the proposed registration and issuance of overseas debt financing products at their sole discretion within the scope permitted by the relevant laws and regulations and subject to the then market conditions and based on the principle of maximizing the interests of the shareholders of the Company (the "**Overseas debt financing products Issuance**");

9. to approve the registration of medium-term notes of up to RMB6 billion (inclusive) in 2022 (including the registration of perpetual medium-term notes of up to RMB2 billion) by the Company, which will be issued in one issue or in tranches within the validity period of the registration, and authorize the Board and the executive directors authorized by the Board to handle follow-up related matters including contract signing and approval of fund allocation and approval of fund allocation; and the validity period of the authorization shall be from the date of approval at the general meeting to the date of expiration of the registration validity period; (the "**MT Notes Issuance**");

10. to approve the registration of ultra-short-term notes of up to RMB8 billion (inclusive) in 2022 by the Company, which will be issued once or in tranches within the validity period of the registration; to propose to the general meeting to consider and to authorize the Board and the executive directors authorized by the Board to handle follow-up related matters including contract signing and approval of fund allocation; and the validity period of the authorization shall be from the date of approval at the general meeting to the date of expiration of the registration validity period (the "**UST Notes Issuance**");

11. to approve the acquisition of 100% equity interests of 江蘇雲杉清潔能源投資控股有限公司(Jiangsu Yunshan Green Energy Investment Holding Company, Limited#, "**YS Energy Company**") from 江蘇交通控股有限公司(Jiangsu Communications Holding Limited#, "**Jiangsu Communications Holding**") at a transfer consideration of RMB2,457 million and the corresponding replacement of Jiangsu Communications Holding as guarantor to a credit facility of RMB4 billion granted by State Development Bank to a subsidiary of YS Energy Company, and the provision of a shareholder loan of not exceeding RMB561 million for the repayment of loans due to Jiangsu Communications Holding and its associates and to authorize the Board and the executive directors authorized by the Board to handle follow-up related matters (the "**Acquisition**");

12. to approve the renewal of annual liability insurance for directors, supervisors and senior management of the Company; and to authorize the Secretary to the Board, to handle the follow-up related matters.

The following resolution shall be considered by way of a special resolution:

13. to approve the public issuance of corporate bonds of up to RMB3 billion (inclusive) by the Company (the "**Corporate Bonds Issuance**").

    13.1 Issuance scale
    13.2 Face value and issue price of Corporate Bonds
    13.3 Issuance Method
    13.4 Maturity and Type of Corporate Bonds
    13.5 Coupon Rate of Corporate Bonds
    13.6 Method of Repayment of Principal and Interest
    13.7 Placing Arrangement for Shareholders of the Company
    13.8 Redemption or Repurchase Terms
    13.9 Guarantee Terms
    13.10 Use of Proceeds
    13.11 Underwriting method
    13.12 Trading and Exchange Markets
    13.13 Protection Measures for Repayment
    13.14 Effective Period of the Resolutions
    13.15 Authorisations in respect of this issuance of Corporate Bonds

Resolutions by cumulative poll

The following resolutions shall be considered by way of ordinary resolutions:

14. Resolution in relation to the election of executive directors (2 directors):

    14.1 to elect Mr. Chen Yunjiang as an executive Director of the Tenth Session of the Board of the Company and to approve the signing of an executive director service contract between the Company and Mr. Chen with a term commencing from the date of the annual general meeting for the year 2021 and expiring on the date of the annual general meeting to be convened for the year 2023; and

    14.2 to elect Mr. Wang Feng as an executive Director of the Tenth Session of the Board of the Company and to approve the signing of an executive director service contract between the Company and Mr. Wang with a term commencing from the date of the annual general meeting for the year 2021 and expiring on the date of the annual general meeting to be convened for the year 2023.

15. Resolution in relation to the election of independent non-executive director (1 director):

to elect Mr. Ge Yang as an independent non-executive Director of the Tenth Session of the Board of the Company and to approve the signing of an independent non-executive director service contract between the Company and Mr. Ge with a term commencing from the date of the annual general meeting for the year 2021 and expiring on the date of the annual general meeting to be convened for the year 2023, with an annual director's remuneration of RMB90,000 (after tax).

Notes:

(1) Dates and mediums of disclosure of the resolutions

For details of the Overseas Debt Financing Products Issuance, the UST Notes Issuance and MT Notes Issuance, please refer to the announcement of the Eighth Meeting of the Tenth Session of the Board by the Company on 28 March 2022. For details of the Corporate Bonds Issuance, please refer to the announcement of the Ninth Meeting of the Tenth Session of the Board by the Company on 30 April 2022. For H Shareholders, please refer to the circular by the Company on 17 May 2022.

For details of the Acquisition, please refer to the announcement of Related Party/Connected Transaction in respect of Acquisition of 100% YS Energy Company by the Company on 30 April 2022. For H Shareholders, please refer to the circular by the Company on 17 May 2022.

For details of the above resolutions on Directors candidates, please refer to the announcements of the Fourth, the Ninth and the Tenth Meetings of the Tenth Session of the Board published by the Company on 9 October 2021, 30 April 2022 and 12 May 2022. Holders of H shares may also refer to the circular of the Company dated 17 May 2022.

These announcements and information have been disclosed in China Securities Journal, Shanghai Securities News, Securities Times and the websites of the Company (www.jsexpressway.com), the Stock Exchange (www.hkexnews.hk) and the Shanghai Stock Exchange (www.sse.com.cn).

(2) Resolution(s) with separate counting of votes from small and medium investors: 6, 7, 11, 13 to 15

(3) Resolution(s) which interested shareholder(s) will abstain from voting: 11

Name(s) of the interested shareholder(s) to abstain from voting:	Jiangsu Communication Holdings Company Limited and its associates

(4) Resolution(s) to be proposed by way of special resolution: 13

(5) Resolution which holders of preference shares will vote on: Nil

III. MATTERS OF CONCERN FOR VOTING AT THE AGM

1. Shareholders of the Company who would like to cast his or her vote through the Shanghai Stock Exchange Online Voting System for Shareholders' General Meetings may either log in the voting platform of the trading system (through the terminus of any specified securities trading company) or the internet voting platform (website: vote.sseinfo.com) to vote. Any investor who logs in the internet voting platform to vote for the first time is required to have his or her identity as a shareholder verified. For details, please refer to the instructions for the internet voting platform on the website.

2. Any shareholder of the Company holding more than one shareholder's account may vote using any of the said accounts through the Shanghai Stock Exchange Online Voting System for Shareholders' General Meetings. After voting, such a shareholder is deemed to have cast his or her votes in the same way in respect of all the ordinary or preference shares of the same class held under his or her said accounts.

3. In case the number of votes cast by a shareholder of the Company exceeds the number of votes that the shareholder is entitled to cast, or in case the number of votes cast outnumber the number of candidates to be elected in a competitive election, the votes for that particular resolution shall be deemed void.

4. 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.

5. Submission can only be made after the shareholder has voted on all the resolutions.

IV. ENTITLEMENT TO ATTENDANCE AND VOTING

1. Holders of A shares of the Company who are registered with the Shanghai Branch of China Securities Depository & Clearing Corporation Limited or the Caochangmen Outlet of Huatai Securities Co., Ltd. (the former Jiangsu Securities Depository Company (江蘇證券登記公司)) as at the close of trading of the afternoon session on 31 May 2022 (details as set out in the following table) and holders of H shares of the Company who are registered with Hong Kong Registrars Limited as at 4:30 p.m. on 31 May 2022 are entitled to attend the AGM after complying with the necessary registration procedures; and may appoint prox(ies) in writing to attend and vote at the AGM. Such prox(ies) need not be shareholder(s) of the Company.

Class of shares	Stock Code	Stock Short Name	Record Date
A Shares	600377	寧滬高速	31 May 2022

2. Directors, supervisors and senior management of the Company;

3. lawyers engaged by the Company; and

4. other persons: auditors of the Company and other persons invited by the Board.

V. REGISTRATION FOR ATTENDING THE AGM

1. Shareholders of the Company who are registered with the Shanghai Branch of China Securities Depository & Clearing Corporation Limited or the Caochangmen Outlet of Huatai Securities Co., Ltd. (the former Jiangsu Securities Depository Company (江蘇證券登記公司)) as at the close of trading of the afternoon session on 31 May 2022, and shareholders of H shares of the Company who are registered with Hong Kong Registrars Limited as at 4:30 p.m. on 31 May 2022 are entitled to attend and vote at the AGM, provided that such shareholders shall complete and **delivered the confirmation slip to the Company no later than 9 June 2022, Thursday**. Further details are set out in the confirmation slip.

2. As announced by the Company on 29 April 2022, registration of transfers of H shares will be suspended by the Company from 18 May 2022 to 17 June 2022 (both days inclusive). Shareholders of H shares who wish to be eligible to attend and vote at the AGM must deliver their instruments of transfer together with the relevant share certificates to Hong Kong Registrars Limited, the Registrar of H shares of the Company, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, **no later than 4:30 p.m. on Tuesday, 17 May 2022**.

3. A shareholder who has the right to attend and vote at the AGM is entitled to appoint a proxy (whether or not a shareholder) to attend and vote on his/her behalf. A shareholder (or his/her proxy) is entitled to cast one vote for each share he/she holds or represents. Upon completion and delivery of the form of proxy, a shareholder (or his/her proxy) may attend and vote at the AGM. Nevertheless, the appointment of the proxy will be deemed to have been revoked by the shareholder. A domestic shareholder (or his/her proxy) shall present his/her shareholder account number to attend the meeting. A domestic corporate shareholder shall present its shareholding confirmation if its shareholder account had not yet been changed.

4. The instrument appointing a proxy must be in writing under the hand of the shareholder or his/her attorney duly authorised in writing. In the event that such instrument is signed by an attorney of the shareholder, an authorisation that authorised such signatory shall be notarised. To be valid, such notarised authorisation together with the form of proxy must be delivered to the Secretariat Office of the Board of the Company, or in case of holders of H shares of the Company, must be deposited at Hong Kong Registrars Limited, the Registrar of H shares of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time appointed for the holding of the AGM (being no later than 3:00 p.m. on Thursday, 16 June 2022 (Hong Kong/Beijing time)).

VI. MISCELLANEOUS

1. The AGM will last for half a day. Shareholders and their proxies attending the AGM will be responsible for their own accommodation, travelling and other expenses.

2. Contact address: Secretariat Office of the Board, 6 Xianlin Avenue, Nanjing, Jiangsu Province, the People's Republic of China

   Postal code: 210049

   Telephone: (86) 25-8436 2700 ext. 301815 or (86) 25-8446 4303 (direct line)

   Fax: (86) 25-8420 7788

3. The resolutions will be passed by way of poll.

4. In case during the electronic voting period for holders of A shares, there occurs any material event which affects the voting system, the proceedings of the AGM shall be conducted in accordance with notice published on such date.

5. The form of proxy and confirmation slip for the AGM will be despatched to holders of H Shares with the circular of the Company dated 17 May 2022.

By Order of the Board
Yao Yongjia
Secretary to the Board

Nanjing, the PRC, 17 May 2022