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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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### Chengdu Expressway Co., Ltd. 成都高速公路股份有限公司

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

**(Stock Code: 01785)**

**(1) CONNECTED TRANSACTION:  
ENTERING INTO THE NEW NON-COMPETITION AGREEMENT  
(2) PROPOSED APPOINTMENTS OF DIRECTORS  
(3) PROPOSED APPOINTMENT OF SHAREHOLDER REPRESENTATIVE  
SUPERVISOR  
AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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A letter from the Board is set out on page 4 to page 21 of this circular. A letter from the Independent Board Committee, containing its advice to the Independent Shareholders, is set out on page 22 of this circular. A letter from the Independent Financial Adviser, Octal Capital, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on page 23 to page 39 of this circular.

The EGM of the Company will be held at the meeting room 1 of Chengdu Expressway Co., Ltd., 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, Sichuan Province, the PRC at 10:00 a.m. on Friday, 30 September 2022. The notice convening the EGM is dispatched to the Shareholders together with this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. The form of proxy shall be returned to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or to the Board Office of the Company in the PRC at 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, Sichuan Province, the PRC (for holders of Domestic Shares) as soon as possible and in any event not less than 24 hours before the time appointed for convening the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

If you intend to attend the EGM in person or by proxy, you are required to lodge the completed reply slip to the Board Office of the Company on or before Monday, 26 September 2022.

14 September 2022

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## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Chengdu Communications Investment”	Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司), a company incorporated in the PRC with limited liability, which is one of the controlling Shareholders of the Company
“Chengdu Expressway” or “Company”	Chengdu Expressway Co., Ltd. (成都高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Stock Exchange
“Chengdu Expressway Construction”	Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司), a company incorporated in the PRC with limited liability, which is one of the controlling Shareholders of the Company
“Competing Businesses”	any business that competes or may compete, either directly or indirectly, with the principal business engaged in or proposed to be engaged in by the Group in Sichuan Province
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“EGM”	the extraordinary general meeting of the Company to be held at the meeting room 1 of Chengdu Expressway Co., Ltd., 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, Sichuan Province, the PRC at 10:00 a.m. on Friday, 30 September 2022
“Energy Operation and Management Company”	Chengdu Communications Investment Energy Operation and Management Co., Ltd. (成都交投能源經營管理有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are approved to be listed and traded on the Stock Exchange
“Huamin Petrol Station”	Chengdu Huamin Municipal Petrol Station (成都市華民市政加油站)
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors, being Mr. Shu Wa Tung, Laurence, Mr. Ye Yong and Mr. Li Yuanfu, to advise the Independent Shareholders in respect of the entering into of the New Non-competition Agreement
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	the Shareholders other than Chengdu Communications Investment and Chengdu Expressway Construction
“Latest Practicable Date”	8 September 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Natural Gas”	compressed natural gas and liquefied natural gas
“New Business”	business newly identified or introduced upon entering into the New Non-competition Agreement which competes or may compete, directly or indirectly, with the principal business of the Company
“New Non-competition Agreement”	the Non-competition Agreement entered into between the Company and Chengdu Communications Investment and Chengdu Expressway Construction on 9 September 2022
“Original Non-competition Agreements”	the Non-competition Agreement entered into between the Company and Chengdu Communications Investment on 29 June 2017, and the Supplemental Agreement to the Non-competition Agreement entered into between the Company and Chengdu Communications Investment on 25 May 2020
“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding the Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan

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## DEFINITIONS

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“Prospectus”	the prospectus of the Company dated 28 December 2018
“Relevant Petrol Stations”	Chengdu Chengke Huanghua Petrol Station (成都成科皇花加油站), Xinhua Petrol Station, Huamin Petrol Station and Shiling Petrol Station
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of the Company, including Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Shiling Petrol Station”	Chengdu Municipal Shiling Petrol Station (成都市市政十陵加油站)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Xinhua Petrol Station”	Chengdu Xinhua Petrol Station (成都市新華加油站)
“%”	per cent

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# LETTER FROM THE BOARD

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## Chengdu Expressway Co., Ltd. 成都高速公路股份有限公司

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

(Stock Code: 01785)

*Executive Directors:*

Mr. Yang Tan (*General Manager*)  
Ms. Wang Xiao  
Mr. Zhang Dongmin  
Mr. Luo Dan

*Registered office:*

9th Floor, Youyi Data Building  
No. 28 Jingyuan East Road  
Deyuan town (Jingrong town), Pidū District  
Chengdu, Sichuan  
PRC

*Non-executive Directors:*

Mr. Xiao Jun (*Chairman*)  
Mr. Yang Bin

*Principal place of business in Hong Kong:*

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

*Independent non-executive Directors:*

Mr. Shu Wa Tung, Laurence  
Mr. Ye Yong  
Mr. Li Yuanfu

14 September 2022

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION:  
ENTERING INTO THE NEW NON-COMPETITION AGREEMENT  
(2) PROPOSED APPOINTMENTS OF DIRECTORS  
(3) PROPOSED APPOINTMENT OF SHAREHOLDER REPRESENTATIVE  
SUPERVISOR  
AND  
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 9 September 2022 in relation to the (i) entering into of the New Non-competition Agreement; (ii) proposed appointments of Directors; and (iii) proposed appointment of shareholder representative Supervisor.

The purpose of this circular is to provide you with details regarding the (i) entering into the New Non-competition Agreement; (ii) proposed appointments of Directors; and (iii) proposed appointment of shareholder representative Supervisor; as well as (iv) the notice convening the EGM, so as to enable you to make an informed decision while voting for or against the resolutions to be submitted at the EGM.

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## LETTER FROM THE BOARD

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### II. ENTERING INTO THE NEW NON-COMPETITION AGREEMENT

#### 1. Background

References are made to the Prospectus and the circular of the Company dated 10 July 2020 in relation to the entering into of the Original Non-competition Agreements. Pursuant to the Original Non-competition Agreements, Chengdu Communications Investment has irrevocably undertaken to the Company that, Chengdu Communications Investment and its subsidiaries (excluding the Group) will not, during the term of the non-competition agreement, and will procure their associates not to, directly or indirectly, engage in, individually or jointly with other entities, or assist to engage in or participate in any business which competes with the Group's principal business in Sichuan Province. Furthermore, Chengdu Communications Investment undertakes to grant an option to the Company to acquire New Business opportunities that may compete, directly or indirectly, with the Group's principal business, an option to acquire and a right of first refusal with regard to the new competing businesses and retained businesses.

Given that the Company proposes to publicly issue RMB-denominated ordinary shares (the "A Shares") and list the same on a domestic stock exchange (the "A-share Listing"), in order to comply with relevant requirements of the regulatory authorities and stock exchanges of both the A-share and H-share markets, and further regulate the non-competition issues between the Company and Chengdu Expressway Construction and Chengdu Communications Investment (collectively, the "Controlling Shareholders"), the parties entered into the New Non-competition Agreement on 9 September 2022 to regulate relevant issues. Upon approval by the Independent Shareholders at the EGM, the New Non-competition Agreement will supersede the Original Non-competition Agreements.

#### 2. New Non-competition Agreement

The principal terms of the New Non-competition Agreement are as follows:

***Date***

9 September 2022

***Parties***

- (1) The Company;
- (2) Chengdu Communications Investment;
- (3) Chengdu Expressway Construction.

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## LETTER FROM THE BOARD

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### *Principal Terms*

#### *Scope of non-competition*

The principal business that the Group operates or intends to operate in Sichuan Province, where the principal business refers to: (1) the operation, management and development of expressways and the sale of refined oil and Natural Gas in Sichuan Province that the Group is currently engaged in, and (2) the design, construction, operation, management and maintenance services of charging pile facilities for electric new energy vehicles that the Group proposes to operate in Sichuan Province.

#### *Undertakings on non-competition*

Except for the stipulations in the sections below headed “New Business opportunity option” (in the case of New Business opportunities), “Business acquisition option” and “Right of first refusal”, the Controlling Shareholders irrevocably undertake that during the term of the New Non-competition Agreement, except for the Relevant Petrol Stations, the Controlling Shareholders and their subsidiaries shall not engage in the Competing Businesses in any form. For the avoidance of doubt, the foregoing stipulations shall not apply to the cases where the Controlling Shareholders and their subsidiaries acquire or hold other companies that compete or might compete with the principal business of the Group, provided that such investment shall not result in the investee becoming a subsidiary of the Controlling Shareholders, and shall be subject to the stipulations in the sections below headed “New Business opportunity option” (in the case of New Business opportunities), “Business acquisition option” and “Right of first refusal” (the “**Permitted Investment Circumstances**”). As at the Latest Practicable Date, as disclosed in the Company’s announcements dated 11 March 2019, 18 November 2020, 21 July 2021, 8 October 2021 and 22 April 2022 and stated in subparagraph (4) in the section headed “Major Differences Between the New Non-competition Agreement and the Original Non-competition Agreements, and the Reasons for and Benefits of Entering into the New Non-competition Agreement” in this circular, Chengdu Communications Investment held interests in certain Competing Businesses. Out of such Competing Businesses, for those relating to the expressway business, the Company plans to initiate the acquisition process as soon as practicable after the construction of the relevant expressways is completed and the relevant expressways commence operation and achieve break-even; and for those relating to the energy business, the Company will commence the acquisition as soon as practicable after the issues concerning the assets, personnel and certificates of relevant Competing Businesses are resolved.



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## LETTER FROM THE BOARD

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Regarding the Relevant Petrol Stations, Chengdu Communications Investment undertakes that the Company will continue to have the right to exercise the “business acquisition option” and “right of first refusal” on the Relevant Petrol Stations, and Chengdu Communications Investment shall negotiate with the Company on the operating arrangements of the Relevant Petrol Stations prior to the completion of the acquisition of the Relevant Petrol Stations by the Company to ensure that the Company will be responsible for the operation of the Relevant Petrol Stations as soon as practicable. In order to satisfy the needs of A-share Listing, Chengdu Communications Investment will issue a special undertaking to the Company in respect of the above undertaking prior to submission of A-share Listing application documents by the Company to a domestic stock exchange. As at the Latest Practicable Date, Chengdu Communications Investment has entrusted the management of overall corporate operation of Huamin Petrol Station (including Shiling Petrol Station established with its capital contribution) and Xinhua Petrol Station to Energy Operation and Management Company, a subsidiary of the Company (the operation of Chengdu Chengke Huanghua Petrol Station has been entrusted to an independent third party for management prior to its transfer to Chengdu Communications Investment and is currently still under the management of such independent third party). For details, please refer to the announcement of the Company dated 29 August 2022. As stated in the announcement of the Company dated 22 April 2022, following the completion of registration of change in capital contributor of the enterprises owning the Relevant Petrol Stations by Chengdu Communications Investment with the market administration and regulation authorities and settlement of the property ownership and labor and personnel issues of the Relevant Petrol Stations, the Company will exercise the “business acquisition option” and/or “right of first refusal” at any time to acquire the Relevant Petrol Stations subject to applicable approval procedures and disclosure obligations as required under applicable laws and regulations and the Listing Rules.

### *New Business opportunity option*

- (1) The Controlling Shareholders undertake that during the term of the New Non-competition Agreement, the Controlling Shareholders or their subsidiaries shall, upon identifying any New Business opportunity, notify the Company in writing and provide the Company with all information necessary to consider whether to engage in the aforesaid business opportunity and to use its best endeavours to procure that such business opportunity is first offered to the Group on reasonable and fair terms and conditions.
- (2) The Group shall notify the Controlling Shareholders in writing on a timely basis and within 30 days from its decision not to take the aforesaid New Business opportunity for any reason. Upon receiving the written confirmation of the Company, or if the Company fails to make a written reply within the specified time limit, the Controlling Shareholders or their subsidiaries may, on their own, participate in the aforesaid New Business opportunity through equity investment, provided that such investment shall not result in the investee becoming a subsidiary of the Controlling Shareholders.
- (3) The Controlling Shareholders shall ensure that they and their subsidiaries (excluding the Group) provide the Group the prioritised access to any New Business opportunity.

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## LETTER FROM THE BOARD

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### *Business acquisition option*

- (1) For those businesses which are developed by the Controlling Shareholders under the Permitted Investment Circumstances or have been invested (but not controlled) by the Controlling Shareholders as of the date of the New Non-competition Agreement, and compete or might compete, directly or indirectly, with the principal business of the Group:
  - (i) The Controlling Shareholders undertake to give the Group an option during the term of the agreement that, to the extent permissible under applicable laws and regulations, the Group has the right to acquire any equity interests, assets and other interests in the Competing Businesses from the Controlling Shareholders or their subsidiaries (excluding the Group) at any time through one or multiple transactions, or opt to operate any asset or business owned by the Controlling Shareholders in the Competing Businesses through, including but not limited to, entrusted operation, lease or contracting.
  - (ii) Notwithstanding the preceding provision, if a third party has and is to exercise, under the same terms and conditions, a statutory right of first refusal under relevant laws and the Articles of Association, the preceding provision shall not apply. But in such case the Controlling Shareholders shall, in their best endeavor, procure the third party to give up its statutory right of first refusal.
- (2) The Controlling Shareholders also undertake to ensure their subsidiaries (excluding the Group) to extend the same option to the Group.
- (3) If the exercise of the aforesaid option by the Group involves transfer of state-owned assets, the relevant consideration shall be negotiated on an arm's length basis between the Controlling Shareholders or their subsidiaries (excluding the Group) and the Group, and the state-owned assets shall be valued in accordance with the methodology and procedures required by applicable laws, subject to approval or registration according to law.

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## LETTER FROM THE BOARD

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### *Right of first refusal*

- (1) The Controlling Shareholders undertake that during the term of the New Non-competition Agreement, if the Controlling Shareholders or their subsidiaries (excluding the Group) propose to a third party to transfer, sell, lease, license to use or otherwise transfer or permit to use any equity interests, assets and other interests in the businesses that are acquired by the Controlling Shareholders under the Permitted Investment Circumstances or have been invested (but not controlled) by the Controlling Shareholders as of the date of the New Non-competition Agreement and compete or might compete, directly or indirectly, with the principal business of the Group, the Controlling Shareholders shall give the Company a prior written notice (“**Transfer Notice**”), attached with the terms and conditions for transfer, sale, lease or licensed use of the Competing Businesses or any interest therein to such third party by the Controlling Shareholders and reasonable relevant information for the Company to make an investment decision. The Company shall give a written reply to the Controlling Shareholders within 30 days upon receiving the Transfer Notice. Before receiving such written reply from the Company, the Controlling Shareholders shall not give a third party any Transfer Notice or intention (whether legally binding or not) in respect of the proposed transfer, sale, lease or licensed use of the Competing Businesses or any interest therein. If (i) the Company refuses to acquire the Competing Businesses or any interest therein or fails to reply to the Controlling Shareholders or their subsidiaries on the Transfer Notice within the aforesaid 30-day period, or (ii) the Company refuses to accept the terms contained in the Transfer Notice but has issued to the Controlling Shareholders, within the aforesaid 30-day period, a written notice specifying the acceptable transfer terms and conditions, but the parties fail to reach an agreement on the acquisition, then the Controlling Shareholders may transfer, sell, lease or license to use the Competing Businesses or any interest therein to a third party on the same terms and conditions set out in the Transfer Notice.
- (2) The Controlling Shareholders undertake to ensure their subsidiaries (excluding the Group) to extend the same right of first refusal to the Company.
- (3) If the exercise of the aforesaid right of first refusal by the Group involves transfer of state-owned assets, the assets shall be valued in accordance with the methodology and procedures required under applicable laws, subject to approval or registration according to law.

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## LETTER FROM THE BOARD

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### *Further undertakings of the Controlling Shareholders*

- (1) The Controlling Shareholders shall provide all information necessary for the Company's independent non-executive Directors, upon their request, to carry out annual review on the implementation of the undertakings under the New Non-competition Agreement and the compliance therewith of the Controlling Shareholders;
- (2) The Controlling Shareholders shall provide all information necessary for disclosing the review decision of independent non-executive Directors in respect of the implementation of and compliance with the New Non-competition Agreement in annual reports and/or announcements of the Company, and shall agree on such disclosure;
- (3) The Controlling Shareholders shall make a representation on an annual basis in respect of their compliance with the undertakings under the New Non-competition Agreement, and agree with the Company for disclosing such representation in its annual reports and/or announcements.

### ***Validity Term***

Upon being affixed with corporate seals of the parties, the New Non-competition Agreement shall take effect from the date of approval at the EGM, until the Company's Shares are delisted on the Stock Exchange and other internationally recognised stock exchanges. The Original Non-competition Agreements shall be terminated upon the date of taking effect of the New Non-competition Agreement.

### **3. Major Differences Between the New Non-competition Agreement and the Original Non-competition Agreements, and the Reasons for and Benefits of Entering into the New Non-competition Agreement**

Major differences between the New Non-competition Agreement and the Original Non-competition Agreements are set out below:

- (1) New party to the agreement – Chengdu Expressway Construction, a controlling Shareholder of the Company, becomes a new party to the New Non-competition Agreement to provide non-competition undertakings to the Group.

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## LETTER FROM THE BOARD

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- (2) Changes in the principal business of the Group – In order to better align the New Non-competition Agreement with the actual business conditions and future development direction of the Group, business with promising prospect that the Group proposes to undertake, i.e. the “electric new energy vehicles charging pile business”, has been added to the description of principal business of the Company in the New Non-competition Agreement, and the expressions of “construction and maintenance of expressways” and “investment in petrol station and gas station projects” were removed from the description of principal business of the Company in the New Non-competition Agreement in order to provide a more clear and precise description of the Group’s existing principal business.

In particular, for “construction and maintenance of expressways”, at present, the Group only engages third-party contractors to provide construction and maintenance services to expressways operated and managed by the Group (including expressways under entrusted management), rather than providing expressway construction and maintenance services to third parties. The accounting items “construction revenue in respect of service concession arrangements” and “construction cost” as stated in the Group’s financial report for year 2020 and previous years were derived from upgrade of the Group’s own expressways, and were recognised as revenue and cost in respect of construction and upgrade services under service concession arrangements pursuant to the International Accounting Standards 15 “Revenue from Contracts with Customers”. Revenue recognised by the Group for expressway upgrade and expansion services was measured at the fair value of the considerations received or receivable. Such construction revenue was non-cash and non-recurring in nature. The construction revenue recognised by the Group was equal to the construction cost incurred for the same period. Accordingly, the Group does not record profit from construction of expressways. As of the Latest Practicable Date, the Group does not possess the qualifications required for construction and maintenance of expressways, and has no intention towards forging the expressway construction and maintenance business into its principal business.

For “investment in petrol station and gas station projects”, as the Group’s principal business under the energy segment is limited to operation of petrol stations and gas stations (i.e. “sale of refined oil and Natural Gas” as currently stated in the definition of “principal business” in the New Non-competition Agreement) and the term “investment in petrol station and gas station projects” is defined in a broad sense, removal of relevant term will reflect the Group’s actual principal business in the energy segment more clearly and accurately to align with the actual condition.

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## LETTER FROM THE BOARD

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Given that such amendments will clarify and accurately reflect the Group's principal business, so as to better define the Group's business positioning, the Company believes that removal of the terms of "construction and maintenance of expressways" and "investment in petrol station and gas station projects" from the definition of "principal business" under the Original Non-competition Agreements is in the best interest of the Company and its Shareholders as a whole. To reflect the Group's principal businesses more accurately, the Group also proposes to describe its principal businesses in the future in the same manner as that presented in the New Non-competition Agreement.

For the avoidance of doubt, "expressway construction" as mentioned above refers to survey, design and road construction works carried out for the construction of expressways; "expressway maintenance" refers to the regular or irregular maintenance services to guarantee the quality of the constructed expressways; and "expressway upgrading" refers to a series of renovation and expansion services such as road widening and paving to meet the requirements of road network and improve the performance of constructed expressways. "Expressway development" as stated in the principal business of the Group refers to the development and expansion of expressway operation and management business. As the Group only engages third-party contractors to provide upgrade services to expressways operated and managed by the Group (including expressways under entrusted management), expressway upgrade does not constitute the principal business of the Group, and therefore is not covered by the Competing Businesses.

- (3) Strict prohibition – Pursuant to Question 15 in Several Q&As Regarding Initial Public Offering of Shares (《首發業務若干問題解答》) issued by the China Securities Regulatory Commission, the New Non-competition Agreement provides stricter requirements regarding the undertaking of not engaging in the Competing Businesses by the Controlling Shareholders and their subsidiaries. Except for the Relevant Petrol Stations which cannot be acquired by the Company for the time being due to property ownership and labor and personnel issues, the Controlling Shareholders and their subsidiaries are strictly prohibited from engaging in the Competing Businesses under the New Non-competition Agreement, and are only allowed access to the Competing Businesses through equity investment, provided that the investee(s) cannot become a subsidiary(ies) of the Controlling Shareholders. In contrast, under the Original Non-competition Agreements, if the Company gives up any new business opportunity, Chengdu Communications Investment and its subsidiaries are allowed to participate in such opportunities relating to the Competing Businesses, or account for such New Business opportunities as their subsidiary(ies) through acquisition.

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## LETTER FROM THE BOARD

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- (4) Change in the scope of procurement obligation of the Controlling Shareholders – In order to reflect and comply with relevant requirements of the regulatory authorities and stock exchanges in both A-share and H-share markets and increase the practicality of the New Non-competition Agreement, and with reference to the practices adopted by many A/H listed companies, the scope of companies that the Controlling Shareholders shall procure to comply with the non-competition obligation is adjusted under the New Non-competition Agreement, i.e. Chengdu Communications Investment shall no longer be required to procure its associates, other than subsidiaries, not to engage in the Competing Businesses, and Chengdu Communications Investment shall no longer be required to procure its associates, other than subsidiaries, associated companies and their respective associates, to grant the Company the relevant New Business opportunity option, right of first refusal and business acquisition option. Meanwhile, given that Chengdu Communications Investment shall no longer be required to procure its associates, other than subsidiaries, not to engage in the Competing Businesses, terms in respect of the “Retained Businesses” (i.e. wholesale and retail of gasoline, diesel oil and lubricants and grocery retail business which are retained by Chengdu Communications Investment and its subsidiary through their 49%-owned Chengdu Communications Investment Dagan Oil Management Co., Ltd. (成都交投大觀石油經營有限公司) (“**Communications Investment Dagan**”)) under the Original Non-competition Agreements have accordingly been removed, which, however, will not have an impact on the substantive rights of the Company (i.e. the business acquisition option and right of first refusal) in Communications Investment Dagan under the New Non-competition Agreement.

With respect to the equity interests in Communications Investment Dagan indirectly held by Chengdu Communications Investment as mentioned above, Chengdu Communications Investment has issued a letter of undertaking to the Company on the same date of the New Non-competition Agreement, pursuant to which, Chengdu Communications Investment and its subsidiary shall, in their best endeavour, procure Communications Investment Dagan to eliminate the defects relating to its qualifications and assets, i.e. Communications Investment Dagan has not obtained all the operation permits required for its principal business, and upon resolution of relevant issues, the Company shall have the right to exercise, at any time, the business acquisition option and right of first refusal under the New Non-competition Agreement, and complete the acquisition of the equity interests in Communications Investment Dagan held by Chengdu Communications Investment and its subsidiary. Provided that the relevant defects cannot be eliminated within 5 years from the date of issuance of the letter of undertaking, Chengdu Communications Investment and its subsidiary shall, within 5 years from the issuance of such letter of undertaking, transfer all of the equity interests held in Communications Investment Dagan to a non-related third party. If, prior to the completion of the abovementioned transactions, Communications Investment Dagan is to hold general meeting(s) for the purpose of considering undertaking business(es) that compete(s) or may compete, either directly or indirectly, with the principal business of the Group, Chengdu Communications Investment/subsidiary of Chengdu Communications Investment shall vote against such resolution(s) at relevant meeting(s) and shall not approve relevant resolution(s) or matters(s) under consideration by any other means.

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## LETTER FROM THE BOARD

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The Directors (excluding the independent non-executive Directors, whose opinions are included in the Letter from the Independent Board Committee) are of the view that, the New Non-competition Agreement is entered into on normal commercial terms and although the transactions contemplated thereunder are not entered into in the ordinary and usual course of business of the Group, the terms and conditions thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

#### **4. Corporate Governance Measures**

To guarantee and procure the Controlling Shareholders and their subsidiaries to comply with the New Non-competition Agreement, the Company will continue to implement the following measures:

- (1) the independent non-executive Directors shall be responsible for, after taking into account the compatibility of the geographical characteristics and the business nature of the New Business opportunity(ies)/businesses and the Group's strategies and prospects, reviewing and determining whether to accept such New Business opportunity(ies) provided by the Controlling Shareholders or their subsidiaries, and whether to exercise the business acquisition option or the right of first refusal (as the case may be). Upon receiving any notice on New Business opportunity(ies) or the transfer notice issued by the Controlling Shareholders or their subsidiaries, the same shall be immediately reported to the independent non-executive Directors;
- (2) announcement(s) will be made by the Company on its decision to accept or refuse any New Business opportunity(ies) and the basis thereof, and sufficient disclosure will be made in the Company's annual reports. The Company will also comply with applicable requirements under the Listing Rules while exercising the business acquisition option and right of first refusal under the New Non-competition Agreement;
- (3) any Directors and/or any of their respective close associates with a material interest in any matter to be considered by the Board regarding compliance or implementation of the New Non-competition Agreement shall not vote in respect of relevant Board resolution(s) approving such matter, and shall not be counted in the quorum of the relevant meeting; and
- (4) the Company will pay close attention to the implementation of undertakings given by the Controlling Shareholders under the section headed "Further undertakings of the Controlling Shareholders", and request relevant information from the Controlling Shareholders depending on the actual needs of the Company.



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## LETTER FROM THE BOARD

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### 5. General Information of the Parties

#### *The Company*

The Company is primarily engaged in the operation, management and development of Chengguan Expressway. The Group is primarily engaged in the operation, management and development of expressways in and around Chengdu, Sichuan Province, and also carries out retail of refined oil and operation of Natural Gas.

#### *Chengdu Expressway Construction*

Chengdu Expressway Construction is an immediate controlling shareholder of the Company, and is principally engaged in the construction and development of toll expressways, large-scale overpasses, stations, ancillary facilities and properties alongside toll expressways in Sichuan Province. It is one of the Controlling Shareholders and is owned as to 81.51% by Chengdu Communications Investment.

#### *Chengdu Communications Investment*

Chengdu Communications Investment is principally engaged in the investment, the financing of and the construction, development, operation and management of transportation infrastructure in Sichuan Province. It is one of the Controlling Shareholders and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Chengdu Municipal Government (成都市國有資產監督管理委員會).

### 6. Listing Rules Implications

As at the Latest Practicable Date, as Chengdu Communications Investment and Chengdu Expressway Construction are Controlling Shareholders of the Company, each of Chengdu Communications Investment and Chengdu Expressway Construction is therefore a connected person of the Company under the Listing Rules. Accordingly, entering into of the New Non-competition Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The New Non-competition Agreement is subject to the requirements including reporting, announcement, circular and Independent Shareholders' approval at a general meeting under Chapter 14A of the Listing Rules.

As Mr. Xiao Jun, being a non-executive Director, is also a director of Chengdu Communications Investment, he is therefore deemed to be materially interested in the New Non-competition Agreement, and has thus abstained from voting on the relevant resolution at the Board meeting. Save as disclosed above, no other Director has a material interest in the transaction contemplated thereunder and was required to abstain from voting on the relevant resolution at the Board meeting.

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## LETTER FROM THE BOARD

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### III. PROPOSED APPOINTMENTS OF DIRECTORS

On 9 September 2022, the Board resolved to propose to appoint Mr. Ding Dapan (“**Mr. Ding**”) as an executive Director of the second session of the Board, Ms. Wu Haiyan (“**Ms. Wu**”) as a non-executive Director of the second session of the Board, and Mr. Leung Chi Hang Benson (“**Mr. Leung**”), Mr. Wang Peng (“**Mr. Wang**”) and Mr. Qian Yongjiu (“**Mr. Qian**”) as independent non-executive Directors of the second session of the Board. Pursuant to the Articles of Association, the appointments of Mr. Ding, Ms. Wu, Mr. Leung, Mr. Wang and Mr. Qian as Directors of the Company are subject to approval by the Shareholders at the general meeting.

Set out below are the biographical details of the aforesaid candidates of Directors:

**Mr. Ding Dapan** (丁大攀先生), born in 1987, worked for Yangtze River Three Gorges Technology and Economic Development Company (長江三峽技術經濟發展公司) from July 2012 to January 2014; deputy principal staff member, deputy director, third-tier principal staff member and second-tier principal staff member of the Construction and Maintenance Department of the Expressway Administration Bureau (Law Enforcement Corps) of Sichuan Provincial Department of Transportation from January 2014 to August 2020; deputy general manager of Chengdu Expressway Operation Management Co., Ltd. (成都高速運營管理有限公司) (“**Operation Company**”) from August 2020 to November 2021; and director and general manager of Operation Company, person-in-charge of Chengdu Expressway Co., Ltd. Chengguan Branch, director and general manager of Sichuan Chengming Expressway Co., Ltd. (四川成名高速公路有限公司), director of Chengdu Chengbei Exit Expressway Co., Ltd. (成都城北出口高速公路有限公司), and general manager of Chengdu Chengwenqiong Expressway Co., Ltd. (成都成溫邛高速公路有限公司), Chengdu Airport Expressway Co., Ltd. (成都機場高速公路有限責任公司) and Chengdu Chengpeng Expressway Co., Ltd. (成都成彭高速公路有限責任公司) since November 2021. Mr. Ding has served as the deputy general manager of the Company since November 2021.

Mr. Ding graduated from Southwest Jiaotong University with a master’s degree of engineering majoring in bridge and tunnel engineering in July 2012.

**Ms. Wu Haiyan** (吳海燕女士), born in 1971, served as an accountant in Chengdu Expressway Construction from December 1997 to February 2007; an accountant in Chengdu Communications Investment from February 2007 to January 2008; manager and deputy general manager of finance department of Chengdu Transportation Hub and Station Construction Management Company Limited (成都交通樞紐場站建設管理有限公司) from January 2008 to February 2015; and head and deputy head of finance department (capital center) of Chengdu Communications Investment since February 2015. Ms. Wu has served as a supervisor of Chengdu Chengguan Expressway Co., Ltd. (成都成灌高速公路有限責任公司) since April 2015, and has served as a Supervisor of the Company since November 2016.

Ms. Wu finished her junior college courses at Southwestern University of Finance and Economics majoring in accounting in June 1993 and graduated from Correspondence College of the Party School of the Sichuan Provincial Committee of Communist Party of China (中共四川省委黨校函授學院) in June 2009 with a bachelor’s degree majoring in administration management. Ms. Wu was recognised as a senior accountant by Chengdu Professional Title Reform Leading Group (成都市職稱改革工作領導小組) in May 2016.

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## LETTER FROM THE BOARD

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**Mr. Leung Chi Hang Benson (梁志恒先生)**, born in 1978, served as an auditor, senior auditor and audit manager of PricewaterhouseCoopers from September 2000 to June 2007 successively, and an audit manager of the San Jose office in the United States of PricewaterhouseCoopers LLP from July 2007 to June 2009. Mr. Leung served as the senior audit manager and partner of PricewaterhouseCoopers from July 2009 to August 2020, and partner of PricewaterhouseCoopers from September 2020 to February 2022. From April 2022 to June 2022, Mr. Leung served as the chief financial officer of A-Bite Technology Inc. (舌尖科技有限公司). Mr. Leung has been serving as the regional director of Sifu Enterprise Management Consulting (Shanghai) Co., Ltd. (司富企業管理諮詢(上海)有限公司) since July 2022, and an independent director of Sansheng Intellectual Education Technology Co., Ltd. (三盛智慧教育科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300282.SZ) since August 2022.

Mr. Leung graduated from the University of Warwick (英國華威大學) in July 2000, and obtained a bachelor's degree with honours in accounting and finance. Mr. Leung is a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants (ACCA).

**Mr. Wang Peng (王鵬先生)**, born in 1981, served at the School of Finance of Southwestern University of Finance and Economics from September 2010 to November 2013, where he successively worked as a lecturer and associate professor. Since December 2013, he has served at China Financial Research Institute (previously known as China Financial Research Center (中國金融研究中心)) of Southwestern University of Finance and Economics, where he once worked as an associate professor, assistant director and deputy director, and currently serves as a professor and doctoral supervisor. From February 2016 to February 2017, Mr. Wang was a visiting scholar at the University of Colorado, Denver.

Mr. Wang graduated from Southwest Jiaotong University in June 2010 with a doctorate in business management.

**Mr. Qian Yongjiu (錢永久先生)**, born in 1963, has successively served as an teaching assistant, lecturer, associate professor and professor in the School of Civil Engineering of Southwest Jiaotong University since May 1986. From March 1992 to December 1993, he served as assistant director of structural engineering research institute and assistant director of structural engineering experiment center of Southwest Jiaotong University. He served as deputy director of the human resources department of Southwest Jiaotong University from December 1993 to November 1996, and deputy director of structural engineering research institute of Southwest Jiaotong University from March 1995 to January 1996. From November 1996 to December 1997, he served as railway engineering expert and leader of the training sub-panel of the expert panel despatched by the Ministry of Railways to Nigeria. From December 1998 to July 2001, he served as deputy dean of the School of Civil Engineering of Southwest Jiaotong University; from July 2001 to November 2008, he served as executive deputy commander of the new campus construction headquarters of Southwest Jiaotong University; and from February 2009 to June 2017, he served as the Party Secretary of the School of Civil Engineering of Southwest Jiaotong University.

Mr. Qian graduated from Southwest Jiaotong University in August 1992 with a doctorate in engineering.

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## LETTER FROM THE BOARD

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Mr. Leung, Mr. Wang and Mr. Qian were nominated as candidates of independent non-executive Directors pursuant to the Articles of Association before selection and preliminary examination conducted by the Nomination Committee under the Board, and are subject to consideration at the EGM upon review by the Board. Each of Mr. Leung, Mr. Wang and Mr. Qian has confirmed that they complied with the independence guidelines as set out in Rule 3.13 of the Listing Rules. In considering candidates of the independent non-executive Directors, the Board has taken into account the past performance, independence confirmation, skills, backgrounds, knowledge and experience of Mr. Leung, Mr. Wang and Mr. Qian, in particular, Mr. Leung's extensive experience in auditing, finance management, corporate financing and corporate governance, Mr. Wang's extensive experience in corporate finance and corporate investment and financing, and Mr. Qian's extensive experience in bridges and tunnels and civil engineering. Their diverse educational backgrounds, professional expertise and practice will enable them to provide valuable perspectives to the Board, and contribute to the Board diversity. None of Mr. Leung, Mr. Wang and Mr. Qian has held directorships in seven or more listed companies at present, and therefore they are able to devote sufficient time and attention to the affairs of the Company.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the above candidates of Directors have any relationship with any Director, senior management, substantial Shareholder or Controlling Shareholders of the Company, nor do they hold any other positions in the Company or any of its subsidiaries, or any directorship in other listed public companies in the past three years.

As at the Latest Practicable Date, none of the above candidates of Directors have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

After the proposed appointments of the above candidates of Directors as Directors have been approved by the Shareholders, the Company will enter into a service contract with each of them, and their terms as Directors of the second session of the Board will commence from the date of approval by the Shareholders until the expiry of the second session of the Board. Pursuant to the Articles of Association, the Directors are eligible for re-election upon expiry of their term of office. Pursuant to the resolution approved at the Company's 2019 annual general meeting, executive Directors and non-executive Directors of the second session of the Board shall not receive Directors' fees. Accordingly, Mr. Ding and Ms. Wu will not receive Directors' fees in their respective capacity as an executive Director and a non-executive Director of the second session of the Board. The Board also resolved to propose that Mr. Leung, Mr. Wang and Mr. Qian, as independent non-executive Directors of the second session of the Board, will receive Directors' fees as follows: annual fee of RMB150,000 (before tax) for Mr. Leung, and annual fees for each of Mr. Wang and Mr. Qian of RMB60,000 (before tax), which have been determined based on their experience and duties and responsibilities in the Company.

Save as disclosed in this circular, the Board is not aware of any other matters concerning the proposed appointments of the above candidates of Directors as Directors that need to be brought to the attention of the Shareholders or subject to disclosure pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Resolutions regarding the proposed appointments of the above candidates of Directors as Directors will be proposed at the EGM by way of ordinary resolution for Shareholders' consideration and, if thought fit, approval.

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## LETTER FROM THE BOARD

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#### IV. PROPOSED APPOINTMENT OF SHAREHOLDER REPRESENTATIVE SUPERVISOR

On 9 September 2022, the Supervisory Committee resolved to propose to appoint Mr. Zhang Chengyi as a shareholder representative Supervisor of the second session of the Supervisory Committee. Pursuant to the Articles of Association, the appointment of Mr. Zhang Chengyi as a shareholder representative Supervisor is subject to approval by the Shareholders at the general meeting.

Set out below are the biographical details of Mr. Zhang Chengyi:

**Mr. Zhang Chengyi (張成毅先生)**, born in 1981, worked for No.5 Engineering Corporation Limited of China Railway 11th Bureau Group Company Limited (中鐵十一局集團第五工程有限公司) from June 2004 to May 2005. He served as a designer, chief engineer, deputy director, secretary of the board of directors and vice president of the Design Department I of Chengdu Traffic Planning Survey and Design Institute (成都市交通規劃勘察設計院設計一處) from May 2005 to August 2015, general manager (concurrent role) of Sichuan Zhimu Construction Engineering Co., Ltd. (四川省植木建設工程有限責任公司) from December 2009 to June 2012, general manager of Sichuan Wufeng Technology Co., Ltd. (四川五豐科技有限公司) from August 2015 to June 2016, senior director and deputy head of the investment development department and deputy head of the railway division of Chengdu Communications Investment from June 2016 to September 2017, and director and general manager of Chengdu Jianzhou Xincheng Investment Group Co., Ltd. (成都市簡州新城投資集團有限公司) from September 2017 to May 2022. Mr. Zhang Chengyi has served as the deputy secretary to Party Committee, director and general manager of Chengdu Expressway Construction since May 2022, and concurrently served as director and general manager of Chengdu Communications Investment Highway Industry Development Group Co., Ltd. (成都交投公路產業發展集團有限公司).

Mr. Zhang Chengyi graduated from Xihua University majoring in civil engineering (traffic civil engineering) in June 2004. Mr. Zhang Chengyi holds the professional qualifications of senior engineer.

Save as disclosed in this circular, as at the Latest Practicable Date, Mr. Zhang Chengyi does not have any relationship with any Director, senior management, substantial Shareholder or Controlling Shareholders of the Company, nor does he hold any other positions in the Company or any of its subsidiaries, or any directorship in other listed public companies in the past three years.

As at the Latest Practicable Date, Mr. Zhang Chengyi does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

After the proposed appointment of Mr. Zhang Chengyi as a Supervisor has been approved by the Shareholders, the Company will enter into a service contract with him, and his term as a Supervisor of the second session of the Supervisory Committee will commence from the date of approval by the Shareholders until the expiry of the second session of the Supervisory Committee. Pursuant to the Articles of Association, the Supervisors are eligible for re-election upon expiry of their term of office. Mr. Zhang Chengyi will not receive Supervisors' fees as a shareholder representative Supervisor.

Save as disclosed in this circular, the Company is not aware of any other matters concerning the proposed appointment of Mr. Zhang Chengyi as a Supervisory that need to be brought to the attention of the Shareholders or subject to disclosure pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

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## LETTER FROM THE BOARD

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### V. EGM

#### 1. Notice, Form of Proxy and Reply Slip of the EGM

The EGM of the Company will be held at the meeting room 1 of Chengdu Expressway Co., Ltd., 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, Sichuan Province, the PRC at 10:00 a.m. on Friday, 30 September 2022. The notice convening the EGM is set out on pages 45 to 48 of this circular.

The reply slip and form of proxy for use at the EGM are also enclosed herein and published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). If the Shareholders intend to attend the EGM by proxy, they are required to duly complete and return the form of proxy according to the instructions printed thereon.

For holders of H Shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the EGM in order for such documents to be valid. For holders of Domestic Shares, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Board Office of the Company in the PRC at 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, Sichuan Province, the PRC, not less than 24 hours before the time for holding the EGM in order for such documents to be valid.

Holders of H Shares and Domestic Shares who intend to attend the EGM must complete the reply slip and return the same to the Board Office of the Company not later than Monday, 26 September 2022.

#### 2. Closure of the Register of Members

For the purpose of holding the EGM, the register of members of the Company (the "**Register of Members**") will be closed from Tuesday, 27 September 2022 to Friday, 30 September 2022 (both days inclusive), during which period no transfer of Shares can be registered. In order to be qualified to attend and vote at the EGM, for holders of H Shares, all transfer documents accompanied by the relevant Share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event no later than 4:30 p.m. on Monday, 26 September 2022. The Shareholders whose names appear on the Register of Members on Tuesday, 27 September 2022 are entitled to attend and vote at the EGM.

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## LETTER FROM THE BOARD

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### 3. Abstention from Voting

Pursuant to the Listing Rules, any Shareholder and his/her/its associates with a material interest in the New Non-competition Agreement are required to abstain from voting on the resolution approving such transaction at the EGM. Accordingly, Chengdu Communications Investment and Chengdu Expressway Construction will abstain from voting on the resolution regarding entering into the New Non-competition Agreement at the EGM. As at the Latest Practicable Date, Chengdu Communications Investment and Chengdu Expressway Construction held an aggregate of 1,200,000,000 Shares in the Company, representing approximately 72.46% of the issued share capital of the Company, and controlled or were entitled to exercise control over the voting rights in respect of the Shares held in the Company.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, except for Chengdu Communications Investment and Chengdu Expressway Construction who have a material interest in the New Non-competition Agreement and therefore are required to abstain from voting on the resolution regarding entering into the New Non-competition Agreement, no other Shareholder has a material interest in, and therefore is required to abstain from voting on the relevant resolution to be proposed at the EGM.

## VI. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee, the full text of which is set out on page 22 of this circular, containing its advice to the Independent Shareholders regarding the New Non-competition Agreement; (ii) the letter from the Independent Financial Adviser, the full text of which is set out on page 23 to page 39 of this circular, containing its advice to the Independent Board Committee and the Independent Shareholders regarding the New Non-competition Agreement as well as the principal factors and reasons considered in arriving at its opinion; and (iii) the Appendix to this circular.

The Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM regarding the (i) entering into of the New Non-competition Agreement; (ii) proposed appointments of Directors; and (iii) proposed appointment of shareholder representative Supervisor.

By order of the Board  
**Chengdu Expressway Co., Ltd.**  
**Xiao Jun**  
*Chairman*

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**Chengdu Expressway Co., Ltd.**

**成都高速公路股份有限公司**

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

**(Stock Code: 01785)**

14 September 2022

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION:  
ENTERING INTO THE NEW NON-COMPETITION AGREEMENT**

We refer to the circular of the Company dated 14 September 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee, to consider whether the terms of the New Non-competition Agreement, details of which are set out in the Letter from the Board, are fair and reasonable so far as the Independent Shareholders are concerned and to advise you in this regard.

Octal Capital Limited has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to the New Non-competition Agreement. Details of the opinion of Octal Capital Limited and the principal factors considered when arriving at such opinion are set out in the Letter from the Independent Financial Adviser on page 23 to page 39 of the Circular.

Your attention is also drawn to the Letter from the Board on page 4 to page 21 and other information set out in the appendix of the Circular.

Having taken into account the terms and conditions of the New Non-competition Agreement, the interests of the Independent Shareholders and the opinion from the Independent Financial Adviser, we are of the view that, the New Non-competition Agreement is entered into on normal commercial terms and although the transactions contemplated thereunder are not entered into in the ordinary and usual course of business of the Group, the terms and conditions thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant ordinary resolution to be proposed at the EGM to approve the New Non-competition Agreement.

Yours faithfully,  
Independent Board Committee

**Mr. Shu Wa Tung, Laurence**

**Mr. Ye Yong**

**Mr. Li Yuanfu**

*Independent non-executive Directors*



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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

14 September 2022

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

## **CONNECTED TRANSACTION: ENTERING INTO THE NEW NON-COMPETITION AGREEMENT**

### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Non-competition Agreement, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 14 September 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined under the definitions section of the Circular.

On 9 September 2022, the Company entered into the New Non-competition Agreement with Chengdu Communications Investment and Chengdu Expressway Construction.

As at the Latest Practicable Date, Chengdu Communications Investment and Chengdu Expressway Construction are the controlling shareholders of the Company, and thus are considered as connected persons of the Company as defined under the Listing Rules.

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Shu Wa Tung, Laurence, Mr. Ye Yong and Mr. Li Yuanfu, has been established to advise the Independent Shareholders whether the terms of the New Non-competition Agreement are fair and reasonable and are on normal commercial terms, and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the New Non-competition Agreement. As at the Latest Practicable Date, we were not connected with the directors, chief executive and substantial shareholders of the Company, Chengdu Communications Investment and Chengdu Expressway Construction or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. During the last two years, we have been engaged by the Company as an independent financial adviser to the Company in respect of the major and connected transaction in relation to the acquisition of 94.49% of the equity interest in Chengdu Energy Development Company and the connected transaction in relation to entering into the supplemental agreement to the non-competition agreement (details can be referred to the circular of the Company dated 10 July 2020), and we were required to express our opinion on and give recommendations to the independent board committee and independent shareholders of the Company. Apart from normal professional fees paid or payable to us in connection with the appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the New Non-Competition Agreement pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the New Non-competition Agreement including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed neither in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Company, Chengdu Communications Investment and Chengdu Expressway Construction, and any of their respective subsidiaries and their respective associates, nor have we carried out any independent verification of the information supplied to us.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations in respect of entering into the New Non-competition Agreement, we have taken into consideration the following principal factors and reasons:

### 1. Information of the Company, Chengdu Expressway Construction and Chengdu Communications Investment

#### a) The Company

The Company is a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange since 15 January 2019. As at the Latest Practicable Date, the Company and its subsidiaries are principally engaged in the operation, management and development of expressways located in and around Chengdu City, Sichuan Province, the PRC. The Group also carries out operation of refined oil and Natural Gas. The business operation of the Group are therefore categorised into “expressway” and “energy” segments.

The table below summarizes the revenue of the Group for the three years ended 31 December 2019, 2020 and 2021 (“FY2019”, “FY2020” and “FY2021”, respectively) and the six months ended 30 June 2021 and 2022 (“HY2021” and “HY2022”) as extracted from the annual reports of the Company for FY2020 and FY2021 (the “Annual Reports”) and the interim result announcement of the Company for HY2022 (the “Interim Result Announcement”) :

Expressed in RMB' million	FY2019 (audited) <sup>1</sup>	FY2020 (audited) <sup>2</sup>	FY2021 (audited) <sup>2</sup>	HY2021 (unaudited)	HY2022 (unaudited)
Toll income	1,256	1,016	1,414	686	628
Revenue from sales of refined oil	1,045	902	1,182	560	689
Construction revenue in respect of service concession arrangements	–	106	–	–	–
Other revenue	–	14	106	94	57
Total revenue	<u>2,301</u>	<u>2,038</u>	<u>2,702</u>	<u>1,340</u>	<u>1,374</u>

<sup>1</sup> the consolidated financial statements of the Group for the year ended 31 December 2019 have been prepared under with International Financial Reporting Standards.

<sup>2</sup> the consolidated financial statements of the Group for the year ended 31 December 2021 have been prepared under China Accounting Standards for Business Enterprises, and appropriate adjustments have been made for comparative figures of 2020 herein pursuant to China Accounting Standards for Business Enterprises.

During the three years ended 31 December 2021, the major source of revenue of the Group is toll income which accounted for approximately 54.6%, 49.9% and 52.3% of the total revenue, respectively. The revenue from sales of refined oil accounted for approximately 45.4%, 44.3% and 43.7% of the total revenue for the three years ended 31 December 2021, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During HY2021, the major source of revenue of the Group is toll income which accounted for approximately 51.2% of the total revenue while the revenue from sales of refined oil accounted for approximately 41.8%. During HY2022, the major source of revenue of the Group is the revenue from sales of refined oil which accounted for approximately 50.1% of the total revenue. In particular, an increase of the revenue from sales of refined oil by approximately 23.0% from HY2021 to HY2022, is primarily attributable to the surge in domestic oil price and sales volume of refined oil in HY2022. Meanwhile, the toll income accounted for approximately 45.7% of the total revenue.

The construction revenue in relation to renovation projects of Chenguan Expressway and Qiongming Expressway accounted for approximately 5.2% of the total revenue of the Group for FY2020.

**b) *Chengdu Expressway Construction***

Chengdu Expressway Construction is a company established in the PRC with limited liability, which is one of the Controlling Shareholders of the Company and is owned as to 81.51% by Chengdu Communications Investment as at the Latest Practicable Date. It is principally engaged in the construction and development of toll expressways, large-scale overpasses, stations, ancillary facilities and properties alongside toll expressways in Sichuan Province. Chengdu Expressway Construction is a signing party to the New Non-competition Agreement.

**c) *Chengdu Communications Investment***

Chengdu Communications Investment is a company incorporated in the PRC with limited liability, which is one of the Controlling Shareholders of the Company. It is principally engaged in the investment, the financing of and the construction, development, operation and management of transportation infrastructure in Sichuan Province. The ultimate beneficial owner of Chengdu Communications Investment is State-owned Assets Supervision and Administration Commission of Chengdu Municipal Government (成都市國有資產監督管理委員會), Chengdu Communications Investment is a signing party to both the Original Non-Competition Agreements and the New Non-competition Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **2. Background of the non-competition arrangement between the Company and Chengdu Communications Investment**

As disclosed in the Prospectus, the Company entered into the Non-competition Agreement with Chengdu Communications Investment on 29 June 2017, pursuant to which, Chengdu Communications Investment has irrevocably undertaken to the Company that, Chengdu Communications Investment and its subsidiaries (excluding the Group) will not and will procure their associates not to, directly or indirectly, engage in, individually or collectively with other entities, or assist to engage in or participate any business which competes with the principal business of the Company in Sichuan Province. Moreover, Chengdu Communications Investment undertakes to (i) notify the Company of any new business opportunities that compete or may compete, directly or indirectly, with the Group's principal business and procure such new business opportunities to be provided to the Company first; (ii) grant an option to the Company to acquire, at all times, the relevant new competing business that has been rejected by the Company and then engaged by Chengdu Communications Investment or its subsidiaries; and (iii) a right of first refusal with regard to any new competing business that has been rejected by the Company and then engaged by Chengdu Communications Investment or its subsidiaries.

As disclosed in the circular of the Company dated 10 July 2020, the Company and Chengdu Communications Investment entered into the Supplemental Agreement to the Non-competition Agreement on 25 May 2020 to make several amendments to the non-competition arrangement regarding the definition of "principal business" and the scope of "retained business" to align with the new business scope of the Group after the completion of the acquisition of Chengdu Energy Development Co. Ltd. and its subsidiaries.

### **3. Rationale behind the entering into of the New Non-competition agreement**

#### ***Reflecting and complying with relevant requirements of the regulatory authorities and stock exchanges in both A-share and H-share markets***

As referred to in the announcement of the Company dated 15 October 2021, the Company has commenced the A-Share Listing application process. As disclosed in the Letter of the Board, certain terms of the Original Non-competition Agreements are redefined to clarify the scope of non-competition. Since Chengdu Expressway Construction holds 54.34% of total issued share capital of the Company as at the Latest Practicable Date and is considered as one of the Controlling Shareholders of the Company, Chengdu Expressway Construction becomes a new party to the New Non-competition Agreement to provide non-competition undertaking to the Group. Moreover, pursuant to Question 15 in Several Q&As Regarding Initial Public Offering of Shares (《首發業務若干問題解答》) issued by the China Securities Regulatory Commission, the New Non-competition Agreement provides stricter requirements regarding the undertaking of not engaging in the Competing Business by the Controlling Shareholder Group (as defined below). Pursuant to the above document, the rules of A-Share listing require all controlling shareholders to be the contractual party of the non-competition agreement. In this regard, Chengdu Expressway Construction is added as one of the contractual parties of the New Non-competition Agreement. Moreover, the New Non-competition Agreement strictly restricts the Controlling Shareholder Group to invest in the New Business (which has been rejected by the Company through exercising the New Business opportunity option) which shall not become a subsidiary of the Controlling Shareholder Group while the Original Non-competition Agreements allow the Controlling Shareholders to obtain controlling-stake in the New Business. Such restriction of New Non-competition Agreement sets up a boundary for the Controlling Shareholder Group to gain control in the Competing Businesses.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Pursuant to the New Non-competition Agreement, the Controlling Shareholder Group shall procure the New Business opportunity to be provided to the Company first. If the Company rejects to take up such New Business opportunity, the Controlling Shareholder Group is allowed to invest in the said New Business opportunity which cannot become a subsidiary of the Controlling Shareholders under the New Non-competition Agreement. Pursuant to the terms of the Original Non-competition Agreements, the Controlling Shareholders are allowed to invest and obtain controlling stake in the New Business opportunity which has been referred by the Controlling Shareholder Group and the Company has been rejected to invest in. Based on our discussion with the Company, the New Business opportunity option allows the Controlling Shareholder Group to pursue investment opportunity in relation to the Competing Businesses given that the Group has rejected to participate in such investment opportunity for various reasons. However, the investment in the abandoned New Business opportunity by the Controlling Shareholder Group should not result in the investee becoming a subsidiary of the Controlling Shareholders. Pursuant to the New Non-competition Agreement, the Controlling Shareholder Group is no longer allowed to obtain a controlling stake in the abandoned New Business opportunity but is only allowed to be a minority shareholder in the abandoned New Business opportunity. Under such mechanism, the Controlling Shareholder Group could participate in such abandoned New Business opportunity under a restricted manner rather than give up the whole opportunity to third party.

If the Controlling Shareholder Group are completely restricted to invest in the New Business opportunity, such abandoned business opportunity might be fully captured by the Group's competitors and it will be uncertain whether the Group could acquire such abandoned business opportunities from the independent third party with favorable terms in the future. Therefore, the overall competitiveness of Group and the Controlling Shareholder Group, as a whole, may be negatively affected. If such abandoned business opportunity is taken up by the Controlling Shareholder Group, the Company could exercise the business acquisition option to repurchase the abandoned business opportunity at any time and such repurchase mechanism provide a priority for the Group to buy back any Competing Businesses from the Controlling Shareholder Group, maintaining the Group's competitive strength as well as market position in the future. The Directors believe that a non-controlling and friendly participation in the relevant opportunity by the Controlling Shareholder Group would create a stronger strategic image to the Company's competitors by presenting a strong unified front in the industries of the principal businesses of the Group, which combat the fierce competition faced by the Group in the expressway market and energy market in the PRC.

### ***Change in the principal business and business development of the Group***

Since the listing of the Company on 15 January 2019, the Company has expanded its business scope from the operation, management and development of expressways located in and around Chengdu, Sichuan Province to the operation of refined oil and Natural Gas in Sichuan Province. The scope of principal business of the Original Non-competition Agreements was amended in May 2020 to include the operation of refined oil and Natural Gas. As disclosed in Interim Result Announcement, the business operations of the Group are therefore categorized into "expressway" segment and "energy" segment, among of which the former refers to the operation, management and development of expressways in the PRC while the latter refers to the operation of refined oil and Natural Gas.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the announcement of the Company dated 30 December 2021, the Company acquired 16% equity interest of Chengdu Teld New Energy Co. Ltd which is principally engaged in development of new energy technology and design, technical consultation, construction, operation management and maintenance services of new energy electric vehicle charging facilities. The scope of “energy segment” will be further expanded to the area of new energy electric vehicle charging facilities.

On the other hand, during the two years ended 31 December 2021 and the six months ended 30 June 2022, the Group’s energy segment mainly derives revenue from sales of refined oil which accounted for approximately 44.3%, 43.7% and 50.1% of the total revenue respectively. As advised by the Company, the Group will continue to operate its petrol stations, which generates revenue from sales of refined oil, and will consider expanding its business scope to gas stations which generates revenue from sales of Natural Gas. As disclosed in the Letter from the Board, the term of the “investment in petrol stations and gas stations” are defined in a broad sense and could not truly reflect the actual business scope and future development of the Group in the energy segment. As disclosed in FY2021 Annual Report, the Company will continue to strengthen its profitability in the expressway business and expand the energy segment through acquisition of quality gas stations, promotion of new energy vehicle charging facilities and expanding market share in the charging pile business field. In order to have a clear and accurate description of the actual business model of the Group and the Group’s business positioning, the principal business of the Group is modified and narrowed down in this regard.

On the other hand, the business relating to the construction and maintenance of expressway is no longer included in the definition of principal business in the New Non-competition Agreement. According to the Prospectus, the Group provided upgrade and expansion services to its own expressways which are Chengguan Expressway, Chengwenqiong Expressway and Chengpeng Expressway through subcontracting the construction work to third party subcontractors during the years ended 31 December 2015, 2016 and 2017. The Company recognizes revenue associated with upgrade and expansion services due to the accounting treatment of service concession arrangements and the amount of revenue recognized was the same as the construction cost recognized during the same periods. The construction revenue was non-recurring in nature given it related solely to upgrade or expansion projects undertaken by the Group for its own expressways, instead of provision of upgrade or expansion services to third party. As disclosed in the Prospectus, the construction revenue from the upgrade services provided under the service concession arrangements was included as additions to service concession arrangements. Such additions will be amortized following the completion of the upgrade and expansion of the respective expressways.

Subsequently, after the listing of the Company, the Group only recorded construction revenue of approximately RMB844 million and RMB106 million during the years ended 31 December 2018 and 2020, respectively. These construction revenue are related to the upgrading or expansion projects of the Group’s own expressways (i.e. Chengguan Expressway and Qiongming Expressway), not for external customers’ expressways. As advised by the Company, since FY2015, the Group subcontracted upgrade or expansion projects of its own expressways under the service concession arrangements to third party subcontractors and did not participate in any upgrade or expansion projects for other expressways. As advised by the Company, provision of construction and maintenance of expressways is not considered as a principal business of the Group which could generate revenue or profit by providing such services for external clients.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the announcements of the Company dated 21 July 2021 and 8 October 2021, the Company rejected two business opportunities referred by Chengdu Communications Investment in relation to the investment, financing, construction, management and operation of expressways, in particular, in view of low return on investment, high capital investment requirement and long investment payback period of these expressway construction projects. As advised by the Company, the Group's strategy is to focus on acquiring or investing in expressway projects (which has commenced its operation) with a reasonable investment return. Since the business model and development strategy of the Group has been changed in the recent years, the Original Non-competition Agreements have become outdated and entering into the New Non-competition Agreement is to align with actual business circumstance and future development of the Group and eliminate potential competition with the Group which is not covered by the Original Non-competition Agreements.

For further details of the reasons behind the New Non-competition Agreement, please refer to the Letter from the Board.

Having considered, in particular, the New Non-completion Agreement (i) includes all controlling shareholders, being Chengdu Expressway Construction, as one of the contractual parties of the New Non-competition Agreement in order to facilitate the A Share Listing application process; (ii) reflects the latest business model and scope since its listing in 2019 and the future development strategy of the Group; (iii) restricts the Controlling Shareholder Group to engage in the design, construction, operation, management and maintenance services of charging pile facilities for electric new energy vehicles; and (iv) restricts the Controlling Shareholder Group to gain a controlling interest in any Competing Businesses in future, we concur with the Directors that the rationale underlying the New Non-competition Agreement are fair and reasonable as a whole.

#### 4. Principal terms of the New Non-competition Agreement

Major terms of the New Non-competition Agreement are summarized as below:

- Date:** 9 September 2022
- Parties:**
- (1) The Company;
  - (2) Chengdu Communications Investment;
  - (3) Chengdu Expressway Construction.

#### *Scope of non-competition*

The principal business that the Group operates or intends to operate in Sichuan Province, where the principal business refers to: (1) the operation, management and development of expressways and sale of refined oil (成品油) and Natural Gas (天然氣) in Sichuan Province that the Group is currently engaged in; and (2) the design, construction, operation, management and maintenance services of charging pile facilities for electric new energy vehicles (新能源電動汽車充電樁設施) that the Group proposes to operate in Sichuan Province.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Undertakings on non-competition*

During the term of the New Non-competition Agreement, the Controlling Shareholders undertake that the Controlling Shareholders and their subsidiaries (excluding the Group and collectively “**Controlling Shareholder Group**”) shall not engage in the Competing Businesses in any form, except for the Relevant Petrol Stations. For the avoidance of doubt, the foregoing stipulations shall not apply to the cases where the Controlling Shareholders and their subsidiaries acquire or hold other companies that compete or might compete with the principal business of the Group, provided that such investment shall not result in the investee becoming a subsidiary of the Controlling Shareholders, and shall be subject to the stipulations in the sections below headed “New Business opportunity option”, “Business acquisition option” and “Right of first refusal” (the “**Permitted Investment Circumstances**”).

Regarding the Relevant Petrol Stations, Chengdu Communications Investment undertakes that the Company will continue to have the right to exercise the “business acquisition option” and “right of first refusal” on the Relevant Petrol Stations, and Chengdu Communications Investment shall negotiate with the Company on the operating arrangements of the Relevant Petrol Stations prior to the completion of the acquisition of the Relevant Petrol Stations by the Company to ensure that the Company will be responsible for the operation of the Relevant Petrol Stations as soon as practicable. In order to satisfy the needs of A-share Listing, Chengdu Communications Investment will issue a special undertaking to the Company in respect of the above undertaking (the “**Relevant Petrol Station Undertaking**”) prior to submission of A-share Listing application documents by the Company to a domestic stock exchange.

### *New business opportunity option*

During the term of the New Non-competition Agreement, the Controlling Shareholders undertake that the Controlling Shareholders or their subsidiaries shall, upon identifying any New Business opportunity, notify the Company in writing and provide the Company with all information necessary to consider whether to engage in the aforesaid business opportunity, and to use its best endeavor, to procure that such business opportunity is first offered to the Group on reasonable and fair terms and conditions.

The Group shall notify the Controlling Shareholders in writing on a timely basis and within 30 days from its decision not to take the aforesaid New Business opportunity for any reason. Upon receiving the written confirmation of the Company, or if the Company fails to make a written reply within the specified time limit, the Controlling Shareholders or their subsidiaries may, on their own, participate in the aforesaid New Business opportunity through equity investment, provided that such investment shall not result in the investee becoming a subsidiary of the Controlling Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***Business acquisition option***

For those businesses which are developed by the Controlling Shareholders under the Permitted Investment Circumstances or have been invested (but not controlled) by the Controlling Shareholders as of the date of the New Non-competition Agreement, and compete or might compete, directly or indirectly, with the principal business of the Group. The Controlling Shareholders undertake to give the Group an option during the term of the agreement that, to the extent permissible under applicable laws and regulations, the Group has the right to acquire any equity interests, assets and other interests in the Competing Businesses from the Controlling Shareholders or their subsidiaries (excluding the Group) at any time through one or multiple transactions, or opt to operate any asset or business owned by the Controlling Shareholders in the Competing Businesses through, including but not limited to, entrusted operation, lease or contracting.

### ***Validity Term***

Upon affixed with corporate seals of the parties, the New Non-competition Agreement shall take effect from the date of approval at the EGM, until the Company's Shares are delisted on the Stock Exchange and other internationally recognized stock exchanges. The Original Non-competition Agreements shall be terminated upon the date of taking effect of the New Non-competition Agreement.

For further details of the terms of the New Non-competition Agreement (including but not limited the right of first refusal), please refer to the Letter from the Board.

### **5. Entering into the management agreements of three of the Relevant Petrol Stations.**

As disclosed in the announcement of the Company dated 29 August 2022, Energy Operation and Management Company (an indirect non-wholly-owned subsidiary of the Company), Chengdu Communications Investment and Huamin Petrol Station entered into the Huamin Management Agreement, pursuant to which Chengdu Communications Investment agreed to entrust the management of overall corporate operation of Huamin Petrol Station (including Shiling Petrol Station) to Energy Operation and Management Company. On the same day, Energy Operation and Management Company, Chengdu Communications Investment and Xinhua Petrol Station also entered into Xinhua Management Agreement to entrust the management of overall corporate operation of Xinhua Petrol Station to Energy Operation and Management Company.

The term of entrustment management of Huamin Petrol Station and Xinhua Petrol Station has been commenced on 23 April 2022 and will end on 31 December 2024. The term of entrustment management of Shiling Petrol Station will commence on 1 October 2022 and end on 31 December 2024.

As at the Latest Practicable Date, the operation of Chengdu Chengke Huanghua Petrol Station has been entrusted to an independent third party for management prior to its transfer to Chengdu Communications Investment and is currently under the management of this independent third party.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 6. Major amendments in New Non-competition Agreement

The major differences between the Original Non-Competition Agreements and the New Non-competition Agreement are summarized as follows:

	<b>Original Non-competition Agreements</b>	<b>New Non-competition Agreement</b>
Contracting parties	The Company Chengdu Communications Investment	The Company Chengdu Communications Investment Chengdu Expressway Construction
Principal business of the Group	the construction, operation, maintenance and management of toll expressways, and  the investment in petrol stations and gas stations, retail of gasoline and diesel oil and wholesale and retail of compressed natural gas in Sichuan Province.	The operation, management and development of expressways; and  the sale of refined oil and Natural Gas in Sichuan Province that the Group is currently engaged in,  and  the design, construction, operation, management and maintenance services of charging pile facilities for electric new energy vehicles that the Group proposes to operate, in Sichuan Province.
Scope of undertaking on non-competition and granting the preferential rights	Chengdu Communications Investment and its subsidiaries (excluding our Group and listed entities under Chengdu Communications Investment and their respective subsidiaries) will not and will procure their associates not to, directly or indirectly, engage in, individually or jointly, with other entities, or assist to engage in or participate in any business which competes with the respective principal business in Sichuan Province.  Chengdu Communications Investment shall grant the new business opportunity option, business acquisition option and first right of refusal to the Company, and be required to procure its associates, other than subsidiaries, associated companies and their respective associates, to grant such rights.	Except for the Relevant Petrol Stations, the Controlling Shareholders irrevocably undertake that the Controlling Shareholders and their subsidiaries shall not engage in the Competing Businesses in any form and grant the New Business opportunity option, business acquisition option and first right of refusal to the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	<b>Original Non-competition Agreements</b>	<b>New Non-competition Agreement</b>
Retained businesses	49% equity interests in Communications Investment Dagan, and  47.49% equity interests in Zhongyou Jieneng (as defined below)	Nil
New Business opportunity option	If the Company rejects to take up such new business opportunity, the Controlling Shareholder Group is allowed to invest in the said new business opportunity without any shareholding restrictions.	If the Company rejects to take up such New Business opportunity, the Controlling Shareholder Group is allowed to invest in the said New Business opportunity, provided that such investment shall not result in the investee becoming a subsidiary of the Controlling Shareholders.
Relevant Petrol Stations	Nil	Chengdu Communications Investment provides certain undertakings in relation to the Relevant Petrol Stations

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

### ***Discussion on the change in contracting parties***

As discussed in the above section “3. Rationale behind the entering into the New Non-competition agreement”, it is reasonable to have Chengdu Expressway Construction, as a controlling shareholder of the Company, as a new contractual party of the New Non-competition Agreement and such arrangement did not reduce the obligations of Chengdu Communications Investments under the New Non-competition Agreement.

### ***Discussion on the change in the principal business of the Group and the scope of undertaking on non-competition and granting the preferential rights***

As discussed in the above section “3. Rationale behind the entering into the New Non-competition agreement”, given various changes in the business, operation and business strategy of the Group since entering into the Original Non-competition Agreements in June 2017 and subsequently amended in May 2020, the Company believes that it is an appropriate time to review and amend the Original Non-competition Agreements to refine the scope of principal business and Competing Businesses in order to align with the current business model and future business development of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Discussion on the removal of the “retained businesses”*

As disclosed in the FY2020 Annual Report, a subsidiary of the Company acquired 47.49% equity interest in Zhongyou Jieneng (Chengdu) Environmental Protection Technology Co., (“**Zhongyou Jieneng**”) from Chengdu Transportation Hub Station Construction Management Co., Ltd which is a subsidiary of Chengdu Communications Investment. Since Zhongyou Jieneng has been acquired by the Company, the “retained business” in relation to Zhongyou Jieneng has been no longer applicable. After the change in the scope of principal business in the New Non-Competition Agreement, the operation of Communications Investment Dagan and Zhongyou Jieneng are no longer falling into the scope of undertaking of non-competition. Therefore, the term of “retained business” was not included in the New Non-competition Agreement.

At the Latest Practicable Date, Chengdu Communications Investment holds 49% equity interests of Communications Investment Dagan. As disclosed in the Letter from the Board, despite the deletion of the term regarding “retained businesses”, pursuant to the New Non-competition Agreement, the Company shall continue to be entitled to the “business acquisition option” and “right of first refusal” over Communications Investment Dagan. In order to minimize the competition between the Group and Chengdu Communications Investment in relation to Communications Investment Dagan, Chengdu Communications Investment issued a letter of undertaking (the “**Dagan Oil Undertaking**”), pursuant to which Chengdu Communications Investment and its subsidiaries shall procure Communications Investment Dagan to eliminate the defects relating to its qualifications and assets (i.e. the operation approval in relation to the principal business of Communications Investment Dagan), and upon resolution of relevant issues, the Company shall have the right to exercise, at any time, the business acquisition option or right of first refusal under the New Non-competition Agreement, and complete the acquisition of the equity interests in Communications Investment Dagan held by Chengdu Communications Investment. If the relevant defects cannot be resolved within five years from the issuance of Dagan Oil Undertaking, Chengdu Communications Investment and its subsidiaries shall, within five years from the issuance of such letter of undertaking, transfer all of the equity interests held in Communications Investment Dagan to a non-related third party. Prior to the above-mentioned transactions, if Communications Investment Dagan will hold a general meeting for the purpose of considering to conduct the Competing Business, Chengdu Communications Investment or its subsidiaries shall vote against such resolution at relevant meeting. Given the provision of Dagan Oil Undertaking, the deletion of the terms in respect of the “retained businesses” will not have an impact on the substantive rights of the Company in Communications Investment Dagan.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Discussion on the change in the New Business opportunity option*

We understand from the Company that the Company and the Controlling Shareholder Group are governed under different laws and regulations due to their respective place of operation and the nature of shares. The Company is listed in Hong Kong so the Group, as a listed enterprise, is required to comply with relevant listing rules in Hong Kong and may expose to higher compliance risks in its operation due to change in applicable laws and regulations. In view of any New Business opportunity, the Group is subject to the governance of listing rules and may not be in the best interest of the Shareholders to take up or invest in those new opportunities referred by the Controlling Shareholder Group. If the Controlling Shareholder Group is allowed to take up such rejected business opportunity without controlling stake, it is more favorable to the Company rather than losing the whole business opportunity to the Group's independent competitors. Given that the Controlling Shareholder Group shall not obtain control in the rejected business opportunity, hence the potential competition between the Group and the Controlling Shareholder Group will be further minimized. More importantly, the New Non-competition Agreement allows the Company to exercise the business acquisition option to acquire the Competing Businesses owned by the Controlling Shareholder Group during the term of the New Non-competition Agreement. When the Company considers appropriate, after the independent non-executive Directors of the Company review the relevant information of the Competing Business and determine that the acquisition of Competing Business is favorable to the Group and the Shareholder, the Company can always exercise the business acquisition option and both parties shall negotiate the transfer on an arm's length basis. The amendments in the New Business opportunity option aims to strike a balance between restricting undue competition between the Group and the Controlling Shareholder Group, on the other hand, providing flexibility in pursuing a New Business opportunity by the Controlling Shareholder Group and, ultimately by the Group through exercising the business acquisition option at a more appropriate timing.

In order to assess the fairness and reasonableness of the term of New Business opportunity option under the New Non-competition Agreement, we have conducted a comparable analysis to understand the recent trend in relation to the terms regarding the new business opportunity referred by the controlling shareholder stipulated in the non-competition agreement between the listed company and its controlling shareholders. Having considered that the Company is a H-share listed company of the Main Board and will conduct the A-Share Listing, we have independently performed research to identify companies which are: (i) incorporated and listed in the Shanghai Stock Exchange or Shenzhen Stock Exchange; (ii) listed on the Main Board of the Hong Kong Stock Exchange during the period 1 January 2021 and up to the Latest Practicable Date; and (iii) entered into the non-competition agreement with their controlling shareholders and the details of which are publicly disclosed on the Stock Exchange. Since the Company will be subject to the listing requirements in Hong Kong and the PRC after the A-Share Listing, it is more appropriate to make reference with those companies with shares listed in both of the Stock Exchange and the Shanghai Stock Exchange or Shenzhen Stock Exchange in relation to their structure of non-competition deed. We are of the opinion that the review period of 20 months is adequate and representative to illustrate the recent trend and terms of non-competition deed under the recent regulatory environment in Hong Kong and the PRC. To the best of our knowledge, based on these criteria, we have identified an exhaustive list of four companies (the "**A+H Comparable Companies**") with the result summarized as below.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Listing Date	Company Name (stock code)	Is the controlling shareholder obligated to refer new business opportunity in relation to competing business to the listed issuer?	Are there any restrictions for the controlling shareholder to obtain control of the new business opportunity?
25-Aug-22	China Tourism Group Duty Free Corporation Ltd. (1880)	Yes	Yes
13-Jul-22	Tianqi Lithium Corporation (9696)	Yes	Yes
14-Jan-22	Jl Mag Rare-Earth Co Ltd (6680)	Yes	Yes
26-Feb-21	JOINN Laboratories (China) Co., Ltd. (6127) the Company (1785)	Yes Yes	Yes Yes

*Source: Prospectus of the A+H Comparables*

With reference to the non-competition deeds of these A+H Comparable Companies, their respective controlling shareholders are allowed to participate in the competing business but these competing businesses either could not be a subsidiary of the controlling shareholders or could not be controlled by the controlling shareholders. Based on these recent cases, we are of the view that the Company is in line with the market practice of the A+H Comparable Companies which allow the controlling shareholders to engage in competing business of the issuer with certain restrictions and the New Business opportunity option is fair and reasonable under the Group's own circumstance.

### ***Discussion on the addition of Relevant Petrol Stations***

As disclosed in the Company's announcement dated 22 April 2022, the Company rejected to acquire the Relevant Petrol Stations at that time being. As at the Latest Practicable Date, the Relevant Petrol Stations are currently controlled by Chengdu Communications Investment and the ownership of the Relevant Petrol Stations is in the process to transfer to Chengdu Communications Investment. As disclosed in the Letter from the Board, Chengdu Communications Investment promises to execute the Relevant Petrol Station Undertaking prior to the submission of the application documents of the A-share listing by the Company to a domestic stock exchange.

We understand from the management of the Company that it is not feasible for the Company to acquire the Relevant Petrol Stations at this stage because the Relevant Petrol Stations may expose the Company to certain legal and compliance risk. After the issues of the Relevant Petrol Stations in relation to the property ownership, labor and personnel are resolved and the independent non-executive Directors of the Company consider appropriate, the Company will acquire the Relevant Petrol Stations by exercising the business acquisition option. As discussed with the Company, the acquisition of the Relevant Petrol Stations is expected to be completed on or before 31 December 2024. Given the current hurdles to transfer the equity interest of the Relevant Petrol Stations to the Company, as disclosed in the announcement of the Company dated 29 August 2022, three of the Relevant Petrol Stations have been entrusted to Energy Operation and Management Company for the management of overall corporate operation of these three petrol stations. Since Chengdu Communications Investment has committed to provide the Relevant Petrol Station Undertaking to the Company in due course, we agree with the Directors that the provision of the Relevant Petrol Station Undertaking is a reasonable solution to mitigate the competition issues of the Relevant Petrol Stations at this material time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 7. Corporate governance measures

In order to ensure and facilitate the compliance with the New Non-competition Agreement, the Company continues to implement the following measures:

- (a) the independent non-executive Directors of the Company, who have requisite knowledge, industry experience and expertise of the principal business of the Group, shall be responsible for reviewing all the necessary materials provided by the Controlling Shareholder Group for compliance with the New Non-competition Agreement and determining whether to accept such New Business opportunity(ies) provided by the Controlling Shareholder Group by taking into consideration factors such as the investment return, the compatibility of the geographical characteristics and the business nature of such New Business opportunity(ies) to the Group's strategy and prospects. We further understand from the Company that when the Controlling Shareholder Group sends the Company any notice on New Business opportunity(ies) or the transfer notice issued by the Controlling Shareholder Group, the Company shall immediately report to the independent non-executive Directors and obtain all necessary information for the independent non-executive Directors to conduct their analysis, and reply to the Controlling Shareholder Group within the required timeframe.
- (b) announcement(s) will be made by the Company on its decision to accept or refuse any New Business opportunity(ies) and the basis thereof, and sufficient disclosure will be made in the Company's annual reports. The Company will also comply with applicable requirements under the Listing Rules while exercising the business acquisition option or right of first refusal under the New Non-competition Agreement;
- (c) any Directors and/or any of their respective close associates with a material interest in any matter to be considered by the Board regarding compliance or implementation of the New Non-competition Agreement shall not vote in respect of relevant Board resolution(s) approving such matter, and shall not be counted in the quorum of the relevant meeting;
- (d) the Company will pay close attention to the implementation of undertakings given by the Controlling Shareholders under the sub-section headed "Further undertakings of the Controlling Shareholders" in the Letter from the Board, and request relevant information from the Controlling Shareholders depending upon the actual needs of the Company.

To ensure the above internal control procedures to be carried out effectively, the Controlling Shareholders undertake to provide all necessary information required by the independent non-executive Directors of the Company to carry out the assessment of each New Business opportunity referred by the Controlling Shareholder Group and the annual review on the implementation of New Non-competition Agreement.

We are of the view that the measures above will monitor the proper implementation of the New Non-competition Agreement at the operational level and ensure any new engagements will adhere to the priority acceptance mechanism under New Non-competition Agreement. These corporate governance measures can facilitate the Company to manage any conflict of interests between the Group and the Controlling Shareholder Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, the annual review performed by the independent non-executive Directors is to assess the compliance status of the New Non-competition Agreement and identify any breach of the terms and requirements of the New Non-competition Agreement by the Controlling Shareholder Group, and accordingly safeguard the interests of the Company and its Shareholders. The disclosure requirements of the review results of the independent non-executive Directors in relation to the exercise of options/right under the New Non-competition Agreements and reasons of decisions made by the independent non-executive Directors will enable the Shareholders to understand the basis and rationale of such business decision and increase the transparency in corporate governance.

### OPINION AND RECOMMENDATION

Having considered the above principal factors, we consider that entering into the New Non-competition Agreement is not in the ordinary and usual course of business of the Company; while the terms of the New Non-competition Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM for approving the New Non-competition Agreement.

Yours faithfully,

For and on behalf of

**Octal Capital Limited**

**Alan Fung**

**Wong Wai Leung**

*Managing Director*

*Executive Director*

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

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## 3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, based on the information available to the Company and to the best knowledge of the Directors, the following persons (other than the Directors, Supervisors and chief executive of the Company) or corporations had interests or short positions in the Shares or underlying Shares of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 336 of the SFO:

### Domestic Shares

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares	Percentage of total issued Share capital
Chengdu Communications Investment <sup>1</sup>	Interest in controlled corporation	Domestic Shares	Long position	900,000,000	100%	72.46%
	Beneficial owner	Domestic Shares	Long position	300,000,000		
Chengdu Expressway Construction <sup>2</sup>	Beneficial owner	Domestic Shares	Long position	900,000,000	75%	54.34%

Notes:

- (1) Chengdu Communications Investment is wholly owned by the State-owned Assets Supervision and Administration Commission of Chengdu Municipal Government.
- (2) Chengdu Expressway Construction is held as to 81.51% and 18.49% by Chengdu Communications Investment and CCB Gold Investment (Chengdu) Equity Investment Fund Partnership (Limited Partnership) (建信金投(成都)股權投資基金合夥企業(有限合夥)), respectively.

## H Shares

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares	Percentage of total issued Share capital
Guangdong Provincial Communication Group Company Limited (廣東省交通集團有限公司) <sup>1</sup>	Interest in controlled corporation	H Shares	Long position	100,000,000	21.92%	6.04%
Xin Yue Company Limited (新粵有限公司) <sup>1</sup>	Beneficial owner	H Shares	Long position	100,000,000	21.92%	6.04%
Chengdu Jiaozhi Financial Holding Group Co., Ltd. (成都交子金融控股集團有限公司)	Beneficial owner	H Shares	Long position	50,000,000	10.96%	3.02%
Chengdu Rail Transit Group Co., Ltd. (成都軌道交通集團有限公司) <sup>2</sup>	Interest in controlled corporation	H Shares	Long position	49,950,000	10.95%	3.02%
Chengdu Rail Industrial Investment Group Co., Ltd. (成都軌道產業投資集團有限公司) <sup>2</sup>	Beneficial owner	H Shares	Long position	49,950,000	10.95%	3.02%
Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) <sup>3</sup>	Investment manager	H Shares	Long position	49,900,000	10.94%	3.01%
Chengdu Urban Construction Investment Management Group Co., Ltd. (成都城建投資管理集團有限責任公司)	Beneficial owner	H Shares	Long position	49,900,000	10.94%	3.01%
Chengdu Environment Investment Group Company Limited (成都環境投資集團有限公司)	Beneficial owner	H Shares	Long position	45,450,000	9.96%	2.74%
Chengdu Tianfu New Area Investment Group Co., Ltd. (成都天府新區投資集團有限公司) <sup>4</sup>	Interest in controlled corporation	H Shares	Long position	42,939,000	9.41%	2.59%
Chengdu Tianfu Capital Investment Co., Ltd. (成都天府資本投資有限公司) <sup>4</sup>	Trust beneficiary	H Shares	Long position	42,939,000	9.41%	2.59%
Chengdu Industry Investment Group Co., Ltd. (成都產業投資集團有限公司) <sup>5</sup>	Interest in controlled corporation	H Shares	Long position	25,646,000	5.62%	1.55%
Chengdu Advanced Manufacturing Industry Investment Co., Ltd. (成都先進製造產業投資有限公司) <sup>5</sup>	Beneficial owner	H Shares	Long position	25,646,000	5.62%	1.55%

*Notes:*

- (1) Guangdong Provincial Communication Group Company Limited holds interests in 100,000,000 H Shares of the Company through its wholly-owned subsidiary, Xin Yue Company Limited.
- (2) Chengdu Rail Industrial Investment Group Co., Ltd. is wholly-owned by Chengdu Rail Transit Group Co., Ltd. Chengdu Rail Industrial Investment Group Co., Ltd. holds interests in 49,950,000 H Shares of the Company through investment in the trust scheme of China Credit Trust Co., Ltd (中誠信託有限責任公司).
- (3) As an investment manager, Fullgoal Fund Management Co., Ltd. holds interests in 49,900,000 H Shares of the Company. The fund it manages is the Fullgoal Fund Global Allocation No. 6 QDII-Asset Management Plan (富國基金全球配置6號QDII – 資產管理計劃).
- (4) Chengdu Tianfu New Area Investment Group Co., Ltd. holds 100% interests in Chengdu Tianfu Capital Investment Co., Ltd. Chengdu Tianfu Capital Investment Co., Ltd. holds interests in 42,939,000 H Shares of the Company through investment in the trust scheme of China Credit Trust Co., Ltd.
- (5) Chengdu Advanced Manufacturing Industry Investment Co., Ltd. is wholly owned by Chengdu Industry Investment Group Co., Ltd. Chengdu Advanced Manufacturing Industry Investment Co., Ltd. is interested in 25,646,000 H Shares of the Company through investment in the Chengxin No. 103 Trusted Overseas Wealth Management Project of China Credit Trust (中誠信託誠信海外配置103號受託境外理財項目).

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person (other than Directors, Supervisors or chief executive of the Company) or corporations holding interests or short positions in the Shares or underlying Shares of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 336 of the SFO.

#### **4. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, to the best knowledge of the Directors, there was no material adverse change in the financial or operating condition of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

#### **5. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESSES**

As at the Latest Practicable Date, none of the Directors or Supervisors or any of their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group.

#### **6. INTERESTS OF DIRECTORS AND SUPERVISORS IN ASSETS OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up. None of the Directors or Supervisors or any of their respective associates was materially interested in any contract or arrangement which was significant in relation to the business of the Group subsisting as at the Latest Practicable Date.

## 7. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

## 8. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at the Latest Practicable Date, except for Mr. Xiao Jun, a non-executive Director and chairman of the Board of the Company who also serves as the vice chairman of Chengdu Communications Investment, Ms. Jiang Yan, chairperson of the Supervisory Committee of the Company who also serves as director of the capital operation department of Chengdu Communications Investment, Ms. Wu Haiyan, a Supervisor who also serves as deputy head of the finance department (capital center) of Chengdu Communications Investment, and Mr. Zhang Yi, a Supervisor who also serves as deputy head of the operation management department of Chengdu Expressway Construction (in charge of affairs), none of the Directors or Supervisors served as directors or employees in companies which had interests or short positions in the Shares or underlying Shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

## 9. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Octal Capital Limited	a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
a.	as at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up;
b.	as at the Latest Practicable Date, the above expert did not have any beneficial interest in the share capital of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for securities in any member of the Group; and
c.	the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name or opinion in the form and context in which it appears.

**10. MISCELLANEOUS**

- a. the joint company secretaries of the Company are Mr. Zhang Guangwen and Ms. Kwong Yin Ping, Yvonne. Ms. Kwong received a bachelor's degree in accounting from Hong Kong Polytechnic University in November 1997. She has been a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of United Kingdom Institute of Chartered Secretaries and Administrators since December 2012;
- b. the registered office of the Company is situated at 9th Floor, Youyi Data Building, No. 28 Jingyuan East Road, Deyuan town (Jingrong town), Pidu District, Chengdu, Sichuan Province, the PRC, and the headquarters of the Company is located at 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, Sichuan Province, the PRC; and
- c. the H Share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

**11. DOCUMENTS ON DISPLAY**

The following documents (or the copies thereof) will be published on the HKEx news website (<http://www.hkexnews.hk>) and the website of the Company (<http://www.chengdugs.com/>) during the period from the date of this circular up to and including 27 September 2022:

- a. the letter from the Independent Board Committee to the Independent Shareholders, the full text of which is set out on page 22 of this circular;
- b. the letter from Octal Capital to the Independent Board Committee and the Independent Shareholders, the full text of which is set out on page 23 to page 39 of this circular;
- c. the written consent from the expert as mentioned in the section headed "Qualification and Consent of Expert" in this appendix; and
- d. the New Non-competition Agreement.

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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## Chengdu Expressway Co., Ltd. 成都高速公路股份有限公司

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

**(Stock Code: 01785)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Chengdu Expressway Co., Ltd. (the “**Company**”) will be held at meeting room 1 of Chengdu Expressway Co., Ltd., 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, Sichuan Province, the People’s Republic of China (the “**PRC**”) at 10:00 a.m. on Friday, 30 September 2022, for the purpose of considering, and if thought fit, passing the following resolutions:

#### ORDINARY RESOLUTIONS

1. To consider and approve the Non-competition Agreement entered into between the Company and Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司) and Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司) on 9 September 2022.
2. To consider and approve the appointment of Mr. Ding Dapan as an executive director of the second session of the board of directors of the Company.
3. To consider and approve the appointment of Ms. Wu Haiyan as a non-executive director of the second session of the board of directors of the Company.
4. To consider and approve the appointment of Mr. Leung Chi Hang Benson as an independent non-executive director of the second session of the board of directors of the Company.
5. To consider and approve the appointment of Mr. Wang Peng as an independent non-executive director of the second session of the board of directors of the Company.
6. To consider and approve the appointment of Mr. Qian Yongjiu as an independent non-executive director of the second session of the board of directors of the Company.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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7. To consider and approve the appointment of Mr. Zhang Chengyi as a shareholder representative supervisor of the second session of the supervisory committee of the Company.
8. To consider and approve the directors' fees for the independent non-executive directors of the second session of the board of directors of the Company as follows: annual fee of RMB150,000 (before tax) for Mr. Leung Chi Hang Benson, and annual fee of RMB60,000 (before tax) for each of Mr. Wang Peng and Mr. Qian Yongjiu.

On behalf of the board of directors  
**Chengdu Expressway Co., Ltd.**  
**Xiao Jun**  
*Chairman*

Chengdu, the PRC, 14 September 2022

*As at the date of this notice, the board of directors of the Company comprises Mr. Yang Tan, Ms. Wang Xiao, Mr. Zhang Dongmin and Mr. Luo Dan as executive directors, Mr. Xiao Jun and Mr. Yang Bin as non-executive directors, and Mr. Shu Wa Tung, Laurence, Mr. Ye Yong and Mr. Li Yuanfu as independent non-executive directors.*



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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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Notes:

## 1. CLOSURE OF REGISTER OF MEMBERS FOR THE EGM

For the purpose of holding the EGM, the register of members of the Company (the “**Register of Members**”) will be closed from Tuesday, 27 September 2022 to Friday, 30 September 2022 (both days inclusive), during which period no transfer of shares can be registered.

In order to qualify for attending and voting at the EGM, for holders of H shares, all transfer documents accompanied by the relevant share certificates shall be lodged with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, before 4:30 p.m. on Monday, 26 September 2022; while for holders of domestic shares, all transfer documents accompanied by the relevant share certificates shall be lodged with the Company’s Board Office in the PRC at 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, Sichuan Province, the PRC, before 4:30 p.m. on Monday, 26 September 2022.

Shareholders whose names appear on the Register of Members on Tuesday, 27 September 2022 shall be eligible to attend and vote at the EGM.

## 2. APPOINTMENT OF PROXIES

Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalfs. A proxy need not be a member of the Company.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his/her/its attorney duly authorised in writing. If the shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same.

In order to be valid, the proxy form must be deposited, for the holders of H shares, at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or for the holders of domestic shares, at the Board Office of the Company in the PRC not less than 24 hours before the time fixed for holding the EGM. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited with the proxy form at the same address as mentioned above. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the EGM or any adjourned meetings should you so wish.

Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the EGM. If corporate shareholders appoint authorised representative to attend the EGM, the authorised representative shall produce his/her identity documents and a notarially certified copy of the relevant authorisation instrument signed by the board of directors or other authorised parties of the corporate shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the shareholders or their attorney when attending the EGM.

## 3. JOINT SHAREHOLDERS

In the case of joint holders of shares of the Company, only the holder whose name stands first in the Register of Members shall alone be entitled to vote at the EGM either in person or by proxy in respect of such shares.

## 4. REPLY SLIP

Shareholders who intend to attend the EGM should complete the reply slip and return it to the Board Office of the Company in the PRC by hand, by post or by fax on or before Monday, 26 September 2022. The contact details are as follows:

Contact Person: Mr. Zhang Guangwen  
Telephone No.: 86 28 86056037  
Fax No.: 86 28 86056070  
Address: 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, Sichuan Province, the PRC

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## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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**5. REMINDERS REGARDING COVID-19 PANDEMIC PREVENTION AND CONTROL**

In case that the prevention and control measures against the COVID-19 are still ongoing at the time of the EGM, to cooperate with the relevant preventative measures, safeguard the health and safety of the shareholders and attendees and ensure that shareholders may exercise such rights as they are entitled to, the Company recommends that the shareholders and shareholder proxies who intend to attend the EGM to complete and return the form of proxy for the purpose of voting, that is, you may indicate how you wish your vote to be casted in the form of proxy for use at the EGM and appoint the chairman of the EGM as your proxy to vote on site on your behalf.

If the shareholders or shareholder proxies choose to attend the EGM on site, they must follow relevant policies and requirements of Chengdu regarding COVID-19 prevention. Please get well protected on your way to and from the meeting and at the meeting venue. Upon arrival at the meeting venue, please follow the instructions of the coordinating staff, and follow the requirements for pandemic prevention such as attendee registration, temperature check, wearing facial masks, etc.

**6. MISCELLANEOUS**

The EGM is expected to take for less than half a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.