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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)

MAJOR TRANSACTION AND CONNECTED TRANSACTION
ACQUISITION OF 51% EQUITY INTERESTS IN CHENGMING COMPANY

ACQUISITION OF 51% EQUITY INTERESTS IN CHENGMING COMPANY

The Board is pleased to announce that the Company entered into the Equity Transfer Agreement with Chengdu Expressway Construction on 28 October 2019, pursuant to which, the Company agrees to acquire and Chengdu Expressway Construction agrees to dispose of 51% equity interests in Chengming Company at a Consideration of RMB485,142,600, which will be fully settled in cash by the Company. The Company also agrees to assume 51% of the debt due to Chengdu Expressway Construction by Chengming Company, being RMB393,750,600. Upon Completion of the Acquisition, Chengming Company will become a non-wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chengdu Expressway Construction is a controlling Shareholder of the Company. Accordingly, it is a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction and connected transaction of the Company under the Listing Rules. Therefore, the Acquisition shall comply with (i) the requirements applicable to major transaction under Chapter 14 of the Listing Rules; and (ii) the reporting, announcement, circular and Independent Shareholders' approval at the general meeting requirements under Chapter 14A of the Listing Rules.

THE EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting will be convened by the Company to, among other things, obtain the approval from the Independent Shareholders regarding the Equity Transfer Agreement and the transactions contemplated thereunder. Chengdu Communications and Chengdu Expressway Construction will abstain from voting in respect of the relevant resolution at the extraordinary general meeting.

An Independent Board Committee, comprising all the 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 with respect to the Equity Transfer Agreement and the transactions contemplated thereunder. Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Acquisition; (ii) letter from the Independent Board Committee to the Independent Shareholders; and (iii) recommendations from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders on or around 29 November 2019 as additional time is required to determine the information contained in the circular.

I. INTRODUCTION

The Company entered into the Equity Transfer Agreement with Chengdu Expressway Construction on 28 October 2019, pursuant to which, the Company agrees to acquire and Chengdu Expressway Construction agrees to dispose of 51% equity interests in Chengming Company at a Consideration of RMB485,142,600, which will be fully settled in cash by the Company. Meanwhile, the Company also agrees to assume 51% of the debt due to Chengdu Expressway Construction by Chengming Company, being RMB393,750,600. Upon Completion of the Acquisition, Chengming Company will become a non-wholly-owned subsidiary of the Company.

II. THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

28 October 2019

Parties

1. the Company (as the purchaser), a joint stock company incorporated in the PRC with limited liability and principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan province.

2. Chengdu Expressway Construction (as the vendor), a company established in the PRC with limited liability and principally engaged in the construction and development of toll expressways, large-scale overpasses, stations, ancillary facilities and properties alongside toll expressways in Sichuan province, which is one of the controlling Shareholders of the Company;

Chengdu Communications is the ultimate beneficial owner of both the Company and Chengdu Expressway Construction. Chengdu Communications directly and indirectly through Chengdu Expressway Construction holds 72.46% equity interests in the Company and directly holds all the equity interests in Chengdu Expressway Construction. Chengdu Communications is a company established in the PRC with limited liability and is primarily engaged in the investment in, the financing of and the construction, development, operation and management of transportation infrastructure in Sichuan province.

Assets to be acquired

According to the Equity Transfer Agreement, the Company agrees to acquire and Chengdu Expressway Construction agrees to disposal of 51% equity interests in Chengming Company. Meanwhile, the Company also agrees to assume 51% of the debt due to Chengdu Expressway Construction by Chengming Company.

Consideration

The Consideration for the acquisition of 51% equity interests in Chengming Company is RMB485,142,600. The above-mentioned Consideration was determined by the Company with reference to the valuation of the total shareholders' equity of Chengming Company as at the Valuation Benchmark Date, being RMB955,000,000 conducted by the Independent Valuer engaged by the Company as well as the Company's acquisition ratio, i.e. 51%, and after arm's-length negotiation with Chengdu Expressway Construction.

The Independent Valuer adopted the income approach in estimating the value of the total shareholders' equity of Chengming Company as at the Valuation Benchmark Date. Please refer to page 5 of this announcement for the major assumptions of the valuation. Ernst & Young, the Company's reporting accountant, has reported on the arithmetical accuracy of the calculations of the discounted cash flow forecast contained in the Valuation Report. The full text of the report from Ernst & Young is contained in Appendix I to this announcement. China Securities (International), the Company's financial adviser, has confirmed that the profit forecast was made by the Board after due and careful enquiry. The full text of the letter from China Securities (International) is contained in Appendix II to this announcement.

Payment of the Consideration

The Company shall settle the above-mentioned Consideration to Chengdu Expressway Construction in one lump sum within five business days from the satisfaction of all of the following conditions:

1. the Equity Transfer Agreement and the transactions contemplated thereunder are approved by Chengdu Communications;
2. the Equity Transfer Agreement and the transactions contemplated thereunder are approved by the Independent Shareholders at the general meeting of the Company;
3. a shareholder resolution is passed by Chengming Company to determine the new register of members, composition of the board of directors and supervisors and the new articles of association as agreed in the Equity Transfer Agreement; and
4. the representations and warranties made by Chengdu Expressway Construction are true, accurate and complete in all material aspects and Chengming Company remains in valid existence and there are no matters that have a material adverse impact on the Acquisition.

The Company will finance the above-mentioned Consideration with the net proceeds from the global offering.

Completion

Within 20 business days from approval by the Independent Shareholders of the Equity Transfer Agreement and the transactions contemplated thereunder, the Company and Chengdu Expressway Construction shall procure Chengming Company to complete the registration formalities for the transfer of equity interests with the industrial and commercial registration authority where it is located. The date on which the industrial and commercial registration authority issues the renewed business license of Chengming Company after the equity transfer shall be the completion date of the Acquisition (the “**Completion Date**”).

Debt

The Company agrees to assume 51% (i.e. RMB393,750,600) of the debt due to Chengdu Expressway Construction by Chengming Company in an aggregate amount of RMB772,060,000. Within 20 business days from the Completion Date, the Company shall enter into a loan agreement with Chengming Company and settle such amount of RMB393,750,600 to Chengming Company, which will in turn repay it to Chengdu Expressway Construction.

The Company will finance the above-mentioned amount with the net proceeds from the global offering and self-owned funds.

For Listing Rules implications with respect to the shareholder loan granted by the Company and Chengdu Expressway Construction to Chengming Company, please refer to the section headed “Listing Rules Implications” set out below.

Corporate governance

Chengming Company will establish a board of directors, comprising five directors. Chengdu Expressway Construction is entitled to nominate two directors while the Company is entitled to nominate three directors. Directors shall be appointed by general meetings and the chairman shall be served by the director nominated by the Company, who shall also be the legal representative of Chengming Company.

Chengming Company will not establish a board of supervisors, but instead comprises two supervisors. Each of the Company and Chengdu Expressway Construction is entitled to nominate one supervisor candidate, who shall be appointed by general meetings.

The general manager shall be nominated by the Company and appointed by the board of directors in accordance with general procedures.

Validity of the Equity Transfer Agreement

The Equity Transfer Agreement shall take effect from the date on which all of the following conditions are satisfied:

1. the Equity Transfer Agreement and the transactions contemplated thereunder are approved by Chengdu Communications;
2. the Equity Transfer Agreement and the transactions contemplated thereunder are approved at the general meeting of the Company; and
3. a shareholder resolution is passed by Chengming Company to determine the new register of members, the board of directors, supervisors and the new articles of association as agreed in the Equity Transfer Agreement.

III. MAJOR ASSUMPTIONS ADOPTED IN THE VALUATION

According to the Valuation Report, the valuation is based on a set of premises and assumptions. The major assumptions and premises of the valuation are as follows:

1. Basic assumptions

- a. There are no major changes in the national macro-situation, and there are no major changes in the prevailing bank interest rates and tax policies;
- b. There is no significant change in the political, economic and social environment in the region where Chengming Company is located;
- c. It is assumed that Chengming Company's managers are responsible and its management is capable of discharging their duties;

- d. It is assumed that Chengming Company fully complies with all relevant laws and regulations;
- e. It is assumed that the accounting policies to be adopted by Chengming Company in the future are basically the same as those adopted in the preparation of the Valuation Report in all material aspects;
- f. It is assumed that Chengming Company's scope and mode of operation are consistent with the current direction based on the existing management mode and management level; and
- g. There are no other major adverse effects caused by unpredictable and force majeure factors.

2. Specific assumptions

- a. It is assumed that there is no significant change in the national basic policies for the expressway industry and the future development of the industry will be aligned with the overall changes in the national economy;
- b. It is assumed that Chengming Company's future human resources, management team and management level can maintain the current level except for matters that have been clearly adjusted;
- c. It is assumed that all cash flows related to operations will be generated evenly in the same year in which relevant revenues, costs and expenses are incurred;
- d. It is assumed that the financial and operational information provided by Chengming Company is accurate and the Independent Valuer depends to some extent on such information when reaching the valuation opinions;
- e. It is assumed that the major cost components of Chengming Company are stable, and will not be additionally increased or decreased due to equity transfer;
- f. It is assumed that Chengming Company's scope and mode of operation are consistent with the current direction based on the existing management mode and management level; and
- g. It is assumed that the traffic volume forecast report referred to is legal and valid.

IV. EXPERTS AND CONSENTS

The qualifications of each of the experts who provide conclusions or opinions in this announcement and the dates of relevant conclusions or opinions are as follows:

Name	Qualification	Date of conclusions or opinions
China Securities (International)	a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO	28 October 2019
Ernst & Young	Certified Public Accountants	28 October 2019

Each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with the references to its letter in the form and context in which they respectively appear herein. So far as the Directors are aware, the above experts are third parties independent of the Company and its connected persons.

As at the date of this announcement, to the best knowledge of the Company, none of the above experts has any direct or indirect interest in any assets which had been, since 31 December 2018 (the date to which the latest published audited financial accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

As at the date of this announcement, to the best knowledge of the Company, none of the above experts is beneficially interested in the share capital of any member of the Group nor does it have 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.

V. INFORMATION OF CHENGMING COMPANY

Chengming Company is a company established in the PRC with limited liability which owns the concession right of Qiongming Expressway and is principally engaged in the management and operation of Qiongming Expressway. The registered capital and paid-in capital of Chengming Company is RMB100,000,000 and RMB100,000,000, respectively.

The unaudited total assets and net assets of Chengming Company as of 31 December 2018, prepared in accordance with the International Financial Reporting Standards, were RMB2,598,916,000 and RMB442,955,000, respectively. The unaudited total assets and net assets of Chengming Company as of 30 June 2019, prepared in accordance with the International Financial Reporting Standards, were RMB2,588,007,000 and RMB434,799,000, respectively. The financial information of Chengming Company for the two financial years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019, prepared in accordance with the International Financial Reporting Standards, is set out below:

	Year ended 31 December 2017 <i>(unaudited)</i> <i>(RMB'000)</i>	Year ended 31 December 2018 <i>(unaudited)</i> <i>(RMB'000)</i>	Six months ended 30 June 2019 <i>(unaudited)</i> <i>(RMB'000)</i>
Revenue	157,080	169,478	87,453
Net loss before tax	(24,353)	(15,236)	(5,009)
Net loss after tax	(25,312)	(20,053)	(8,156)

In accordance with the equity transaction contract entered into with Sinohydro Bureau 14 Co., Ltd., Sinohydro Bureau 7 Co., Ltd., Powerchina Roadbridge Group Co., Ltd. and Sinohydro Bureau 5 Co., Ltd. (the “**Previous Vendors**”) on 29 December 2018, Chengdu Expressway Construction acquired the 100% equity interests in Chengming Company at a cash consideration of RMB842,700,000. According to the above-mentioned agreement, Chengdu Expressway Construction also assumed the debt due to the Previous Vendors by Chengming Company of RMB772,060,000.

According to the Non-competition Agreement effective from the listing date of the Company, being 15 January 2019, all of the independent non-executive Directors agreed upon consideration to exercise the right of the Company under the Non-competition Agreement to acquire the equity interests of Chengming Company and achieve control.

VI. REASONS FOR AND BENEFITS OF ENTERING INTO OF THE EQUITY TRANSFER AGREEMENT

Expressway management and operation is the core business of the Company. The acquisition of high-quality expressways is in line with the Company’s development strategy and is also the fulfillment of the Company’s commitment to investors in the prospectus.

Qiongmíng Expressway, which is invested in and operated by Chengmíng Company, has a total length of 52.68 kilometres, two-way four lanes, a designed speed of 80km/h and a roadbed width of 24.5 metres. It commenced construction in June 2009, was completed on 30 October 2010 and opened to traffic on 8 November 2010, with total investment of RMB2.82162 billion and connects the section from Qionglai to Mingshan on the 318 national expressway through Dayi County (大邑縣) in Chengdu city, Qionglai city, Mingshan district (名山區) in Yan'an city and ends in Xindian Hutong Interchange (新店互通立交橋). It links to seven scenic spots, i.e. Xiling Snow Mountain (西嶺雪山), Huashui Bay (花水灣), Tiantai Mountain (天台山), Pingle Ancient Town (平樂古鎮), Baizhang Lake (百丈湖), Bifeng Gorge (碧峰峽) and Zhougong Mountain (周公山). Leveraging a superior geographical location, it connects to Yunnan via Chengya expressway – Yaxi expressway – Xipan expressway and to the Tibetan region via Chengya expressway – Yakang expressway – G318 nation expressway. The toll period of Qiongmíng Expressway is 28 years, starting from 8 November 2010 and terminating on 7 November 2038.

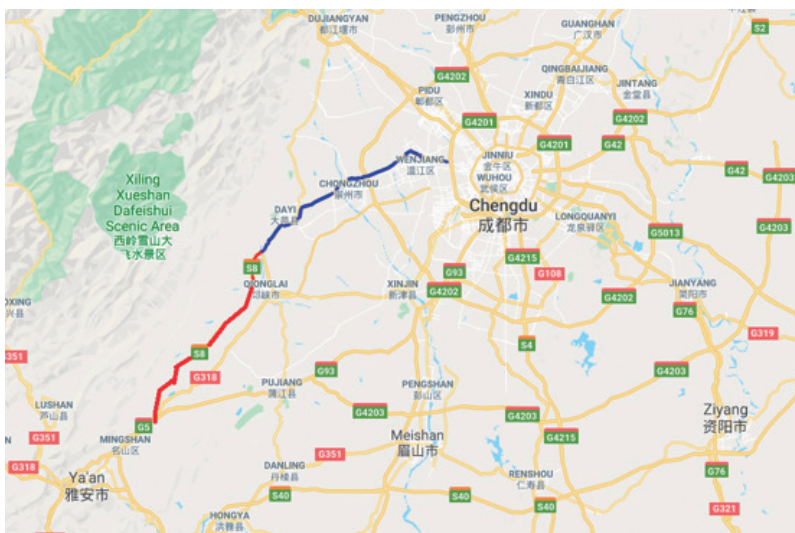
According to the traffic study report issued by Master Alliance (China) Limited, the Annual Average Daily Traffic of Qiongmíng Expressway from 2016 to 2018 were 10,666, 12,345 and 13,340, respectively, with an average annual growth rate of 11.8%. The unaudited toll income of Chengmíng Company from 2016 to 2018 was RMB128,202,000, RMB157,080,000 and RMB169,478,000, respectively, with an average annual growth rate of 15.0%. Based on the current development trend, the traffic volume and toll income can still maintain fast growth. As of 31 December 2018, the unaudited total assets of Chengmíng Company were RMB2,598,916,000 and its total liabilities were RMB2,155,961,000. In 2018, the unaudited revenue of Chengmíng Company was RMB169,478,000 and the loss for the year was RMB20,053,000 due to the relatively high interest expenses on borrowings (being RMB98,474,000).

Although currently Chengmíng Company is in a loss-making status as stated above, in general, the transaction is in line with the Company's development strategy in the following four specific aspects:

1. The Company has been pursuing the development strategy with toll expressways as the focus. The Completion of the Acquisition will expand the Group's asset scale and market share in terms of major business in Sichuan province, which will help strengthen the Company's core advantages in the investment, operation and management of toll expressways and roads.
2. Since commencement of operation from November 2010, Qiongmíng Expressway has been in the "cultivation period" as commonly referred to in the expressway industry. Therefore, as of 30 June 2019, Chengmíng Company was in a loss-making status. However, it is noted that losses of Chengmíng Company are trending downwards year by year: during the three years from 2016 to 2018, losses were RMB60,065,000, RMB25,312,000 and RMB20,053,000, respectively, with an annual average loss reduction of 42.2%; for the six months ended 30 June 2019, loss was RMB8,156,000, representing a decrease of 32.1% over the same period last year. Based on the estimation, the internal rate of return for the Acquisition is 9.3%. The Directors believe that, upon Completion of the Acquisition, as Qiongmíng Expressway draws near the end of the "cultivation period", Chengmíng Company is expected to make a profit in 2020.

3. The remaining period of the concession right for Qiongming Expressway is 19 years, which will expire in November 2038. As compared with the rest of expressways owned by the Group, Qiongming Expressway boasts the longest remaining period of the concession right and thus will contribute to the Group's future long-term development.
4. As Qiongming Expressway is interconnected with Chengwenqiong Expressway and will be operated and maintained by the Group upon Completion of the Acquisition, it is beneficial to save management costs.

The location of Qiongming Expressway and Chengwenqiong Expressway is illustrated below:



Red line: Qiongming Expressway
Blue line: Chengwenqiong Expressway

The Directors (excluding the independent non-executive Directors, whose opinions will be contained in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders) are of the view that, the Equity Transfer 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 therein are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

VII. LISTING RULES IMPLICATIONS

As at the date of this announcement, Chengdu Expressway Construction is a controlling Shareholder of the Company. Accordingly, it is a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction and connected transaction of the Company under the Listing Rules. Therefore, the Acquisition shall comply with (i) the requirements applicable to major transaction under Chapter 14 of the Listing Rules; and (ii) the reporting, announcement, circular and Independent Shareholders' approval at the general meeting requirements under Chapter 14A of the Listing Rules.

As Mr. Xiao Jun, a non-executive Director, is also a director of Chengdu Communications, which holds 100% equity interests in Chengdu Expressway Construction, he is therefore deemed to be materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder. Accordingly, he has abstained from voting on the relevant resolution at the Board meeting. Save as disclosed above, no other Directors have material interests in the transactions and thus are required to abstain from voting on the relevant resolution at the Board meeting.

Upon Completion of the Acquisition, the Company will hold 51% equity interests in Chengming Company and Chengdu Expressway Construction, a controlling Shareholder of the Company will hold 49% equity interests in Chengming Company. Therefore, Chengming Company will become a connected subsidiary of the Company.

In respect of the shareholder loan granted to Chengming Company by Chengdu Expressway Construction upon Completion of the Acquisition (being RMB772,060,000 before debt repayment by Chengming Company to Chengdu Expressway Construction with the loan from the Company, and RMB378,309,400 after debt repayment by Chengming Company to Chengdu Expressway Construction with the loan from the Company), as it is conducted on normal commercial terms or better and not secured by the assets of the Group, according to Rule 14A.90 of the Listing Rules, it is therefore fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements relating to connected transactions under Chapter 14A of the Listing Rules.

In respect of the shareholder loan to be granted to Chengming Company by the Company upon Completion of the Acquisition, being RMB393,750,600, the Company expects that it will be conducted on normal commercial terms or better and is in line with the equity interests then directly held by the Company in Chengming Company (i.e. the Company will directly hold 51% equity interests in Chengming Company and assume 51% of the total shareholder loan of Chengming Company). Accordingly, according to Rule 14A.89 of the Listing Rules, it is fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements relating to connected transactions under Chapter 14A of the Listing Rules.

VIII. THE EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting will be convened by the Company to, among other things, obtain the approval from the Independent Shareholders regarding the Equity Transfer Agreement and the transactions contemplated thereunder. Chengdu Communications and Chengdu Expressway Construction will abstain from voting in respect of the relevant resolution at the extraordinary general meeting.

An Independent Board Committee, comprising all the 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 with respect to the Equity Transfer Agreement and the transactions contemplated thereunder. Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Acquisition; (ii) letter from the Independent Board Committee to the Independent Shareholders; and (iii) recommendations from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders on or around 29 November 2019 as additional time is required to determine the information contained in the circular.

DEFINITIONS

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

“Acquisition”	the acquisition of 51% equity interests in Chengming Company by the Company from Chengdu Expressway Construction in accordance with the Equity Transfer Agreement
“Annual Average Daily Traffic”	the summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage
“Board”	the board of Directors of the Company
“Chengdu Communications”	Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司), a company established in the PRC with limited liability on 16 March 2007, which is one of the controlling shareholders of the Company
“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 established in the PRC with limited liability on 25 June 1996, which is one of the controlling shareholders of the Company
“Chengming Company”	China Hydropower Construction Group Sichuan Chengming Expressway Development Co., Ltd. (中國水電建設集團四川成名高速公路發展有限公司), a company established in the PRC with limited liability
“China Securities (International)”	China Securities (International) Corporate Finance Company Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Company in respect of the Acquisition
“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
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

“Consideration”	consideration of the acquisition of 51% equity interests in Chengming Company, being RMB485,142,600, which shall be fully settled in cash
“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
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Company and Chengdu Expressway Construction on 28 October 2019
“Ernst & Young”	Ernst & Young
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with 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
“Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“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 Equity Transfer Agreement and the transactions contemplated thereunder
“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 of the Company other than Chengdu Communications and Chengdu Expressway Construction
“Independent Valuer”	Tianyuan Appraisal Co., Ltd. (天源資產評估有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Qiongming Expressway”	the section from Qionglai to Mingshan on the 318 national expressway

“RMB”	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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Traffic Volume Expert”	Master Alliance (China) Limited
“Valuation Benchmark Date”	30 June 2019
“Valuation Report”	the valuation report on the value of the total shareholders’ equity of China Hydropower Construction Group Sichuan Chengming Expressway Development Co., Ltd. involved in the proposed acquisition of equity interests by Chengdu Expressway Co., Ltd. issued by the Independent Valuer on 23 October 2019
“%”	per cent

On behalf of the Board
Chengdu Expressway Co., Ltd.
Xiao Jun
Chairman

Chengdu, the PRC, 28 October 2019

As at the date of this announcement, the Board comprises Mr. Tang Fawei, Mr. Zhang Dongmin, Ms. Wang Xiao 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.

APPENDIX I: REPORT FROM ERNST & YOUNG

The following is the full text of the report from Ernst & Young, for the purpose of, among other things, incorporation into this announcement.

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN CHINA HYDROPOWER CONSTRUCTION GROUP SICHUAN CHENGMING EXPRESSWAY DEVELOPMENT CO., LTD.

To the directors of Chengdu Expressway Co., Ltd. (the “**Company**”)

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 23 October 2019 prepared by Tianyuan Appraisal Co., Ltd. in respect of China Hydropower Construction Group Sichuan Chengming Expressway Development Co., Ltd. (the “**Target Company**”) as at 30 June 2019 is based. The valuation is in connection with the acquisition of 51% equity interest in the Target Company, as set out in the Company’s announcement dated 28 October 2019 (the “**Announcement**”). The valuation based on Forecast is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the preparation of Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “Major Assumptions Adopted in the Valuation” of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions as set out in the Announcement.

Ernst & Young

Certified Public Accountants

Hong Kong

28 October 2019

APPENDIX II: LETTER FROM CHINA SECURITIES (INTERNATIONAL)

The following is the full text of the letter from China Securities (International), for the purpose of, among other things, incorporation into this announcement.

28 October 2019

The Board of Directors
Chengdu Expressway Co., Ltd.

Dear Sirs,

Reference is hereby made to the valuation prepared by Tianyuan Appraisal Co., Ltd. (the “**Valuer**”) in relation to 100% equity interests in China Hydropower Construction Group Sichuan Chengming Expressway Development Co., Ltd. (the “**Valuation**”), which is set out in the valuation report dated 23 October 2019 referred to in the announcement of Chengdu Expressway Co., Ltd. (the “**Company**”) dated 28 October 2019 in relation to the Acquisition (the “**Announcement**”).

The Valuation has been arrived at using the discounted cash flow method and is regarded as a profit forecast (the “**Forecast**”) under Rule 14.61 of the Listing Rules. We, as financial advisers to the Company in relation to the Acquisition, have reviewed the Forecast upon which the Valuation has been made, for which you as the Directors are solely responsible, and have discussed with the management of the Company and the Valuer the bases and assumptions upon which the Forecast has been prepared. We have also considered the letter from Ernst & Young (“**Ernst & Young**”) dated 28 October 2019 addressed to you as set out in Appendix I to the Announcement regarding the calculations of the discounted future estimated cash flows.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by the Valuer and the Company, we are of the opinion that the Forecast, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry.

The work undertaken by us in giving the above opinion has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose.

We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours Faithfully

For and on behalf of

China Securities (International) Corporate Finance Company Limited

Wang Wei

Managing Director