THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

CHENGDU EXPWY 成都高速

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) MAJOR TRANSACTION AND CONNECTED TRANSACTION: ACQUISITION OF 94.49% OF THE TOTAL SHARES OF CHENGDU ENERGY DEVELOPMENT COMPANY (2) CONNECTED TRANSACTION: ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE NON-COMPETITION AGREEMENT (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

八方金融有限公司
OCTAL Capital Limited

A letter from the Board is set out on page 6 to page 32 of this circular. A letter from the Independent Board Committee, containing its advice to the Independent Shareholders, is set out on page 33 to page 34 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 35 to page 59 of this circular.

The EGM of the Company will be held at the meeting room 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 at 10:00 a.m. on Friday, 7 August 2020. The notice convening the EGM and the reply slip for use thereat are dispatched to the Shareholders together with this circular.

If you intend to appoint proxy(ies) to attend the EGM, you are required to duly complete and return the accompanying form of proxy according to the instructions printed thereon. To be valid, the form of proxy must be deposited at 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 at 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 People's Republic of China (for holders of Domestic Shares), not less than 24 hours prior to the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

If you intend to attend the EGM in person or by proxy, you are required to return the duly completed reply slip to the Board Office of the Company on or before Thursday, 30 July 2020.

10 July 2020

CONTENTS

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

"Acquisition"	the acquisition of the Target Shares by the Company from Chengdu Communications in accordance with the Share Transfer Agreement
"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"	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 on 16 March 2007, which is the ultimate controlling shareholder of the Company
"Chengdu Energy Development Company" or "Target Company"	Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司), a joint stock company incorporated in the PRC with limited liability
"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 on 25 June 1996, which is a controlling shareholder of the Company
"Chengdu Jiaoyun CNG"	Chengdu Jiaoyun Compressed Natural Gas Development Co., Ltd. (成都交運壓縮天然氣發展有限公司), a company incorporated in the PRC with limited liability and a 25%-owned associate of Chengdu Energy Development Company
"Chengdu Jiuhe"	Chengdu Jiuhe Oil Management Co., Ltd. (成都九河石油經營有限公司), a company incorporated in the PRC with limited liability and a 43%-owned associate of Chengdu Energy Development Company
"Chengdu Tongneng"	Chengdu Tongneng Compressed Natural Gas Co., Ltd. (成都通能壓縮天然氣有限公司), a company incorporated in the PRC with limited liability and a 30%-owned associate of Chengdu Energy Development Company

"Chengming Company"	Sichuan Chengming Expressway Co., Ltd. (四川成名高速公路有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company
"CNG"	compressed natural gas
"Communications Investment Energy"	Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司), a company incorporated in the PRC with limited liability and a 55%-owned subsidiary of Chengdu Energy Development Company
"Communications Investment Property"	Chengdu Communications Investment Property Company Limited (成都交投置業有限公司), a company incorporated in the PRC with limited liability, which is an indirectly wholly-owned subsidiary of Chengdu Communications
"Communications Investment Shancheng"	Chengdu Communications Investment Shancheng Industrial Co., Ltd. (成都交投善成實業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Chengdu Communications
"Completion" or "Closing"	completion of the Acquisition in accordance with the terms and conditions of the Share Transfer Agreement
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	consideration of the Acquisition, being RMB727,570,000, 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
"EGM"	the extraordinary general meeting of the Company to be held at the meeting room 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 at 10:00 a.m. on Friday, 7 August 2020
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"Group"	the Company and its subsidiaries

"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
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hub Station Company"	Chengdu Transportation Hub Station Construction Management Co., Ltd. (成都交通樞紐場站建設管理有限公司), a company incorporated in the PRC with limited liability, which is an indirectly wholly-owned subsidiary of Chengdu Communications
"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 Share Transfer Agreement and the transactions contemplated thereunder and the entering into of the Supplemental Agreement to the 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 and Chengdu Expressway Construction
"Independent Third Party(ies)"	party(ies) who is/are independent of the Company and its connected person(s)
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal & Advisory Limited
"Latest Practicable Date"	6 July 2020, 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
"Non-competition Agreement"	the Non-competition Agreement dated 29 June 2017 entered into between the Company and Chengdu Communications in respect of the non-competition undertakings

"PRC"	the People's Republic of China, for the purpose of this circular only, excluding Hong Kong Special Administrative Region of the PRC, Macao Special Administrative Region of the PRC and Taiwan
"Property Valuation Report"	the valuation report on the value of the property interests of Chengdu Energy Development Co., Ltd. and its subsidiaries for disclosure purpose issued by the Independent Valuer on 10 July 2020
"Prospectus"	the prospectus of the Company dated 28 December 2018
"refined oil"	petrol and diesel oil, for the purpose of this circular only
"Remaining Shares"	the 21,000,000 shares of Chengdu Energy Development Company held by Communications Investment Property as at the Latest Practicable Date, which accounts for 5.51% of the total shares of Chengdu Energy Development Company
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Transfer Agreement"	the Share Transfer Agreement entered into between the Company and Chengdu Communications on 25 May 2020
"Share(s)"	the share(s) of the Company, including Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Sinopec Chengdu Energy"	Sinopec Chengdu Energy Co., Ltd. (中石化成都能源有限公司), a company incorporated in the PRC with limited liability and a 50%-owned joint venture of Chengdu Energy Development Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Supplemental Agreement to the Non-competition Agreement"	the Supplemental Agreement to the Non-competition Agreement entered into between the Company and Chengdu Communications on 25 May 2020
"Target Group"	Chengdu Energy Development Company and its subsidiaries

"Target Shares"	the 360,000,000 shares of Chengdu Energy Development Company held by Chengdu Communications as at the Latest Practicable Date which accounts for 94.49% of the total shares of Chengdu Energy Development Company
"Tongneng Jinfu"	Chengdu Tongneng Jinfu Natural Gas Co., Ltd. (成都通能金府天然氣有限公司), a company incorporated in the PRC with limited liability and a 100%-owned subsidiary of Chengdu Tongneng
"Valuation Benchmark Date"	31 March 2020
"Valuation Report"	the valuation report considering the value of the shareholders' equity of the Target Group for the purpose of Chengdu Expressway's internal reference and inclusion in its public disclosure issued by the Independent Valuer on 10 July 2020
"Zhongyou Energy"	Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司), a company incorporated in the PRC with limited liability and a 51%-owned subsidiary of Chengdu Energy Development Company
"Zhongyou Jieneng"	Zhongyou Jieneng (Chengdu) Environmental Protection Technology Co., Ltd. (中油潔能(成都)環保科技有限公司), a company incorporated in the PRC with limited liability and a 52.51%-owned subsidiary of Chengdu Tongneng
"%"	per cent

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)*
Mr. Zhang Dongmin
Ms. Wang Xiao
Mr. Luo Dan

Non-executive Directors:
Mr. Xiao Jun *(Chairman)*
Mr. Yang Bin

Independent Non-executive Directors:
Mr. Shu Wa Tung, Laurence
Mr. Ye Yong
Mr. Li Yuanfu

Registered office:
1 Kexin Road
High-Tech Zone
Chengdu, Sichuan
PRC

Principal place of business in Hong Kong:
40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

10 July 2020

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION: ACQUISITION OF 94.49% OF THE TOTAL SHARES OF CHENGDU ENERGY DEVELOPMENT COMPANY
(2) CONNECTED TRANSACTION: ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE NON-COMPETITION AGREEMENT
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated 25 May 2020 in relation to (i) the Share Transfer Agreement and the transactions contemplated thereunder; (ii) entering into of the Supplemental Agreement to the Non-competition Agreement; and the announcement of the Company dated 6 July 2020 in relation to, among others, proposed amendments to the Articles of Association.

The purpose of this circular is to provide you with details of (i) the Share Transfer Agreement and the transactions contemplated thereunder; (ii) the Supplemental Agreement to the Non-competition Agreement; and (iii) proposed amendments to the Articles of Association, so as to enable you to make an informed decision while voting on the relevant resolutions at the EGM.

II. ACQUISITION OF 94.49% OF THE TOTAL SHARES OF CHENGDU ENERGY DEVELOPMENT COMPANY

The Company entered into the Share Transfer Agreement with Chengdu Communications on 25 May 2020, pursuant to which, the Company agreed to acquire and Chengdu Communications agreed to dispose of the Target Shares, at the Consideration of RMB727,570,000, which will be fully settled in cash by the Company and will be financed by way of self-owned funds in the amount of RMB367,570,000 and a bank loan of RMB360,000,000.

Upon Completion of the Acquisition, Chengdu Energy Development Company will become a direct non-wholly-owned subsidiary of the Company.

1. The Share Transfer Agreement

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

Date

25 May 2020

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; and

2. Chengdu Communications (as the vendor), a company incorporated in the PRC with limited liability and principally engaged in the investment, financing, construction, development, operation and management of transportation infrastructure in Sichuan province.

Chengdu Communications is the ultimate controlling shareholder of the Company, which holds 72.46% equity interests in the Company directly and indirectly through Chengdu Expressway Construction. The ultimate beneficial owner of Chengdu Communications is Chengdu Municipal State-owned Assets Supervision and Administration Commission (成都市國有資產監督管理委員會).

Assets to be acquired

The Target Shares, which represents 94.49% of the total shares of Chengdu Energy Development Company.

Consideration

The Consideration for the Acquisition is RMB727,570,000, which was determined after arm's-length negotiations between the Company and Chengdu Communications with primary reference to the valuation of the total shareholders' equity of the Target Group of RMB774,000,000 as at the Valuation Benchmark Date conducted by the Independent Valuer engaged by the Company and the acquisition ratio of the Company (i.e., 94.49%).

The Independent Valuer adopted the market approach in estimating the value of the total shareholders' equity of the Target Group as at the Valuation Benchmark Date. According to the Valuation Report, the calculation of the market value of the total shareholders' equity of the Target Group as at the Valuation Benchmark Date is as follows:

	As at 31 March 2020 *RMB'000 unless otherwise stated*
Trailing 12 months EBITDA of the Target Group *Note*	110,849
Adjusted EV/EBITDA multiple (times)	6.80
Enterprise Value of the Target Group	**753,773**
Add: Non-operating assets	2,278
Add: Cash and cash equivalents	193,377
Add: Deferred tax assets	14,854
Add: Long-term investments	196,926
Less: Non-operating liabilities	9,588
Less: Deferred tax liabilities	40,596
Equity Value of the Target Group	**1,111,024**
Less: Minority Interest	331,206
Equity Value attribute to shareholder	**780,000**
Less: DLOM	173,238
Add: Control premium	166,860
Market Value of 100% Equity Interest attribute to shareholder in the Target Group (Rounded)	**774,000**

Note: calculated by the Independent Valuer with the financial data of non-operating assets, cash and cash equivalents, deferred tax assets, non-operating liabilities and deferred tax liabilities retrieved from audited financial statements prepared in accordance with the International Financial Reporting Standards, the details are set out in Appendix IIIA of the circular.

Basis of adopting the EV/EBITDA Approach

To derive the value of the Target Group, different valuation multiples can be used, including P/E, P/B, P/S, EV/S and EV/EBITDA.

P/E was not adopted by the Independent Valuer since it does not capture the financial leverage and the earnings, compared to EBITDA, are to certain extent subject to more accounting interpretations and management manipulations.

P/B multiple was not adopted because it is common for asset intensive industries which is not the case for the Target Group.

P/S and EV/S multiple were not adopted since these multiples cannot capture the differences in cost structure and profitability across companies.

Therefore, the Independent Valuer has adopted EV/EBITDA multiple in deriving the market value of the Target Group.

Calculation of the "trailing 12-month EBITDA" of the Target Group

Generally, the valuation of a company will refer to the most recent financial data around the valuation date, because the latest financial data can better reflect the actual business situation of the company. For the purpose of the valuation of the Target Group, the Valuation Benchmark Date is 31 March 2020, the financial data of trailing 12-month (from 31 March 2019 to 31 March 2020) before the Valuation Benchmark Date can more accurately reflect the Target Group's market value. Therefore, the Independent Valuer used the "trailing 12-month EBITDA" of the Target Group as the base parameter to determine the market value of the Target Group. Set out below is a schedule showing the calculation of the Target Group's "trailing 12-month EBITDA" provided by the Independent Valuer:

Unit: RMB'000	Year ended 31 December 2019 (Audited) (a)	Three Months ended 31 March 2019 (Unaudited) (b)	Three Months ended 31 March 2020 (Audited) (c)	12 Months ended 31 March 2020 (a)-(b)+(c)
Revenue	1,045,458	240,059	181,712	987,111
Gross profit	170,549	33,967	30,202	166,784
Other income and gains	4,560	952	592	4,200
Selling expenses	51,873	10,372	11,047	52,548
Administrative expenses	33,000	6,208	6,626	33,418
Other expenses	2,394	118	46,387	48,663
Interest expenses	1,290	767	51	574
Share of profits and losses of:				
A joint venture	2,229	322	405	2,312
Associates	20,737	4,451	1,729	18,015
Profit (loss) before tax	109,518	22,227	(31,183)	56,108
(+) Interest expenses	1,290	767	51	574
(-) Share of profits and losses of:				
A joint venture	2,229	322	405	2,312
Associates	20,737	4,451	1,729	18,015
EBIT	**87,842**	**18,221**	**(33,266)**	**36,355**
(+) Depreciation & amortisation	28,465	7,064	6,933	28,334
(+) Impairment loss on trade and other receivables	15	–	46,187	46,202
(+) Loss/(gain) on disposal of property plant and equipment	(291)	(249)	–	(42)
EBITDA	**116,031**	**25,036**	**19,854**	**110,849**

The financial information used above are based on the financial information of the Target Group stated in the accountants' report, the text of which is set out in Appendix IIIA of this circular. The reporting accountants, Ernst & Young has audited the financial information of the Target Group for the year ended 31 December 2019 and for the three months ended 31 March 2020 and issued a clean audit opinion, and has reviewed the financial information of the Target Group for the three months ended 31 March 2019 and issued a clean review opinion. Therefore, the Directors are of the view that the "trailing 12-month EBITDA" of the Target Group calculated based on such financial information is fair and reasonable.

Selection of Comparable Companies and the adjusted EV/EBITDA multiple

In the Valuation Report, the comparables are selected based on the following criteria:

(a) the companies derive most, if not all, of their revenues from the same or closely related industry of the Target Group. i.e., sales of oil products and CNG and/or related business;

(b) the comparable companies are searchable in Bloomberg;

(c) the comparable companies are publicly listed in Hong Kong and/or the PRC exchange;

(d) the comparable companies are located in Hong Kong and/or the PRC; and

(e) EV/EBITDA multiple as at the Valuation Date on the companies are available.

According to the Independent Valuer, during their research, no publicly listed companies that solely engaged in the retail sale of refined oil and/or LNG products in the PRC are identified. Therefore, the Independent Valuer has, on a best effort basis, identified an exhaustive list of five comparable companies which satisfy the above criteria and are engaged in the sale of oil products and natural gas, and/or related business. Information of the five comparable companies are summarized below:

	Location of principal business	Revenue of the Year ended 31 December 2019 *(RMB million)*	Revenue from sale of refined oil/ LPG to the total revenue	Adjusted EV/EBITDA
Oriental Energy Co., Ltd. (2221.SZ)	Jiangsu and Zhejiang Provinces and Shanghai	46,188	77.84%	6.80x
Shenzhen Guangju Energy Co., Ltd. (0096.SZ)	Guangdong Province	1,623	87.25%	12.32x
New Ocean Energy Holdings Limited (0342.HK)	PRC	24,838	96.46%	5.36x
United Strength Power Holdings Limited (2337.HK)	Northeastern China	403	81.39%	12.84x
JTF International Holdings Limited (8479.HK)	Guangdong Province	2,135	83.84%	6.01x
Median (adopted as EV/ EBITDA multiple by the Independent Valuer)				6.8x

Source: provided by the Independent Valuer

Considering that (i) more than 75% of the revenue of these comparable companies are derived from the retail (through gas stations) or wholesale business of petrol or gas; and (ii) these businesses are mainly conducted in China, the Directors are of the view that the comparable companies are comparable to the existing business of the Target Group and are representative examples.

Adjustment between Enterprise Value and Equity Value

In the Valuation Report, the equity value is the value of a company available to owners or shareholders. It is the enterprise value plus all cash and cash equivalents, excess assets, short and long-term investments, and less all short-term debt, excess liabilities, long-term debt and minority interests.

The Directors are of the opinion that, the adoption of the trailing 12-month EBITDA of the Target Group by the Independent Valuer as the base parameter for determining the market value of the Target Group is appropriate, the selection of comparable companies is fair and reasonable and the adjustment basis of the EV and equity value of the Target Group is also appropriate.

For details of the Valuation Report, please refer to Appendix I of this circular.

Payment of Consideration

The Company shall settle the Consideration payable to Chengdu Communications in one lump sum within five business days from the satisfaction of all of the following conditions:

(1) the passing of a board resolution of Chengdu Communications approving the Acquisition;

(2) the Share Transfer Agreement and the transactions contemplated thereunder being approved by the Independent Shareholders at the EGM;

(3) the general meeting of Chengdu Energy Development Company passing a resolution approving the registration of the Company as the shareholder holding 94.49% of its total shares as agreed under the Share Transfer Agreement, and to determine its new register of members, board of directors, supervisory committee and new articles of association as agreed under the Share Transfer Agreement; and

(4) the representations and warranties made by Chengdu Communications under the Share Transfer Agreement remain true, accurate and complete in all material aspects, the Target Company remains in valid existence and there are no matters that have a material adverse impact on the Acquisition.

The above conditions also constitute conditions precedent to the Completion of the Acquisition and cannot be waived. As at the Latest Practicable Date, the first condition had been satisfied.

The Company will finance the above Consideration with self-owned funds of RMB367,570,000 and a bank loan of RMB360,000,000. Proceeds from the global offering will not be utilised.

Arrangement for the Remaining Shares

Chengdu Communications has undertaken that, following the execution of the Share Transfer Agreement, the Company shall have the right to issue a written notice to Chengdu Communications at any time to acquire the Remaining Shares from Chengdu Communications or its wholly-owned subsidiary, Communications Investment Property through one or multiple transactions. Within 180 days from the issuance of such notice, Chengdu Communications shall procure Communications Investment Property to perform the transfer procedures of the Remaining Shares and enter into relevant legal documents with the Company. The consideration for the acquisition in this regard shall be negotiated between Communications Investment Property and the Company on an arm's-length basis, a valuation report on state-owned assets shall be issued in accordance with the methods and procedures of laws and regulations and legal approval and filing shall be obtained.

Closing

Within five days from settlement of the Consideration, relevant parties of the Share Transfer Agreement shall go through the registration or filing of the Acquisition with the market supervision authority (the "**Registration Authority**"). The date on which the Registration Authority issues the new business license following the share transfer shall be the Closing date of the Acquisition.

Corporate governance

Chengdu Energy Development Company shall establish a board of directors comprising five directors. The Company is entitled to nominate three directors while Communications Investment Property is entitled to nominate one director, and the remaining one shall be employee representative director. The employee representative director shall be elected at the employee representative meeting, the employee congress or through other democratic means.

Chengdu Energy Development Company shall establish a supervisory committee comprising of three supervisors. The Company is entitled to nominate one supervisor while Communications Investment Property is entitled to nominate one supervisor, and the remaining one shall be employee representative supervisor.

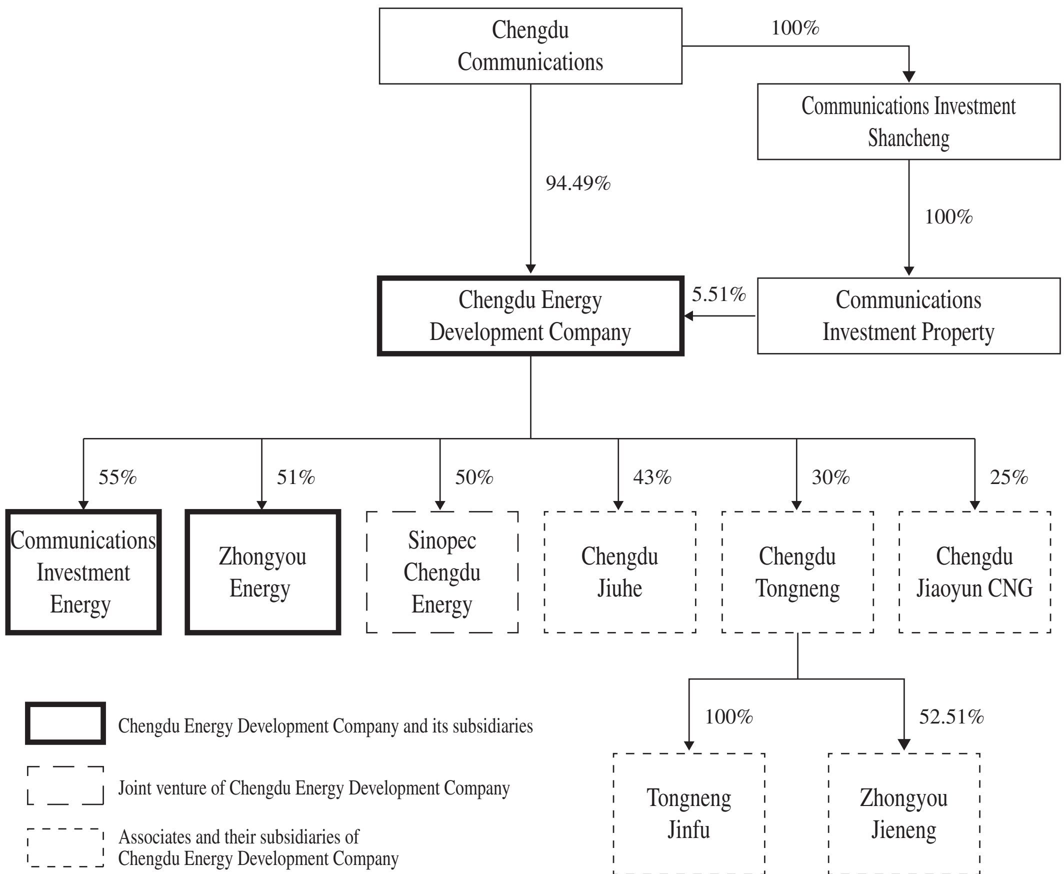
According to the articles of association of Chengdu Energy Development Company, all board resolutions of Chengdu Energy Development Company shall be approved by more than half of all the directors.

Validity of the Share Transfer Agreement

The Share Transfer Agreement shall take effect from approval by the board of directors of Chengdu Communications and the approval by the Independent Shareholders at the Company's general meeting.

2. Shareholding Structure of the Target Group Immediately before and after the Completion

Set forth below is the shareholding structure of the Target Group immediately before the Completion:



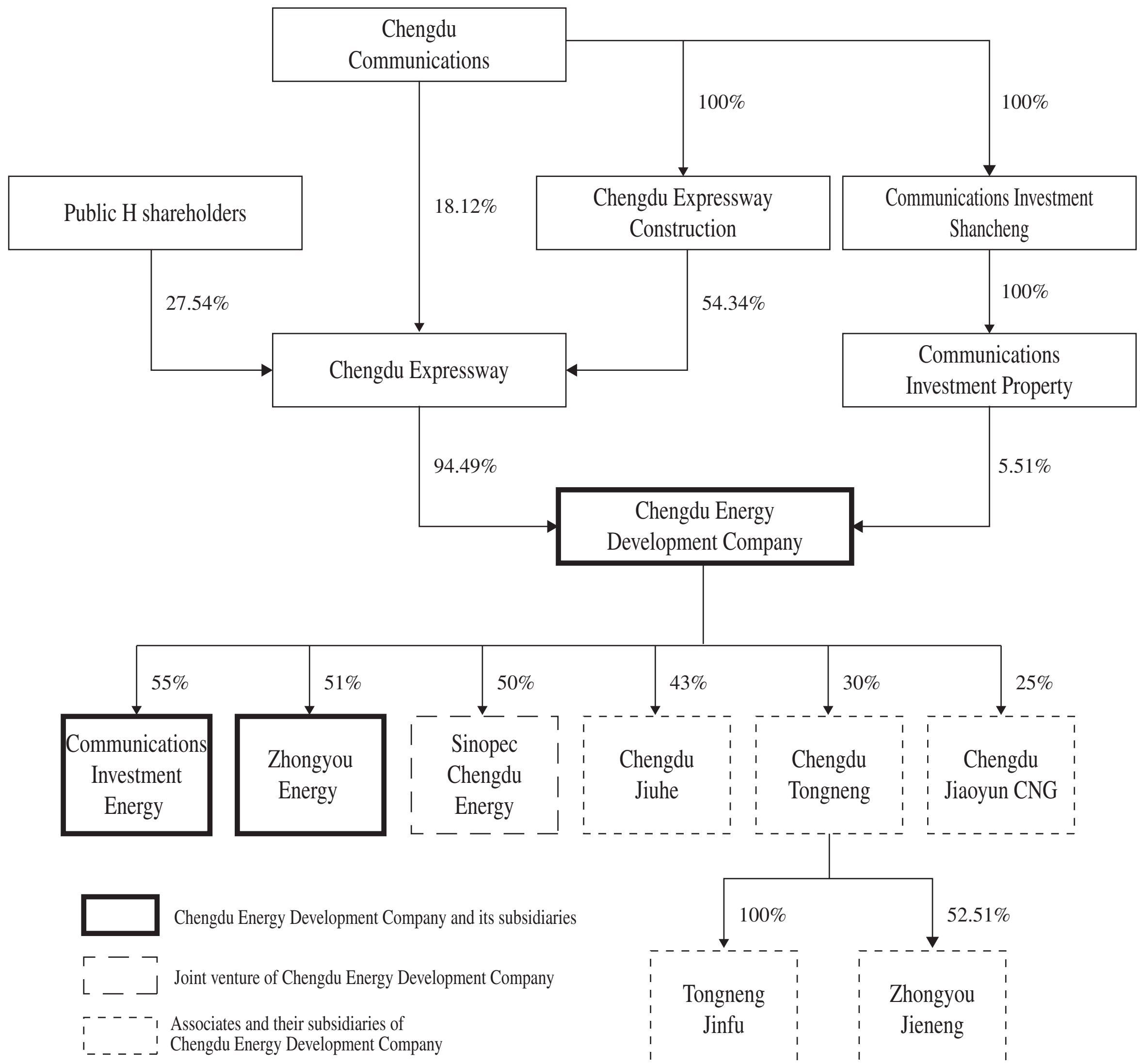
Further details of the subsidiaries, the joint venture, associates and the subsidiaries of the associates of the Target Group are set out below:

Company name	Date of establishment	Principal business	Shareholding held by the Target Company and acquisition cost	Name and shareholding of the remaining shareholders	Number of stations operated as of the end of 2017	Number of stations operated as of the end of 2018	Number of stations operated as of the end of 2019	Material construction and investment from 2017 to 2019
Communications Investment Energy	15 November 2010	Retail of refined oil	Held as to 55% by the Target Company, which was transferred to the Target Company at nil consideration by Hub Station Company on 27 November 2012	Chengdu Huaguan Industrial Co., Ltd. (成都華冠實業股份有限公司), an Independent Third Party as of the Latest Practicable Date, holding 45% equity interests	5 petrol stations	5 petrol stations	5 petrol stations	Nil
Zhongyou Energy	19 June 2009	Retail of refined oil	Held as to 51% by the Target Company, 49% of which was transferred to the Target Company at nil consideration by Chengdu Communications on 21 March 2016. The Target Company contributed RMB29,553,100 to Zhongyou Energy in the form of land use right of Mulongwan petrol station on 25 September 2018, after which shareholding of the Target Company was increased from 49% to 51%	PetroChina Co., Ltd, an Independent Third Party as of the Latest Practicable Date, holding 49% equity interests	14 petrol stations	14 petrol stations	15 petrol stations	Constructing Guoyan petrol station (completed) with a total investment of RMB4,100,000.
Sinopec Chengdu Energy	25 December 2012	Retail of refined oil and operation of CNG	Held as to 50% by the Target Company, which was acquired by contributing a land use right of RMB20,770,100 by the Target Company on 25 December 2012	China Petroleum and Chemical Corporation Sichuan Petroleum Branch (中國石油化工股份有限公司四川石油分公司), an Independent Third Party as of the Latest Practicable Date, holding 50% equity interests	1 petrol station, 1 gas station	1 petrol station, 1 gas station	1 petrol station, 1 gas station	Nil

Company name	Date of establishment	Principal business	Shareholding held by the Target Company and acquisition cost	Name and shareholding of the remaining shareholders	Number of stations operated as of the end of 2017	Number of stations operated as of the end of 2018	Number of stations operated as of the end of 2019	Material construction and investment from 2017 to 2019
Chengdu Jiuhe	24 November 2010	Retail of refined oil	Held as to 43% by the Target Company, which was transferred to the Target Company at nil consideration by Hub Station Company on 19 September 2012	Chengdu Rongtai Industrial Corporation (成都榮泰實業總公司), an Independent Third Party as of the Latest Practicable Date, holding 57% equity interests	Nil	Nil	1 petrol station	Constructing Jiuhe petrol station (completed) with a total investment of RMB7,730,000.
Chengdu Tongneng	12 January 2009	Operation of CNG	Held as to 30% by the Target Company, which was transferred to the Target Company at nil consideration by Hub Station Company on 6 September 2011	Chengdu Zhengtong Hengsheng Enterprise Management Co., Ltd. (成都正通恒盛企業管理有限公司), an Independent Third Party as of the Latest Practicable Date, holding 55% equity interests Chengdu Luneng Compressed Natural Gas Co., Ltd. (成都魯能壓縮天然氣有限責任公司), an Independent Third Party as of the Latest Practicable Date, holding 15% equity interests	14 gas stations	14 gas stations	14 gas stations	Total investment of RMB86,581,800, including (i) constructing Guoyan gas station (completed but yet to commence operation) with a total investment of RMB5,030,000; (ii) acquisition of 52.21% equity interests of Zhongyou Jieneng from independent third parties with an investment of RMB16,034,300; (iii) additional investment to Zhongyou Jieneng of RMB16,580,600; and (iv) acquisition of 100% equity interests of Tongneng Jinfu from independent third parties with an investment of RMB48,936,900.

Company name	Date of establishment	Principal business	Shareholding held by the Target Company and acquisition cost	Name and shareholding of the remaining shareholders	Number of stations operated as of the end of 2017	Number of stations operated as of the end of 2018	Number of stations operated as of the end of 2019	Material construction and investment from 2017 to 2019
Chengdu Jiaoyun CNG	26 December 2000	Operation of CNG	Held as to 25% by the Target Company, which was acquired by the Target Company from Chengdu Jinsha Transportation at a consideration of RMB3,884,000 on 8 May 2014	Chengdu Zhengkun Technology Co., Ltd. (成都正昆科技有限責任公司), an Independent Third Party as of the Latest Practicable Date, holding 20% equity interests PetroChina Co., Ltd, an Independent Third Party as of the Latest Practicable Date, holding 20% equity interests Chengdu Bus Compressed Natural Gas Co., Ltd. (成都公交壓縮天然氣股份有限公司), an Independent Third Party as of the Latest Practicable Date, holding 35% equity interests	1 gas station	1 gas station	1 gas station	Nil
Zhongyou Jieneng	14 September 2006	Operation of CNG	N/A	Hub Station Company, a connected person of the Company (a subsidiary of Chengdu Communications), holding 47.49% equity interests	6 gas stations	6 gas stations	6 gas stations	Nil
Tongneng Jinfu	30 November 2000	Operation of CNG	N/A	N/A	1 gas station	1 gas station	1 gas station	Nil

Set forth below is the shareholding structure of the Target Group immediately after the Completion:



3. Information on Chengdu Energy Development Company

Chengdu Energy Development Company is a joint stock company incorporated in the PRC with limited liability. The Target Group is principally engaged in retail of refined oil, and also engaged in retail of CNG through its joint ventures and associates. The registered capital and paid-in capital of Chengdu Energy Development Company is RMB381,000,000 and RMB381,000,000, respectively.

The audited consolidated total assets and net assets of the Target Group as of 31 December 2019, prepared in accordance with the International Financial Reporting Standards ("**IFRSs**"), were RMB999,460,000 and RMB918,549,000, respectively, including net assets attributable to the owners of the Target Company of RMB594,714,000. The audited consolidated total assets and net assets of the Target Group as of 31 March 2020, prepared in accordance with the IFRSs, were RMB974,060,000 and RMB894,900,000, respectively, including net assets attributable to the owners of the Target Company of RMB581,005,000. The consolidated financial information of the Target Group for the two financial years ended 31 December 2019 and the three months ended 31 March 2020, prepared in accordance with the IFRSs, is set out below:

	Year ended 31 December 2018 (Audited) *(RMB'000)*	**Year ended 31 December 2019** (Audited) *(RMB'000)*	**Three months ended 31 March 2020** (Audited) *(RMB'000)*
Revenue	555,081	1,045,458	181,712
Net profit (loss) before tax	119,965	109,518	(31,183)
Net profit (loss) after tax	108,414	84,465	(23,649)

As major assets of the Target Group represent properties, the Independent Valuer has issued the Property Valuation Report thereon, the text of which is set out in Appendix V of this circular. For details of the properties and relevant information of the properties subject to disclosure under Rule 5.10 of the Listing Rules, please refer to Appendix V of this circular.

4. Pending Litigation of the Target Group

According to the information provided by Chengdu Energy Development Company to the Company, Chengdu Petroleum Corporation ("**Petroleum Corporation**"), a company that used to do business with Communications Investment Energy, fabricated trade receivables due from Communications Investment Energy of approximately RMB111 million and entered into certain factoring contracts with Chengdu Guanghua branch of Agricultural Bank of China (the "**ABC Guanghua Branch**") taking advantage of such fabricated trade receivables. Pursuant to the factoring contracts, Petroleum Corporation transferred such fabricated trade receivables for exchange of financing. Such factoring contracts are recourse factoring, which means that after the trade receivables are due, should the ABC Guanghua Branch fails to recover the trade receivables from Communications Investment Energy, Petroleum Corporation shall repurchase such amount. In addition, according to certain guarantee contracts and mortgage contracts, seven guarantors provided guarantee for the performance of obligations by Petroleum Corporation. As of the Latest Practicable Date, the seven guarantors and their ultimate beneficial owners are all Independent Third Parties.

Subsequently, Communications Investment Energy found out that Petroleum Corporation fabricated the trade receivables due from Communications Investment Energy and entered into the factoring contracts with the ABC Guanghua Branch based on such fabricated trade receivables, and reported this to Chengdu Municipal Public Security Bureau (成都市公安局), which issued a "Notice of Case Filing" on 6 September 2016 to initiate a criminal case investigation into the suspected loan fraud by Petroleum Corporation.

Petroleum Corporation repurchased certain amount of the aforementioned fabricated trade receivables. Since trade receivables of RMB73,989,472.97 and interests thereof still remained outstanding and neither Petroleum Corporation nor the guarantors fulfilled their respective obligations of repurchase or guarantee, on 4 June 2018, the ABC Guanghua Branch filed a lawsuit with Chengdu Municipal Intermediate People's Court, requesting that Petroleum Corporation, the seven guarantors and Communications Investment Energy jointly bear the obligation to repay trade receivables of RMB73,989,472.97 and interests thereof. On 4 April 2019, Chengdu Municipal Intermediate People's Court heard the case. As Communications Investment Energy had reported to the public security bureau regarding the fabrication of trade receivables by Petroleum Corporation, Chengdu Municipal Intermediate People's Court issued the Civil Ruling Letter ((2018) Chuan 01 Min Chu No. 1994) on 10 April 2019, denying the motion of the ABC Guanghua Branch. Thereafter, the ABC Guanghua Branch appealed to Sichuan Provincial Higher People's Court on 24 April 2019, which issued the Civil Ruling Letter ((2019) Chuan Min Zhong No. 439), revoking the Civil Ruling Letter ((2018) Chuan 01 Min Chu No. 1994) issued by the Chengdu Municipal Intermediate People's Court, and instructed Chengdu Municipal Intermediate People's Court to hear the case. As at the Latest Practicable Date, the case has not yet been heard, and the criminal investigation by the Chengdu Municipal Public Security Bureau on Petroleum Corporation's suspected trade receivables fabrication and loan fraud has not yet been completed.

Chengdu Communications has irrevocably undertaken in writing to the Company regarding the above-mentioned case that, if, following the Completion of the Acquisition, the court rules that Communications Investment Energy shall assume legal responsibilities, Chengdu Communications shall fully compensate the actual losses thus incurred to the Company.

The PRC legal adviser of the Company is of the view that, the strategy behind Communications Investment Energy's defence is that Petroleum Corporation fabricated the underlying transaction contract and the relevant criminal case is in progress. Should the forgery of Petroleum Corporation is found a fact, Communications Investment Energy shall not be deemed a party to the case and shall not bear the negative consequences thereof. Should the criminal case regarding the forgery of Petroleum Corporation is not concluded at the time of hearing or trial of the court, Petroleum Corporation and other guarantors may be ruled to bear responsibilities to the bank and no ruling will be made as for whether Communications Investment Energy will be held liable. In addition, even if Communications Investment Energy is ruled by the court to bear legal responsibilities, Chengdu Communications has made an irrevocable undertaking to the Company to the effect that it will fully compensate for the actual loss of the Company.

Based on the above, the Directors are of the opinion that, the above-mentioned lawsuit will not have a material adverse effect on the Enlarged Group. Therefore, except for the relevant legal fees of RMB360,000, the Directors have not made any provision for any losses in the relevant litigation. The fabricated trade receivables were not recorded as contingent liabilities in the financial statements of the Target Group for the three years ended 31 December 2019 and the three months ended 31 March 2020.

5. Reasons for and Benefits of Entering into the Share Transfer Agreement

As at the Latest Practicable Date, the remaining service concession periods of the expressways controlled or jointly operated by the Group ranged from 4 to 18 years, of which only 4 years have been left for both Chengdu Airport Expressway and Chengbei Exit Expressway, whose concession periods will expire in 2024. As stated in the Prospectus, the Group cannot assure that approval will be obtained from the government to extend or renew the concession periods of its expressways. Therefore, if the Group fails to renew the concession periods of Chengdu Airport Expressway and Chengbei Exit Expressway following expiration, it is probable that the Group cannot continue to operate these two toll expressways, and the losses in revenue and profit arising therefrom will result in an adverse impact on the performance of the Group for the year concerned and thereafter. The Directors consider that, the potential failure to renew the concession rights of expressways upon expiration remains to be the Group's sustainability risk and it is imperative to search for sustainable source of revenue.

Amid the influence of the COVID-19 pandemic, tolls were exempted on expressways controlled or jointly operated by the Group from 00:00 on 17 February 2020 to 00:00 on 6 May 2020 in accordance with the policy issued by the Ministry of Transport of the People's Republic of China. As the Group derives revenue from a single source, being literally toll income, during the implementation of the policy, the Group did not generate operating revenue. As disclosed in the announcement of the Company dated 16 February 2020, it is expected that the performance of the Group for the first half of 2020 will be materially and negatively affected as a result of such policy, which demonstrated that, due to single source of revenue and government-regulated toll rate, adjustment to toll policy will have an instant and substantial impact on the results of the Group. Therefore, the Group is encouraged to pursue diversified business progress and take the initiative to explore new and reliable revenue source to minimise the risk of operating in a single industry.

As disclosed in the announcement of the Company dated 4 March 2020, the Company entered into the Project Investment Agreement with Pidu District Government of Chengdu in March 2020, pursuant to which, the Company proposes to invest and establish a service area in proximity to Ande Toll Station on Chengguan Expressway. In addition, the Company is also in the process of investing and establishing a service area in proximity to Xinfan Toll Station on Chengpeng Expressway and considering to introduce petrol or gas stations to the above two service areas. During the feasibility study of the above project, after careful research and calculation, the Company found that, (i) petrol station or gas station operation is one of the primary sources of revenue for service area; (ii) the operation of petrol or gas stations requires professional operating team and the retail qualification for refined oil or operation qualification for CNG; and (iii) unlike the concession right of expressways, there is no concession limit for the retail qualification for refined oil and operation qualification for CNG. The Company also noticed that the Target Company is wholly owned by Chengdu Communications, it has conducted retail business of refined oil through its subsidiaries and CNG operating business through its joint ventures and associates, and achieved considerable assets, revenue and profit with steady cash flows. Therefore, given our demand for diversified development and the above-mentioned advantages of petrol and gas stations, the Company took the initiative to convey the intention of acquisition to Chengdu Communications and received its support.

For the funds required for the Acquisition, the Company still has sufficient cash available although no revenue was recorded due to the toll exemption policy from 00:00 on 17 February 2020 to 00:00 on 6 May 2020. The Company believed that, a more cost-effective valuation on the acquisition target can be obtained in the midst of short-term economic downturn due to shocks brought about by the COVID-19 pandemic to domestic economy. Upon estimation, the Company proposed to finance the Consideration with self-owned funds and bank loans. It is expected that the Company will commit cash expenditure of RMB727,570,000, including self-owned funds of RMB367,570,000 and a bank loan of RMB360,000,000 with a term of 5 years and an interest rate of 99.25 basic points below the market quoted 5-year or above loan prime rate (LPR). In this regard, the Group will incur finance cost of approximately RMB13,167,000 each year. Taking into account the historical average annual net profit attributable to the parent of the Target Group of approximately RMB55,951,000 from 2017 to 2019, the Directors believe that, the Acquisition could increase the net profit of the Group and will not exert extra capital pressure on the normal operation of the Company.

In view of the above, the Directors are of the opinion that, the Acquisition is feasible and will benefit the Company in the following aspects: (i) the Group will further expand its asset scale and generate continuous and stable cash inflows and profit to strengthen its capacity to operate on an on-going basis; (ii) the business of the Group will be further diversified, so as to minimise the risks from single business operation; (iii) the Group may obtain the retail qualification for refined oil (operation qualification for CNG is held by the joint ventures and associates of the Target Group) through control over the Target Group without going through the complex and lengthy administration and approval procedures, so as to mitigate the negative impact on the Group as a result of possible failure to renew the concession rights of expressways following expiration (except for Guoyan petrol station, all operating licenses required for retail of refined oil, being the Approval Certificate for Retail of Refined Oil (《成品油零售經營批准證書》) and the Dangerous Chemicals Business License (《危險化學品經營許可證》), have been obtained for the petrol stations of the Target Group. Guoyan petrol station has obtained the Dangerous Chemicals Business License and is expected to obtain the Approval Certificate for Retail of Refined Oil by 30 June 2021); and (iv) the Group may draw upon the Target Company's experience in the investment and operation of petrol and gas stations and apply to Ande and Xinfan service areas which are currently under construction.

Based on the above, 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 Share Transfer Agreement is entered into on normal commercial terms and while 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.

6. Impact of the Acquisition on the Company's Earnings, Assets and Liabilities

Upon Completion of the Acquisition, the Company will hold 94.49% of the total shares of Chengdu Energy Development Company and therefore Chengdu Energy Development Company will become a direct non-wholly-owned subsidiary of the Company and the Target Group will be consolidated into the accounts of the Group.

Impact on Assets and Liabilities

According to the unaudited pro forma financial information of the Enlarged Group, the full text of which is set out in Appendix IV to this circular, assuming the Acquisition had been completed on 31 December 2019, the impact of the Acquisition on the total assets, total liabilities and other items of the Group would be as follows:

Unit: RMB'000

	Audited consolidated assets and liabilities of the Group as at 31 December 2019	Unaudited consolidated pro forma assets and liabilities of the Enlarged Group as at 31 December 2019	Change	Percentage *(%)*
Total assets	8,335,014	8,941,504	606,490	7.3%
Total liabilities	4,519,008	4,958,168	439,160	9.7%
Net assets	3,816,006	3,983,336	167,330	4.4%
Interest-bearing bank and other borrowings	3,014,717	3,374,717	360,000	11.9%
Cash and cash equivalents	1,506,513	1,332,320	(174,193)	(11.6%)

According to the unaudited pro forma financial information of the Enlarged Group, the full text of which is set out in Appendix IV to this circular, in terms of assets, assuming that the Acquisition had been completed on 31 December 2019, the Acquisition would lead to certain increase in total assets of the Group and certain decrease in total amount of cash and cash equivalents. Assuming that the Acquisition had been completed on 31 December 2019, cash and cash equivalents of the Group as of 31 December 2019 would be reduced from RMB1,506,513,000 to RMB1,332,320,000 and total assets would be increased from RMB8,335,014,000 to RMB8,941,504,000.

In terms of liabilities, assuming that the Acquisition had been completed on 31 December 2019, total liabilities would record an increase following the Acquisition. Total liabilities of the Group would be increased from RMB4,519,008,000 to RMB4,958,168,000, mainly due to a bank loan of RMB360,000,000 to finance the Consideration of the Acquisition (being change in interest-bearing bank and other borrowings), other trade payables and accruals of RMB24,749,000 and deferred tax liabilities of RMB40,596,000 of the Target Group.

Impact on Earnings

The Target Group recorded net profit of RMB35,594,000, RMB108,414,000 and RMB84,465,000, respectively for the three years from 2017 to 2019 with an annual average net profit of RMB76,157,700.

The Group recorded net profit of RMB367,790,000, RMB446,042,000 and RMB471,102,000, respectively for the three years from 2017 to 2019 with an annual average net profit of RMB428,311,300. From 2017 to 2019, the annual average net profit of the Target Group represents 17.8% of that of the Group. As far as the Directors are aware, certain entry barriers have been set for the oil industry and the retail business of refined oil and CNG is at the downstream of the industry chain, where parallel competition is intense but is highly defensive as a whole. Although sales revenue of the Target Group has been materially affected by the COVID-19 since 2020, with effective containment by the government, market demands are rapidly picking up. From the long-term perspective, sales revenue may restore to the pre-pandemic level and record further increase. As a result, the Acquisition will enhance the profitability and sustainability of the Company.

III. ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE NON-COMPETITION AGREEMENT

1. Background

The Company entered into the Non-competition Agreement with Chengdu Communications on 29 June 2017, pursuant to which, Chengdu Communications has irrevocably undertaken to the Company that, Chengdu Communications and its subsidiaries (excluding the Group) shall not and shall procure their associates not to, during the term of the Non-competition Agreement, directly or indirectly, individually or collectively with other entities, engage in or assist to engage in any business which competes with the principal business of the Group in Sichuan Province.

Furthermore, Chengdu Communications undertakes to grant to the Company an option to acquire new business opportunities which may compete directly or indirectly with the principal business of the Group and an option of acquisition and a right of first refusal with regard to the new competing business and retained operations.

The Company and Chengdu Communications entered into the Supplemental Agreement to the Non-competition Agreement on 25 May 2020 to make the following amendments to the non-competition arrangements upon the Completion of the Acquisition.

2. Supplemental Agreement to the Non-competition Agreement

The principal terms of the Supplemental Agreement to the Non-competition Agreement are set out below:

Date

25 May 2020

Parties

(1) the Company; and

(2) Chengdu Communications.

Principal terms

- **Amendments to the definition of "principal business"**: given that upon Completion of the Acquisition, the principal business of the Group will be expanded, therefore, pursuant to the Supplemental Agreement to the Non-competition Agreement, the definition of the "principal business" under the Non-Competition Agreement has been amended to "(1) the business of construction, operation, maintenance and management of toll expressways, or (2) investment in petrol stations and gas stations, retail of gasoline and diesel oil and wholesale and retail of CNG primarily engaged in by the Group in Sichuan province".

- **Amendments to the scope of "retained business":** except for the Target Group, as at the Latest Practicable Date, Chengdu Communications held 49% equity interests and 47.49% equity interests in Chengdu Communications Investment Daguan Oil Management Co., Ltd. (成都交投大觀石油經營有限公司) ("**Communications Investment Daguan**") and Zhongyou Jieneng, respectively through its wholly-owned subsidiaries. The refined oil wholesale and retail business engaged in by Communications Investment Daguan and the CNG wholesale and retail business engaged in by Zhongyou Jieneng will compete with the principal business of the Group following the Competition of the Acquisition as (i) Communications Investment Daguan operates a petrol station in Chenghua District, Chengdu, Sichuan province while the Target Group operates four petrol stations in Chenghua District, Chengdu; and (ii) Zhongyou Jieneng operates a total of 6 gas stations in Chenghua District, Jinniu District and Jinjiang District of Chengdu, Sichuan province, respectively while the business scope of Chengdu Energy Development Company includes CNG retail business and the joint ventures and associates of the Target Group operate gas stations in Chengdu.

As the operating licenses relating to the principal business of Communications Investment Daguan are not complete, the Company did not propose to acquire the 49% equity interests of Communications Investment Daguan held indirectly by Chengdu Communications. Furthermore, as far as the Company is aware, Chengdu Energy Development Company is in the process of acquiring the 47.49% equity interests of Zhongyou Jieneng (no legally-binding transaction agreement has been entered into as at the Latest Practicable Date). The Company therefore also didn't propose to acquire the 47.49% equity interests of Zhongyou Jieneng held indirectly by Chengdu Communications.

Therefore, pursuant to the Supplemental Agreement to the Non-competition Agreement, the definition of "retained business" has been amended to: "(1) wholesale and retail of gasoline, diesel oil and lubricating oil and the retail of general merchandise of Chengdu Communications Investment Daguan Oil Management Co., Ltd. retained by Chengdu Communications and its subsidiaries through their 49% equity interests therein which competes directly or indirectly with the principal business of the Company; and (2) the research and development of automobile gas devices and corresponding technical services, compression and refilling of CNG and CNG wholesale and retail business of Zhongyou Jieneng retained by Chengdu Communications and its subsidiaries through their 47.49% equity interests therein which competes directly or indirectly with the principal business of the Company".

Pursuant to the Non-competition Agreement, the Company is entitled to an option of acquisition and a right of first refusal as to the retained business.

Save for the above-mentioned amendments, other terms of the Non-competition Agreement shall remain in effect.

Based on information currently available to the Company, it is expected that relevant equity transfer agreement will be entered into between Chengdu Energy Development Company and Zhongyou Jieneng with respect to acquisition of the 47.49% equity interests by 31 July 2020. According to the information provided by Chengdu Energy Development Company, after completion of such acquisition, Zhongyou Jieneng will be held as to 47.49% and 52.51% by Chengdu Energy Development Company and Chengdu Tongneng (a 30%-owned associate company of the Company), respectively. The board of directors of Zhongyou Jieneng shall comprise five members, of whom the Target Company is entitled to nominate two directors and Chengdu Tongneng will be entitled to nominate three directors. Upon completion of such acquisition, Zhongyou Jieneng will remain to be a subsidiary of Chengdu Tongneng. After discussion with the Company's auditors, upon completion of acquiring 47.49% interest in Zhongyou Jieneng, its financial results will not be consolidated into the financial statements of the Target Group and it will remain as an associate company of the Target Group.

The completion of the acquisition of the 47.49% equity interests in Zhongyou Jieneng by Chengdu Energy Development Company does not constitute a condition precedent to the Acquisition. Should the acquisition of the 47.49% equity interests in Zhongyou Jieneng by Chengdu Energy Development Company completes before the Completion of the Acquisition, the Consideration of the Acquisition will not be changed. Should the equity transfer agreement to acquire the 47.49% equity interests of Zhongyou Jieneng is not reached between Chengdu Energy Development Company and Hub Station Company prior to the Completion of the Acquisition but instead, is entered into after Chengdu Energy Development Company becomes a subsidiary of the Company, the Company will comply with all applicable requirements under Chapter 14 and Chapter 14A of the Listing Rules in due course.

Validity of the Supplemental Agreement to the Non-competition Agreement

The Supplemental Agreement to the Non-competition Agreement will take effect from approval of the Supplemental Agreement to the Non-competition Agreement and the Acquisition by the Independent Shareholders at the the Company's general meeting.

3. Reasons for and Benefits of Entering into the Supplemental Agreement to the Non-competition Agreement

The Company and Chengdu Communications entered into the Supplemental Agreement to the Non-competition Agreement and amended the scope of principal business and retained business under the Non-competition Agreement to reflect the addition of principal business of the Group upon Completion of the Acquisition, avoid actual and/or potential competition between the Group and Chengdu Communications and its subsidiaries and investees (excluding the Group) with respect to the new principal business, further safeguard the legitimate rights and interests of the Company and its Shareholders and lay the foundation for the long-term development of the business operation of the Group. In addition, agreements on retained businesses enable the Company to be entitled to an option of acquisition and a right of first refusal for such business, which will facilitate the acquisition by the Company as and when appropriate.

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 Supplemental Agreement to the Non-competition Agreement is entered into on normal commercial terms and while it is 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.

IV. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board resolved to propose to change the registered address of the Company on 6 July 2020. Accordingly, the Board also resolved to propose to make amendments to Article 4 of the Articles of Association to align with the actual situation of the Company. Set out below are the details of the proposed amendments:

Original text:

“Corporate Domicile:	No. 1 Kexin Road, High-Tech Zone, Chengdu
Postal Code:	611731
Tel.:	+86 028-87958038
Fax:	+86 028-87958168”

Amended as:

“Corporate Domicile:	**9th Floor, Youyi Data Building, No.28 Jingyuan East Road, Deyuan Town (Jingrong Town), Pidu District, Chengdu**
Postal Code:	**611730**
Tel.:	+86 028-**86056036**
Fax:	+86 028-**86056070**”

The proposed amendments to the Articles of Association are subject to approval by the Shareholders by way of a special resolution at the EGM.

V. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Chengdu Communications is the ultimate controlling shareholder of the Company. Accordingly, it is a connected person of the Company under the Listing Rules. The Acquisition and the entering into of the Supplemental Agreement to the Non-competition Agreement constitute connected transactions 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. Accordingly, the Acquisition is subject to: (i) the requirements applicable to major transactions under Chapter 14 of the Listing Rules; and (ii) the reporting, announcement, circular and independent shareholders’ approval at general meeting requirements under Chapter 14A of the Listing Rules.

Entering into of the Supplemental Agreement to the Non-competition Agreement is subject to the reporting, announcement, circular and independent shareholders’ approval at 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, he is therefore deemed to be materially interested in the Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the Non-competition Agreement. Accordingly, he has abstained from voting on the relevant resolutions at the Board meeting. Save as disclosed above, no other Directors have material interests in the transactions and are required to abstain from voting on the relevant resolutions at the Board meeting.

VI. THE EGM

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

The EGM of the Company will be held at the meeting room 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 at 10:00 a.m. on Friday, 7 August 2020. The Notice convening the EGM is set out on pages 246 to 248 of this circular.

The reply slip and form of proxy for use at the EGM are enclosed herein and published on the website of the Hong Kong Stock Exchange (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 or any adjournment thereof 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 People's Republic of China, not less than 24 hours before the time for holding the EGM or any adjournment thereof 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 it to the Board Office of the Company not later than Thursday, 30 July 2020.

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 Wednesday, 8 July 2020 to Friday, 7 August 2020 (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 Tuesday, 7 July 2020. The Shareholders whose names appear on the Register of Members on Wednesday, 8 July 2020 are entitled to attend and vote at the EGM.

3. Abstention of Shareholders from Voting

According to the Listing Rules, any Shareholder and his/her associates with a material interest in the Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the Non-competition Agreement shall abstain from voting on the resolutions approving such transaction at the EGM. Accordingly, Chengdu Communications and Chengdu Expressway Construction (a direct wholly-owned subsidiary of Chengdu Communications) will abstain from voting on the resolutions regarding the Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the Non-competition Agreement at the EGM. As at the Latest Practicable Date, Chengdu Communications and Chengdu Expressway Construction held an aggregate of 1,200,000,000 Shares of the Company, representing approximately 72.46% of the issued share capital of the Company, and controlled or were entitled to control over the voting rights in respect of their Shares in the Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, except for Chengdu Communications and Chengdu Expressway Construction, no other Shareholder has a material interest in the Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the Non-competition Agreement and therefore is required to abstain from voting on the relevant resolutions at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the Shareholders is materially interested in the proposed amendments to the Articles of Association and therefore, no Shareholder is required to abstain from voting on the relevant resolution at the EGM.

VII. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee, the full text of which is set out on page 33 to page 34 of this circular, containing its advice to the Independent Shareholders regarding the Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the Non-competition Agreement; (ii) the letter from the Independent Financial Adviser, the full text of which is set out on page 35 to page 59 of this circular, containing its advice to the Independent Board Committee and the Independent Shareholders regarding the Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the Non-competition Agreement as well as the principal factors and reasons considered in arriving at its opinion; and (iii) the Appendices set out in this circular.

The Directors (including independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in relation to the Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the Non-competition Agreement. The Directors recommend all the Shareholders to vote in favour of the resolution to be proposed at the EGM in relation to the proposed amendments to the Articles of Association.

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

CHENGDU EXPWY
成都高速

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)

10 July 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION: ACQUISITION OF 94.49% OF THE TOTAL SHARES OF CHENGDU ENERGY DEVELOPMENT COMPANY
(2) CONNECTED TRANSACTION: ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE NON-COMPETITION AGREEMENT

We refer to the circular of the Company dated 10 July 2020 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalized 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 Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the Non-competition Agreement, the 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 Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the Non-competition Agreement. The 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 35 to page 59 of the Circular.

Your attention is also drawn to the Letter from the Board on page 6 to page 32 and other information set out in the appendices of the Circular.

Having taken into account the terms and conditions of the Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the Non-competition Agreement, the interests of the Independent Shareholders and the opinion from the Independent Financial Adviser, we are of the view that, the Share Transfer Agreement and the Supplemental Agreement to the Non-competition Agreement are entered into on normal commercial terms and while 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 resolutions to be proposed at the EGM to approve the Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the Non-competition Agreement.

Yours faithfully,
Independent Board Committee
Mr. Shu Wa Tung, Laurence **Mr. Ye Yong** **Mr. Li Yuanfu**
Independent Non-executive Directors

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

金融有限公司
OCTAL Capital Limited

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

10 July 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) MAJOR AND CONNECTED TRANSACTION: ACQUISITION OF 94.49% OF THE TOTAL SHARES OF CHENGDU ENERGY DEVELOPMENT COMPANY (2) CONNECTED TRANSACTION: ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT TO THE 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 (i) the Share Transfer Agreement and (ii) the Supplemental Agreement to the 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 10 July 2020 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as those defined under the definitions section of the Circular.

The Company entered into the Share Transfer Agreement with Chengdu Communications on 25 May 2020, pursuant to which, the Company agreed to acquire and Chengdu Communications agreed to dispose of 94.49% of the total shares of Chengdu Energy Development Company at a consideration of RMB727,570,000. Upon the Completion, Chengdu Energy Development Company will become a direct non-wholly-owned subsidiary of the Company.

Upon the Completion, the principal business of the Group will cover two business sectors which are (i) the construction, operation and maintenance of toll expressways and (ii) investment in petrol stations and gas stations, retail of refined oil, and retail of CNG. Chengdu Communications and its subsidiaries will continue to operate certain business that competes directly or indirectly with the new principal business of the Company, the Company thus entered into the Supplemental Agreement to the Non-competition Agreement with Chengdu Communications to amend the scope of the principal business and the retained business stipulated in the Non-competition Agreement. Except for such amendments, other terms in the Non-competition Agreement remain effective.

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 Share Transfer Agreement and the transactions contemplated thereunder, and the Supplemental Agreement to the 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.

As at the Latest Practicable Date, we were not connected with the Company or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Supplemental Agreement to the Non-competition Agreement. In the last two years, we were 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 51% equity interests in China Hydropower Construction Group Sichuan Chengming Expressway Development Co., Ltd. (details can be referred to the circular of the Company dated 29 November 2019) (the "**Previous Engagement**"). Under the Previous Engagement, we were required to express our opinion on and give recommendations to the Independent Board Committee and Independent Shareholders. 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 Acquisition and the Supplemental Agreement to the 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 Share Transfer Agreement and the Supplemental Agreement to the 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 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 Group, Chengdu Communications and Chengdu Energy Development Company, and any of their respective subsidiaries and their respective associates, nor have we carried out any independent verification of the information supplied to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Background of and reasons of entering into the Share Transfer Agreement

1. Information of the Company and Chengdu Energy Development Company

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. It is principally engaged in the operation, management and development of expressways located in and around Chengdu City, Sichuan Province, the PRC. The Company's expressway network includes Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Qiongming Expressway. The Company also operates Chengbei Exit Expressway via an associated company.

The table below summarizes the audited financial information of the Group for the three years ended 31 December 2017, 2018 and 2019 ("**FY2017**", "**FY2018**" and "**FY2019**", respectively) as extracted from the annual reports of the Company for FY2018 and FY2019 (the "**Annual Reports**"):

Expressed in RMB'million	**FY2017**	**FY2018**	**FY2019**
Toll income	840.4	985.9	1,255.9
Construction revenue related to service concession arrangements	943.9	844.3	–
Revenue	**1,784.3**	**1,830.2**	**1,255.9**
Profit before tax	428.4	523.1	572.0
Profit for the year	367.8	446.0	471.1

The table below summarizes the toll income of the Group which derives from operations of the five self-owned toll expressways for FY2017, FY2018 and FY2019.

Expressed in RMB'million	**Expiry of operating right**	**FY2017**	**FY2018**	**FY2019**
Chengguan Expressway	July 2030	310.9	330.5	307.9
Chengpeng Expressway	October 2033	66.6	113.2	238.3
Chengwenqiong Expressway	January 2035	320.3	398.1	433.9
Chengdu Airport Expressway	December 2024	142.6	144.1	142.6
Qiongming Expressway	November 2038	–	–	133.2
Total		840.4	985.9	1,255.9

Source: Annual Reports

Notes: The income from Chengbei Exit Expressway is not consolidated in the Group's revenue. Its operating arrangement will expire in June 2024.

The toll income increased by approximately RMB145.5 million or 17.3% from FY2017 to FY2018 and approximately RMB270.0 million or 27.4% from FY2018 to FY2019. The growth on the toll income was mainly attributable to (i) the growth in traffic volume of the toll expressways; and (ii) the acquisition of Qiongming Expressway in FY2019.

The audited consolidated financial statement of the Company as at 31 December 2019 is summarized as below:

Expressed in RMB'million	**As at 31 December 2019**
Service concession arrangements	5,925.8
Cash and cash equivalents	1,506.5
Other assets	902.7
Total Assets	**8,335.0**
Interest-bearing bank and other borrowings	3,014.7
Other liabilities	1,504.3
Total Liabilities	**4,519.0**
Net Assets	**3,816.0**
Current ratio (current assets divided by current liabilities)	**1.29x**
Gearing ratio (total liabilities divided by total assets)	**54.2%**

The Group's assets mainly include service concession arrangements in relation to the operation right of the Group's five toll expressways, which amounted to approximately RMB5,925.8 million as at 31 December 2019 which represented approximately 71.1% of the total assets. The Group has cash and cash equivalents of approximately RMB1,506.5 million as at 31 December 2019.

The Group's liabilities mainly include the interest-bearing bank and other borrowings, which was amounted to approximately RMB3,014.7 million as at 31 December 2019, representing approximately 66.7% of the total liabilities as at 31 December 2019. The Group's gearing ratio as at 31 December 2019 was approximately 54.2%. The total interest-bearing borrowings was increased by approximately RMB1,461.2 million during FY2019 to approximately RMB3,014.7 million, which was attributable to the consolidation of borrowings of Chengming Expressway Company.

b) Chengdu Energy Development Company

Chengdu Energy Development Company is a joint stock company incorporated in the PRC with limited liability. The Target Group is principally engaged in retail of refined oil, and retail of CNG through its joint ventures and associated companies. The registered capital of Chengdu Energy Development Company is RMB381,000,000 which has been fully paid.

The Target Group comprises two non-wholly owned subsidiaries (namely Communications Investment Energy and Zhongyou Energy), a joint-venture company and three associated companies in which one associated company invested in two subsidiaries. As at the Latest Practicable Date, Communications Investment Energy, Zhongyou Energy, the joint venture company and the associated companies of the Target Group operated a series of petrol stations and gas stations. Communications Investment Energy and Zhongyou Energy in aggregate operated 20 petrol stations. Except one of the stations is located along the Chengpeng Expressway, almost all of these petrol and gas stations are located in areas between the Third Ring Road (三環路) and the Chengdu Ring Expressway (成都繞城高速). The two subsidiaries of the Target Group procures refined oil from two suppliers.

The table below summarizes the location of petrol stations operated by the Target Group as at the Latest Practicable Date.

Location of petrol stations	**Communication Investment Energy**	**Zhougyou Energy**	**Total**
Chenghua District	–	4	4
Jinniu District	–	4	4
Jinjiang District	2	2	4
High-tech Zone	3	–	3
Qingyang District	–	2	2
Wuhou District	–	1	1
Xindu District	–	2	2
Total	**5**	**15**	**20**

In additions, as advised by the Company, the Target Group plans to construct three gas stations and two petrol stations on five parcels of lands in Chengdu. As at the Latest Practicable Date, two gas stations under construction are expected to be completed by 31 December 2020 while the rest are expected to be completed by 30 June 2021.

The expected capital expenditure of the Target Group is RMB96.0 million for the period between 1 July 2020 and 30 June 2021. These capital expenditures are primarily used for construction of petrol stations and gas stations, and acquisition of 47.49% equity interests of Zhongyu Jieneng by the Target Company, including approximately RMB22.3 million to be invested into three gas stations, approximately RMB23.7 million to be invested in two petrol stations and approximately RMB50.0 million to be incurred for the acquisition of 47.49% equity interests of Zhongyou Jieneng by the Target Company. We have obtained and reviewed the filing forms of the fixed assets investment project submitted to the local government regarding the application of the investment of the two petrol stations and one gas station, their expected completion date is on or before 30 June 2021. We also understood from the management of the Company that another two gas stations are currently under construction and they are expected to be completed on or before 31 December 2020.

The table below summarizes the audited consolidated financial information of Chengdu Energy Development Company for FY2017, FY2018 and FY2019 and the three months ended 31 March 2019 and 2020 (the "**1Q2019**" and the "**1Q2020**", respectively), prepared in accordance with the International Financial Reporting Standards, is set out below:

Expressed in RMB'million	**FY2017**	**FY2018**	**FY2019**	**1Q2019**	**1Q2020**
Revenue	320.0	555.1	1,045.5	240.1	181.7
Gross profit	47.0	82.4	170.5	34.0	30.2
Gross profit margin	14.7%	14.8%	16.3%	14.2%	16.6%
Other income and gains	1.3	65.5	4.6	0.9	0.5
Selling expenses	(12.6)	(26.7)	(51.8)	(10.4)	(11.0)
Administrative expenses	(18.6)	(19.6)	(33.0)	(6.2)	(6.6)
Other expenses	(1.1)	(4.6)	(2.4)	(0.1)	(46.4)
Interest expenses	(2.6)	(2.8)	(1.3)	(0.8)	–
Share of profit from:					
Joint venture	1.1	1.3	2.2	0.3	0.4
Associates	28.0	24.5	20.7	4.5	1.7
Profit/(loss) before tax	42.5	120.0	109.5	22.2	(31.2)
Profit/(loss) after tax	35.6	108.4	84.5	17.2	(23.6)

FY2017 compared to FY2018

The revenue of Target Group mainly derives from retail sale of refined oil. The revenue increased from approximately RMB320.0 million to RMB555.1 million from FY2017 to FY2018, representing an annual growth rate of approximately 73.5%. The increase of revenue was due to the consolidation of the revenue from Zhongyou Energy. The Target Company made additional capital injection to Zhongyou Energy resulting in an increase of shareholding in Zhongyou from 49% to 51% during FY2018. The gross profit increased generally in line with the revenue growth from approximately RMB47.0 million for FY2017 to approximately RMB82.4 million FY2018 with a steady gross profit margin of approximately 14.7% for FY2017 to approximately 14.8% for FY2018. We understood from the management of the Company that the stable gross profit margin was due to the purchase price and retail selling price of petrol were steady during FY2018. The Target Group recorded profit after tax for FY2017 of approximately RMB35.6 million which was increased to RMB108.4 million for FY2018 by approximately 2.0 times mainly as a result of (i) the recognition of one-off fair value gain under step-acquisition of Zhongyou Energy of approximately RMB51.6 million and (ii) the aforesaid consolidation of the profit from Zhongyou Energy.

FY2018 compared to FY2019

The revenue increased from approximately RMB555.1 million to RMB1,045.5 million from FY2018 to FY2019, representing an annual growth rate of approximately 88.3%. The increase of revenue was due to the consolidation of the full-year revenue of Zhongyou Energy. The gross profit increased in line with the revenue growth from approximately RMB82.4 million for FY2018 to approximately RMB170.5 million FY2019 with an increase of gross profit margin from approximately 14.8% for FY2018 to approximately 16.3% for FY2019. We understood from the management of the Company that the increase of gross profit was due to the increment of retail price of refined oil higher than the increment of petrol purchase price. The Target Group recorded profit after tax for FY2018 of approximately RMB108.4 million which was decreased to RMB84.5 million for FY2019 by approximately 22.0% as a result of the absence of the above-mentioned one-off fair value gain in FY2018.

1Q2019 compared to 1Q2020

The revenue decreased from approximately RMB240.1 million to RMB181.7 million from 1Q2019 to 1Q2020 by approximately 24.3%. The decrease was due to the drop of traffic volume during the outbreak of COVID-19 and the travel restriction in 1Q2020. The gross profit declined in line with the decrease in revenue from approximately RMB34.0 million for 1Q2019 to approximately RMB30.2 million for 1Q2020 with an increase of gross profit margin from approximately 14.1% for 1QY2019 to approximately 16.6% for 1Q2020. We are advised that the increase of gross profit margin was due to the increment of retail price of refined oil higher than the increment of petrol purchase price. The Target Group recorded profit after tax of approximately RMB17.2 million for 1Q2019 while a loss approximately RMB23.6 million was recorded for 1Q2020. The loss was mainly attributable to a one-off impairment loss of other receivables of approximately RMB45.8 million. This one-off impairment loss is in relation to Petroleum Corporation. The details of this one-off impairment loss can be referred to Note 33 of the Accountants' Report of the Target Group disclosed in Appendix IIIA.

The table below summarizes the audited consolidated financial position of Chengdu Energy Development Company as at 31 March 2020 prepared in accordance with the International Financial Reporting Standards:

Expressed in RMB'million	**As at 31 March 2020**
Right-of-use assets	424.3
Other assets	356.4
Cash and cash equivalents	193.4
Total Assets	**974.1**
Current liabilities	35.1
Non-current liabilities	44.1
Total Liabilities	**79.2**
Net Assets	**894.9**
Current ratio (current assets divided by current liabilities)	**7.0x**
Gearing ratio (total liabilities divided by total assets)	**8.1%**

Assets of the Target Group mainly include the right-of-use assets in relation to the lease contracts for various items of land and office premises, which was amounted to approximately RMB424.3 million as at 31 March 2020. The Target Group has cash and cash equivalents of approximately RMB193.4 million as at 31 March 2020, representing 19.9% of the total assets. Other assets of the Target Group mainly include property, plant and equipment and investment in a joint venture.

According to the Company's PRC legal adviser, the Target Group is required to obtain various licenses from the relevant government authorities in order to legitimately operate the abovementioned petrol and gas stations. The Target Group is also required to obtain and maintain amongst others, hazardous chemical business license (危險化學品經營許可證) and refined oil retail business approval certificate (成品油零售經營批准證書) for the operations of the petrol stations. We understand from the management of the Company that the Target Group will monitor the licenses application and renewal procedures in compliance with the relevant statutory requirements.

Pending Litigation of the Target Group

As disclosed in the Letter from the Board, Petroleum Corporation was charged by ABC Guanghua Branch for a fabricated factoring transaction, which involved Communications Investment Energy. ABC Guanghua Branch filed a litigation to request Petroleum Corporation, its seven guarantors and Communications Investment Energy to jointly repay the outstanding principal and interests. As at the Latest Practicable Date, the case has not been heard.

As advised by the PRC Legal Adviser, the dispute between Petroleum Corporation and ABC Guanghua Branch may be related to a potential fraud, and if the Petroleum Corporation is pledged guilty for the fabricated factoring transaction and Communications Investment Energy will not be treated as a party to the case and is not required to bear the responsibility of the litigation.

Chengdu Communications has irrevocably undertaken in writing to the Company that, if, after the Completion, Communications Investment Energy is ruled to bear legal responsibilities, Chengdu Communications shall fully compensate the actual losses incurred by the Company. This irrevocable undertaking from Chengdu Communications will be effective after the Share Transfer Agreement and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM.

We have further discussed with the auditor of the Company regarding the financial impact of this litigation. We understand that the litigation is still unsettled and the potential compensation is unable to be reasonably estimated, and therefore no provision in relation by the litigation is made in the financial statement of the Target Group for the three years ended 31 December 2019 and the three months ended 31 March 2020. An estimated legal fee of RMB360,000 will be incurred by the Target Group.

We consider that the undertaking from Chengdu Communications substantially reduce the potential liability and burden of Communications Investment Energy after the Completion. The details of this litigation can be referred to the section headed "5. Material Litigation" in Appendix VI of this Circular.

2. Economic and industry development of Sichuan Province

The table below sets out the annual growth rate of the real gross domestic product ("**Real GDP**") and total retail sales of consumer goods of the PRC, Sichuan Province and Chengdu City and from 2017 to 2019:

	2017	**2018**	**2019**
Real GDP Growth Rate			
– the PRC	6.8%	6.6%	6.1%
– Sichuan Province	8.1%	8.0%	7.5%
– Chengdu City	8.1%	8.0%	8.0%
Total Retail Sales of Consumer Goods Growth Rate			
– the PRC	10.2%	9.0%	8.0%
– Sichuan Province	12.0%	11.0%	10.4%
– Chengdu City	11.5%	10.0%	9.9%

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

According to the statistics compiled by the National Bureau of Statistics of China, the Real GDP in the PRC has been increasing from 2017 to 2019 at a cumulative annual growth rate ("**CAGR**") of approximately 6.5%, while the Sichuan Provincial Bureau of Statistics disclosed that the Real GDP in Sichuan Province and Chengdu City has been increasing at a CAGR of approximately 7.9% and 8.0%, respectively. Furthermore, the total retail sales of consumer goods have also been increasing from 2018 to 2019 at a CAGR of approximately 9.1% while those of the Sichuan Province and Chengdu City have been increasing at a CAGR of approximately 11.2% and 10.5%, respectively. The growth rates of both Real GDP and total retail sales of consumer goods in Sichuan Province and Chengdu City exceeded the national growth rate from 2017 to 2019, indicating a positive growth in the purchasing power in Sichuan Province and Chengdu City.

Meanwhile, along with increasing income level of residents, the possession of civil motor vehicle in the PRC, especially in Sichuan Province and Chengdu City, has also increased in the past few years. Below set out the civil motor vehicle possession of the PRC and Sichuan Province from 2017 to 2019 for our analysis:

	2017	2018	2019
Number of civil motor vehicle possession (million):			
– the PRC	217.4	240.3	261.5
– Sichuan Province	9.9	11.0	12.0
Annual growth rate of civil motor vehicle possession:			
– the PRC	11.8%	10.5%	8.8%
– Sichuan Province	12.5%	10.9%	9.1%

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

In 2019, the possession of civil motor vehicles reached 261.5 million, and 12.0 million in the PRC and the Sichuan Province, respectively, with an annual growth rate of 8.8% and 9.1%, respectively, as compared to that of 2018. The growth in the number of civil motor vehicles in the Sichuan Province exceeded the national growth rate in the same periods. The growing possession of civil motor vehicles could increase the demand for petrol in Sichuan Province and Chengdu City.

As set out in the table above, the growth rates in Sichuan Province outperformed the national GDP and national total retail sales of consumer goods. On 31 March 2017, the Sichuan Government published the "Thirteenth Five-Year" Plan on Comprehensive Traffic Transport Development of Sichuan Province (《四川省「十三五」綜合交通運輸發展規劃》) which outlined the development plan of Sichuan Province's transportation, included the construction of integrated transportation network, namely "八射三聯". This transportation network starts from Chengdu City which will include eight comprehensive transportation channels and connect to the six major economies of the "One Belt One Road".

Taking into account of Sichuan Province's economic development in the past years and the initiatives in expending and upgrading the transportation network by the Sichuan Government, we concur with the Directors that the prospect of Sichuan Province could remain positive which supports the Group to expand into the retail business of refined oil in Chengdu City.

3. Reasons for and benefits of entering into the Share Transfer Agreement

Alignment with development strategy of the Group

As disclosed in the 2019 Annual Report, the Company intends to strengthen the investment, construction, management and maintenance of expressways as core competitiveness. The Group is planning to invest in the construction and operation of two service areas (including petrol station or gas station) near Ande Toll Station on Chengguan Expressway and Xinfan Toll Station on Chengpeng Expressway. The Directors believe that entering into the Share Transfer Agreement could enable the Group to leverage on the expertise and management team of Chengdu Energy Development Company in relation to operation of petrol stations and gas stations to assist the Group to operate the aforesaid service areas. Since the Target Group has accumulated solid experience and expertise in operation of petrol and gas stations, we concur with the Directors that the Acquisition could complement the Company's development in expressway service areas and is in-line with the Company's development strategy.

Revenue and business diversification

Revenue of the Group is solely toll income generated from operation of expressways. We consider that it is commercially reasonable to explore new source of income and reduce reliance from single business segment in long run. As of the Latest Practicable Date, the remaining service concession periods of the expressways controlled or jointly operated by the Group ranged from four to 18 years, of which only four years left for Chengdu Airport Expressway and Chengbei Exit Expressway as their concession arrangements will expire in 2024. Failure to renew would lead to losses in revenue and profit for the Group after 2024.

Moreover, the Target Group has almost 10 years' experience in operating petrol stations through its two subsidiaries, joint venture and associated companies. Therefore, we concur with the Directors that it is beneficial for the Company to diversify its revenue and business through the Acquisition, and it could accelerate the business development process.

Taken into account (i) the Acquisition is in-line with the business plan as stated in the Annual Report; and (ii) the Acquisition could provide new income sources for the Company, we concur with the Directors that the entering of the Share Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

II. Share Transfer Agreement

The major terms of the Share Transfer Agreement are summarized as below:

Date: 25 May 2020

Parties

1. the Company (as the purchaser);

2. Chengdu Communications (as the vendor);

Assets to be acquired

94.49% of the total shares of Chengdu Energy Development Company.

Consideration

The Consideration for the Acquisition is RMB727,570,000, which was determined after arm's-length negotiations between the Company and Chengdu Communications with primary reference to the preliminary valuation of the total shareholders' equity of the Target Group of RMB774,000,000 as at the Valuation Benchmark Date conducted by the Independent Valuer engaged by the Company and the acquisition ratio of the Company (i.e. 94.49%).

Payment of Consideration

The Company shall settle the Consideration within five business days from the satisfaction of all of the conditions as stated in the Share Transfer Agreement.

The Consideration of approximately RMB727.6 million represents a slight discount of 0.5% to the value of 94.49% of Chengdu Energy Development Company appraised by the Independent Valuer as at 31 March 2020 (i.e. RMB774 million). Among the Consideration, RMB367.6 million will be financed by the internal resources of the Group and the remaining will be financed by a new bank borrowings of RMB360 million. Base on a loan agreement with a financial institution dated 6 July 2020, the Company secured bank borrowings of RMB360 million under a term of five years. The interest rate is made reference to the market quoted 5-year or above loan prime rate which is subject to a downward adjustment by subtracting 99.25 basic points. According to the Annual Report, the Group's historical borrowing rates are in the range between 4.41% and 4.9%. As at the Latest Practicable Date, the loan prime rate is 4.65% and the expected interest rate of the bank borrowings may be lower than the historical borrowing rates. Interest is payable on quarterly basis while the loan principal is repayable in 10 equal instalments on semi-annually basis.

According to the Annual Report for FY2019, the cash and cash equivalents as at 31 December 2019 was amounted to approximately RMB1,506.5 million. Moreover, the Company will obtain bank loan of RMB360 million with an expected term of five years. Furthermore, with reference to the consolidated statement of cash flows disclosed in the Annual Reports, the net cash flows from operating activities for FY2017, FY2018 and FY2019 were approximately RMB353.2 million, RMB161.4 million and RMB1,015.7 million, respectively, which represents that the Group maintained positive cashflow performance. Considering the average annual net profit of the Group of approximately RMB428.3 million from FY2017 to FY2019, we concur with the Directors that the Acquisition will not exert additional material capital pressure on the operation of the Group.

As discussed with the management of the Company, the Company has considered equity financing, such as placing, rights issue or open offer, the Company will need to undergo a relatively lengthy process in order to (i) identify suitable underwriter(s) and negotiate terms agreeable to the Company; (ii) prepare the requisite compliance and legal documentation, including but not limited to the underwriting agreement(s), announcement(s) and prospectus(es). Also, the Directors consider that the placing, rights issue or open offer would incur more transaction costs including but not limited to placing/underwriting commission and such corporate exercises would have a relatively more time-consuming process including the lengthy process of identifying potential placee(s) and/or underwriter(s), if applicable; and that the lengthy timetable and procedures of implementing placing, rights issue or open offer which may affect the fund raising plan to meet the payment term according to the Share Transfer Agreement. For other equity financing method such as subscription of shares of the Company, issuance of new H shares is subject to a lengthy approval process from China Securities Regulatory Commission.

Having considered the above alternative fund raising methods, we concur with the Directors that the settlement of the Consideration by way of cash and debt financing is reasonable and in the interest of the Company and Independent Shareholder as a whole.

III. Valuation Report

1. Competence of the Independent Valuer

In order to assess the expertise and independence of the Independent Valuer, we have (i) reviewed the engagement letter between the Independent Valuer and the Company; (ii) conducted telephone discussions with the core team member of the Independent Valuer to understand its experience and its relationship with the Company and the valuation methodology; and (iii) discussed with the Independent Valuer about its previous experiences on valuation projects. Based on our work performed as mentioned above, we understand that the Valuation Report is prepared by Mr. Simon M.K. Chan, the executive director of the Independent Valuer. Mr. Chan is a qualified valuer and a qualified accountant with over 20 years of relevant experiences in valuation projects with listed companies. The other team members also have relevant education background and working experience in valuation projects in Hong Kong and the PRC. The Independent Valuer has confirmed that it is an independent third party of the Company, Chengdu Energy Development Company and Chengdu Communications, and their connected persons; and the scope of work of this engagement is appropriate and suitable for the preparation of the Valuation Report. As such, we are not aware of any matters that could cause us to have doubts on the expertise and independence of the Independent Valuer.

2. Methodologies and assumption

We have reviewed and discussed with the Independent Valuer about the bases, assumptions and methodologies adopted to estimate the market value of Target Group as at 31 March 2020. The Independent Valuer has further advised that it has primarily adopted the market approach based on prices recently paid for similar assets, with adjustments made to reflect the difference between the Target Group and the market comparable. This method requires research of comparable companies' benchmark multiples and selection of a suitable multiple to derive the market value of 100% equity interest in Chengdu Energy Development Company. The Independent Valuer has considered certain commonly used benchmark multiples including price to earnings (the "**P/E**"), price to book (the "**P/B**"), price to sales, enterprise value to sales and enterprise value to earnings before interest, taxes, depreciation and amortization (the "**EV/EBITDA**"). The Independent Valuer has adopted EV/EBITDA as benchmark multiple in this valuation as the EV/EBITDA is suitable for profitable companies and can factor in differences in balance sheet position between the subject company and the comparable companies. According to our discussion with the Independent Valuer, the enterprise value is a measure of a company's total value, often used as a more comprehensive alternative to market capitalisation of listed companies while EBITDA is a widely used metric of corporate profitability derived from its operating activities and can be used to compare companies against each other and their industry averages. The EV/EBITDA multiple measures how much an independent acquirer is willing to pay for the operating profit of a company's assets, regardless of its capital structure. Meanwhile, P/E and the P/B approaches were not adopted since the P/E approach does not consider the financial leverage and other related risk feature across different companies and the P/B approach is only common for asset intensive companies. Price to sales and enterprise value to sales approaches do not consider the profitability of a company. Due to the above limitations, the Independent Valuer has applied the EV/EBITDA approach and selected five comparable companies to derive the EV/EBITDA multiple.

Based on our research and as confirmed by the Independent Valuer, no publicly listed companies with principal business solely in the retail sale of refined oil through petrol stations in the PRC are identified. We understand that the Independent Valuer has, on a best effort basis, identified an exhaustive list of five comparable companies based on the selection criteria that they (i) are engaged in the sale of oil products and natural gas, and/or related business; (ii) have principal business in the PRC; and (iii) are publicly listed in Hong Kong and/or the PRC.

The information of the comparable companies identified by the Independent Valuer are summarized in the below table:

	Location of principal business	Number of gas/petrol stations during FY2019	Revenue of FY2019 *RMB million*	Revenue from sale of refined oil/LPG to the total revenue	Market Capitalisation as at Valuation Benchmark Date *RMB million*	Base EV/EBITDA	Adjusted EV/EBITDA
Listed in the PRC:							
Oriental Energy Co Ltd (2221.SZ)	Jiangsu, Zhejiang and Shanghai	15	46,188	77.8%	14,369	9.22x	6.80x
Shenzhen Guangju Energy Co., Ltd (0096.SZ)	Guangdong	12	1,623	87.3%	5,623	67.55x	12.32x
Listed in Hong Kong:							
New Ocean Energy Holding Limited (0342.HK)	the PRC	Nil *(Note 1)*	27,792	96.5%	1,543	5.67x	5.36x
United Strength Power Holdings Limited (2337.HK)	Northeastern China	22	403	81.4%	1,181	14.03x	12.84x
JTF International Holdings Limited (8479.HK)	Guangdong.	Nil *(Note 2)*	2,135	83.8%	425	6.20x	6.01x
Median (adopted as EV/EBITDA multiple in the Valuation)						9.22x	6.8x
Average of all five comparable companies						20.53x	8.67x
Average of comparable companies listed in Hong Kong						8.63x	8.07x
Average of three comparable companies with operation in gas/petrol stations						30.26x	10.65x

Note 1: This company is engaged in the sales and distribution of liquefied petroleum gas and oil/chemical products business.

Note 2: This company is engaged in the wholesale of oil products (including refined oil, fuel oil) and other petrochemical products.

Based on our research, on our best effort basis, we noted that more than 75% of the revenue of these comparable companies are derived from the retail or wholesale business of petrol or gas and these businesses are mainly conducted in China. We noted that there are two comparable companies (i.e. New Ocean Energy Holding Limited and JTF International Holdings Limited) were not engaged in operation of gas stations or petrol stations. We understand that there is no comparable company which is solely engaged in operation of petrol stations in the PRC and all revenue are derived from the sale of refined oil through petrol stations. It is a prudent approach to include these two comparable companies in the analysis since their businesses are similar to that of the Target Group. In view of revenue stream and business location, these comparable companies are comparable to the existing business of the Target Group and therefore we concur with the Independent Valuer that these comparable companies are the most suitable for this valuation model.

The comparable companies conduct their businesses in different regions, they are thus exposed to different macroeconomic and market risks. Moreover, the comparable companies are in different size of the Target Group in view of their market capitalization as at the Valuation Benchmark Date which are in the range between approximately RMB425 million to RMB14,369 million and their annual revenue are in the range between RMB403 million and RMB46,188 million. Larger companies generally have lower expected returns that translate into higher values. On the other hand, small companies are generally perceived as riskier in relation to business operation and financial performance, and therefore the expected returns are higher and resulting in lower multiples. Therefore, as advised by the Independent Valuer, the base multiples were adjusted to reflect the difference in operation size and risk level between the comparable companies and the Target Group.

The reciprocal of the Base EV/EBITDA multiples in substance represents the capitalization rate of the enterprise value. Without adjustments, such capitalization rates have not factored in the differences in the size and country risk between the comparable companies and the Target Group. The Independent Valuer collectively adopted (i) the ratio of EBITDA to net operating profit after tax; (ii) the ratio of the market capitalization to the enterprise value and (iii) size premium differentials and country risk differentials to derive the adjustment parameter to reflect the difference in natures between the comparable companies and the Target Group. The ratio of EBITDA to the net operating profit after tax and the ratio of the market capitalization to the enterprise value are used to standardize the Base EV/EBITDA multiple in view of the difference in leverage among the comparable companies in term of profitability and financial position. For adjustment for difference in size and country risk, the Independent Valuer referred to academic publications regarding (i) the size premium differentials of the market capitalization between comparable companies and Target Group; and (ii) the country risk differentials of the country risk between the comparable companies and Target Group.

With reference to the Appendix I to the Circular, the derivation of the Valuation is summarized below:

		RMB'million (approximately)
Trailing 12 months EBITDA of the Target Group	*(a)*	110.9
Adjusted EV/EBITDA multiple (times)	*(b)*	6.80x
EV of the Target Group	*(a)* × *(b)*	753.8
Add: Non-operating assets		2.3
Add: Cash and cash equivalents		193.4
Add: Deferred tax assets		14.9
Add: Long-term investments		197.0
Less: Non-operating liabilities		(9.6)
Less: Deferred tax liabilities		(40.6)
Less: Minority interests in the Target Group		(331.2)
		780.0
Less: Discount for lack of marketability (22.21%)		(173.2)
Add: Control premium (27.5%)		166.9
Market Value of 100% equity interest attributable to shareholder of the Target Group (rounded)		774.0

According to the Valuation Report, the final calculation of the valuation was based on the trailing 12 months EBITDA of Target Group for the period from 1 April 2019 to 31 March 2020 which is amounted to approximately RMB110.9 million. The EBITDA is calculated by excluding (i) impairment losses of other receivables and (ii) impairment loss of fixed assets from the net profit before interests, tax, depreciation and amortization. Set out below is a schedule showing the calculation of the Target Group's trailing 12 months EBITDA:

	RMB'million
EBITDA for the year ended 31 December 2019 (Audited)	116.0
Less: EBITDA for the three months ended 31 March 2019 (Unaudited)	(25.0)
Add: EBITDA for the three months ended 31 March 2020 (Audited)	19.9
Trailing 12 months EBITDA of the Target Group	110.9

We noted that the calculation of the trailing 12 months EBITDA of the Target Group involved the unaudited financial information for the three months ended 31 March 2019. As mentioned in the Appendix IIIA of the Circular, this financial information has been reviewed by the reporting accountants of the Target Group. We have cross-checked the calculation of the trailing 12 months EBITDA and the relevant adjustments of non-operating assets and liabilities to the audited accounts of the Target Group in Appendix IIIA. We further understood from the Independent Valuer that the trailing 12 months EBITDA of the Target Group included the financial performance of the Target Group for the period between January 2020 and March 2020 and therefore the recent financial performance related to impact of COVID-19 on the Target Group has been factored in the valuation model. Considering the above reasons, we concur with the Directors that the use of trailing 12 months EBIDTA of the Target Group based on the financial information of Appendix IIIA of the Circular is reasonable.

After multiplying the adjusted EV/EBITDA at 6.80x, the enterprise value of Target Group was approximately RMB753.8 million as at 31 March 2020. The Independent Valuer further considered, inter alia, the non-operating assets and liabilities of the Group (including the investment in joint venture and associated companies), the interests of non-controlling shareholders of Chengdu Energy Development Company, discount for lack of marketability and control premium of Chengdu Energy Development Company, the market value of 100% equity interest of Chengdu Energy Development Company and its subsidiaries was amounted to approximately RMB774.0 million as at 31 March 2020.

The median of adjusted EV/EBITDA multiple was adopted in the valuation, then multiplied by the historical financial result of the Target Group to determine the enterprise value of the Target Group. The enterprise value was then adjusted by subtracting non-operating liabilities, deferred tax liabilities, and adding back the cash and the cash equivalents, non-operating assets and the long-term investments (including investment in the joint venture and associated companies). We checked to the adjustments and noted that the financial data of non-operating assets, cash and cash equivalents, deferred tax assets, non-operating liabilities and deferred tax liabilities were retrieved from the audited financial statements of the Target Group. The market value of the joint venture and two associated companies (which are in the same industry of the Target Group) are derived using the adjusted EV/EBITDA multiple (i.e 6.8x) and the trailing 12 month EBITDA. The market value of another associated company is derived from its net book value because its operation commenced in October 2019 without trailing 12 months EBITDA. The Independent Valuer has further adjusted the control premium and the lack of marketability discount to derive the market value of the equity interest of the Target Group attribute to shareholders as of the Valuation Benchmark Date. We noted that the financial information used to derive the valuation result is in line with the financial information disclosed in the audited account of the Target Group in Appendix IIIA of the Circular and therefore we consider that the valuation result is derived from a set of reliable financial figures.

We have reviewed the source document of EV/EBITDA of the comparable companies and understood the rationale of the adjusted EVEBIDA from the Independent Valuer. We agree that the EV/EBITDA ratios are fairly adjusted to deal with the differences of the comparable companies in term of their business scale, profitability and risk level. As illustrated above, we have further analysed the adjusted EV/EBITDA ratios and considered that the Independent Valuer has adopted a less aggressive approach by applying the median of the adjusted EV/EBITDA ratios whilst both the average of the adjusted EV/EBITDA ratios of all five comparable companies and comparable companies listed in Hong Kong are higher. Excluding the two comparable companies without operation of petrol and gas stations, the average of the adjusted EV/EBITDA ratios of the remaining comparable companies are much higher than the multiple of 6.8x adopted in the Valuation. We concur with the Independent Valuer to adopt a relatively prudent multiple for the valuation.

The Independent Valuer also advised that the general assumptions used in the valuation of Chengdu Energy Development Company are common assumptions adopted in various business valuation projects including but not limited to no material change in the existing political, economic, social, legal, tax conditions where the business is currently in operation. We noted that such assumptions are generally adopted in other business valuations.

After considering (i) the reasons for adopting market approach; (ii) the selection basis for comparable companies; (iii) the methodology to derive the market value of 100% equity interest of Chengdu Energy Development Company, in particular the formula to derive the adjusted EV/EBITDA multiple; (iv) the reasonableness of the bases and assumptions adopted in the valuation of Chengdu Energy Development Company; and (v) the source of data and financial information used in the valuation model, we consider that the rationale behind the determination of the Consideration, which is with reference to the valuation of Chengdu Energy Development Company as at 31 March 2020, is fair and reasonable.

IV. Amendment to Non-competition Agreement

On 29 June 2017, the Company and Chengdu Communications entered into the Non-competition Agreement, pursuant to which Chengdu Communications has irrevocably undertaken that, Chengdu Communications 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 principal business of the Group. The principal business of the Group is currently defined as the operation, management and development of expressways located in and around Chengdu, Sichuan province.

Upon the Completion, the principal business of the Group will include two business segments which are (i) the construction, operation and maintenance of toll expressways located in Sichuan province; and (ii) the investment in petrol station and gas stations, retail of refined oil and retail of CNG.

We further understand from the management of the Group that Chengdu Communications have certain investments including (i) Communications Investment Daguan operates a petrol station in Chenghua District, Chengdu, Sichuan province while the Target Group operates four petrol stations in Chenghua District, Chengdu and (ii) Zhongyou Jieneng operates a total of six gas stations in Chenghua District, Jinniu District and Jinjiang District of Chengdu, Sichuan province, respectively while the joint ventures and associated companies of the Target Group operate gas stations in Chengdu, both of which are engaged in retail and wholesale of refined oil and/or CNG, which has direct competition with the Enlarged Group. As the operation of Communications Investment Daguan and Zhongyou Jieneng are similar in nature and in the same geographical locations as compared with the Target Group, we considered that there is direct competition between these companies. Based on the unaudited management account of Communications Investment and Zhongyou Jieneng, the revenue of FY2019 was approximately RMB6.8 million and RMB55.2 million, respectively, representing approximately 0.7% and 5.3% of the revenue of the Target Group for FY2019. In terms of revenue generation and number of gas stations, the operation scale of Communications Investment Daguan and Zhongyou Jieneng are much smaller than that of the Target Group.

According to the Letter from the Board, the relevant equity transfer agreement will be entered into between Chengdu Energy Development Company and the vendor with respect to the acquisition of the 47.49% equity interests of Zhongyou Jieneng on or before 31 July 2020. The Share Transfer Agreement had been entered into on 25 May 2020, based on the terms of the Share Transfer Agreement, the completion of the acquisition of the 47.49% equity interests of Zhongyou Jieneng by Chengdu Energy Development Company before the Completion will not affect the Consideration. Also, the completion of the acquisition of the 47.49% equity interests in Zhongyou Jieneng by Chengdu Energy Development Company does not constitute a condition precedent to the Acquisition. Given that (i) up to the Latest Practicable Date, no legal-binding agreement was signed regarding this acquisition and (ii) the effect of this acquisition was not reflected in Appendix IV to the Circular, the financial impact of the acquisition of the 47.49% equity interests of Zhongyou Jieneng could not be estimated at this stage.

We consider that it is crucial to amend the Non-Competition Agreement to reflect the change of principal business of the Group and Chengdu Communications further offer an option of acquisition and a right of first refusal to the Company with regard to the retained business in the future. Having an option to acquire the retained business, the Board has the priority to assess and consider whether acquiring the retained business is beneficial to the Company and in the interests of the Shareholders. Having the first right of refusal, the Company can reject the offer to acquire such retained business if the Board considers that such acquisition is not beneficial to the Company. Based on the above, we are of the view that entering into the Supplemental Agreement to the Non-competition Agreement is fair and reasonable to the Company and the Shareholders.

V. Financial effects of the Acquisition on the Group

As a result of the Acquisition, Chengdu Energy Development Company would become a non-wholly owned subsidiary of the Company, and the financial statements of the Target Group will be consolidated into the accounts of the Company. The financial impacts to the Group are referred to in the Appendix IV to the Circular.

1. Earnings

Upon the Completion, the Target Company will become a direct non-wholly owned subsidiary of the Company, and the financial results of the Target Group will be consolidated in the Group's financial statements. The Target Group has been profit-making for the three years ended 31 December 2019, however, the Target Group recorded net loss of approximately RMB23.6 million for the three months ended 31 March 2020 due to a one-off impairment loss of other receivables amounted to RMB45.8 million. After the Completion, the result of the Enlarged Group will be slightly affected by such loss. Considering the profit-making performance of the Target Group for the past three financial years, we concur with the Directors that the Target Group will have a positive impact on the Enlarged Group's long-term financial performance.

2. Working capital

As shown in Appendix IV, the working capital of the Group (i.e. total current assets of approximately RMB1,828.4, less total current liabilities of approximately RMB1,415.1) and cash and cash equivalents as at 31 December 2019 amounted to approximately RMB413.3 million and RMB1,506.5 million, respectively, representing a current ratio of approximately 1.3 times.

The Consideration will be financed by the Company's internal funds and bank borrowings of RMB360 million. Based on the unaudited pro forma financial information of the Enlarged Group (the "**Pro Forma Information**") as set out in Appendix IV, the current assets and current liabilities of the Enlarged Group will be RMB1,704.9 million and RMB1,450.2 million respectively, representing a current ratio of approximately 1.18 times.

On such basis, the payment of the Consideration would not exert considerable pressure on the working capital of the Group.

3. Net asset value

As shown in Appendix IV, the Group recorded consolidated net asset value (excluding non-controlling interests) of the Group was approximately RMB3,300.0 million. Based on the Pro forma Information, the unaudited consolidated net asset value (excluding non-controlling interests) of the Enlarged Group was approximately RMB3,121.4 million. After the Completion, the net asset value of the Enlarged Group did not demonstrate a material deterioration.

4. Gearing position

As at 31 December 2019, the Company had total borrowings of RMB3,014.7 million and recorded a gearing ratio (being total liabilities divided by total assets) of 54.2%. The Consideration will be partially financed by bank borrowings of RMB360 million for a term of five years. Based on the Pro Forma Information, the total borrowings of the Enlarged Group will increase to RMB3,374.7 million and the gearing ratio will slightly increase to 55.5%. However, upon the Completion, the Target Group will contribute cash inflow to the Enlarged Group and the profit of the Target Group will be consolidated into the financial result of the Group. Such cash inflow will improve the cash position of the Group and can also be used for repayment of borrowings, while the net profit of the Target Group recognized by the Company could enhance the net asset value of the Enlarged Group, which in turn will improve the gearing position of the Enlarged Group.

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

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, and in particular the following:

(i) the Acquisition is in-line with development strategy of the Company and could diversify its business portfolio and revenue segments;

(ii) the Target Group is profit-making during the three years ended 31 December 2019 and the first quarter of 2020 (excluding the one-off impairment loss of other receivables of RMB45.8 million);

(iii) the Consideration represents a slight discount against the Valuation; and

(iv) the Supplemental Agreement to the Non-Competition Agreement could reflect the change of principal business of the Group and the scope of the retained business after the Acquisition without affecting the daily operation of the Enlarged Group.

We consider that entering into the Share Transfer Agreement and the Supplemental Agreement to the Non-competition Agreement are not in the ordinary and usual course of business of the Group because of its "one-off" nature. Nevertheless, the Acquisition is on normal commercial terms and the terms of the abovementioned agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Share Transfer Agreement and the transactions contemplated thereunder and the Supplemental Agreement to the 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 20 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 subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer Type 9 (asset management) regulated activities. Mr. Wong has more than 15 years 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 Takeovers Code.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with their valuation as at 31 March 2020 of 100% equity interest attribute to shareholder in the Target Group.

JLL 仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2845 9117
Company Licence No.: C-030171

10 July 2020

The Board of Directors
Chengdu Expressway Co., Ltd.
1 Kexin Road
High-Tech Zone
Chengdu, Sichuan
PRC

Dear Sirs,

In accordance with the instructions from Chengdu Expressway Co., Ltd. (the "**Chengdu Expressway**"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited has undertaken a valuation exercise which requires us to express an independent opinion of the market value of the 100% equity interest attribute to shareholder in Chengdu Energy Development Co., Ltd. and its subsidiaries (the "**Target Group**"), as at 31 March 2020 (the "**Valuation Date**"). The report which follows is dated 10 July 2020 (the "**Report Date**").

The purpose of this valuation is for Chengdu Expressway's internal reference and inclusion in its public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

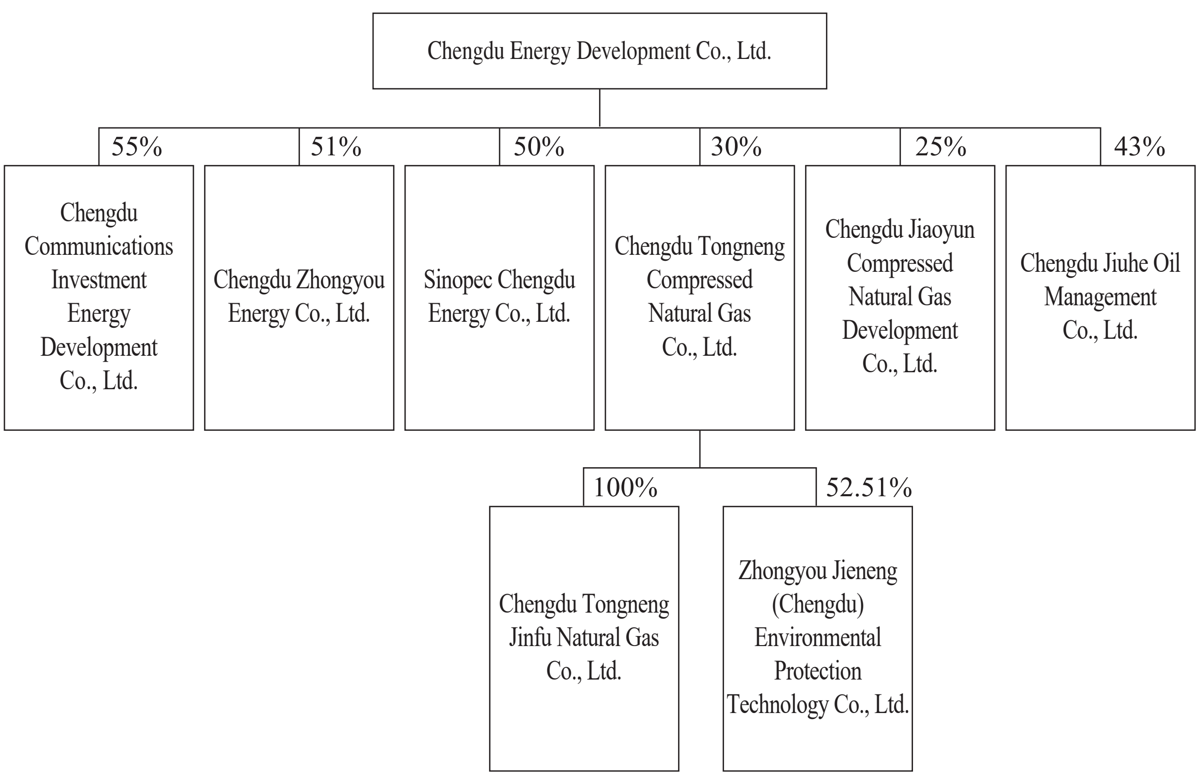
BACKGROUND OF THE TARGET COMPANY

Chengdu Energy Development Co., Ltd. was established under the laws of the PRC in June 2011 and it officially changed into a joint stock company incorporated in the PRC with limited liability on February 2017. Chengdu Energy Development Co., Ltd. has a registered capital of RMB381 million, directly and indirectly holding six companies which are in the business of sales of refined oil and CNG. During the financial year ended 31 December 2019, the revenue of the Target Group increased by 88.3% while its EBITDA increased by 7.5% from a year before. The increase was mainly due to the Target Group's acquisition of an additional interest in Chengdu Zhongyou Energy Co., Ltd. in 25 September 2018, after which the Target Group began to consolidate the financial results of Chengdu Zhongyou Energy Co., Ltd.

Key financial information of the Target Group for the two financial years ended 31 December and the three months ended 31 March 2020, is set out as below (unit: RMB'000):

	2018/12/31	**2019/12/31**	**2020/03/31**
	(Audited)	(Audited)	(Audited)
Revenue	555,081	1,045,458	181,712
EBITDA	107,909	116,031	19,854
Net asset value	887,280	918,549	894,900

The organization chart of the Target Group is extracted as follows:



SOURCES OF INFORMATION

In conducting our valuation of the 100% equity interest in the Target Group, we have reviewed information from several sources, including, but not limited to:

- Background of the Target Group and relevant corporate information;
- Audited financial information of the Target Group;
- Business licenses of the Target Group;
- Other operation and market information in relation to the Target Group's business.

We have held discussions with management of the Target Group, and conducted market research from public sources to assess the reasonableness and fairness of information provided. We assumed such information reliable and legitimate; and we have relied to a considerable extent on the information provided by the Target Group in arriving at our opinion of value.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by International Valuation Standards Council ("**IVSC**"). The valuation procedures employed include a review of legal status and economic condition of the Target Group and an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Target Group. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Target Group;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income;
- Consideration and analysis on the micro and macro economy affecting the subject business; and
- Assessment of the liquidity of the subject business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target Group.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same of a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Given the unique characteristics of the asset, there are substantial limitations for the income approach and the cost approach for valuing the Target Group. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value but such information is not available as at the Valuation Date. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject business.

In view of the above, we have adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

The market approach can be applied through two commonly used methods, namely guideline public company method and the comparable transaction method. The comparable transaction method utilizes information on transactions involving assets that are same or similar to the subject asset. However, for this particular valuation exercise, it is difficult to acquire sufficient and timely information of such kind of transaction. Therefore, in this valuation exercise, the market value of the 100% equity interest in the Target Group is developed through the guideline public company method.

This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the 100% equity interest in the Target Group. In this Valuation, we have considered the following commonly used benchmark multiples:

Benchmark multiple	**Abbreviation**	**Analysis**
Price to earnings	P/E	**Not used.** P/E is not selected as it does not capture the financial leverage and other related risk feature across the companies.
Price to book	P/B	**Not used.** P/B is common for asset intensive industries which is not the case for the Target Group.
Price to sales & Enterprise Value to Sales	P/S & EV/S	**Not used.** P/S & EV/S are not used in the valuation as P/S & EV/S do not take into account a company's profitability.
Enterprise Value to EBITDA	EV/EBITDA	**Adopted.** EV/EBITDA is suitable for profitable companies and can factor in differences in balance sheet positions between the subject and the comparable companies. In this Valuation, EV/EBITDA is calculated as enterprise value as at the Valuation Date divided by the EBITDA over the latest twelve-month period from the Valuation Date.

We applied the enterprise value to EBITDA ("**EV/EBITDA**") multiple, to determine the market value of the Target Group and then taken into account of further adjustments to arrive at the market value.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value.

The following key assumptions in determining the market value of the equity interest have been made:

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Group;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- We have assumed that the facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge;
- We have been provided with copies of the business licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;
- We have assumed the accuracy of the financial and operational information provided to us by the Target Group and relied to a considerable extent on such information in arriving at our opinion of value;
- We have assumed the capital structure of the Target Group will not change; and
- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

SUMMARY OF MARKET APPROACH

In determining the financial multiple, a list of comparable companies was identified. The selection criteria include the followings:

- The companies derive most, if not all, of their revenues from the same or closely related industry of the Target Group. i.e., sales of oil products and natural gas and/or related business;
- The comparable companies are searchable in Bloomberg;
- The comparable companies are publicly listed in Hong Kong and/or the PRC exchange;
- The comparable companies are located in Hong Kong and/or the PRC; and
- EV/EBITDA multiple as at the Valuation Date, on the companies are available.

During the research process, as obtained on the best effort basis, we have identified an exhaustive list of five comparable companies that engaged in the sale of oil products and natural gas, and/or related business. Some of the comparable companies are operating gas or petrol stations while the others operate as wholesalers. Nevertheless, the difference should not overshadow the similarity of the business nature of the companies. We consider these companies have a similar profit model by earning a mark up on the price of finished refined oil products, CNG and/or LPG products. Thus, we consider these companies are comparable to the Target Group. As sourced from Bloomberg, the details of the comparable companies are listed below:

Comparable Company A:	Oriental Energy Co., Ltd.
Stock Code:	002221 CH Equity
Listing date:	2008-03-06
Scope of operation:	Oriental Energy Co., Ltd. is a China-based company, principally engaged in the distribution of liquefied petroleum gas (LPG) and chemicals. The company's LPG products include high purity LPG, used as automotive fuels and basic chemical raw materials. The company operates its businesses mainly within domestic markets.

Comparable Company B: Shenzhen Guangju Energy Co., Ltd.

Stock Code: 000096 CH Equity

Listing date: 2000-07-24

Scope of operation: Shenzhen Guangju Energy Co., Ltd. is a China-based company principally engaged in the retailing and wholesaling of refined oil. The Company operates gas stations. The company mainly operates its business in domestic market.

Comparable Company C: New Ocean Energy Holdings Limited

Stock Code: 342 HK Equity

Listing date: 1993-03-03

Scope of operation: New Ocean Energy Holdings Limited is an investment holding company principally engaged in the sales and distribution of liquefied petroleum gas (LPG) and natural gas (NG), oil products business and sales of electronic products. The company mainly operates its businesses in the sales of LPG and oil products.

Comparable Company D: United Strength Power Holdings Limited

Stock Code: 2337 HK Equity

Listing date: 2017-10-16

Scope of operation: United Strength Power Holdings Limited is a company principally engaged in the operation of vehicle compressed natural gas (CNG) refueling station, and provision of transportation services by managing dangerous goods transportation vehicles. The company operates refueling stations in Northeast China.

Comparable Company E: JTF International Holdings Limited

Stock Code: 8479 HK Equity

Listing date: 2018-01-17

Scope of operation: JTF International Holdings Limited is an investment holding company mainly engaged in the wholesale of oil and other petrochemical products. The Company's products can be broadly categorized into fuel oil, refined oil, and other petrochemical products.

The proportions of revenue of the comparable companies from the operation of refined oil/LPG business as compared to their respective total revenue are listed as below:

Ticker	**Name**	**FY2019 Total revenue** *Unit: RMB million*	**Proportion of revenue from sales of finished refined oil products, CNG and/or LPG products**
002221 CH Equity	Oriental Energy Co., Ltd.	46,188	77.84%
000096 CH Equity	Shenzhen Guangju Energy Co., Ltd.	1,623	87.25%
342 HK Equity	New Ocean Energy Holdings Limited	24,838	96.46%
2337 HK Equity	United Strength Power Holdings Limited	403	81.39%
8479 HK Equity	JTF International Holdings Limited	2,135	83.84%

Financial data retrieved from Bloomberg

As the businesses of the comparable companies are located in different regions, they are thus exposed to different macroeconomic and market risks. Moreover, the comparable companies are often of significantly different sizes from the Target Group. Larger companies generally have lower expected returns that translate into higher values. On the other hand, small companies are generally perceived as riskier in relation to business operation and financial performance, and therefore the expected returns are higher and resulting in lower multiples. Therefore, the EV/EBITDA multiples of the comparable companies were adjusted to reflect their differences in natures from the Target Group.

We referred to a formula in the textbook "Financial Valuation – Applications and Model" by James R. Hitchner, a renowned valuation expert in the US, for the pricing multiple adjustments:

Adjusted EV/EBITDA multiple = $1/((1/M) + \theta * \varepsilon * \alpha)$

where:

M = The base EV/EBITDA multiple
θ = Required adjustment for difference in size and country risk
ε = The ratio of the market capitalization to the enterprise value of the comparable company
α = The ratio of EBITDA to NOPAT of the comparable company

(Reference: Hitchner, R. (2017) Financial Valuation: Applications and Models (4th Edition))

The ratio of enterprise value ("**EV**") to EBITDA was used as the base multiple M in this valuation. EV is a measure of a company's total value, often used as a more comprehensive alternative to equity market capitalization. EBITDA is a widely used metric of corporate profitability, it can be used to compare companies against each other and industry averages. Also, EBITDA is a good measure of core profit trends because it eliminates some extraneous factors and allows a more "apples-to-apples" comparisons. EV and EBITDA are calculated using the formula as follows:

EV = Market capitalization + Preferred equity + Minority interest + Short-term debt + Long-term debt – Cash and cash equivalents

EBITDA = earnings before interest, taxes, depreciation and amortization, adjusted for any one-off/ extraordinary items

The next step was to take the reciprocal of M to come up with 1/M. The logic behind the pricing multiple adjustments is that the reciprocal of the base multiple represents a capitalization rate. In this valuation, the reciprocal of the base EV/EBITDA multiple represents a capitalization rate of the enterprise value.

For the parameter θ, it was used as a desired adjustment to reflect the difference in natures between the comparable companies and the Target Group. With reference to Ibbotson SBBI 2020 Valuation Yearbook, depending on the market capitalization of each of the Comparable Companies, size premium differentials of 0%-3.65% were adopted to capture the size difference between the Comparable Companies and the Target Group. With reference to a publication from Dr. Aswath Damodaran of New York University, country risk differentials of 0%-0.29% were adopted to capture the difference in country risk between the Comparable Companies and the Target Group.

The ratio of the market capitalization to enterprise value ε was adopted as a weighting factor. As aforesaid, the logic behind this formula is that a pricing multiple is the reciprocal of the capitalization rate. In the case of an enterprise value multiple, the capitalization rate is driven by the weighted average cost of capital ("**WACC**") of the valuation subject. Since the size and country risk premium differentials "θ" are applicable only to the equity portion (for a listed company, market capitalization represents the market value of its equity) but not to the debt portion of the WACC, we shall only adjust the equity portion of the capitalization rate in this pricing multiple adjustment formula. The ratio ε was used to apply an appropriate weighting on the parameter θ so that the capitalization rate was adjusted only to the extent of its equity portion. In other words, the ratio ε takes into account of the varying capital structures among the comparable companies.

The ratio of EBITDA to net operating profit after tax ("**NOPAT**") was used as a scale factor α, which is applied in the adjustment of the EV/EBITDA multiple. It is considered that the base measure of the benefits for enterprise value to be NOPAT (Hitchner, 2017), which is a financial measure that shows how well a company performed through its core operations net of taxes and it excludes tax savings from existing debt and one-time losses or charges. As EV/EBITDA was adopted as the pricing multiple in this valuation, EBITDA becomes an alternative measure of the benefits for enterprise value in the pricing multiple adjustment formula. Hence, α was used as a scale factor for the alternative measure of benefit.

Details of the adjusted factors of the comparable companies are shown as below:

		FY2019		As at 31 March 2020				
Ticker	**Company name**	**EBITDA** *Unit: RMB million*	**NOPAT** *Unit: RMB million*	**Market capitalization** *Unit: RMB million*	**Enterprise value** *Unit: RMB million*	**EBITDA To NOPAT "α"**	**Market capitalization to Enterprise value "ε"**	**Size and Country risk Premium Differential "θ"**
002221 CH Equity	Oriental Energy Co., Ltd.	2,640.11	1,557.90	14,369.41	22,976.78	1.69	0.63	3.65%
000096 CH Equity	Shenzhen Guangju Energy Co., Ltd.	60.43	42.14	5,623.12	4,133.06	1.43	1.36	3.40%
342 HK Equity	New Ocean Energy Holdings Limited	1,033.51	792.69	1,542.58	6,021.86	1.30	0.26	3.06%
2337 HK Equity	United Strength Power Holdings Limited	89.17	39.70	1,180.55	1,163.60	2.25	1.01	0.29%
8479 HK Equity	JTF International Holdings Limited	62.87	40.29	424.86	377.87	1.56	1.12	0.29%

Financial data retrieved from Bloomberg

Applying on the pricing multiple adjustment formula and the results of the adjusted factors on "α", "ε" and "θ" as above, after the adjustment on the base EV/EBITDA multiples, the adjusted EV/EDITDA multiples of the comparable companies are listed as below:

Ticker	**Company name**	**Base EV/EBITDA multiple** (M) *	**Adjusted EV/EBITDA multiple** $(1/((1/M)+\alpha*\varepsilon*\theta))$
002221 CH Equity	Oriental Energy Co., Ltd.	9.22	6.80
000096 CH Equity	Shenzhen Guangju Energy Co., Ltd.	67.55	12.32
342 HK Equity	New Ocean Energy Holdings Limited	5.67	5.36
2337 HK Equity	United Strength Power Holdings Limited	14.03	12.84
8479 HK Equity	JTF International Holdings Limited	6.20	6.01
	Median	**9.22**	**6.80**

Note: Data retrieved from Bloomberg. When Bloomberg calculates the EV/EBITDA multiples as at 31 March 2020, certain balance sheet components of the enterprise value, e.g. cash and loans, are adjusted to the period of FY2019 so as to align with the EBITDA whose latest period available is FY2019.*

DISCOUNT FOR LACK OF MARKETABILITY (DLOM)

A factor to be considered in valuing closely held companies is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

As there is no specific disclosure requirement for transactions involving non-listed companies in China, no information of such kind is readily available from public filing or announcements and thus no direct analysis on the DLOM can be performed. This limitation on data regarding the non– listed company transactions is similar in other countries. Thus for the analysis of the DLOM, theoretical models and empirical studies are the two most common methodologies for determining the DLOM. Of the theoretical models, the put option model is a commonly recognized method in determining the DLOM. Of the empirical studies, most of the DLOM studies focus on transaction of restricted stock which refers to stock of a company that is not fully transferable (from the stock-issuing company to the person receiving the stock award) until certain conditions (restrictions) have been met.

In this valuation exercise, we have assessed the DLOM using the put option method, which is one of the most used theoretical models. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. The value of put option is determined by "Black Scholes Option Pricing Model" with the following parameters.

Parameters	**31 March 2020**	**Remarks**
Option Type	European Put	
Spot Price and Exercise Price	1	Refer to Note 1
Maturity	2 years	Refer to Note 2
Risk Free Rate	1.892%	Yield Rate on 2-Year CNY China Government BVAL Curve as at 31 March 2020, from Bloomberg
Volatility	44.09%	With reference to comparable companies as above, from Bloomberg
Implied DLOM	22.21%	

Note 1: At-the-money put option is assumed, that is the stock price equals the strike price which is its freely traded price which can be any price but both are assumed to be 1 (being equal to each other) for present purposes. Put option model is to measure the value of the put option in a scenario where the only difference between two identical securities is that one is marketable with a freely traded price (instead of a fixed strike price) and the other is non-marketable but provided with an option to sell it back also at its freely traded price at the end of the expected restriction period (i.e. the put option), such that the DLOM will be derived by comparing the value of the put option to the stock price.

Note 2: As there is no specific indication of the time to maturity, we have assumed that a liquidity event will occur 2 years after the Valuation Date. A liquidity event is an event, such as IPO, merger or sales, from which the subject asset will have marketability. The assumption of occurrence of a liquidity event is our normal approach to determine the maturity. The type of the liquidity event is not relevant for the purpose of determining the parameter used.

By using the put option method and based on the above assumptions, we apply 22.21% DLOM for this case.

CONTROL PREMIUM

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Both factors recognize that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and do what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block.

In this valuation exercise, we adopted a control premium of 27.5% which is based on the international medium control premium of a control premium study published by FactSet Mergerstat, LLC.

CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value depends on the market multiples of the comparable companies derived from Bloomberg as at the Valuation Date. The median of adjusted EV/EBITDA multiple was adopted in the valuation, then multiplied by the historical financial result of the Target Group to determine the enterprise value of the Target Group. The enterprise value was then adjusted by subtracting non-operating liabilities, minority interest, and pulsing the cash and the cash equivalents, non-operating assets of the Target Group. We have further adjusted the control premium and the lack of marketability discount to derive the market value of the equity interest of the Target Group attribute to shareholders as of the Valuation Date. The calculation of the market value of the 100% equity interest in the Target Group as at the Valuation Date is as follows:

	As at 31 March 2020 *RMB'000 unless otherwise stated*
Trailing 12 months EBITDA of the Target Group*	110,849
Adjusted EV/EBITDA multiple (times)	6.80
Enterprise Value of the Target Group	**753,773**
Add: Non-operating assets	2,278
Add: Cash and cash equivalents	193,377
Add: Deferred tax assets	14,854
Add: Long-term investments*	196,926
Less: Non-operating liabilities	9,588
Less: Deferred tax liabilities	40,596
Equity Value of the Target Group	**1,111,024**
Less: Minority Interest*	331,206
Equity Value attribute to shareholder	**780,000**
Less: DLOM	173,238
Add: Control premium	166,860
Market Value of 100% Equity Interest attribute to shareholder in the Target Group (Rounded)	**774,000**

Note: calculation by JLL with the financial data of non-operating assets, cash and cash equivalents, deferred tax assets, non-operating liabilities and deferred tax liabilities retrieved from audited financial statements in accordance with International Financial Reporting Standards ("**IFRSs**"), details of which are contained in Appendix IIIA

*Trailing 12 months EBITDA of the Target Group**: EBITDA is calculated by the gross profit deducted by the selling and distribution expenses, administrative expenses and adjusted by the depreciation and amortization expenses, with non-operating income, expenses and impairment losses being excluded.

The details calculation of the trailing 12 months EBITDA of the Target Group are as follow:

Unit: RMB'000

	FY 2019	FQ1 2019	FQ1 2020
EBIT	87,842	18,221	(33,266)
(+) D&A	28,465	7,064	6,933
(+) Impairment loss on trade and other receivable	15	–	46,187
(+) Loss/(gain) on disposal of property plant and equipment	(291)	(249)	–
EBITDA	116,031	25,036	19,854
T12M EBITDA	110,849 (FY2019 data plus FQ1 2020 data and minus FQ1 2019 data)		

Note: calculation by JLL with financial data retrieved from the audited/reviewed financial statements of the Target Group, details of which are contained in Appendix IIIA.

Long-term investments:* The Target Group has non-controlling investments in the following four companies:

- Sinopec Chengdu Energy Co., Ltd.
- Chengdu Tongneng Compressed Natural Gas Co., Ltd.
- Chengdu Jiaoyun Compressed Natural Gas Development Co., Ltd.
- Chengdu Jiuhe Oil Management Co., Ltd.

The valuation of the first three companies is carried out with the same adjusted EV/EBITDA multiple since they belongs to the similar industry with the Target Group.

Considering Chengdu Jiuhe Oil Management Co., Ltd. has just been operating for less than one year as at the Valuation Date, the net book value is adopted as its market value.

The earnings of these long-term investments are not included in the calculation of the EBITDA of the Target Group. As such, in the calculation of the market value of the Target Group, we shall incorporate the market values of these long-term investments.

*Minority Interest**: The Target Group has two subsidiaries which involve minority interest, namely:

- Chengdu Communications Investment Energy Development Co., Ltd.
- Chengdu Zhongyou Energy Co., Ltd.

The same adjusted EV/EBITDA multiple is used for valuing these two companies since these companies are in the similar industry as the Target Group.

The financial data that used at the calculation of enterprise value of Target Group is from the consolidated statement which combined the total earning from the two subsidiaries, but the Target Group does not hold 100% equity interest of the two companies. Therefore, in this valuation, the market value of the equity interest in the two companies not attribute to Target Group would eliminate.

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherent subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Chengdu Expressway, the Target Group, and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Group over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that since the Valuation Date, the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the world. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the date of this report, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it has caused volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a transaction may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the asset. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date in this Report.

This report is issued subject to our Limiting Conditions as attached.

CONCLUSION OF VALUE

Based on the results of our investigations and analysis, we are of the opinion that the market value of 100% equity interest attribute to shareholder in Chengdu Energy Development Co., Ltd. and its subsidiaries as at the Valuation Date is reasonably stated at the amount of **RMB774 million**.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS) where he now serves on their North Asia Valuation Practice Group. He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the company/engagement parties.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the Board of the company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for the internal use by the company/engagement parties. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The management or staff of the company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

1. FINANCIAL OVERVIEW OF THE GROUP

The financial information of the Group for the year ended 2017 is set out in the Prospectus of the Company dated 28 December 2018, the financial information of the Company for the year ended 31 December 2018 is set out in the 2018 annual report of the Company, and the financial information of the Company for the year ended 31 December 2019 is set out in the 2019 annual report of the Company, which are available for inspection on the websites of the Company (www.chengdugs.com) and the Stock Exchange (www.hkexnews.hk).

- The Prospectus of the Company is available at:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2018/1228/ltn20181228055.pdf

- The 2018 annual report of the Company is available at:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn201904251735.pdf

- The 2019 annual report of the Company is available at:
  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042300929.pdf

2. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

As at 31 May 2020, being the latest practicable date of the Enlarged Group, for the purpose of this statement of indebtedness, the Group and the Target Group had the following outstanding indebtedness:

(a) Borrowings

(i) As at 31 May 2020, the Group had total interest-bearing bank and other borrowings of RMB2,590,466,000, of which RMB2,012,157,000 were secured and RMB578,309,000 were unsecured; and

(ii) As at 31 May 2020, the Target Group had no interest-bearing bank and other borrowings.

(b) Contingent Liabilities

As at 31 May 2020, the Group and the Target Group had no material contingent liabilities and guarantees on a group consolidated basis.

(c) Lease Liabilities

(i) As at 31 May 2020, the Group had lease liabilities of RMB33,566,000. These lease liabilities were unsecured and unguaranteed; and

(ii) As at 31 May 2020, the Target Group had lease liabilities of RMB3,891,000. These lease liabilities were unsecured and unguaranteed.

Save as those disclosed above or elsewhere in this circular and except for the inter-group liabilities during the ordinary course of business and normal trade payables, as at 31 May 2020, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases commitments, guarantees or other contingent liabilities.

3. WORKING CAPITAL OF THE ENLARGED GROUP

The Directors are of the opinion that, following Completion of the Acquisition and in the absence of unforeseeable circumstances, after taking into account the Enlarged Group's business prospects, internal resources and available credit facilities, the Enlarged Group will have sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND OPERATING PROSPECT OF THE ENLARGED GROUP

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV of this circular, the assets of the Enlarged Group will be increased upon the Acquisition, and the gearing ratio will be slightly increased. Consolidation of the retail business of refined oil and joint operation of the operation business of CNG will effectively enhance the continuity of the Enlarged Group and mitigate the risks from operating in a single industry. Furthermore, the Directors have learnt that, obtaining retail qualification for refined oil and operation qualification for CNG which is a requisite for operating petrol and gas stations and establishment of a mature operating team demands significant time commitment. Thus, the retail qualification of refined oil as well as the operating and management experience of petrol and gas stations obtained from the Target Group upon the Acquisition will facilitate early investment recovery of expressway service areas invested in by the Enlarged Group at present and in future and explore more growth drivers.

From the perspective of economic environment, the improvement of income levels of residents, continuous increase of car ownership, on-going government investment in transportation and other favourable policies will together contribute to promote the driving willingness of residents and stimulate consumption demand in the oil and gas market, thereby instilling long-term impetus to the sustainability and performance growth of the Enlarged Group.

Since 2020, despite short-term headwinds against the domestic economy due to the COVID-19 pandemic, steady economic growth amid stability still remains as the keynote. The government has implemented effective containment measures in response to the pandemic. As of the Latest Practicable Date, the pandemic has been under control domestically and consumption demands were rapidly released to embrace the economic recovery. For the business of the Enlarged Group, traffic flow has basically restored to the pre-pandemic level and the sales of refined oil and CNG of the Target Group also picked up. Therefore, the Director believe that, upon the Completion of the Acquisition, the operating results of the Enlarged Group will soon return to the pre-pandemic level and achieve potential increase.

The industry of retail of refined oil and operation of CNG domestically has been marketised but still subject to certain entry barriers and government regulation at the same time, especially in terms of retail price. For instance, the retail price of refined oil is limited to a certain maximum set by the government and the retail price of automobile CNG must fall within the administrative guidance price range. As a result, any change in the government regulation policies may have an impact on the results of the Enlarged Group. In addition, the Directors have noticed that, the retail business of refined oil and operation business of CNG is at the downstream of the oil and petrochemical industry chain, where competition is more intense as compared to the upper stream, and from the perspective of policy environment and trends, the government is lowering the entry thresholds, which may lead to fiercer parallel competition regarding the retail business of refined oil and operation business of CNG in future and a potential impact on the results of the Enlarged Group.

The Enlarged Group will address the above risks from the following aspects: (1) the Target Group has established long-term and stable relationships with China National Petroleum Corporation, the largest producer and distributor of oil and natural gas in the PRC and the cooperation will continue to be carried on upon the Completion; (2) The Enlarged Group is able to make use of its local advantages to actively expand the investment and construction of petrol and gas stations and the retail of refined oil and operation of CNG in the planning and development of Chengdu Tianfu New District, Chengdu International Railway Port Economic Development Zone and East New District; and (3) as analysed above, the steady and positive economic development trend in the PRC is expected to promote the consumption demand of refined oil and CNG and the Enlarged Group will seize the favorable factors in the industry, further strengthen internal management, reduce operating costs, and consolidate and improve profitability.

5. PROPERTY INTEREST AND PROPERTY VALUATION

Jones Lang LaSelle Corporate Appraisal and Adversary Limited, the Independent Valuer, valued our property interest at RMB710,380,000 as of 30 April 2020. The text of the Property Valuation Report, valuation summary and valuation certificates are set out in Appendix V to this circular.

The table below sets forth the reconciliation of the aggregate amount of the net book value of our selective property interests from the consolidated financial information as of 31 March 2020 to the valuation of selective property interests as of 30 April 2020:

Net book value of the following properties as at March 31, 2020:		*RMB'000*
Building and construction in progress included in PPE		85,641
Prepaid land lease payments		420,331
Payment in advance		63,223
Additions:	additions (unaudited)	790
Less:	Net book value of certain properties without interest	(36,909)
	Depreciation and amortisation for the one month ended 30 April 2020 (unaudited)	(1,615)
Less:	Net book value of 3rd Ring Fenghuang Petrol and Gas Station	(17,296)
		514,165
Valuation surplus not include 3rd Ring Fenghuang Petrol and Gas Station		157,095
Valuation of properties as of 30 April 2020 as set out in Appendix V to this document		710,380 (refer to note i)
Valuation of 3rd Ring Fenghuang Petrol and Gas Station		39,120 (refer to note ii)

Notes:

i. The market value of the properties, RMB710,380,000, consists of commercial value and reference value, of which the total commercial value of the properties is RMB662,060,000, and the total reference value of the properties is RMB48,320,000.

ii. The 3rd Ring Fenghuang Petrol and Gas Station is jointly constructed and owned by Zhongyou Energy and Chengdu Tongneng. As of the Latest Practicable Date, the parties had not reached a written agreement to determine their respective proportion of interest in the petrol and gas station. Therefore, the total value conferred to the 3rd Ring Fenghuang Petrol and Gas Station by the Independent Valuer is RMB39,120,000, which is attributable to Zhongyou Energy and Chengdu Tongneng based on their investment and the fair value of the portion attributable to Zhongyou Energy is RMB17,296,000.

Set out below is the full text of the report issued by Ernst & Young, certified public accountants in Hong Kong, the reporting accountants of the Company, for the purpose of inclusion in this circular.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Chengdu Expressway Co., Ltd.

Dear Sirs,

We report on the historical financial information of Chengdu Energy Development Co., Ltd. (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages 88 to 155, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2017, 2018 and 2019, and the three months ended 31 March 2020 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Target Group as at 31 December 2017, 2018 and 2019 and 31 March 2020, and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 88 to 155 forms an integral part of this report, which has been prepared for inclusion in the circular of Chengdu Expressway Co., Ltd. (the "**Company**") dated 10 July 2020 (the "**Circular**") in connection with the proposed acquisition of 94.49% equity interest in the Target Company by the Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the Target Group as at 31 December 2017, 2018 and 2019 and 31 March 2020, and of the consolidated financial performance and consolidated cash flows of the Target Group for the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the three months ended 31 March 2019 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (the "**IAASB**"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 88 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states the dividends have been paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

10 July 2020

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with International Standards on Auditing issued by the IAASB (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Three months ended 31 March	
		2017	2018	2019	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
REVENUE	*6*	320,021	555,081	1,045,458	240,059	181,712
Cost of sales		(273,039)	(472,668)	(874,909)	(206,092)	(151,510)
Gross profit		46,982	82,413	170,549	33,967	30,202
Other income and gains	*6*	1,343	65,523	4,560	952	592
Selling expenses		(12,621)	(26,684)	(51,873)	(10,372)	(11,047)
Administrative expenses		(18,602)	(19,637)	(33,000)	(6,208)	(6,626)
Other expenses		(1,132)	(4,650)	(2,394)	(118)	(46,387)
Interest expenses	*7*	(2,604)	(2,817)	(1,290)	(767)	(51)
Share of profits and losses of:						
A joint venture		1,166	1,283	2,229	322	405
Associates		27,976	24,534	20,737	4,451	1,729
PROFIT/(LOSS) BEFORE TAX	*8*	42,508	119,965	109,518	22,227	(31,183)
Income tax credit/(expense)	*10*	(6,914)	(11,551)	(25,053)	(5,073)	7,534
PROFIT/(LOSS) FOR THE YEAR/PERIOD		35,594	108,414	84,465	17,154	(23,649)
OTHER COMPREHENSIVE INCOME		–	–	–	–	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		35,594	108,414	84,465	17,154	(23,649)
Attributable to:						
Owners of the Target Company		26,215	92,524	49,114	10,016	(13,709)
Non-controlling interests		9,379	15,890	35,351	7,138	(9,940)
		35,594	108,414	84,465	17,154	(23,649)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE TARGET COMPANY						
– Basic and diluted		RMB0.07	RMB0.24	RMB0.13	RMB0.03	RMB(0.04)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	36,308	100,600	108,501	109,037
Right-of-use assets	*14*	–	–	428,272	424,321
Prepaid land lease payments	*14*	103,029	423,712	–	–
Software		448	620	657	636
Investment in a joint venture	*15*	7,765	9,048	11,277	11,682
Investments in associates	*16*	273,158	84,086	103,618	105,347
Payments in advance	*17*	19,722	19,361	63,166	63,223
Due from a related party	*21*	–	1,720	860	860
Deferred tax assets	*18*	28	2,781	3,366	14,854
Total non-current assets		440,458	641,928	719,717	729,960
CURRENT ASSETS					
Inventories	*19*	1,753	43,832	32,308	11,793
Trade receivables	*20*	353	421	547	229
Prepayments, other receivables and other assets	*21*	75,476	147,365	78,551	38,701
Dividend receivable		518	–	–	–
Cash and cash equivalents	*22*	112,635	207,199	168,337	193,377
Total current assets		190,735	398,817	279,743	244,100
CURRENT LIABILITIES					
Trade payables	*23*	589	3,530	4,312	3,685
Other payables and accruals	*24*	29,191	41,107	25,834	24,749
Tax payable		3,700	5,690	5,367	6,271
Lease liabilities	*14*	–	–	809	345
Interest-bearing bank loans	*25*	–	60,000	–	–
Total current liabilities		33,480	110,327	36,322	35,050

		As at 31 December			As at 31 March
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NET CURRENT ASSETS		157,255	288,490	243,421	209,050
TOTAL ASSETS LESS CURRENT LIABILITIES		597,713	930,418	963,138	939,010
NON-CURRENT LIABILITIES					
Interest-bearing bank loans	*25*	60,000	–	–	–
Deferred tax liabilities	*18*	–	43,138	40,985	40,596
Lease liabilities	*14*	–	–	3,604	3,514
Total non-current liabilities		60,000	43,138	44,589	44,110
Net assets		537,713	887,280	918,549	894,900
EQUITY					
Issued capital	*26*	381,000	381,000	381,000	381,000
Reserves	*27*	91,486	184,010	213,714	200,005
		472,486	565,010	594,714	581,005
Non-controlling interests	*28*	65,227	322,270	323,835	313,895
Total equity		537,713	887,280	918,549	894,900

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company								
	Issued capital	Capital reserve	Merger reserve	Statutory reserve	Safety fund reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 26)	*(note 27)*	*(note 27)*	*(note 27)*	*(note 27)*				
At 1 January 2017	381,000	42,542	2,807	–	1,607	18,315	446,271	56,525	502,796
Total comprehensive income for the year	–	–	–	–	–	26,215	26,215	9,379	35,594
Dividends paid by a subsidiary to its non-controlling shareholders	–	–	–	–	–	–	–	(677)	(677)
Transfer from/(to) reserves	–	–	–	1,548	–	(1,548)	–	–	–
Provision for safety fund reserve	–	–	–	–	1,836	(1,836)	–	–	–
Utilisation of safety fund reserve	–	–	–	–	(146)	146	–	–	–
At 31 December 2017 and 1 January 2018	381,000	42,542*	2,807*	1,548*	3,297*	41,292*	472,486	65,227	537,713
Total comprehensive income for the year	–	–	–	–	–	92,524	92,524	15,890	108,414
Dividends paid by a subsidiary to its non-controlling shareholders	–	–	–	–	–	–	–	(7,438)	(7,438)
Acquisition of a subsidiary *(note 29)*	–	–	–	–	–	–	–	248,591	248,591
Transfer from/(to) reserves	–	–	–	4,950	–	(4,950)	–	–	–
Provision for safety fund reserve	–	–	–	–	2,637	(2,637)	–	–	–
Utilisation of safety fund reserve	–	–	–	–	(301)	301	–	–	–
At 31 December 2018	381,000	42,542*	2,807*	6,498*	5,633*	126,530*	565,010	322,270	887,280

	Attributable to owners of the Target Company								
	Issued capital *RMB'000* *(note 26)*	Capital reserve *RMB'000* *(note 27)*	Merger reserve *RMB'000* *(note 27)*	Statutory reserve *RMB'000* *(note 27)*	Safety fund reserve *RMB'000* *(note 27)*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2019	381,000	42,542	2,807	6,498	5,633	126,530	565,010	322,270	887,280
Total comprehensive income for the year	–	–	–	–	–	49,114	49,114	35,351	84,465
Dividends paid by a subsidiary to its non-controlling shareholders	–	–	–	–	–	–	–	(33,786)	(33,786)
Transfer from/(to) reserves	–	–	–	4,572	–	(4,572)	–	–	–
Provision for safety fund reserve	–	–	–	–	4,802	(4,802)	–	–	–
Utilisation of safety fund reserve	–	–	–	–	(859)	859	–	–	–
Dividends declared by the Target Company	–	–	–	–	–	(19,410)	(19,410)	–	(19,410)
At 31 December 2019 and 1 January 2020	381,000	42,542*	2,807*	11,070*	9,576*	147,719*	594,714	323,835	918,549
Total comprehensive income for the period	–	–	–	–	–	(13,709)	(13,709)	(9,940)	(23,649)
Transfer from/(to) reserves	–	–	–	–	–	–	–	–	–
Provision for safety fund reserve	–	–	–	–	1,381	(1,381)	–	–	–
Utilisation of safety fund reserve	–	–	–	–	(78)	78	–	–	–
At 31 March 2020	381,000	42,542*	2,807*	11,070*	10,879*	132,707*	581,005	313,895	894,900

	Attributable to owners of the Target Company								
	Issued capital	Capital reserve	Merger reserve	Statutory reserve	Safety fund reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 26)	*(note 27)*	*(note 27)*	*(note 27)*	*(note 27)*				
At 1 January 2019	381,000	42,542	2,807	6,498	5,633	126,530	565,010	322,270	887,280
Total comprehensive income for the period (unaudited)	–	–	–	–	–	10,016	10,016	7,138	17,154
Dividends paid by a subsidiary to its non-controlling shareholders (unaudited)	–	–	–	–	–	–	–	(8,838)	(8,838)
Transfer from/(to) reserves (unaudited)	–	–	–	–	–	–	–	–	–
Provision for safety fund reserve (unaudited)	–	–	–	–	1,176	(1,176)	–	–	–
Utilisation of safety fund reserve (unaudited)	–	–	–	–	(115)	115	–	–	–
At 31 March 2019 (unaudited)	381,000	42,542*	2,807*	6,498*	6,694*	135,485*	575,026	320,570	895,596

* These reserve accounts comprise the consolidated reserves of RMB91,486,000, RMB184,010,000, RMB213,714,000, and RMB200,005,000 in the consolidated statements of financial position as at 31 December 2017, 2018 and 2019, and 31 March 2020, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Three months ended 31 March	
		2017	2018	2019	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		42,508	119,965	109,518	22,227	(31,183)
Adjustments for:						
Depreciation of property, plant and equipment	*8*	1,463	4,243	12,572	3,079	2,961
Amortisation of prepaid land lease payments/depreciation of right-of-use assets	*8*	2,980	5,328	15,788	3,942	3,951
Amortisation of software		85	47	105	43	21
Impairment loss on trade receivables, net of reversal of impairment loss	*8*	(28)	(30)	(21)	–	436
Impairment loss on other receivables, net of reversal of impairment loss	*8*	(69)	36	36	–	45,751
Loss/(gain) on disposal of property plant and equipment		–	1,320	(291)	(249)	–
Share of profits of a joint venture		(1,166)	(1,283)	(2,229)	(322)	(405)
Share of profits of associates		(27,976)	(24,534)	(20,737)	(4,451)	(1,729)
Fair value gains on previously held equity interest under step-acquisition of a subsidiary	*6*	–	(51,627)	–	–	–
Gain on bargain purchase	*6*	–	(10,146)	–	–	–
Interest income	*6*	(824)	(1,514)	(2,484)	(685)	(368)
Interest expenses	*7*	2,604	2,817	1,290	767	51
		19,577	44,622	113,547	24,351	19,486

	Notes	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	Three months ended 31 March 2019 RMB'000 (Unaudited)	2020 RMB'000
Decrease in inventories		148	342	11,524	11,609	20,515
(Increase)/decrease in trade receivables		145	(38)	(105)	(123)	(118)
(Increase)/decrease in prepayments and other receivables		1,218	57,878	53,925	37,864	(5,790)
Increase/(decrease) in trade payables		(2,843)	2,941	782	1,904	(627)
Increase/(decrease) in contract liabilities		1,178	3,157	1,991	(109)	56
Increase/(decrease) in other payables and accruals		1,794	4,738	(17,264)	(4,255)	(1,141)
Cash generated from operations		21,217	113,640	164,400	71,241	32,381
Interest received		824	1,514	2,484	178	257
Income tax paid		(3,546)	(13,549)	(28,114)	(5,242)	(3,439)
Net cash flows from operating activities		18,495	101,605	138,770	66,177	29,199
CASH FLOWS FROM INVESTING ACTIVITIES						
Prepaid lease payments		(348)	(90)	(43,805)	(9)	(57)
Proceeds from prepaid lease payments		–	451	–	–	–
Purchases of items of property, plant and equipment and software		(4,018)	(13,751)	(22,022)	(2,665)	(3,497)
Acquisition of a subsidiary	*29*	–	2,857	–	–	–
Proceeds from disposal of items of property, plant and equipment		227	636	1,698	330	–
Loans provided to associates		–	(4,050)	–	–	–
Repayment received from an associate		–	–	1,900	–	–
Dividends received		21,795	17,161	1,205	–	–
Net cash flows from/(used in) investing activities		17,656	3,214	(61,024)	(2,344)	(3,554)

		Year ended 31 December			Three months ended 31 March	
		2017	2018	2019	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bank loans		20,000	–	–	–	–
Repayment of bank loans		(30,000)	–	(60,000)	–	–
Dividends paid to shareholders		–	–	(19,410)	–	–
Dividends paid to non-controlling shareholders		(677)	(7,438)	(33,786)	(8,838)	–
Principal portion of lease payment		–	–	(2,122)	(503)	(554)
Interest portion of lease payment		–	–	(276)	(79)	(51)
Interest paid		(2,604)	(2,817)	(1,014)	(688)	–
Net cash flows used in financing activities		(13,281)	(10,255)	(116,608)	(10,108)	(605)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		22,870	94,564	(38,862)	53,725	25,040
Cash and cash equivalents at beginning of year/period		89,765	112,635	207,199	207,199	168,337
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	*22*	112,635	207,199	168,337	260,924	193,377

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Chengdu Energy Development Co., Ltd. (the "**Target Company**") is a limited liability company established in the People's Republic of China (the "**PRC**"). The registered office of the Target Company is located at 18/F, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, the PRC.

The principal activity of the Target Company is investment holding. The Target Company and its subsidiaries (the "**Target Group**") are principally engaged in the management and operation of petrol stations in Mainland China. There has been no significant change in the Target Group's principal activities during the Relevant Periods.

In the opinion of the directors of the Target Company (the "**Directors**"), as at the date of this report, the parent and ultimate controlling company of the Target Company is Chengdu Communications Investment Group Co., Ltd. ("**Chengdu Communications**"), a company established in the PRC and wholly owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Chengdu Municipality of the PRC.

Information about subsidiaries at 31 March 2020

Particulars of the Target Company's subsidiaries are as follows:

Name	Place and date of establishment and business	Nominal value of issued ordinary capital	Percentage of equity attributable to the Company (direct)	Principal activities
Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司) ("**Zhongyou Energy**")	PRC/ Mainland China 19 June 2009	RMB437.34 million	51%	Operation of petrol stations
Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司) ("**Communications Investment Energy**")	PRC/ Mainland China 15 November 2010	RMB127.31 million	55%	Operation of petrol stations

Both of the above subsidiaries are registered as domestic enterprises with limited liability under PRC law.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"), which comprise all standards and interpretations approved by the IASB. The Historical Financial Information has been prepared under the historical cost convention.

All IFRSs effective for the accounting period commencing from 1 January 2018, including IFRS 15 and IFRS 9, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the financial statements throughout the year ended 31 December 2017. The Target Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

The principal effects of adopting IFRS 16 are as follows:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognises and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Target Group is the lessor.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Target Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Target Group has lease contracts for various items of office premises and land use rights. As a lessee, the Target Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Target Group. Under IFRS 16, the Target Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Target Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as interest expenses).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Target Group elected to present the lease liabilities separately in the consolidated statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Target Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Target Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 as at 1 January 2019 was as follows:

	Increase/(decrease)
	RMB'000
Assets	
Increase in right-of-use assets	444,060
Decrease in prepaid land lease payments	(423,712)
Decrease in prepayments, other receivables and other assets	(13,813)
Increase in total assets	6,535
Liabilities	
Increase in lease liabilities	6,535

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	8,942
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	394
	8,548
Weighted average incremental borrowing rate as at 1 January 2019	4.90%
Discounted operating lease commitments at 1 January 2019	6,535
Lease liabilities as at 1 January 2019	6,535

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] No mandatory effective date yet determined but available for adoption

The Target Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Target Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Target Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Target Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Target Group's investments in associates and joint ventures are stated in the consolidated statements of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses.

The Target Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Target Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Target Group and its associates or joint ventures are eliminated to the extent of the Target Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates/joint ventures is included as part of the Target Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Target Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combinations under common control

The consolidated financial statements include the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

Fair value measurement

The Target Group measures its structured deposits at fair value at the end of each of the Relevant periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or paid to transfer a liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value of 5% over its estimated useful life. The estimated useful lives of items of property, plant and equipment are as follows:

	Useful lives
Buildings	10 – 30 years
Equipment and others	3 – 12 years
Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

Leases (policies under IFRS 16 applicable from 1 January 2019)

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Target Group as a lessee

The Target Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold Land	38.4 to 40 years
Office premises	2 to 10 years

If ownership of the leased asset transfers to the Target Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Group and payments of penalties for terminating a lease, if the lease term reflects the Target Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Target Group elected to present the lease liabilities separately in the consolidated statements of financial position.

(c) Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Target Group as a lessor – operating leases

Leases in which the Target Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income and gains in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases (policies under IAS 17 applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payables under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement in the asset. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which applies the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade payables, other payables and accruals, amounts due to related parties and interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank loans are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest expenses in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Interest expenses" in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised on a systematic basis over the periods as deduction from costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivables, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of refined oil

Revenue from the sale of refined oil is recognised at the point in time when control of the products is transferred to the customer, generally on delivery of the refined oil.

Other Income

(a) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(b) Rental income is recognised on a time proportion basis over the lease terms.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Defined contribution pension scheme

The employees of the Target Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Target Group is required to contribute a certain percentage of the relevant part of its payroll costs of these employees to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Supplementary defined contribution pension scheme

Under the supplementary defined contribution pension scheme, the Target Group makes a monthly defined contribution to certain qualified employees at certain rates of the qualified employees' salaries or wages of the prior year. There were no vested benefits attributable to past services upon the adoption of the scheme. The contributions under the supplementary defined contribution pension scheme are charged to profit or loss as incurred.

Housing fund

According to the relevant rules and regulations of the Sichuan Province, the Target Group and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the prior year, to a housing fund. Contributions to a housing fund administered by the Public Accumulation Funds Administration Centre are charged to profit or loss as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Leases – Estimating the incremental borrowing rate

The Target Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Target Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Target Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Target Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(b) Impairment of non-financial assets

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with definite lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) PRC corporate income tax ("CIT")

The Target Group is subject to CIT in Mainland China. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision for CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax expense and tax provision in the period in which the differences are realised.

(d) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised based upon the likely timing and level of future taxable profits together with future tax strategies. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Target Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. Further details are contained in note 18 to the Historical Financial Information.

5. OPERATING SEGMENT INFORMATION

The Target Group's revenue and contribution to results are derived from the management and operation of petrol stations, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Directors for purposes of resource arrangement and performance assessment. In addition, all the assets employed by the Target Group are located in Mainland China. Accordingly, no operating segment information is presented, other than the entity-wide disclosures.

Entity-wide disclosures

Geographical information

All of the Target Group's external revenue is derived from customers based in Mainland China, and all of the non-current assets of the Target Group are located in Mainland China. Accordingly, no segment information by geographical segment is presented.

Information about major customers

During the Relevant Periods and the three months ended 31 March 2019, no revenue derived from a customer accounted for 10% or more of the Target Group's total revenue.

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	320,021	555,081	1,045,458	240,059	181,712

All of the Target Group's revenue from sale of refined oil during the Relevant Periods and the three months ended 31 March 2019 was recognised at a point in time when the refined oil has been delivered and the Target Group has received the payment or the right to receive payment has been established. As at the end of the Relevant Periods, the remaining performance obligations (unsatisfied or partially unsatisfied) were expected to be recognised within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

An analysis of other income and gains is as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Other income and gains					
Operation of convenient stores income	–	1,665	–	–	–
Rental income	33	196	946	179	178
Interest income	824	1,514	2,484	685	368
Gain on bargain purchase *(note 29)*	–	10,146	–	–	–
Fair value gains on previously held equity interest under step-acquisition of a subsidiary	–	51,627	–	–	–
Miscellaneous	486	375	1,130	88	46
Other income and gains	1,343	65,523	4,560	952	592
Total revenue, other income and gains	321,364	620,604	1,050,018	241,011	182,304

7. INTEREST EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank loans	2,604	2,817	1,014	688	–
Interest on lease liabilities	–	–	276	79	51
	2,604	2,817	1,290	767	51

8. PROFIT/(LOSS) BEFORE TAX

The Target Group's profit/(loss) before tax is arrived at after charging/(crediting):

		Year ended 31 December			Three months ended 31 March	
		2017	**2018**	**2019**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cost of sales		273,039	472,668	874,909	206,092	151,510
Employee benefit expense (including Directors' and supervisors' remuneration *(note 9)*):						
Salaries and allowances, social security and benefits		12,171	14,703	27,337	3,877	6,398
Pension scheme contributions – defined contribution fund		1,278	1,634	2,811	651	383
Other staff benefits		2,684	3,796	6,986	1,157	1,602
		16,133	20,133	37,134	5,685	8,383
Depreciation in respect of						
– property, plant and equipment	*13*	1,463	4,243	12,572	3,079	2,961
– right-of-use assets	*14*	–	–	15,788	3,942	3,951
Amortisation in respect of:						
– prepaid land lease payments	*14*	2,980	5,328	–	–	–
– software		85	47	105	43	21
Impairment loss on trade receivables, net of reversal of impairment loss		(28)	(30)	(21)	–	436
Impairment loss on other receivables, net of reversal of impairment loss		(69)	36	36	–	45,751
Loss/(gain) on disposal of items of property, plant and equipment		–	1,320	(291)	(249)	–
Auditor's remuneration		13	17	117	–	–
Lease payments not included in the measurement of lease liabilities		–	–	1,163	553	221
Minimum lease payments under operating leases of offices		2,059	2,469	–	–	–

9. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

The aggregate amounts of remuneration of directors and supervisors of the Target Company during the Relevant Periods and the three months ended 31 March 2019, disclosed pursuant to the Rules Governing The Listing of Securities on the Stock Exchange (the "**Listing Rules**"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	530	738	957	134	185
Pension scheme contributions	73	84	81	20	7
	603	822	1,038	154	192

The names of the directors and supervisors and their remuneration for the Relevant Periods and the three months ended 31 March 2019 are as follows:

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017				
Directors:				
Mr. Lei Lin (i)	–	–	–	–
Mr. Yang Tan (i)	–	240	32	272
Ms. Wu Haiyan (i)	–	–	–	–
Mr. Chen Degang (i)	–	–	–	–
Mr. Lin Xiong (i)	–	126	19	145
	–	366	51	417
Supervisors:				
Mr. Ye Xiaotian (i)	–	–	–	–
Ms. Yang Jing (i)	–	–	–	–
Ms. Yu Kairong (i)	–	164	22	186
	–	164	22	186
	–	530	73	603

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018				
Directors:				
Mr. Liu Yanghai (ii)	–	–	–	–
Mr. Lei Lin (ii)	–	–	–	–
Mr. Yang Tan	–	394	41	435
Ms. Wu Haiyan (ii)	–	–	–	–
Mr. Chen Degang (ii)	–	–	–	–
Mr. Lin Xiong (iii)	–	–	–	–
Mr. Zheng Anwei (ii)	–	–	–	–
Mr. Zhou Zegang (ii)	–	–	–	–
Mr. Zhu Xiaoyu (iii)	–	112	15	127
	–	506	56	562
Supervisors:				
Mr. Ye Xiaotian	–	–	–	–
Ms. Yang Jing	–	–	–	–
Ms. Yu Kairong	–	232	28	260
	–	232	28	260
	–	738	84	822
Year ended 31 December 2019				
Directors:				
Mr. Liu Yanghai (iv)	–	–	–	–
Mr. Jiang Kejin (iv)	–	–	–	–
Mr. Yang Tan	–	458	36	494
Mr. Zheng Anwei	–	–	–	–
Mr. Zhou Zegang	–	–	–	–
Mr. Zhu Xiaoyu	–	235	23	258
	–	693	59	752
Supervisors:				
Mr. Ye Xiaotian	–	–	–	–
Ms. Yang Jing	–	–	–	–
Ms. Yu Kairong (v)	–	73	5	78
Ms. Chen Yingshan (v)	–	191	17	208
	–	264	22	286
	–	957	81	1,038

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Three months ended 31 March 2019 (unaudited)				
Directors:				
Mr. Liu Yanghai	–	–	–	–
Mr. Yang Tan	–	56	10	66
Mr. Zheng Anwei	–	–	–	–
Mr. Zhou Zegang	–	–	–	–
Mr. Zhu Xiaoyu	–	35	5	40
	–	91	15	106
Supervisors:				
Mr. Ye Xiaotian	–	–	–	–
Ms. Yang Jing	–	–	–	–
Ms. Yu Kairong	–	43	5	48
	–	43	5	48
	–	134	20	154
Three months ended 31 March 2020				
Directors:				
Mr. Jiang Kejin	–	–	–	–
Mr. Yang Tan	–	59	3	62
Mr. Zheng Anwei	–	–	–	–
Mr. Zhou Zegang	–	–	–	–
Mr. Zhu Xiaoyu	–	59	2	61
	–	118	5	123
Supervisors:				
Mr. Ye Xiaotian	–	–	–	–
Ms. Yang Jing	–	–	–	–
Ms. Chen Yingshan	–	67	2	69
	–	67	2	69
	–	185	7	192

Notes:

(i) On 15 February 2017, Mr. Lei Lin, Mr. Yang Tan, Ms. Wu Haiyan, Mr. Chen Degang and Mr. Lin Xiong were appointed as directors, Mr. Ye Xiaotian, Ms. Yang Jing and Ms. Yu Kairong were appointed as supervisors of the Target Company. In February 2017, the Target Company was transformed from limited company to joint stock limited company, and established its board of directors and board of supervisors.

(ii) On 9 March 2018, Mr. Liu Yanghai, Mr. Zheng Anwei and Mr. Zhou Zegang were appointed as directors, Mr. Lei Lin, Ms. Wu Haiyan and Mr. Chen Degang resigned as directors of the Target Company.

(iii) On 5 May 2018, Mr. Lin Xiong resigned as a director and Mr. Zhu Xiaoyu was appointed as a director of the Target Company.

(iv) On 10 April 2019, Mr. Liu Yanghai resigned as a director and Mr. Jiang Kejin was appointed as a director of the Target Company.

(v) Ms. Yu Kairong resigned as a supervisor and Ms. Chen Yingshan was appointed as a supervisor of the Target Company with effect from 28 April 2019.

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the Relevant Periods and the three months ended 31 March 2019. No emoluments were paid by the Target Company to any of the directors or supervisors as an inducement to join or upon joining the Target Company or as compensation for loss of office.

(b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Target Group for the Relevant Periods and the three months ended 31 March 2019 is as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
				(Unaudited)	
Director	1	1	2	1	1
Supervisor	–	1	–	1	1
Non-director and non-supervisor	4	3	3	3	3
	5	5	5	5	5

Details of the remuneration of the non-director and non-supervisor, five highest paid employees are as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	835	1,008	1,166	159	173
Pension scheme contributions	126	116	127	29	9
	961	1,124	1,293	188	182

The remuneration of the above five highest paid non-director and non-supervisor employees during the Relevant Periods and the three months ended 31 March 2019 was below HK$1,000,000.

10. INCOME TAX CREDIT/(EXPENSE)

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the Relevant Periods and the three months ended 31 March 2019.

Except than the two associates below, the Target Company and its subsidiaries and associates are required to pay CIT at the statutory rate of 25%. Chengdu Tongneng Compressed Natural Gas Co.,Ltd. ("**Chengdu Tongneng**") and Chengdu Jiaoyun Compressed Natural Gas Development Co.,Ltd. ("**Chengdu Jiaoyun CNG**"), both are associates of the Target Company, were entitled to a preferential tax rate of 15% during the Relevant Periods and the three months ended 31 March 2019 under the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58). The tax preferential treatments for the Western Region Development are valid until 2020. Pursuant to the Circular of Extending the Period of Western Development Strategies Preferential Tax Rate (Cai Shui Fa [2020] No. 23), the tax preferential treatments were extended to 31 December 2030.

The major components of the income tax expense for the Relevant Periods and the three months ended 31 March 2019 are as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current – Mainland China charge for the year/period	6,897	12,484	27,791	5,812	4,343
Deferred *(note 18)*	17	(933)	(2,738)	(739)	(11,877)
Total tax charge/(credit) for the year/period	6,914	11,551	25,053	5,073	(7,534)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory tax rate in Mainland China for the Target Group to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit/(loss) before tax	42,508	119,965	109,518	22,227	(31,183)
Income tax charge/ (notional tax) at the statutory tax rate of 25%	10,627	29,991	27,380	5,557	(7,796)
Expenses not deductible for tax	2	9	15	3	3
Income not subject to tax	–	(15,443)	–	–	–
Profits attributable to a joint venture and associates	(7,285)	(6,454)	(5,742)	(1,193)	(534)
Tax losses not recognised	3,570	3,448	3,400	706	793
Tax charge/(credit) at the Target Group's effective tax rate	6,914	11,551	25,053	5,073	(7,534)

The share of tax attributable to associates and a joint venture amounting to RMB8,083,000, RMB6,540,000, RMB4,299,000, RMB878,000 and RMB420,000 during the years ended 2017, 2018 and 2019 and three months ended 31 March 2019 and 2020, respectively, is included in "Share of profits of a joint venture and associates" in profit or loss.

11. EARNINGS OR LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE TARGET COMPANY

The calculation of the basic earnings or loss per share is based on the profit or loss for the Relevant Periods and the three months ended 31 March 2019 attributable to ordinary equity holders of the Target Company and the number of ordinary shares of 381,000,000 in issue during the Relevant Periods and the three months ended 31 March 2019.

No adjustment has been made to the basic earnings or loss per share amounts presented for the Relevant Periods and the three months ended 31 March 2019 in respect of a dilution as the Target Group had no potentially dilutive ordinary shares during the Relevant Periods and the three months ended 31 March 2019.

12. DIVIDENDS

At a general meeting held on 15 November 2019, the Target Company decided to pay a final dividend for the year ended 31 December 2018 to shareholders. The final dividend of RMB19,410,000 was fully paid on 25 December 2019.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Equipment and others	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2017	2,897	3,659	32,213	1,542	40,311
Additions	–	10	–	3,678	3,688
Disposals and write-off	–	(276)	–	(12)	(288)
Transferred	–	2,699	–	(2,699)	–
At 31 December 2017 and 1 January 2018	2,897	6,092	32,213	2,509	43,711
Additions	162	1,556	–	11,798	13,516
Acquisition of a subsidiary *(note 29)*	48	13,380	43,434	113	56,975
Disposals and write-off	–	(835)	–	(1,244)	(2,079)
Transferred	–	5,060	5,075	(10,135)	–
At 31 December 2018 and 1 January 2019	3,107	25,253	80,722	3,041	112,123
Additions	–	7	–	21,873	21,880
Disposals and write-off	(1,448)	(2,220)	–	–	(3,668)
Transferred	–	5,128	2,343	(7,471)	–
At 31 December 2019 and 1 January 2020	1,659	28,168	83,065	17,443	130,335
Additions	–	–	–	3,497	3,497
Disposals and write-off	–	(2)	–	–	(2)
Transferred	–	5	–	(5)	–
At 31 March 2020	1,659	28,171	83,065	20,935	133,830

	Motor vehicles RMB'000	Equipment and others RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation and impairment:					
At 1 January 2017	2,189	910	2,902	–	6,001
Provided during the year	172	261	1,030	–	1,463
Disposals and write-off	–	(61)	–	–	(61)
At 31 December 2017 and 1 January 2018	2,361	1,110	3,932	–	7,403
Provided during the year	184	1,101	2,958	–	4,243
Disposals and write-off	–	(123)	–	–	(123)
At 31 December 2018 and 1 January 2019	2,545	2,088	6,890	–	11,523
Provided during the year	154	3,151	9,267	–	12,572
Disposals and write-off	(1,357)	(904)	–	–	(2,261)
At 31 December 2019 and 1 January 2020	1,342	4,335	16,157	–	21,834
Provided during the period	24	735	2,202	–	2,961
Disposals and write-off	–	(2)	–	–	(2)
At 31 March 2020	1,366	5,068	18,359	–	24,793
Net carrying amount:					
At 1 January 2017	708	2,749	29,311	1,542	34,310
At 31 December 2017	536	4,982	28,281	2,509	36,308
At 31 December 2018	562	23,165	73,832	3,041	100,600
At 31 December 2019	317	23,833	66,908	17,443	108,501
At 31 March 2020	293	23,103	64,706	20,935	109,037

Note:

The buildings of the Target Group with net carrying amounts of RMB15,404,000 and RMB14,872,000 at 31 December 2017 and 2018, respectively, were pledged to obtain interest-bearing bank loans granted to the Target Group (note 25(a)).

14. LEASES

The Target Group as a lessee

The Target Group has lease contracts for various items of land and office premises used in its operations. Lump sum payments were made upfront to acquire the leased land from the government with lease periods of 38.4 to 40 years premises, and no ongoing payments will be made under the terms of these land leases. Leases of office premises generally have lease terms of between 1 and 10 years. Generally, the Target Group is restricted from assigning and subleasing the leased assets outside the Target Group.

(a) Prepaid land lease payments (before 1 January 2019)

	2017	**2018**
	RMB'000	*RMB'000*
Carrying amount at 1 January	108,654	105,674
Acquisition of a subsidiary *(note 29)*	–	336,859
Addition	–	16
Recognised in profit or loss during the year *(note 8)*	(2,980)	(5,328)
Carrying amount at 31 December	105,674	437,221
Portion classified as current assets *(note 21(a))*	(2,645)	(13,509)
Non-current portion	103,029	423,712

The prepaid land lease payments of the Target Group with net carrying amounts of RMB26,337,000 and RMB25,577,000 at 31 December 2017 and 2018, respectively, were pledged to obtain interest-bearing bank loans granted to the Target Group (note 25(a)).

(b) Right-of-use assets (policies under IFRS 16 applicable from 1 January 2019)

The carrying amounts of the right-of-use assets and the movements of the Target Group during the year/period are as follows:

	Prepaid land lease payments *RMB'000*	**Office premises** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019	437,221	6,839	444,060
Depreciation charge	(13,509)	(2,279)	(15,788)
At 31 December 2019 and 1 January 2020	423,712	4,560	428,272
Depreciation charge	(3,381)	(570)	(3,951)
At 31 March 2020	420,331	3,990	424,321

As at 31 March 2020, there were no leases with residual value guarantees or leases not yet commenced to which the Target Group is committed.

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year/period are as follows:

	RMB'000
As at 1 January 2019	6,535
Accretion of interest recognised during the year	276
Payments	(2,398)
As at 31 December 2019	4,413
Analysed into:	
Current portion	809
Non-current portion	3,604
As at 1 January 2020	4,413
Accretion of interest recognised during the period	51
Payments	(605)
As at 31 March 2020	3,859
Analysed into:	
Current portion	345
Non-current portion	3,514

The maturity analysis of lease liabilities is disclosed in note 36 to the Historical Financial Information.

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December 2019	Three months ended 31 March 2020
	RMB'000	*RMB'000*
Interest on lease liabilities	276	51
Depreciation charge of right-of-use assets	15,788	3,951
Expenses relating to short-term leases and other leases with remaining lease terms less than 12 months		
– included in selling expenses	526	72
– included in administrative expenses	637	149
Total amount recognised in profit or loss	17,227	4,223

(e) The total cash outflow for leases is disclosed in note 30(c) to the Historical Financial Information

The Target Group as a lessor

The Target Group leases certain of its office premises under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years. Details of rental income are included in note 6 to the Historical Financial Information.

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Target Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	84	415	332	173
After 1 year but within 2 years	63	305	159	50
After 2 years but within 3 years	–	159	50	4
After 3 years but within 4 years	–	50	4	–
After 4 years but within 5 years	–	4	–	–
	147	933	545	227

15. INVESTMENT IN A JOINT VENTURE

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	7,765	9,048	11,277	11,682

Particulars of the Target Group's joint venture are as follows:

Name	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Sinopec Chengdu Energy Company Co., Ltd. ("**Sinopec Chengdu Energy**")	PRC/Mainland China	50%	50%	50%	Operation of petrol and gas stations

The above investment is directly held by the Target Company.

The following table illustrates the financial information of Sinopec Chengdu Energy:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the joint venture's profit for the year/period	1,166	1,283	2,229	405
Share of the joint venture's total comprehensive income	1,166	1,283	2,229	405
Carrying amount of the Target Group's investment in the joint venture	7,765	9,048	11,277	11,682

The investment in Sinopec Chengdu Energy is measured using the equity method.

16. INVESTMENTS IN ASSOCIATES

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	247,707	83,304	102,836	104,565
Goodwill on acquisition	25,451	782	782	782
	273,158	84,086	103,618	105,347

Associates of the Target Group, which were established and operate in Mainland China, are as follows:

Name	Ownership interest	Principal activities
Chengdu Tongneng	30% (direct)	Operation of gas stations
Chengdu Jiaoyun CNG	25% (direct)	Operation of gas stations
Chengdu Jiuhe Oil Management Co., Ltd. ("**Chengdu Jiuhe**")	43% (direct)	Operation of a petrol station
Zhongyou Energy (Before 25 September 2018)	49% (direct)	Operation of petrol stations

The following table illustrates the summarised financial information in respect of Chengdu Tongneng and Zhongyou Energy which are considered material associates, reconciled to the carrying amount in the Historical Financial Information:

Chengdu Tongneng

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	84,548	85,462	100,546	103,529
Non-current assets, excluding goodwill	192,282	251,792	285,106	279,393
Goodwill on acquisition of the associate	782	782	782	782
Current liabilities	(25,069)	(53,092)	(62,751)	(54,470)
Non-current liabilities	(55,000)	(36,713)	(7,314)	(7,220)
Non-controlling interests	–	(11,259)	(11,397)	(10,945)
Net assets	197,543	236,972	304,972	311,069
Net assets, excluding goodwill	196,761	236,190	304,190	310,287
Reconciliation to the Target Group's interest in Chengdu Tongneng:				
Proportion of ownership	30%	30%	30%	30%
Target Group's share of net assets of the associate	59,028	70,857	91,257	93,086
Goodwill on acquisition	782	782	782	782
Carrying amount of the investment	59,810	71,639	92,039	93,868

	Year ended 31 December			Three months ended 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	245,034	262,063	380,831	56,745
Profit and total comprehensive income for the year/period	31,586	39,431	68,001	6,097
Dividend received	(3,548)	–	–	–

Zhongyou Energy

	As at 31 December 2017	As at 25 September 2018
	RMB'000	*RMB'000*
Current assets	167,694	166,865
Non-current assets, excluding goodwill	225,957	216,501
Goodwill on acquisition of the associate	24,669	24,669
Current liabilities	(32,788)	(31,743)
Net assets	385,532	376,292
Net assets, excluding goodwill	360,863	351,623

Reconciliation to the Target Group's interest in Zhongyou Energy:

Proportion of ownership	49%	49%
Target Group's share of net assets of the associate	176,823	172,295
Goodwill on acquisition	24,669	24,669
Carrying amount of the investment	201,492	196,964

	Year ended 31 December 2017	From 1 January to 25 September 2018
	RMB'000	*RMB'000*
Revenue	767,741	549,184
Profit and total comprehensive income for the year/period	35,870	23,194
Dividend received	(18,247)	(15,893)

The following table illustrates the aggregate financial information of the Target Group's associates that are not individually material:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the associates' profit/(loss) for the year/period	924	1,341	337	(100)
Share of the associates' total comprehensive income/ (loss) for the year/period	924	1,341	337	(100)
Dividend received	–	(750)	(1,205)	–
Aggregate carrying amount of the Target Group's investments in the associates	11,856	12,447	11,579	11,479

17. PAYMENTS IN ADVANCE

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchase of land-use rights	19,722	19,361	63,166	63,223

18. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Gross deferred tax assets

	Excess tax depreciation over book value of fixed assets	Provision for impairment of construction in progress	Fair value adjustment arising from acquisition of a subsidiary	Lease liabilities	Provision for impairment of financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	–	–	–	–	45	45
Deferred tax credited to profit or loss during the year *(note 10)*	–	–	–	–	(17)	(17)
At 31 December 2017 and 1 January 2018	–	–	–	–	28	28
Acquisition of a subsidiary *(note 29)*	2,361	–	1,155	–	–	3,516
Deferred tax credited to profit or loss during the year *(note 10)*	108	283	183	–	1	575
At 31 December 2018`	2,469	283	1,338	–	29	4,119
Effect of adoption of IFRS 16	–	–	–	1,061	–	1,061

	Excess tax depreciation over book value of fixed assets	Provision for impairment of construction in progress	Fair value adjustment arising from acquisition of a subsidiary	Lease liabilities	Provision for impairment of financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019 (restated)	2,469	283	1,338	1,061	29	5,180
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	476	–	722	(112)	109	1,195
At 31 December 2019 and 1 January 2020	2,945	283	2,060	949	138	6,375
Deferred tax credited/(charged) to profit or loss during the period *(note 10)*	46	–	31	(28)	11,442	11,491
Gross deferred tax assets at 31 March 2020	2,991	283	2,091	921	11,580	17,866

The Target Group has tax losses arising in Mainland China of RMB59,724,000, RMB62,139,000, RMB68,090,000 and RMB71,296,000 as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively, that will expire in one to five years from the end of each of the Relevant Periods for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Target Group's subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Gross deferred tax liabilities

	Fair value adjustment arising from acquisition of a subsidiary	Right of use assets	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2017 and 1 January 2018	–	–	–
Acquisition of a subsidiary *(note 29)*	44,834	–	44,834
Deferred tax credited to profit or loss during the year *(note 10)*	(358)	–	(358)
At 31 December 2018	44,476	–	44,476
Effect of adoption of IFRS 16	–	1,061	1,061
At 1 January 2019 (restated)	44,476	1,061	45,537
Deferred tax credited to profit or loss during the year *(note 10)*	(1,431)	(112)	(1,543)
At 31 December 2019 and 1 January 2020	43,045	949	43,994
Deferred tax credited to profit or loss during the period *(note 10)*	(358)	(28)	(386)
At 31 March 2020	42,687	921	43,608

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances of the Target Group for reporting purposes:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross deferred tax assets	28	2,781	4,315	15,775
Gross deferred tax liabilities	–	–	(949)	(921)
Net deferred tax assets	28	2,781	3,366	14,854

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross deferred tax liabilities	–	44,476	43,045	42,687
Gross deferred tax assets	–	(1,338)	(2,060)	(2,091)
Net deferred tax liabilities	–	43,138	40,985	40,596

19. INVENTORIES

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Refined oil products	1,753	43,832	32,308	11,793

20. TRADE RECEIVABLES

At the end of each of the Relevant Periods, trade receivables represent receivables from government departments and other entities.

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	408	446	551	669
Impairment	(55)	(25)	(4)	(440)
	353	421	547	229

The Target Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Target Group's trade receivables usually relate to customers which are state-owned enterprises, there is no significant credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

Included in the trade receivables are amounts due from Chengdu Huaguan Industrial Co., Ltd. ("**Chengdu Huaguan**", the shareholder of Communications Investment Energy) of RMB203,000, RMB286,000, RMB418,000 and nil (gross trade receivable of RMB436,000 less impairment loss of RMB436,000) as at 31 December 2017, 2018 and 2019, and 31 March 2020, respectively (note 33).

An ageing analysis of the trade receivables as at the end of each of the Relevant Period, based on the transaction date and net of loss allowance, is as follows:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month (neither past due nor impaired)	353	243	265	229
Over 3 months (past due)	–	178	282	–
At end of year/period	353	421	547	229

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	83	55	25	4
Impairment loss on trade receivables, net of reversal of impairment loss	(28)	(30)	(21)	436
At end of year/period	55	25	4	440

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. As prescribed by IFRS 9, which permits the use of lifetime expected loss model for all trade receivables, the provision rates are based on days past due. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The management of the Target Group has assessed the credit risk of Chengdu Huaguan to be significant and full allowance of RMB436,000 has been provided for at 31 March 2020.

Set out below is the information about the credit risk exposure on the Target Group's trade receivables using a provision except for trade receivables due from Chengdu Huaguan:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
Expected credit loss rate	13%	6%	1%	2%
Gross carrying amount – Not past due *(RMB'000)*	408	446	551	233
Expected credit losses *(RMB'000)*	55	25	4	4

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		As at 31 December			As at 31 March
		2017	**2018**	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current portion					
Prepayments	*(a)*	3,662	15,224	377	117
Due from related parties	*33(c), (b)*	70,797	127,674	74,093	79,127
Deposit		602	83	2,269	2,328
Deductible input value added tax		–	2,022	524	526
Other receivables		472	2,455	1,417	2,483
		75,533	147,458	78,680	84,581
Impairment allowance	*(c)*	(57)	(93)	(129)	(45,880)
		75,476	147,365	78,551	38,701
Non-current portion					
Due from related parties	*33(c), (b)*	–	1,720	860	860
		75,476	149,085	79,411	39,561

Note:

(a) Prepayments of the Target Group at 31 December 2017 and 2018 included prepaid land lease payments to be recognised within one year of RMB2,645,000 and RMB13,509,000, respectively.

(b) On December 2018, the Target Company granted two tranches of interest-bearing loans to Zhongyou Jieneng (as defined in note 33(a)) and Chengdu Jiuhe amounted to RMB1,900,000 and RMB2,150,000, respectively. The interest-bearing loan to Zhongyou Jieneng which bore interest rate at 4.35% per annum has been fully repaid by Zhongyou Jieneng in December 2019. The interest-bearing loan to Chengdu Jiuhe which bore interest rate at 4.75% will be repaid in three separate instalments with the first, second and last instalment amounting to RMB430,000, RMB860,000 and RMB860,000, respectively and to be due in December 2019, December 2020 and December 2021, respectively.

Other than the above, other amounts due from related are interest-free and have no fixed term of repayments.

(c) The movements in the loss allowance for impairment of financial assets in other receivables are as follows:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	126	57	93	129
Impairment loss on other receivables, net of reversal of impairment loss	(69)	36	36	45,751
At end of year	57	93	129	45,880

At the end of each of the Relevant Periods, none of the above prepayments is either past due or impaired.

An impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Target Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

In determining the ECLs for other receivables, the directors of the Target Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Except for certain other receivables which had been fully impaired, the Target Group has assessed and concluded that the risk of default rate for the other instruments was minimal at the end of each of the Relevant Periods, since the counterparties to these instruments have a high credit rating.

22. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	112,635	207,199	168,337	143,377
Structured deposits	–	–	–	50,000
	112,635	207,199	168,337	193,377

At the end of each of the Relevant Periods, cash and bank balances of the Target Group are denominated in RMB.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The structured deposits were issued by licensed banks in Mainland China and carrying interest at fixed rates ranging from 1.43% to 3.80% per annum. The structured deposits with original maturity of within three months are non-redeemable before the maturity date.

23. TRADE PAYABLES

An ageing analysis of trade payables at the end of each of the Relevant Periods, based on the transaction date, is as follows:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	589	3,530	4,312	3,685

Trade payables are non-interest-bearing. The credit period given by the suppliers is generally about one month.

24. OTHER PAYABLES AND ACCRUALS

		As at 31 December			As at 31 March
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Payroll and welfare payables		2,618	2,397	2,695	697
Taxes and surcharge payables		927	1,504	2,014	3,742
Due to related parties	*33(c)*	–	1,320	615	459
Payables for property, plant and equipment		1,190	7,889	10,624	9,588
Other payables		20,512	20,896	794	1,115
Contract liabilities	*(a)*	3,944	7,101	9,092	9,148
		29,191	41,107	25,834	24,749

Note:

(a) Contract liabilities consisted of short-term advances received from customers in relation to the sale of refined oil. Contract liabilities will be recognised as revenue within one year. The increase in contract liabilities in each of the Relevant Periods was mainly due to the increase in short-term advances received from customers.

25. INTEREST-BEARING BANK LOANS

		As at 31 December			As at 31 March
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Secured	*(a)*	20,000	20,000	–	–
Unsecured	*(b)*	40,000	40,000	–	–
		60,000	60,000	–	–

Analysed into:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Repayable				
Within one year	–	60,000	–	–
In the second year	60,000	–	–	–
	60,000	60,000	–	–
Portion classified as current liabilities	–	60,000	–	–
Non-current portion	60,000	–	–	–

Notes:

(a) At 31 December 2017 and 2018, bank loan of RMB20,000,000 was secured by buildings (note 13) and land use rights (note 14) of Communications Investment Energy. The bank loan bore interest rate at 4.51% per annum and has been repaid by the Target Group in April 2019.

(b) At 31 December 2017 and 2018, bank loan of RMB40,000,000 was guaranteed by Chengdu Communications at nil consideration (note 33 (b)). The bank loan bore interest rate at 4.75% per annum and has been repaid by the Target Group in May 2019.

At the end of each of the Relevant Periods, all interest-bearing bank loans were denominated in RMB.

26. ISSUED CAPITAL

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued capital	381,000	381,000	381,000	381,000

The Target Company was established on 2 June 2011 as a limited liability company in the PRC with initial registered capital of RMB60,000,000, which has been fully paid-up.

The Target Company was converted into a joint stock company with limited liability on 22 February 2017. Pursuant to the approval of the State-owned Assets Supervision and Administration Commission, the Target Company's equity as at 31 March 2016 of RMB413,296,000 was converted into issued capital with an amount of RMB381,000,000 and capital reserve with an amount of RMB32,296,000 of the joint stock company with limited liability. Upon the computation of the conversion, the capital of the Target Company was RMB381,000,000, divided into 381,000,000 ordinary shares of RMB1.00 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Target Company. All ordinary shares rank equally with regard to the Target Company's residual net assets.

27. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

(a) Capital reserve

Capital reserve mainly represents the excess of the consideration received/contributions from shareholders over the issued capital of the Target Company.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the Target Company, the Target Company is required to allocate 10% of its profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("**GAAP**"), to the statutory surplus reserve (the "**SSR**") until such reserve reaches 50% of its registered capital.

The SSR is non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalised as paid-up capital.

(c) Safety fund reserve

Pursuant to the Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the Target Group is required to establish the safety fund reserve based on revenue from sale of refined oil recognised. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

(d) Merger reserve

The merger reserve arose from the business combination under common control in 2012, when the Target Company acquired 55% equity interests of Communications Investment Energy, a company indirectly controlled by Chengdu Communications. It represents the difference between (i) the consideration of RMB47,763,000 paid by the Target Company to acquire the 55% equity interest in Communications Investment Energy, (ii) the book value of the share of net assets acquired of RMB50,570,000.

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Target Group's subsidiaries that have material non-controlling interests are set out below:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Percentage of equity interest held by non-controlling interests:				
Jiaotou Energy	45%	45%	45%	45%
Zhongyou Energy	–	49%	49%	49%

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated balances of non-controlling interests:				
Jiaotou Energy	65,227	70,569	67,388	54,787
Zhongyou Energy	–	251,701	256,447	259,108

	Year ended 31 December			Three months ended 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(loss) for the year/period allocated to non-controlling interests of:				
Jiaotou Energy	9,379	12,780	17,107	(12,601)
Zhongyou Energy	–	3,110	18,244	2,661
Dividends paid to non-controlling shareholders of:				
Jiaotou Energy	677	7,438	20,288	–
Zhongyou Energy	–	–	13,498	–

The following tables illustrate the summarised financial information of the above subsidiaries:

Jiaotou Energy

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB’000	*RMB’000*	*RMB’000*	*RMB’000*
Current assets	107,636	126,146	97,164	55,750
Non-current assets	89,491	88,102	86,435	97,075
Current liabilities	(32,180)	(57,430)	(33,845)	(31,074)
Non-current liabilities	(20,000)	–	–	–

	Year ended 31 December			Three months ended 31 March
	2017	**2018**	**2019**	**2020**
	RMB’000	*RMB’000*	*RMB’000*	*RMB’000*
Revenue	320,396	376,468	359,204	64,348
Total expenses	(299,554)	(348,068)	(321,189)	(92,351)
Profit/(loss) and total comprehensive income/(loss) for the year/period	20,842	28,400	38,015	(28,003)
Net cash flows from/(used in) operating activities	23,623	39,934	20,650	(27,593)
Net cash flows used in investing activities	(3,317)	(3,054)	(127)	–
Net cash flows used in financing activities	(12,280)	(10,078)	(31,175)	–
Net increase/(decrease) in cash and cash equivalents	8,026	26,802	(10,652)	(27,593)

Zhongyou Energy

	As at 31 December		As at 31 March
	2018	**2019**	**2020**
	RMB’000	*RMB’000*	*RMB’000*
Current assets	177,828	142,408	155,054
Non-current assets	390,880	438,013	433,332
Current liabilities	(10,556)	(9,445)	(12,428)
Non-current liabilities	(44,476)	(46,649)	(46,202)

	From 25 September 2018 to 31 December 2018	Year ended 2019	Three months ended 31 March 2020
	RMB'000	*RMB'000*	*RMB'000*
Revenue	178,853	686,329	117,363
Total expenses	(172,507)	(649,097)	(111,933)
Profit and total comprehensive income for the year/period	6,346	37,232	5,430
Net cash flows from operating activities	64,183	107,747	29,833
Net cash flows used in investing activities	(8,154)	(58,279)	(596)
Net cash flows used in financing activities	–	(26,581)	–
Net increase in cash and cash equivalents	56,029	22,887	29,237

29. BUSINESS COMBINATION

On 25 September 2018, the Target Company resolved to make additional capital injection into Zhongyou Energy in the form of a land use right. The legal title of the aforesaid land use right has not been transferred to Zhongyou Energy as the 25% construction investment requirement as set by the *Law of the People's Republic of China on the Administration of Urban Real Estate* has not been fulfilled yet. The Target Company will fulfil its obligation to transfer the said title to Zhongyou Energy when the construction investment meets the 25% threshold requirement. Pursuant to the resolution of the general meeting of Zhongyou Energy held on 25 September 2018, the Target Company's shareholding interest was increased from 49% to 51%. At the same time, the articles of association of Zhongyou Energy were revised and enabled the Target Company to exercise control over Zhongyou Energy.

The fair values of the identifiable assets and liabilities of Zhongyou Energy as at the date of acquisition were as follows:

	Notes	Fair values at 25 September 2018
		RMB'000
Property, plant and equipment	*13*	56,975
Prepaid land lease payments	*14*	336,859
Prepayments and other receivables		4,168
Due from a related party		112,442
Cash and bank balances		2,857
Deferred tax assets		2,361
Inventories		42,421
Other payables and accruals		(4,021)
Tax payables		(3,055)
Deferred tax liabilities	*18*	(43,679)
Total identifiable net assets at fair value		507,328
Non-controlling interests		(248,591)
		258,737
Fair value gains on a previously held 49% equity interest		(51,627)
Carrying amount of a previously held 49% equity interest		(196,964)
Gain on bargain purchase		(10,146)

The fair values and gross contractual amounts of the other receivables as at the date of acquisition were RMB4,168,000. All other receivables are expected to be collected.

The Target Group incurred transaction costs of RMB73,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the profit or loss.

The Target Group has elected to measure the non-controlling interest in Zhongyou Energy at the non-controlling interest's proportion share of Zhongyou Energy's identifiable net assets.

An analysis of the cash flows in respect of the acquisition of Zhongyou Energy is as follows:

	RMB'000
Cash consideration	–
Cash and bank balances acquired	2,857
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,857

Since the acquisition, Zhongyou Energy contributed RMB178,853,000 to the Target Group's revenue and RMB6,346,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of 2018, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2018 would have been RMB1,104,265,000 and RMB121,033,000, respectively.

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Bank loans	**Lease Liabilities**	**Dividends payables**	**Interest payable**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	70,000	–	–	–
Changes from financing cash flows	(10,000)	–	–	(2,604)
Interest expenses	–	–	–	2,604
At 31 December 2017 and 1 January 2018	60,000	–	–	–
Changes from financing cash flows	–	–	–	(2,817)
Interest expenses	–	–	–	2,817
At 31 December 2018	60,000	–	–	–
Effect of adoption of IFRS 16	–	6,535	–	–
At 1 January 2019 (restated)	60,000	6,535	–	–
Dividends declared by the Target Company	–	–	19,410	–
Changes from financing cash flows	(60,000)	(2,398)	(19,410)	(1,014)
Interest expenses	–	276	–	1,014
At 31 December 2019 and 1 January 2020	–	4,413	–	–
Changes from financing cash flows	–	(605)	–	–
Interest expenses	–	51	–	–
At 31 March 2020	–	3,859	–	–
At 1 January 2019	60,000	6,535	–	–
Changes from financing cash flows	–	(582)	–	(688)
Interest expenses	–	79	–	688
At 31 March 2019 (unaudited)	60,000	6,032	–	–

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December	Three months ended 31 March	
	2019	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	
Within operating activities	1,575	784	442
Within financing activities	2,398	582	605
	3,973	1,366	1,047

31. CONTINGENT LIABILITIES

On 4 June 2018, Communications Investment Energy was involved in a contract dispute arising from a forged trade receivable document composed by Chengdu Petroleum Corporation ("**Petroleum Corporation**") for an amount of approximately RMB73,989,000. Petroleum Corporation is a subsidiary of Chengdu Huaguan. As at this reporting date, the litigation is still unsettled. The Directors, based on the advice from the Target Company's legal counsel, believe that Communications Investment Energy has a valid defence against the lawsuit. In addition, Chengdu Communications has irrevocably undertaken in writing to the Company, if, following the completion of the Acquisition, the court ruled that Communications Investment Energy shall assume legal responsibilities, Chengdu Communications shall fully compensate the actual losses thus incurred to the Company. Accordingly, the Directors have not provided for any loss arising from litigation, other than the related legal costs.

32. COMMITMENTS

(a) The Target Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:	4,259	6,999	9,293	5,736

(b) Operating lease commitments

The Target Group leased certain of its office premises under operating lease arrangements. The leases were negotiated for terms ranging from 1 to 10 years.

At 31 December 2017 and 2018, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	**2018**
	RMB'000	*RMB'000*
Within one year	1,153	2,826
In the second to fifth years, inclusive	–	3,166
After five years	–	2,950
	1,153	8,942

33. RELATED PARTY TRANSACTIONS AND BALANCES

The Directors are of the view that the following companies are related parties that had material transactions or balances with the Target Group during the Relevant Periods and the three months ended 31 March 2019.

(a) Name and relationships with related parties

Related parties	Relationships
Chengdu Communications	Parent company
Chengdu Junction	A company controlled by Chengdu Communications
Chengdu Chengpeng Expressway Co., Ltd. ("**Chengpeng Expressway**")	An indirect subsidiary of Chengdu Communications
Zhongyou Jieneng (Chengdu) Environmental Protection Technology Co., Ltd. ("**Zhongyou Jieneng**")	A subsidiary of Chengdu Tongneng
Chengdu Huaguan	A non-controlling shareholder of Communications Investment Energy
PetroChina Co., Ltd ("**PetroChina**")	A non-controlling shareholder of Zhongyou Energy
Sinkiang CNPC Build Install Engineering Co., Ltd. ("**Sinkiang Engineering**")	A subsidiary of PetroChina
Petroleum Corporation	A subsidiary of Chengdu Huaguan
Chengdu Jiuhe	An associate of the Target Group

In addition to the transactions detailed elsewhere in this report, the Target Group had the following transactions with related parties:

(b) Transactions with related parties

(1) Details of interest-bearing loans provided to/(repayment of loans from) related parties:

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Zhongyou Jieneng	–	1,900	(1,900)	–	–
Chengdu Jiuhe	–	2,150	–	–	–
	–	4,050	(1,900)	–	–

(2) Interest income

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Zhongyou Jieneng	–	–	80	20	–
Chengdu Jiuhe	–	–	99	25	25
	–	–	179	45	25

The repayment terms and interest rates for the above interest-bearing loans granted to related parties are disclosed note 21(b) to the Historical Financial Information.

(3) Land and office premises leased from related parties

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Chengdu Junction	2,031	2,044	249	62	62
Chengpeng Expressway	–	171	526	124	72
	2,031	2,215	775	186	134

The Directors consider that the land and office rental paid by the Target Group to Chengdu Junction as determined under the tenancy agreements is based on market rates for similar locations.

Upon the adoption of IFRS 16, the lease contract with Chengdu Junction was recognised and measured as a right-of-use asset. During the years ended 31 December 2019 and the three months ended 31 March 2020, the rent paid by the Target Group to Chengdu Junction amounted to RMB1,876,000 and RMB478,000, respectively.

(4) Bank loan guarantee provided by a related party (note 25(b))

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Chengdu Communications	40,000	40,000	40,000*	40,000	–

The bank loans were guaranteed by a related party at nil consideration.

(5) Purchase of refined oil from a related party

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
PetroChina	–	159,255	575,069	107,800	71,543

The Directors considered that the refined oil price paid by the Target Group to PetroChina was based on the market price.

(6) Revenue from sale of refined oil to a related party

	Year ended 31 December			Three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Chengdu Huaguan	58	83	132	21	17

The Directors considered that the refined oil price paid by Chengdu Huaguan to Target Group was based on the market price.

(7) Construction service from a related party

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sinkiang Engineering	–	1,691	260	–	–

The Directors considered that the construction service price paid by Target Group to Sinkiang Engineering was based on the market price for similar service.

(c) Balances with related parties

		As at 31 December			As at 31 March
		2017	2018	2019	2020
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties					
Non-current:					
Chengdu Jiuhe	*(ii)*	–	1,720	860	860
Current:					
Petroleum Corporation	*(i)*	70,477	63,039	45,751	45,751
Zhongyou Jieneng	*(ii)*	–	1,900	–	–
Chengdu Jiuhe	*(ii)*	–	430	1,392	1,418
PetroChina	*(iii)*	–	62,001	26,950	31,958
Chengdu Junction	*(iv)*	320	304	–	–
	21	70,797	127,674	74,093	79,127
Impairment loss					
Petroleum Corporation	*(i)*	–	–	–	(45,751)
	21	70,797	127,674	74,093	33,376
Trade receivable, net of impairment loss					
Chengdu Huaguan	*20*	203	286	418	–
Due to related parties					
Other payables					
Chengdu Junction	*(v)*	–	–	–	65
Sinkiang Engineering	*(vi)*	–	1,320	260	260
Chengpeng Expressway	*(vii)*	–	–	355	134
	24	–	1,320	615	459

Notes:

(i) In 2015, Communications Investment Energy made RMB70,477,000 advanced payment to Petroleum Corporation for the purchase of refined oil products from Petroleum Corporation. However, Petroleum Corporation failed to deliver the refined oil products according to the sale and purchase agreement. In this regards, Chengdu Huaguan, being the parent company of Petroleum Corporation and the non-controlling shareholder of Communications Investment Energy, had reached an informal agreement with Communications Investment Energy, pursuant to which the receivable due from Petroleum Corporation will be repaid via the future dividend payments from Communications Investment Energy to Chengdu Huaguan. During the years ended 31 December 2018 and 2019, the receivable due from Petroleum Corporation were partially repaid by offsetting with the dividends distributable to Chengdu Huaguan amounted to RMB7,438,000 and RMB17,288,000, respectively. On 31 March 2020, the directors of Target Group assessed that the amount due Petroleum Corporation are credit-impaired with a significant increase in credit risk and the loss allowance is measured at an amount equal to lifetime ECLs of RMB45,751,000.

(ii) The balances represented principal amount of loans granted to Zhongyou Jieneng and Chengdu Jiuhe and interest receivable arising thereon. The repayment terms and interest rates are set out in note 21(b) to the Historical Financial Information.

(iii) The balance represented the prepayment for the purchase of refined oil from PetroChina.

(iv) The balance represented office leasing rental prepaid to Chengdu Junction.

(v) The balance represented office leasing rental payable to Chengdu Junction.

(vi) The balance represented construction fees payable to Sinkiang Engineering.

(vii) The balance represented land leasing rental payable to Chengpeng Expressway.

Other than the interest-bearing loans granted to Zhongyou Jieneng and Chengdu Jiuhe, others balances with related parties are unsecured, non-interest-bearing and have no fixed term of repayment.

(d) Compensation of key management personnel of the Target Group

	Year ended 31 December			**Three months ended 31 March**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Fees	–	–	–	–	–
Salaries, allowances and benefits in kind	835	1,008	1,166	159	173
Pension scheme contributions	126	116	127	29	9
	961	1,124	1,293	188	182

Further details of directors' and supervisors' emoluments are included in note 9 to the Historical Financial Information.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of each of the Relevant Periods are as follows:

Financial assets

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost				
Trade receivables	353	421	547	229
Due from a related party – non-current	–	1,720	860	860
Financial assets included in prepayments, other receivables and other assets	71,814	130,119	77,650	38,058
Dividend receivable	518	–	–	–
Cash and cash equivalents	112,635	207,199	168,337	193,377
	185,320	339,459	247,394	232,524

Financial liabilities

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost				
Financial liabilities included in other payables and accruals	21,702	30,105	12,033	11,162
Trade payables	589	3,530	4,312	3,685
Interest-bearing bank loans	60,000	60,000	–	–
Lease liabilities	–	–	4,413	3,859
	82,291	93,635	20,758	18,706

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to their short-term maturities, are as follows:

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts				
Financial assets				
Due from a related party – non-current	–	1,720	860	860
Fair values				
Financial assets				
Due from a related party – non-current	–	1,641	820	820

	As at 31 December			As at 31 March
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts				
Financial liabilities				
Interest-bearing bank loans – non-current portion	60,000	–	–	–
Fair values				
Financial liabilities				
Interest-bearing bank loans – non-current portion	57,470	–	–	–

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, the current portion of financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals, the current portion of interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of the Target Group's amount due from a related party and interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, adjusted by the Target Group's or the subsidiaries' own non-performance risk where appropriate.

Fair value hierarchy

The fair value measurement of the Target Company's non-current portion of financial assets and financial liabilities for which fair values are disclosed is considered to be Level 3 of the fair value hierarchy, which required significant unobservable inputs at the end of each of the Relevant Periods.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise interest-bearing bank loans, lease liabilities, trade and other receivables, cash and cash equivalents, trade payables and other payables. The main purpose of these financial instruments is to raise finance for the Target Group's operations. It is the Target Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rates and terms of repayment of interest-bearing bank loans are disclosed in note 25. The Target Group does not have any significant exposure to the risk of changes in market interest rates as the Target Group does not have any long-term receivables and loans which are subject to floating interest rates.

Credit risk

The carrying amounts of cash and cash equivalents, trade receivables and financial assets included in prepayments, other receivables and other assets represent the Target Group's maximum exposure to credit risk in relation to these financial assets. Substantially all of the Target Group's cash and cash equivalents are held in major financial institutions located in Mainland China, which management believes are of high credit quality. The Target Group controls the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the credit exposure to a single financial institution to an acceptable level.

Maximum exposure and reporting period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and reporting period-end staging classification at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
– Normal*	–	–	–	353	353
– Doubtful*	–	–	–	55	55
Financial assets included in other receivables					
– Normal**	71,814	–	–	–	71,814
– Doubtful**	–	–	57	–	57
Cash and cash equivalents					
– Not yet past due	112,635	–	–	–	112,635
	184,449	–	57	408	184,914

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
– Normal*	–	–	–	421	421
– Doubtful*	–	–	–	25	25
Financial assets included in other receivables					
– Normal**	131,839	–	–	–	131,839
– Doubtful**	–	–	93	–	93
Cash and cash equivalents					
– Not yet past due	207,199	-	-	-	207,199
	339,038	–	93	446	339,577

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
– Normal*	–	–	–	547	547
– Doubtful*	–	–	–	4	4
Financial assets included in other receivables					
– Normal**	78,510	–	–	–	78,510
– Doubtful**	–	–	129	–	129
Cash and cash equivalents					
– Not yet past due	168,337	–	–	–	168,337
	246,847	–	129	551	247,527

As at 31 March 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
– Normal*	–	–	–	229	229
– Doubtful*	–	–	–	440	440
Financial assets included in other receivables					
– Normal**	38,918	–	–	–	38,918
– Doubtful**	–	–	45,880	–	45,880
Cash and cash equivalents					
– Not yet past due	193,377	–	–	–	193,377
	232,295	–	45,880	669	278,844

* For trade receivables to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Target Group's objective is to maintain a balance between continuity of funding and flexibility using interest-bearing bank loans.

The liquidity of the Target Group is primarily dependent on its ability to maintain adequate cash flows from operations to meet its debt obligations as they fall due.

The maturity profile of the Target Group's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2017					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans	–	681	2,105	60,937	–	63,723
Trade payables	589	–	–	–	–	589
Other payables and accruals	21,702	–	–	–	–	21,702
	22,291	681	2,105	60,937	–	86,014

	As at 31 December 2018					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans	–	–	60,937	–	–	60,937
Trade payables	3,530	–	–	–	–	3,530
Other payables and accruals	30,105	–	–	–	–	30,105
	33,635	–	60,937	–	–	94,572

	As at 31 December 2019					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	–	605	395	2,227	2,129	5,356
Trade payables	4,312	–	–	–	–	4,312
Other payables and accruals	12,033	–	–	–	–	12,033
	16,345	605	395	2,227	2,129	21,701

	As at 31 March 2020					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	–	128	402	2,240	1,981	4,751
Trade payables	3,685	–	–	–	–	3,685
Other payables and accruals	11,162	–	–	–	–	11,162
	14,847	128	402	2,240	1,981	19,598

Capital management

The Target Group's objectives for capital management are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing services and products commensurately with the level of risk.

The Target Group sets the amount of capital in proportion to risk. The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Target Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt comprises trade payables, interest-bearing bank loans, other payables and accruals, contract liabilities, lease liabilities, and tax payable, less cash and cash equivalents.

As at the end of each of the Relevant Periods, the Target Group's cash and cash equivalents exceeded the net debt. As such, the Target Group was at a net cash position and there was no gearing ratio at the end of each of the Relevant Periods is presented.

37. EVENTS AFTER THE RELEVANT PERIODS

Since January 2020, COVID-19 has had a significant impact on economic operations, and strict epidemic prevention measures have been implemented throughout Mainland China. With the relaxation of restrictions due to COVID-19, the Directors believe that the outbreak of COVID-19 will only have a minor impact on the Target Group's subsequent operations.

Except for the event mentioned above, no significant events that require additional disclosure or adjustments occurred after the Relevant Periods.

38. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

Information about the statement of financial position of the Target Company at the end of the reporting period is as follows:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	1,139	1,842	13,211	16,104
Right-of-use assets	–	–	764	305
Prepaid land lease payments	48,858	47,695	47,695	47,400
Software	326	532	525	511
Investments in associates	273,158	84,086	103,618	105,347
Investments in a joint venture	7,765	9,048	11,277	11,682
Investment in subsidiaries	63,501	260,465	260,465	260,465
Due from a related party	–	1,720	860	860
Payment in advance	19,722	19,361	19,379	19,436
Total non-current assets	414,469	424,749	457,794	462,110
CURRENT ASSETS				
Prepayments, other receivables and other assets	1,997	5,383	1,813	1,539
Dividend receivable	518	–	–	–
Due from a subsidiary	–	–	13,994	13,994
Cash and cash equivalents	80,584	89,460	38,360	31,758
Total current assets	83,099	94,843	54,167	47,291
CURRENT LIABILITIES				
Other payables and accruals	1,299	2,342	6,551	5,542
Lease liabilities	–	–	475	–
Interest-bearing bank loans	–	40,000	–	–
Total current liabilities	1,299	42,342	7,026	5,542
NET CURRENT ASSETS	81,800	52,501	47,141	41,749
TOTAL ASSETS LESS CURRENT LIABILITIES	496,269	477,250	504,935	503,859
NON-CURRENT LIABILITY				
Interest-bearing bank loan	40,000	–	–	–
Net assets	456,269	477,250	504,935	503,859
EQUITY				
Issued capital	381,000	381,000	381,000	381,000
Reserves *(note)*	75,269	96,250	123,935	122,859
Total equity	456,269	477,250	504,935	503,859

Note:

	Issued capital	Capital reserve	Merger reserve	Statutory surplus reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	381,000	42,542	2,807	–	14,338	440,687
Total comprehensive income for the year	–	–	–	–	15,582	15,582
Transfer from/(to) reserves	–	–	–	1,548	(1,548)	–
At 31 December 2017 and 1 January 2018	381,000	42,542	2,807	1,548	28,372	456,269
Total comprehensive income for the year	–	–	–	–	20,981	20,981
Transfer from/(to) reserves	–	–	–	4,950	(4,950)	–
At 31 December 2018 and 1 January 2019	381,000	42,542	2,807	6,498	44,403	477,250
Total comprehensive income for the year	–	–	–	–	47,095	47,095
Transfer from/(to) reserves	–	–	–	4,572	(4,572)	–
Dividends paid to the shareholders	–	–	–	–	(19,410)	(19,410)
At 31 December 2019 and 1 January 2020	381,000	42,542	2,807	11,070	67,516	504,935
Total comprehensive loss for the period	-	-	-	-	(1,076)	(1,076)
At 31 March 2020	381,000	42,542	2,807	11,070	66,440	503,859

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2019 AND THE THREE MONTHS ENDED 31 MARCH 2020

The Target Group is principally engaged in retail of refined oil, and also engaged in retail of CNG through its joint ventures and associates. As of the Latest Practicable Date, it had a total of 20 petrol stations, including five owned by Communications Investment Energy and 15 owned by Zhongyou Energy. All of these petrol stations are located within Chengdu, Sichuan province, including 4 in Chenghua District, 4 in Jinniu District, 4 in Jinjiang District, 3 in High-Tech Zone, 2 in Qingyang District, 2 in Xindu District and 1 in Wuhou District. The service scope of the above-mentioned petrol stations is sale of refined oil, primarily targeting at users of motor vehicles powered by petrol and diesel oil. Except for Guoyan petrol station, the remaining 19 petrol stations have already obtained the Dangerous Chemicals Business License (《危險化學品經營許可證》) and the Approval Certificate for Retail of Refined Oil (《成品油零售經營批准證書》). Guoyan petrol station is in the trial operation stage and has already obtained the Dangerous Chemicals Business License while the Approval Certificate for Retail of Refined Oil is expected to be obtained by 30 June 2021.

The Target Company holds a joint venture, i.e., Sinopec Chengdu Energy, which is principally engaged in the operation of petrol and gas stations. Chengdu Jiuhe, an associate of the Target Company, is principally engaged in operation of petrol stations. Chengdu Tongneng and Chengdu Jiaoyun CNG, associates of the Target Company, are principally engaged in operation of gas stations. Tongneng Jinfu and Zhongyou Jieneng, two subsidiaries of Chengdu Tongneng, are also principally engaged in the operation of gas stations.

Revenue

For the three years ended 31 December 2017, 2018 and 2019, revenue of the Target Group totalled RMB320,021,000, RMB555,081,000 and RMB1,045,458,000, respectively. The significant revenue increase from 2018 to 2019 was primarily due to the consolidation of Zhongyou Energy into the consolidated statements of the Target Group since 25 September 2018.

For the three months ended 31 March 2020, revenue of the Target Group totalled RMB181,712,000, representing a decrease of 24.3% from RMB240,059,000 (unaudited) from the corresponding period of the previous year, primarily due to the impact of COVID-19 pandemic. Amid the shadow of the pandemic, residents' willingness to travel out declined significantly and various epidemic prevention and control measures discouraged automobile driving. Market demand shrank substantially and sales of refined oil dropped, resulting in a decline in revenue.

Cost of operation

For the three years ended 31 December 2017, 2018 and 2019, cost of operation of the Target Group totalled RMB273,039,000, RMB472,668,000 and RMB874,909,000, respectively. The significant increase in cost of operation from 2018 to 2019 was primarily due to the consolidation of Zhongyou Energy into the consolidated statements of the Target Group since 25 September 2018.

For the three months ended 31 March 2020, cost of operation the Target Group totalled RMB151,510,000, representing a decrease of 26.5% from RMB206,092,000 (unaudited) from the corresponding period of the previous year, which was in line with the decline in revenue of the Target Group, i.e., sales of refined oil dropped during the COVID-19 pandemic, leading to a reduction in cost of operation. In addition, the National Development and Reform Commission issued notices to lower the maximum retail price of refined oil on 4 February, 18 February and 17 March 2020, which also affected the unit selling price of refined oil of the Target Group.

Gross profit and gross profit margin

For the three years ended 31 December 2017, 2018 and 2019, the Target Group recorded gross profit from operations of RMB46,982,000, RMB82,413,000 and RMB170,549,000, respectively, and gross profit margin of 14.7%, 14.8% and 16.3%, respectively.

For the three months ended 31 March 2020, the Target Group recorded gross profit from operations of RMB30,202,000, representing a decrease of 11.1% from RMB33,967,000 (unaudited) from the corresponding period of the previous year.

Total comprehensive income (loss) for the year/period

For the three years ended 31 December 2019, the Target Group recorded total comprehensive income of RMB35,594,000, RMB108,414,000 and RMB84,465,000, respectively.

For the three months ended 31 March 2020, the Target Group recorded total comprehensive loss of RMB23,649,000, as a compared to an income of RMB17,154,000 (unaudited) for the corresponding period of the previous year, primarily due to impairment provided for receivables of RMB45,751,000 due from Chengdu Huaguan Industrial Co., Ltd. ("**Chengdu Huaguan**") and a decline in revenue amid the influence of COVID-19.

Overall situation of assets and liabilities

The Target Group recorded total assets of RMB631,193,000, RMB1,040,745,000, RMB999,460,000 and RMB974,060,000, respectively, as at 31 December 2017, 2018 and 2019 and 31 March 2020.

The Target Group recorded total liabilities of RMB93,480,000, RMB153,465,000, RMB80,911,000 and RMB79,160,000, respectively, as at 31 December 2017, 2018 and 2019 and 31 March 2020.

The Target Group recorded gearing ratio of 14.8%, 14.7%, 8.1% and 8.1%, respectively, as at 31 December 2017, 2018 and 2019 and 31 March 2020, which remained at an extremely low level and demonstrated pretty sound financial condition.

Borrowings and solvency

As at 31 December 2017 and 2018, the Target Group had bank loans of RMB60,000,000, which was repaid in 2019. As at the Latest Practicable Date, the Target Group did not have any interest-bearing borrowings.

Liquidity and financial resources

The Target Group recorded current assets of RMB190,735,000, RMB398,817,000, RMB279,743,000 and RMB244,100,000, respectively as at 31 December 2017, 2018 and 2019 and 31 March 2020. In particular, cash and cash equivalents amounted to RMB112,635,000, RMB207,199,000, RMB168,337,000 and RMB193,377,000, accounting for 59.1%, 52.0%, 60.2% and 79.2%, respectively, of current assets; trade receivables amounted to RMB353,000, RMB421,000, RMB547,000 and RMB229,000, accounting for 0.2%, 0.1%, 0.2% and 0.1%, respectively, of current assets; and prepayments, other receivables and other assets amounted to RMB75,476,000, RMB147,365,000, RMB78,551,000 and RMB38,701,000, accounting for 39.6%, 37.0%, 28.1% and 15.9%, respectively, of current assets.

Current ratio (current assets divided by current liabilities) of 569.7%, 361.5%, 770.2% and 696.4%, respectively was recorded as at 31 December 2017, 2018 and 2019 and 31 March 2020.

As cash and cash equivalents constituted the majority of the current assets of the Target Group and trade receivables only accounted for a small portion, the Target Group maintains high-quality current assets with strong short-term solvency and sound liquidity.

Interest rate risk

For the three years ended 31 December 2017, 2018 and 2019, the Target Group had bank loans of RMB60,000,000 in 2017 and 2018, which was repaid in 2019. As at the Latest Practicable Date, there were no floating-rate long-term receivables or loans. Therefore, the Target Group was not exposed to material risks from market interest rate changes.

Material investments, significant acquisitions and disposals

On 25 September 2018, the Target Company resolved to make additional capital injection into Zhongyou Energy in the form of a land use right. The legal title of the aforesaid land use right has not been transferred to Zhongyou Energy as the 25% construction investment requirement as set by the Law of the People's Republic of China on the Administration of Urban Real Estate has not been fulfilled yet. The Target Company will fulfil its obligation to transfer the said title to Zhongyou Energy when the construction investment meets the 25% threshold requirement. Pursuant to the resolution of the general meeting of Zhongyou Energy held on 25 September 2018, the Target Company's shareholding interest was increased from 49% to 51%. At the same time, the articles of association of Zhongyou Energy were revised and enabled the Target Company to exercise control over Zhongyou Energy.

Save as disclosed above, for the three years ended 31 December 2019 and the three months ended 31 March 2020, Chengdu Energy Development Company did not conduct material acquisition or disposal of subsidiaries, associates and joint ventures and did not hold any significant investments.

Pledge of assets

As at 31 December 2017, 2018 and 2019 and 31 March 2020, the Target Group had bank loans of RMB60,000,000 in 2017 and 2018, of which RMB20,000,000 was secured by the buildings and land use right of Communications Investment Energy. The bank loans were repaid in 2019. As at the Latest Practicable Date, the Target Group did not pledge its assets.

Expected capital expenditure

The expected capital expenditure of the Target Group is RMB96,009,000 for the twelve months from 1 July 2020, primarily used for construction investment in petrol and gas stations and equity acquisition, including RMB4,509,000 to be invested into Tulong Road Gas Station, RMB2,800,000 to be invested into Longtan Gas Station, RMB13,700,000 to be invested into Mulongwan Petrol Station, RMB10,000,000 to be invested into Qingbaijiang Xianglong Petrol Station, RMB15,000,000 to be invested into Qingbaijiang Tongwang LNG Gas Station and RMB50,000,000 to be incurred for the acquisition of 47.49% equity interests of Zhongyou Jieneng by the Target Company. For details of Tulong Road Gas Station, Longtan Gas Station, Mulongwan Petrol Station, Qingbaijiang Xianglong Petrol Station and Qingbaijiang Tongwang LNG Gas Station, please refer to properties No. 3, No.4, No. 5, No. 26 and No.27 of Appendix V of this circular, respectively.

It is expected that no capital expenditure will be incurred for the 20 existing petrol stations of the Target Group for the twelve months from 1 July 2020.

Foreign exchange risk

As the principal business of the Target Group is domiciled in the PRC and denominated in Renminbi, the Target Group is not exposed to foreign exchange risk.

Contingent liabilities

On 4 June 2018, Communications Investment Energy was involved in a contract dispute arising from a forged trade receivable document composed by Chengdu Petroleum Corporation ("**Petroleum Corporation**") for an amount of approximately RMB73,989,000. Petroleum Corporation is a subsidiary of Chengdu Huaguan. As at the reporting date, the litigation is still unsettled. The Directors, based on the advice from the Company's PRC Legal Advisor, believe that such dispute will not have a material adverse effect on the Enlarged Group. In addition, Chengdu Communications has irrevocably undertaken in writing to the Company, if, following the completion of the Acquisition, the court ruled that Communications Investment Energy shall assume legal responsibilities, Chengdu Communications shall fully compensate the actual losses thus incurred to the Company. Accordingly, the Directors have not provided for any loss arising from litigation, other than the related legal costs.

Guoyan petrol station

As mentioned above, Guoyan petrol station of Zhongyou Energy is in the trial operation stage. It has obtained the Dangerous Chemicals Business License and the Approval Certificate for Retail of Refined Oil is expected to be obtained by 30 June 2021. According to the advice of the PRC legal adviser of the Company, in accordance with relevant regulations of Sichuan province, corresponding operation approval shall be obtained for business activities of wholesale, retail and warehousing of refined oil, otherwise punishments including warnings, order to suspend business for rectification, or a fine not more than three times the illegal income or not more than RMB30,000 will be imposed.

Guoyan petrol station commenced to operate retail of refined oil from 2019. Chengdu Communications made an application to the Chengdu Municipal People's Government on 9 April 2019, requesting to coordinate with relevant departments to handle the applications made in relation to the operating required licenses/approvals of Guoyan petrol station in order to ensure the value preservation and appreciation of state-owned assets based on the principle of respecting history and the fact that the petrol station has been established. The relevant departments of the Chengdu Municipal People's Government issued instructions on 15 April 2019, suggesting that the Municipal Planning and Natural Resources Bureau study and offer support based on the principle of respecting history so as to properly solve the outstanding issue as soon as practicable. Based on the above documents, the PRC legal adviser of the Company is of the view that it is less likely that Zhongyou Energy will be punished by the government as a result of operation of refined oil retail business without the retail license by Guoyan petrol station.

In addition, Chengdu Communications has irrecoverably undertaken to the Company in writing that after the Completion of the Acquisition, if the relevant government departments impose fines or other punishments due to the above-mentioned in-compliance of Guoyan petrol station, it will fully compensate the actual losses incurred to the Company.

Upon Completion of the Acquisition, the Company will procure Zhongyou Energy to obtain the Approval Certificate for Retail of Refined Oil of Guoyan petrol station as soon as practicable and oversee its future legal and compliance operation.

Employee and remuneration policy

As at 31 December 2017, 2018 and 2019 and 31 March 2020, the Target Group had total employees of 152, 157, 317 and 312.

The salary and welfare policies and employee policies implemented by the Target Group maintains stability and continuity, that is, its salary and welfare policies will be implemented in accordance with legal requirements and its salary and welfare management methods. The salary and benefits of employees include post salary, performance bonus and statutory and corporate benefits, which are determined based on the market value of the post and the comprehensive performance of employees and oriented at strategy, market and performance after taking into account internal and external impartiality. According to the statutory requirements, the Target Group has participated in the employee retirement benefit plan (social pension insurance) and housing accumulation fund plan coordinated or organized by the local government department, and has participated in a number of security plans such as medical treatment, work injury and unemployment insurance for employees. In addition, the Target Group attaches great importance to the training of employees, and has established a training system based on the competency of employees in their posts. Training plans are formulated on an annual basis according to the actual needs of business and employees for the current year, and are summarized and reviewed at the end of the year.

Outlook

Since 2020, despite short-term downward trend of domestic economy under the shock of the COVID-19 pandemic, thanks to the effective containment measures implemented by the government, the pandemic has been under control, and market demands for various industries have been rapidly released. In the long run, domestic economy will continue to grow on the track of progress amid stability.

The domestic oil industry, with its entry barriers and market supervision, is highly defensive. Although the retail business of natural gas is at the downstream of the industry chain where competition is more intense, in general, the operating environment is relatively stable. Furthermore, with the continuous improvement of people's living standards, upgrading and steady increase of car ownership and on-going government investment in transportation infrastructure, driving has gradually become a rigid demand for daily life, and market consumption demand for oil and gas products is in turn guaranteed.

In addition, with the in-depth implementation of the regional development plans of Chengdu Tianfu New District, Chengdu International Railway Port Economic Development Zone, East New District and other cities, more high-quality petrol and gas station investment, construction and operation projects will be brought into market, providing broad potential for such businesses to grow bigger and stronger. As a result, it is expected that the Target Group will maintain its operating results so long as there is no material change in the economic conditions of the industry.

REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Set out below is the full text of the report issued by Ernst & Young, certified public accountants in Hong Kong, the reporting accountants of the Company, for the purpose of inclusion in this circular.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the directors of Chengdu Expressway Co., Ltd.

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Chengdu Expressway Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), and Chengdu Energy Development Co., Ltd. (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") (the Group and the Target Group are hereafter collectively referred to as the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2019 and related notes (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV of the circular of the Company dated 10 July 2020 (the "**Circular**").

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 94.49% equity interest in the Target Company (the "**Proposed Acquisition**") by the Company might have affected the financial position of the Group as at 31 December 2019 as if the Proposed Acquisition had taken place at 31 December 2019. As part of this process, information about the Group's and the Target Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2019, on which an annual report has been published, and the accountants' report on the Target Group included in Appendix IIIA to this Circular, respectively.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

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 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, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to provide information about how the Proposed Acquisition might have affected the financial position of the Group as if the transaction had taken place at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Acquisition respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
10 July 2020

(A) UNAUDITED PROFORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

This unaudited proforma financial information (the "**Unaudited Pro Forma Financial Information**") of Chengdu Expressway Co., Ltd. (the "**Company**") and its subsidiaries (hereafter collectively referred to as the "**Group**"), and Chengdu Energy Development Co., Ltd. (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") (the Group and the Target Group are hereafter collectively referred to as the "**Enlarged Group**"), comprising the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2019, has been prepared by the directors of the Company (the "**Directors**") in accordance with Rule 4.29 of the Listing Rules and is solely prepared for the purpose to illustrate the effect of the proposed acquisition of 94.49% equity interest in the Target Company (the "**Acquisition**") to the Group as if the Acquisition has been completed on 31 December 2019.

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2019, which has been extracted from the annual report of the Group for the year ended 31 December 2019; and (ii) the audited consolidated statement of financial position of the Target Group as at 31 March 2020, which has been extracted from the financial information of the Target Group thereon set out in Appendix IIIA to the circular dated 10 July 2020 ("**Circular**"), after making certain pro forma adjustments that are (i) directly attributable to the Acquisition; and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition been completed on 31 December 2019. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position. The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix II to this Circular, and that of the Target Group, as set out in Appendix IIIA to this Circular, and other financial information included elsewhere in this Circular.

The Unaudited Pro Forma Financial Information

	The Group as at 31 December 2019	The Target Group as at 31 March 2020	Pro forma adjustments		Proforma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)(i)*	*Note (4)(ii)*	
NON-CURRENT ASSETS					
Property, plant and equipment	359,967	109,037			469,004
Right-of-use assets	70,702	424,321			495,023
Service concession arrangements	5,925,770	–			5,925,770
Software	515	636			1,151
Goodwill	34,026	–			34,026
Investment in associates	106,064	105,347			211,411
Investment in a joint venture	–	11,682			11,682
Financial assets at fair value through profit or loss	500	–			500
Due from a related party	–	860			860
Payment in advance	–	63,223			63,223
Deferred tax assets	9,068	14,854			23,922
Total non-current assets	6,506,612	729,960			7,236,572
CURRENT ASSETS					
Inventories	–	11,793			11,793
Trade receivables	51,059	229			51,288
Prepayments, deposits, other receivables and other assets	270,830	38,701			309,531
Cash and cash equivalents	1,506,513	193,377	(367,570)		1,332,320
Total current assets	1,828,402	244,100			1,704,932

	The Group as at 31 December 2019	The Target Group as at 31 March 2020	Pro forma adjustments		Proforma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)(i)*	*Note (4)(ii)*	
CURRENT LIABILITIES					
Tax payables	45,773	6,271			52,044
Trade payables	952,662	3,685			956,347
Lease liabilities	3,039	345			3,384
Other payables and accruals	156,503	24,749			181,252
Interest-bearing bank and other borrowings	257,157	–			257,157
Total current liabilities	1,415,134	35,050			1,450,184
NET CURRENT ASSETS	413,268	209,050			254,748
TOTAL ASSETS LESS CURRENT LIABILITIES	6,919,880	939,010			7,491,320
NON-CURRENT LIABILITIES					
Deferred income	120,224	–			120,224
Interest-bearing bank and other borrowings	2,757,560	–	360,000		3,117,560
Deferred tax liabilities	194,035	40,596			234,631
Lease liabilities	32,055	3,514			35,569
Total non-current liabilities	3,103,874	44,110			3,507,984
Net assets	3,816,006	894,900			3,983,336

	The Group as at 31 December 2019	The Target Group as at 31 March 2020	Pro forma adjustments		Proforma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (4)(i)*	*Note (4)(ii)*	
EQUITY					
Equity attributable to owners of the Company					
Issued capital	1,656,102	381,000	(360,000)	(21,000)	1,656,102
Reserves	1,643,892	200,005	(45,019)	(11,013)	1,787,865
Merger deficit arising from the Acquisition	–	–	(322,551)		(322,551)
	3,299,994	581,005			3,121,416
Non-controlling interests	516,012	313,895		32,013	861,920
Total Equity	3,816,006	894,900			3,983,336

Notes:

(1) The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2019 as set out in the published annual report of the Company for the year ended 31 December 2019.

(2) The figures are extracted from the audited consolidated statement of financial position of the Target Group as at 31 March 2020 as set out in Appendix IIIA to this Circular.

(3) As the Company and the Target Company are ultimately controlled by a controlling shareholder of the Company (the "**Vendor**"), the Acquisition is a business combination under common control. Being consistent with the Group's accounting policy for common control combination, the Acquisition is accounted for based on the principles of merger accounting in accordance with merger accounting as if the Acquisition had occurred on the date when the Target Company was established by the Vendor. Accordingly, the assets and liabilities of Target Company acquired in the Acquisition are stated at their carrying amounts.

The consolidated financial statements of the Enlarged Group include the consolidated financial statements of the Target Group in which the common control combination occurs as if it had been consolidated from the date when the Target Company established by the controlling shareholder.

(4) In accordance with the Agreement, the Company conditionally agreed to acquire a 94.49% equity interest of the Target Company, with the consideration for the Acquisition amounted to RMB727,570,000, which shall be satisfied by cash payable to the Vendor, of which RMB367,570,000 will be financed by the Company's internal resources and RMB360,000,000 will be financed by external loan from a bank. The consideration payable is accounted for as a distribution to the owner of the Company (i.e., the Vendor) and accounted for as an equity transaction as the acquisition of the Target Company is a business combination under common control.

Due to the fact that the Group and the Target Group are ultimately controlled by the Vendor before and after the acquisition, the Acquisition is accounted for a business combination under common control. The proforma consolidated statement of financial position of the Enlarged Group as at 31 December 2019 has been prepared to present the assets and liabilities of the Target Group using the existing book values from the controlling shareholder's perspective since the date when the Target Company first came under the common control of the Vendor, being the date of the establishment of the Target Company. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Acquisition.

The proforma adjustments represent:

(4)(i) Recognition of merger deficit

The recognition of merger deficit of RMB322,551,000, which represents the nominal value of the issued capital and capital reserve of RMB405,019,000 paid by the Vendor to subscribe the 94.49% equity interest in the Target Company and after netting off the distribution to the Vendor on the acquisition of 94.49% equity interest in the Target Company of RMB727,570,000 as illustrated below:

	RMB'000
Issued capital	381,000
Capital reserve	47,644
	428,644
% of equity interest attributable to the Vendor	94.49%
Subscription consideration paid by the Vendor	405,019
Less: Distribution to the Vendor	(727,570)
Merger deficit arising from the Acquisition	(322,551)

(4)(ii) Recognition of non-controlling interest

	RMB'000
Issued capital	381,000
Reserves	200,005
Total equity of the Target Group	581,005
% of equity interest attributable to the non-controlling interest	5.51%
	32,013

(5) No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, reporting accountants, valuer, and other expenses) and the directors determined that such costs are insignificant.

(6) No adjustments have been made to adjust any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 December 2019 and 31 March 2020, respectively.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation of the property interests as at 30 April 2020.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2845 9117
Company Licence No.: C-030171

10 July 2020

The Board of Directors
Chengdu Expressway Co., Ltd.
1 Kexin Road
High-Tech Zone
Chengdu, Sichuan
the PRC

Dear Sirs,

Chengdu Expressway Co., Ltd. (成都高速公路股份有限公司, "**Chengdu Expressway**" or the "**Company**", as the purchaser) entered into the Share Transfer Agreement with Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司, "**Chengdu Communications**", as the vendor, the ultimate controlling shareholder of the Company) on 25 May 2020, pursuant to which, the Company agreed to acquire and Chengdu Communications agreed to dispose of the 94.49% shares it held in Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**" or "**Target Company**", a joint stock company incorporated in the PRC with limited liability), at the Consideration of RMB727,570,000, which will be fully settled in cash by the Company and will be financed by way of self-owned funds in the amount of RMB367,570,000 and a bank loan of RMB360,000,000. Upon Completion of the Acquisition, Chengdu Energy Development Company will become a direct non-wholly-owned subsidiary of the Company.

In accordance with your instructions to value the property interests held by the Target Company and its subsidiaries (hereinafter together referred to as the "**Target Group**") in the People's Republic of China (the "**PRC**") for disclosure purpose, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 30 April 2020 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interests in Group I which are completed and occupied by the Target Group (excluding property No. 2) have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property interests in Group II which are currently under development by the Target Group, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Target Group. In arriving at our opinion of value, we have adopted the comparison approach by making reference to land comparable sale evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date. We have relied on the accrued construction cost and professional fees information provided by the Target Group according to the different stage of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

In valuing the property interests in Group III which are held for future development by the Target Group, the property interests in Group IV which are contracted to be acquired by the Target Group and property No. 2, we have adopted the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

For the property interests in Group VI which are contracted to be acquired by the Target Group, the Target Group has entered into agreements with the relevant government authorities. Since the Target Group has not yet obtained the State-owned Land Use Rights Certificates/Real Estate Title Certificates (Land), we have attributed no commercial value to the property interests.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Target Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates, Building Ownership Certificates, Construction Work Planning Permits and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Tahota Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out between May and June 2020 by Ms. Cyndi Huang, Ms. Jun Yang, Ms. Elaine Huang, Mr. Lucas Lu and Ms. Erin Wu. They are Chartered Surveyors/ China Certified Real Estate Appraisers/China Qualified Land Valuers and have more than 2 to 8 years' experience in the valuation of properties in the PRC and possess academic background in subjects relating to real estate valuation.

We have no reason to doubt the truth and accuracy of the information provided to us by the Target Group. We have also sought confirmation from the Target Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the properties under frequent review.

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of COVID-19 has caused much disruption to economic activities around the world. This disruption has increased the risk towards the achievability of the rental/income projections. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the report date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result it causes volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a sale may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the properties.

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Properties completed and occupied by the Target Group in the PRC
Group II: Properties held under development by the Target Group in the PRC
Group III: Properties held for future development by the Target Group in the PRC
Group IV: Properties contracted to be acquired by the Target Group in the PRC

"-" or N/A: Not applicable or not available

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing state as at the valuation date *RMB*
1.	A parcel of land located at Panchenggang Zone, 2nd Ring Road East Section 4, Jinjiang District, Chengdu, Sichuan Province, the PRC	-	-	22,480,000	-	22,480,000
2	A parcel of land of High-tech Zone West Area Gas Station (高新西區加氣站) located at No. 2077 Xiyuan Avenue, High-Tech Zone, Chengdu, Sichuan Province, the PRC	25,190,000	-	-	-	25,190,000

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing state as at the valuation date *RMB*
3	Tulong Road Gas Station (土龍路加氣站) located at Group Nos. 4 and 5, Gaojia Village, Jinquan Street Subdistrict Office, Jinniu District, Chengdu, Sichuan Province, the PRC	-	21,650,000	-	-	21,650,000
4	Longtan Gas Station (龍潭加氣站) located at Group No. 6, Tongren Community, Longtan Subdistrict Office, Chenghua District, Chengdu, Sichuan Province, the PRC	-	22,210,000	-	-	22,210,000
5	A parcel of land located at Group No. 10, Mulongwan Community, Tianhui Town Street, Jinniu District, Chengdu, Sichuan Province, the PRC	-	-	31,700,000	-	31,700,000

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing state as at the valuation date *RMB*
6	Tuoxin West Second Street Petrol Station (拓新西二街加油站) located at Group Nos. 3 and 6, Minle Village, Guixi Street, High-Tech Zone South Area, Chengdu, Sichuan Province, the PRC	20,130,000	-	-	-	20,130,000
7	Dayuan Group No. 2 Petrol Station (大源組團二加油站) located at Group No. 4, Tongpai Village, Guixi Street, High-Tech Zone South Area, Chengdu, Sichuan Province, the PRC	21,990,000	-	-	-	21,990,000
8	A parcel of land located at Group No. 6, Tongpai Village, Guixi Street, High-Tech Zone South Area, Chengdu, Sichuan Province, the PRC	-	-	20,320,000	-	20,320,000

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing state as at the valuation date *RMB*
9	Shengjin San Street Petrol Station (盛錦三街加油站) located at Group Nos.1 and 6, Shuanghe Village, Shiyang Street, High-Tech Zone South Area, Chengdu, Sichuan Province, the PRC	18,910,000	-	-	-	18,910,000
10	Bairihong Petrol Station (百日紅加油站) located at No. 466 Bairihong West Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	38,010,000	-	-	-	38,010,000
11	Fenfangyan Petrol Station (粉坊堰加油站) located at No. 618 Haitang Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	24,360,000	-	-	-	24,360,000
12	A parcel of land located at Group No. 2, Helin Village, Longtan Subdistrict Office, Chenghua District, Chengdu, Sichuan Province, the PRC	-	-	14,410,000	-	14,410,000

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing state as at the valuation date *RMB*
13	3rd Ring Road Jiaozi Interchange Inner Part Petrol Station (三環路嬌子立交內側加油站) located at No. 1-2 Group No. 1, Huaxing Village, the inner part of 3rd Ring Road South Section 2, Jinjiang District, Chengdu, Sichuan Province, the PRC	39,510,000	-	-	-	39,510,000
14	3rd Ring Road Modihe Outer Part Petrol Station (三環路摸底河外側加油站) located at No. 627 3rd Ring Road Section 4, Qingyang District, Chengdu, Sichuan Province, the PRC	32,550,000	-	-	-	32,550,000
15	Dongjiaxiang Petrol Station (董家巷加油站) located at No. 1 Beixing Avenue Section 1, Jinniu District, Chengdu, Sichuan Province, the PRC	25,180,000	-	-	-	25,180,000

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing state as at the valuation date *RMB*
16	Tiandu Petrol Station (天都加油站) located at No. 1042 Datian Road, Dafeng Street, Xindu District, Chengdu, Sichuan Province, the PRC	23,460,000	-	-	-	23,460,000
17	3rd Ring Road Jiaozi Interchange Outer Part Petrol Station (三環路嬌子立交外側加油站) located at No. 1-2 Group No. 1, Huaxing Village, Chenglong Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	23,980,000	-	-	-	23,980,000
18	3rd Ring Road Baohe Outer Part Petrol Station (三環路保和外側加油站) located at No. 19 Hemei West Road, Chenghua District, Chengdu, Sichuan Province, the PRC	31,280,000	-	-	-	31,280,000

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing state as at the valuation date *RMB*
19	Chuanshan Petrol Station (川陝加油站) located at No. 6 Jingcui West Road, Chenghua District, Chengdu, Sichuan Province, the PRC	17,830,000	-	-	-	17,830,000
20	3rd Ring Road Baohe Inner Part Petrol Station (三環路保和內側加油站) located at No. 2 Jialingjiang Road, 3rd Ring Road, Chenghua District East Section 5, Chengdu, Sichuan Province, the PRC	38,100,000 *(refer to note i)*	-	-	-	38,100,000 *(refer to note i)*
21	Zhongjiayan Petrol Station (鐘家堰加油站) located at No. 1892 Beixing Avenue Section 1, Jinniu District, Chengdu, Sichuan Province, the PRC	26,000,000	-	-	-	26,000,000

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing state as at the valuation date *RMB*
22	3rd Ring Road Modihe Inner Part Petrol Station (三環路摸底河內側加油站) located at No. 380 3rd Ring Road Section 4, Qingyang District, Chengdu, Sichuan Province, the PRC	34,460,000	-	-	-	34,460,000
23	3rd Ring Road Fenghuang Petrol and Gas Station (三環路鳳凰加油加氣站) located at Group No. 4, Wangjia Village, Shaheyuan Street, Jinniu District, Chengdu, Sichuan Province, the PRC	39,120,000 *(refer to note ii)*	-	-	-	39,120,000 *(refer to note ii)*
24	3rd Ring Road Wangjia Petrol Station (三環路王賈加油站) located at Group Nos. 5 and 6, Wangjia Village, Shaheyuan Street, Jinniu District, Chengdu, Sichuan Province, the PRC	24,370,000	-	-	-	24,370,000

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	The total market value in existing state as at the valuation date *RMB*
25	3rd Ring Road Longtan Petrol Station (三環路龍潭加油站) located at No. 73 3rd Ring Road East Section 2, Chenghua District, Chengdu, Sichuan Province, the PRC	24,860,000	-	-	-	24,860,000
26	A parcel of land located at the junction of the south of Xianghu Avenue and the west of Jingwu Road, Qingbaijiang District, Chengdu, Sichuan Province, the PRC	-	-	-	No commercial value *(refer to note iii)*	No commercial value *(refer to note iii)*
27	A parcel of land located at the junction of the south of Xianghu Avenue and the west of Jingwu Road, Qingbaijiang District, Chengdu, Sichuan Province, the PRC	-	-	-	No commercial value *(refer to note iv)*	No commercial value *(refer to note iv)*
	Total:	529,290,000	43,860,000	88,910,000	No commercial value *(refer to notes iii, iv)*	662,060,000

Notes:

i. In the valuation of the buildings of Property No. 20 with a total gross floor area of approximately 1,006.80 sq.m., as at the valuation date, the relevant Building Ownership Certificates of the property had not been obtained, therefore we have attributed no commercial value to these buildings of the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings of Property No. 20 as at the valuation date would be RMB1,500,000.

ii. In the valuation of the buildings of Property No. 23 with a total gross floor area of approximately 1,128.96 sq.m., as at the valuation date, the relevant Building Ownership Certificates of the property had not been obtained, therefore we have attributed no commercial value to these buildings of the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings of Property No. 23 as at the valuation date would be RMB1,690,000.

iii. In the valuation of Property No. 26 with a site area of approximately 3,517.39 sq.m., as at the valuation date, the property has not been assigned to the Target Group and thus the title of the property has not been vested in the Target Group, therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of Property No. 26 as at the valuation date would be RMB24,040,000, assuming the property is on clear and vacant site state, the relevant title certificates have been obtained by the Target Group and the Target Group is entitled to freely transfer the property and the property will be granted for a term of 40 years for commercial use (petrol and gas station use) commencing from the valuation date.

iv. In the valuation of Property No. 27 with a site area of approximately 3,071.94 sq.m., as at the valuation date, the property has not been assigned to the Target Group and thus the title of the property has not been vested in the Target Group, therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of Property No. 27 as at the valuation date would be RMB21,090,000, assuming the property is on clear and vacant site state, the relevant title certificates have been obtained by the Target Group and the Target Group is entitled to freely transfer the property and the property will be granted for a term of 40 years for commercial use (petrol and gas station use) commencing from the valuation date.

v. The total depreciated replacement cost of Property Nos. 20 and 23 in notes i and ii is RMB3,190,000 and the total market value for reference of Property Nos. 26 and 27 in notes iii and iv is RMB45,130,000 as at the valuation date.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	A parcel of land located at Panchenggang Zone, 2nd Ring Road East Section 4, Jinjiang District, Chengdu, Sichuan Province, the PRC	The property is located at Panchenggang Zone, 2nd Ring Road East Section 4, Jinjiang District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 2,999.98 sq.m. As advised by the Target Group, the construction of the project had not been commenced as at the valuation date. The development proposal has not been drawn up, and the total development cost can not be estimated for the time being. The land use rights of the property have been granted for a term with the expiry date on 18 August 2053 for municipal facilities (petrol station) use.	As at the valuation date, the property was bare land.	22,480,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – 5101 Jin (2013) Chu Rang He Tong No. 8 dated 19 August 2013, the land use rights of the property with a site area of approximately 2,999.98 sq.m. were contracted to be granted to Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**"), for a term of 40 years for municipal facilities (petrol station) use. The total land premium was RMB2,699,982. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. As advised by the Target Group, the application procedures of the Construction Land Planning Permit will be initiated after the development proposal of the property has been drawn up. The timeline of obtaining the Construction Land Planning Permit can not be predicted for the time being.

3. Pursuant to a Real Estate Title Certificate (Land) – Chuan (2017) Cheng Du Shi Bu Dong Chan Quan Di No. 0329340, the land use rights of a parcel of land with a site area of approximately 2,999.98 sq.m. have been granted to Chengdu Energy Development Company for a term expiring on 18 August 2053 for municipal facilities (petrol station) use.

4. As advised by the Target Group, as the development proposal of the property has not been drawn up, the timeline of obtaining the Construction Work Planning Permit can not be predicted for the time being.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Chengdu Energy Development Company has legally obtained the Real Estate Title Certificate (Land) mentioned in note 3 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	No
c.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Building Ownership Certificate/Real Estate Title Certificate (Building)	N/A

7. For the purpose of this report, the property is classified into the group as "Group III - Properties held for future development by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	A parcel of land of High-tech Zone West Area Gas Station (高新西區加氣站) located at No. 2077 Xiyuan Avenue, High-Tech Zone, Chengdu, Sichuan Province, the PRC	The property is located at No. 2077 Xiyuan Avenue, High-Tech Zone. It is well-served by public transportation. The vicinity of the property is dominated by residential and industrial developments. High-tech Zone West Area Gas Station occupies a parcel of land with a site area of approximately 3,781.71 sq.m., 2 buildings and various structures erected thereon. The buildings include a station building and a gas station shed, and the structures mainly include concrete flooring and boundary walls. As advised by the Target Group, the property held by the Target Group is only the land parcel of High-tech Zone West Area Gas Station, while the buildings and structures are excluded from our valuation. The land use rights of the property have been granted for a term with the expiry date on 20 October 2051 for public facilities use.	As at the valuation date, a gas station have been completed and in operation on the property.	25,190,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract – 5101 Gao Xin Xi (2011) Chu Rang He Tong No. 19 dated on 19 October 2011, the land use rights of the property with a site area of approximately 3,781.71 sq.m. were contracted to be granted to Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**") for a term of 40 years for public facilities use. The total land premium was RMB7,544,511.45. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a Real Estate Title Certificate (Land) – Chuan (2017) Chengdu Shi Bu Dong Chan Quan Di No. 0377130, the land use rights of a parcel of land with a site area of approximately 3,781.71 sq.m. have been granted to Chengdu Energy Development Company for a term expiring on 20 October 2051 for public facilities use.

3. As advised by the Target Group, the buildings and structures erected on the property are held by Zhongyou Jieneng (Chengdu) Environmental Protection Technology Co., Ltd. (中油潔能(成都)環保科技有限公司, "Zhongyou Jieneng", a 52.25%-owned subsidiary of an associate of Chengdu Energy Development Company). In order to unify the land use rights and building ownership rights of High-tech Zone West Area Gas Station, once Chengdu Energy Development Company has acquired 47.49% equity of Zhongyou Jieneng, Chengdu Energy Development Company will transfer the land use rights of the property to Zhongyou Jieneng at the market price.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Chengdu Energy Development Company, as the sole owner, has legally obtained the land use rights under the Real Estate Title Certificate (Land) mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

   b. Zhongyou Jieneng has obtained a Filling License of Cylinder – Chuan A Chong No. 948 for a term between 28 May 2020 and 27 May 2024. As at the valuation date, the application of operation qualification for CNG is under processing. As advised by the Target Group, the operation qualification for CNG is expected to be obtained before 31 December 2020 by Zhongyou Jieneng, and no substantial impediments are found.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	No
c.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Building Ownership Certificate/Real Estate Title Certificate (Building)	N/A

6. For the purpose of this report, the property is classified into the group as "Group I - Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
3.	Tulong Road Gas Station (土龍路加氣站) located at Group Nos. 4 and 5, Gaojia Village, Jinquan Street Subdistrict Office, Jinniu District, Chengdu, Sichuan Province, the PRC	The property known as Tulong Road Gas Station is located at Group Nos. 4 and 5, Gaojia Village, Jinquan Street Subdistrict Office, Jinniu District. It is well-served by public transportation. The vicinity of the property is dominated by residential and industrial developments. The property occupies a parcel of land with a site area of approximately 2,665.00 sq.m., which is being developed into a gas station. The project was under construction as at the valuation date and is scheduled to be completed in December 2020. As advised by the Target Group, upon completion, the project will have a total planned gross floor area of approximately 823.58 sq.m., including 2 buildings and several structures, such as concrete flooring and boundary walls. As advised by the Target Group, the development cost (excluding the land cost) of the property is estimated to be approximately RMB6,136,000, of which approximately RMB2,627,000 had been paid up to the valuation date. The land use rights of the property have been granted for a term with the expiry date on 20 July 2055 for public facilities use.	As at the valuation date, the property was under construction.	21,650,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract – 5101 Jin (2015) Chu Rang He Tong No. 56 dated 21 July 2015, the land use rights of the property with a site area of approximately 2,665.00 sq.m. were contracted to be granted to Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**") for a term of 40 years for public facilities use. The total land premium was RMB1,686,945. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 51010620150005, permission towards the planning of the aforesaid land parcel with a site area of approximately 2,665.00 sq.m. has been granted to Chengdu Energy Development Company.

3. Pursuant to a Real Estate Title Certificate (Land) – Chuan (2017) Chengdu Shi Bu Dong Chan Quan Di No. 0177854, the land use rights of a parcel of land with a site area of approximately 2,665.00 sq.m. have been granted to Chengdu Energy Development Company for a term expiring on 20 July 2055 for public facilities use.

4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 510106201830832 in favour of Chengdu Energy Development Company, Tulong Road Gas Station with a total gross floor area of approximately 823.58 sq.m. has been approved for construction.

5. Pursuant to a Construction Work Commencement Permit – No. 510106201902280601 in favour of Chengdu Energy Development Company, permission by the relevant local authority was given to commence the construction of Tulong Road Gas Station with a total gross floor area of approximately 823.58 sq.m.

6. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB25,200,000.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Chengdu Energy Development Company, as the sole owner, has legally obtained the land use rights under the Real Estate Title Certificate (Land) mentioned in note 3 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

   b. The actual development progress of the property is consistent with the construction work approvals, and no violations of construction laws and regulations have been found.

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	Yes
c.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Building Ownership Certificate/Real Estate Title Certificate (Building)	N/A

9. For the purpose of this report, the property is classified into the group as "Group II - Properties held under development by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
4.	Longtan Gas Station (龍潭加氣站) located at Group No. 6, Tongren Community, Longtan Subdistrict Office, Chenghua District, Chengdu, Sichuan Province, the PRC	The property known as Longtan Gas Station is located at Group No. 6, Tongren Community, Longtan Subdistrict Office, Chenghua District. It is well-served by public transportation. The locality is a newly developed area where municipal facilities and amenities are still under development. The property occupies a parcel of land with a site area of approximately 2,284.35 sq.m., which is being developed into a gas station. The project was under construction as at the valuation date and is scheduled to be completed in December 2020. As advised by the Target Group, upon completion, the project will have a total planned gross floor area of approximately 533.79 sq.m. As advised by the Target Group, the development cost (excluding the land cost) of the property is estimated to be approximately RMB6,470,000, of which approximately RMB5,748,000 had been paid up to the valuation date. The land use rights of the property have been granted for a term with the expiry date on 15 January 2055 for municipal facilities use.	As at the valuation date, the property was under construction.	22,210,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – 5101 Cheng (2014) Chu Rang He Tong No. 85 dated 16 January 2015, the land use rights of the property with a site area of approximately 2,284.35 sq.m. were contracted to be granted to Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**") for a term of 40 years for municipal facilities use. The total land premium was RMB932,014.80. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 510108201426137, permission towards the planning of the aforesaid land parcel with a site area of approximately 2,284.35 sq.m. has been granted to Chengdu Energy Development Company.

3. Pursuant to a Real Estate Title Certificate (Land) – Chuan (2017) Cheng Du Shi Bu Dong Chan Quan Di No. 0177092, the land use rights of a parcel of land with a site area of approximately 2,284.35 sq.m. have been granted to Chengdu Energy Development Company for a term expiring on 15 January 2055 for municipal facilities use.

4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 510108201830850 in favour of Chengdu Energy Development Company, Longtan Gas Station with a total gross floor area of approximately 573.79 sq.m. has been approved for construction.

5. Pursuant to a Construction Work Commencement Permit – Di No. 510108201901280301 in favour of Chengdu Energy Development Company, permission by the relevant local authority was given to commence the construction of Longtan Gas Station with a total gross floor area of approximately 533.79 sq.m.

6. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB23,000,000.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Chengdu Energy Development Company, as the sole owner, has legally obtained the land use rights under the Real Estate Title Certificate mentioned in note 3 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

   b. The actual development progress of the property is consistent with the construction work approvals, and no violation of construction laws and regulations have been found.

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	Yes
c.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	Yes
f.	Building Ownership Certificate/Real Estate Title Certificate (Building)	N/A

9. For the purpose of this report, the property is classified into the group as "Group II – Properties held under development by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
5.	A parcel of land located at Group No. 10, Mulongwan Community, Tianhui Town Street, Jinniu District, Chengdu, Sichuan Province, the PRC	The property is located at Group No. 10, Mulongwan Community, Jinniu District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 8,955.48 sq.m., which will be developed into a petrol station with a total planned gross floor area of approximately 1,282.40 sq.m. As advised by the Target Group, the construction of the project had not been commenced as at the valuation date, and the construction is expected to begin in October 2020 and complete in June 2021. As advised by the Target Group, the development cost (excluding the land cost) of the property is estimated to be approximately RMB11,000,000. The land use rights of the property have been granted for a term with the expiry date on 27 December 2055 for public facilities use.	As at the valuation date, the property was bare land.	31,700,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – 5101 Jin (2015) Chu Rang He Tong No. 89 dated 28 December 2015, the land use rights of the property with a site area of approximately 8,955.48 sq.m. were contracted to be granted to Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**") for a term of 40 years for public facilities use. The total land premium was in RMB4,056,832.44. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 510106201520061, permission towards the planning of the aforesaid land parcel with a site area of approximately 8,955.48 sq.m. has been granted to Chengdu Energy Development Company.

3. Pursuant to a Real Estate Title Certificate (Land) – Chuang (2017) Chengdu Shi Bu Dong Chan Quan Di No. 0363479, the land use rights of a parcel of land with a site area of approximately 8,955.48 sq.m. have been granted to Chengdu Energy Development Company for a term expiring on 27 December 2055 for public facilities use.

4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 510106202030330 in favour of Chengdu Energy Development Company, the property with a total gross floor area of approximately 1,282.40 sq.m. has been approved for construction.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Chengdu Energy Development Company, as the sole owner, has legally obtained the land use rights under the Real Estate Title Certificate (Land) mentioned in note 3 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	Yes
c.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	N/A
f.	Building Ownership Certificate/Real Estate Title Certificate (Building)	N/A

7. For the purpose of this report, the property is classified into the group as "Group III – Properties held for future development by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
6.	Tuoxin West Second Street Petrol Station (拓新西二街加油站) located at Group Nos. 3 and 6, Minle Village, Guixi Street, High-Tech Zone South Area, Chengdu, Sichuan Province, the PRC	The property known as Tuoxin West Second Street Petrol Station is located at Group Nos. 3 and 6, Minle Village, Guixi Street, High-Tech Zone South Area. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 2,456.19 sq.m., 2 buildings and various structures erected thereon which were completed in 2011. The buildings have a total gross floor area of approximately 464.91 sq.m., including a station building and a petrol station shed. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 4 August 2051 for municipal public facilities (petrol station) use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	20,130,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract and a Supplementary Agreement – 5101 Gao Xin (2011) No. 05 dated 5 July 2011, the land use rights of the property with a site area of approximately 2,456.19 sq.m. were contracted to be granted to Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司, "**Communications Investment Energy**", a 55%-owned subsidiary of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) for a term of 40 years for municipal public facilities (petrol station) use. The total land premium was RMB6,705,399. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a State-owned Land Use Rights Certificate – Cheng Gao Guo Yong (2011) Di No. 17077, the land use rights of a parcel of land with a site area of approximately 2,456.19 sq.m. have been granted to Communications Investment Energy for a term expiring on 4 August 2051 for municipal public facilities (petrol station) use.

3. Pursuant to 2 Building Ownership Certificates – Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 4329398 and 4329399, 2 buildings with a total gross floor area of approximately 464.91 sq.m. are owned by Communications Investment Energy for station building, petrol station shed and ancillary uses.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Communications Investment Energy, as the sole owner, has legally obtained the land use rights under the State-owned Land Use Rights Certificate mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances;

   b. Communications Investment Energy, as the sole owner, has legally obtained the building ownership rights under the Building Ownership Certificates mentioned in note 3 and is entitled to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the aforesaid buildings within the use period specified in the Building Ownership Certificates. The use of the property is consistent with the corresponding land planning use; and

   c. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0818 for a term between 9 September 2019 and 8 September 2024, and a hazardous chemicals operation licence – Chuan Rong Gao Wei Hua Jing Zi (2018) No. 064 for a term between 19 October 2018 and 18 October 2021, Communications Investment Energy can legally operate the Tuoxin West Second Street Petrol Station.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (Building)	Yes

6. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
7.	Dayuan Group No. 2 Petrol Station (大源組團二加油站) located at Group No. 4, Tongpai Village, Guixi Street, High-Tech Zone South Area, Chengdu, Sichuan Province, the PRC	The property known as Dayuan Group No. 2 Petrol Station is located at Group No. 4, Tongpai Village, Guixi Street, High-Tech Zone South Area. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 2,681.94 sq.m., 2 buildings and various structures erected thereon which were completed in 2013. The buildings have a total gross floor area of approximately 389.68 sq.m., including a station building and a petrol station shed. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 4 August 2051 for municipal public facilities (petrol station) use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	21,990,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract and a Supplementary Agreement – 5101 Gao Xin (2011) No. 02 dated 5 July 2011, the land use rights of the property with a site area of approximately 2,681.94 sq.m. were contracted to be granted to Chengdu Transportation Hub Station Construction Management Co., Ltd. (成都交通樞紐場站建設管理有限公司, "**Hub Station Company**", a former shareholder of Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司, "**Communications Investment Energy**", a 55%-owned subsidiary of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) for a term of 40 years for municipal public facilities (petrol station) use. The total land premium was RMB7,321,696. As advised by the Target Group, the land premium has been fully paid as at the valuation date. Pursuant to the Capital Increase Agreement of Chengdu Communications Investment Energy Development Co., Ltd. dated in July 2012, Hub Station Company increased its investment in Communications Investment Energy by capital contribution in the form of land use rights of the Dayuan Group No. 2 Petrol Station and a parcel of land located at Group No. 6, Tongpai Village, High-Tech Zone South Area. Therefrom, Communications Investment Energy has obtained the land use rights of the property.

2. Pursuant to a State-owned Land Use Rights Certificate – Cheng Gao Guo Yong (2012) Di No. 24927, the land use rights of a parcel of land with a site area of approximately 2,681.94 sq.m. have been granted to Communications Investment Energy for a term expiring on 4 August 2051 for municipal public facilities (petrol station) use.

3. Pursuant to 2 Building Ownership Certificates – Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 4062664 and 4062662, 2 buildings with a total gross floor area of approximately 389.68 sq.m. are owned by Communications Investment Energy for station building, petrol station shed and ancillary uses.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Communications Investment Energy, as the sole owner, has legally obtained the land use rights under the State-owned Land Use Rights Certificate mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances;

   b. Communications Investment Energy, as the sole owner, has legally obtained the building ownership rights under the Building Ownership Certificates mentioned in note 3 and is entitled to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the aforesaid buildings within the use period specified in the Building Ownership Certificates. The use of the property is consistent with the corresponding land planning use;

   c. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0824 for a term between 27 May 2020 and 26 May 2025, and a hazardous chemicals operation licence – Chuan Rong Gao Wei Hua Jing Zi (2020) No. 049 for a term between 13 May 2020 and 12 May 2023, Communications Investment Energy can legally operate the Dayuan Group No.2 Petrol Station.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (Building)	Yes

6. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
8.	A parcel of land located at Group No. 6, Tongpai Village, Guixi Street, High-Tech Zone South Area, Chengdu, Sichuan Province, the PRC	The property is located at Group No. 6, Tongpai Village, Guixi Street, High-Tech Zone South Area. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 2,686.03 sq.m. As advised by the Target Group, as the development proposal has not been drawn up, the total development cost can not be estimated for the time being, and the construction of the project had not been commenced as at the valuation date. The land use rights of the property have been granted for a term with the expiry date on 4 August 2051 for municipal public facilities use.	As at the valuation date, the property was bare land.	20,320,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract and a Supplementary Agreement– 5101 Gaoxin (2011) No. 03 dated 6 July 2011, the land use rights of the property with a site area of approximately 2,686.03 sq.m. were contracted to be granted to Chengdu Transportation Hub Station Construction Management Co., Ltd. (成都交通樞紐場站建設管理有限公司, "**Hub Station Company**", a former shareholder of Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司, "**Communications Investment Energy**", a 55%-owned subsidiary of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**"))) for a term of 40 years for municipal public facilities use as at the valuation date. The total land premium was RMB7,332,862. As advised by the Target Group, the land premium has been fully paid. Pursuant to the Capital Increase Agreement of Chengdu Communications Investment Energy Development Co., Ltd. dated in July 2012, Hub Station Company increased its investment in Communications Investment Energy by capital contribution in the form of land use rights of the Dayuan Group No. 2 Petrol Station and a parcel of land located at Group No. 6, Tongpai Village, High-Tech Zone South Area. Therefrom, Communications Investment Energy has obtained the land use rights of the property.

2. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 510122201029103, permission towards the planning of a land parcel with a site area of approximately 4,543.07 sq.m. (including the property) has been granted to Communications Investment Energy for a term expiring on 4 August 2051 for municipal public facilities use.

3. Pursuant to a State-owned Land Use Rights Certificate – Cheng Gao Guo Yong (2012) Di No. 24926, the land use rights of a parcel of land with a site area of approximately 2,686.03 sq.m. have been granted to Communications Investment Energy for a term expiring on 4 August 2051 for municipal public facilities use.

4. As advised by the Target Group, the property is planned to be replaced by another parcel of land before 31 December 2021. The development proposal of the property has not been drawn up as at the valuation date, and the timeline of obtaining the new Construction Land Planning Permit and Construction Work Planning Permit can not be predicted for the time being.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Communications Investment Energy, as the sole owner, has legally obtained the land use rights under the State-owned Land Use Rights Certificate mentioned in note 3 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	Yes
c.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Building Ownership Certificate/Real Estate Title Certificate (Building)	N/A

7. For the purpose of this report, the property is classified into the group as "Group III – Properties held for future development by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
9.	Shengjin San Street Petrol Station (盛錦三街加油站) located at Group Nos.1 and 6, Shuanghe Village, Shiyang Street, High-Tech Zone South Area, Chengdu, Sichuan Province, the PRC	The property known as Shengjin San Street Petrol Station is located at Group Nos.1 and 6, Shuanghe Village, Shiyang Street, High-Tech Zone South Area. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 2,333.35 sq.m., 2 buildings and various structures erected thereon which were completed in 2011. The buildings have a total gross floor area of approximately 311.53 sq.m., including a station building and a petrol station shed. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 4 August 2051 for municipal public facilities (petrol station) use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	18,910,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract and a Supplementary Agreement – 5101 Gao Xin (2011) No. 04 dated 5 July 2011, the land use rights of the property with a site area of approximately 2,333.35 sq.m. were contracted to be granted to Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司, "**Communications Investment Energy**", a 55%-owned subsidiary of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) for a term of 40 years for municipal public facilities (petrol station) use. The total land premium was RMB6,370,046. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a State-owned Land Use Rights Certificate – Cheng Gao Guo Yong (2011) Di No. 17078, the land use rights of a parcel of land with a site area of approximately 2,333.35 sq.m. have been granted to Communications Investment Energy for a term expiring on 4 August 2051 for municipal public facilities (petrol station) use.

3. Pursuant to 2 Building Ownership Certificates – Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 4328917 and 4328919, 2 buildings with a total gross floor area of approximately 311.53 sq.m. are owned by Communications Investment Energy for station building, petrol station shed and ancillary uses.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Communications Investment Energy, as the sole owner, has legally obtained the land use rights under the State-owned Land Use Rights Certificate mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances;

   b. Communications Investment Energy, as the sole owner, has legally obtained the building ownership rights under the Building Ownership Certificates mentioned in note 3 and is entitled to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the aforesaid buildings within the use period specified in the Building Ownership Certificates. The use of the property is consistent with the corresponding land planning use; and

   c. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0817 for a term between 9 August 2019 and 8 August 2024, and a hazardous chemicals operation licence – Chuan Rong Gao Wei Hua Jing Zi (2018) No. 065 for a term between 19 October 2018 and 18 October 2021, Communications Investment Energy can legally operate the Shengjin San Street Petrol Station.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (Building)	Yes

6. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
10.	Bairihong Petrol Station (百日紅加油站) located at No. 466 Bairihong West Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	The property known as Bairihong Petrol Station is located at No. 466 Bairihong West Road, Jinjiang District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 4,542.02 sq.m., 2 buildings and various structures erected thereon which were completed in 2016. The buildings have a total gross floor area of approximately 1,957.98 sq.m., including a station building and a petrol station shed. The structures mainly include concrete flooring and boundary walls. The land use rights the property have been granted for a term with the expiry date on 13 May 2052 for municipal facilities (petrol station) use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	38,010,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – 5101 Jin (2012) Chu Rang He Tong No. 3 dated 14 May 2012, the land use rights of the property with a site area of approximately 4,542.02 sq.m. were contracted to be granted to Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司, "**Communications Investment Energy**"), a 55%-owned subsidiary of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**"), for a term of 40 years for municipal facilities (petrol station) use. The total land premium was RMB2,520,821.10. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a State-owned Land Use Rights Certificate – Cheng Guo Yong (2013) Di No. 302, the land use rights of a parcel of land with a site area of approximately 4,542.02 sq.m. have been granted to Communications Investment Energy for a term expiring on 13 May 2052 for municipal facilities (petrol station) use.

3. Pursuant to 2 Building Ownership Certificates – Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 4595407 and 4595408, 2 buildings with a total gross floor area of approximately 1,957.98 sq.m. are owned by Communications Investment Energy for station building and petrol station shed uses.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Communications Investment Energy, as the sole owner, has legally obtained the land use rights under the State-owned Land Use Rights Certificate mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances;

   b. Communications Investment Energy, as the sole owner, has legally obtained the building ownership rights under the Building Ownership Certificates mentioned in note 3 and is entitled to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the aforesaid buildings within the use period specified in the Building Ownership Certificates. The use of the property is consistent with the corresponding land planning use; and

   c. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0827 for a term between 17 March 2015 and 12 July 2020, and a hazardous chemicals operation licence – Chuan Rong Jin Wei Hua Jing Zi (2018) No. 00024 for a term between 11 March 2018 and 10 March 2021, Communications Investment Energy can legally operate the Bairihong Petrol Station. As advised by the Target Group, the application procedures of the new retail qualification for refined oil will be initiated before the expiry date. The new retail qualification for refined oil is expected to be obtained before 31 December 2020 by Communications Investment Energy, and no substantial impediments are found.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (Building)	Yes

6. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
11.	Fenfangyan Petrol Station (粉坊堰加油站) located at No. 618 Haitang Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	The property known as Fenfangyan Petrol Station is located at No. 618 Haitang Road, Jinjiang District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 2,563.14 sq.m., 2 buildings and various structures erected thereon which were completed in 2012. The buildings have a total gross floor area of approximately 575.53 sq.m., including a station building and a petrol station shed. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 29 August 2051 for municipal facilities (petrol station) use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	24,360,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – 5101 Jin (2011) Chu Rang He Tong No. 19 dated 30 August 2011, the land use rights of the property with a site area of approximately 2,563.14 sq.m. were contracted to be granted to Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司, "**Communications Investment Energy**"), a 55%-owned subsidiary of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**"), for a term of 40 years for municipal facilities (petrol station) use. The total land premium was RMB1,399,474.44. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a State-owned Land Use Rights Certificate – Cheng Guo Yong (2011) Di No. 658, the land use rights of a parcel of land with a site area of approximately 2,563.14 sq.m. have been granted to Communications Investment Energy for a term expiring on 29 August 2051 for municipal facilities (petrol station) use.

3. Pursuant to 2 Building Ownership Certificates – Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 3886852 and 3886885, 2 buildings with a total gross floor area of approximately 575.53 sq.m. are owned by Communications Investment Energy for station building and petrol station shed uses.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Communications Investment Energy, as the sole owner, has legally obtained the land use rights under the State-owned Land Use Rights Certificate mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances;

   b. Communications Investment Energy, as the sole owner, has legally obtained the building ownership rights under the Building Ownership Certificates mentioned in note 3 and is entitled to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the aforesaid buildings within the use period specified in the Building Ownership Certificates. The use of the property is consistent with the corresponding land planning use; and

   c. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0811 for a term between 19 June 2019 and 18 June 2024, and a hazardous chemicals operation licence – Chuan Rong Jin Wei Hua Jing Zi (2019) No. 00042 for a term between 23 July 2019 and 22 July 2022, Communications Investment Energy can legally operate the Fenfangyan Petrol Station.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
c.	Building Ownership Certificate/Real Estate Title Certificate (Building)	Yes

6. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
12.	A parcel of land located at Group No. 2, Helin Village, Longtan Subdistrict Office, Chenghua District, Chengdu, Sichuan Province, the PRC	The property is located at Group No. 2, Helin Village, Longtan Subdistrict Office, Chenghua District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 2,000.01 sq.m. As advised by the Target Group, as the development proposal has not been drawn up, the total development cost can not be estimated for the time being, and the construction of the project had not been commenced as at the valuation date. The land use rights of the property have been granted for a term with the expiry date on 30 April 2055 for municipal facilities (petrol station) use.	As at the valuation date, the property was bare land.	14,410,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – 5101 Cheng (2015) Chu Rang He Tong No. 26 dated 21 April 2015, the land use rights of the property with a site area of approximately 2,000.01 sq.m. were contracted to be granted to Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司, "**Communications Investment Energy**"), a 55%-owned subsidiary of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**"), for a term of 40 years for municipal facilities (petrol station) use. The total land premium was RMB906,004.53. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 510108201426152, permission towards the planning of the aforesaid land parcel with a site area of approximately 2,000.01 sq.m. has been granted to Communications Investment Energy.

3. Pursuant to a State-owned Land Use Rights Certificate – Cheng Guo Yong (2015) Di No. 250, the land use rights of a parcel of land with a site area of approximately 2,000.01 sq.m. have been granted to Communications Investment Energy for a term expiring on 30 April 2055 for municipal facilities (petrol station) use.

4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No.510108201530274 in favour of Communications Investment Energy, the buildings with a total gross floor area of approximately 454.94 sq.m. has been approved for construction. As advised by the Target Group, the development plan will be adjusted in the future, and the new plan has not been drawn up for the time being.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Communications Investment Energy, as the sole owner, has legally obtained the land use rights under the State-owned Land Use Rights Certificate mentioned in note 3 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	Yes
c.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	N/A
f.	Building Ownership Certificate/Real Estate Title Certificate (Building)	N/A

7. For the purpose of this report, the property is classified into the group as "Group III – Properties held for future development by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
13.	3rd Ring Road Jiaozi Interchange Inner Part Petrol Station (三環路嬌子立交內側加油站) located at No. 1-2, Group No. 1, Huaxing Village, the inner part of 3rd Ring Road South Section 2, Jinjiang District, Chengdu, Sichuan Province, the PRC	The property known as 3rd Ring Road Jiaozi Interchange Inner Part Petrol Station is located at No. 1-2, Group No. 1, Huaxing Village, the inner part of 3rd Ring Road South Section 2, Jinjiang District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 4,789.46 sq.m., 3 buildings and various structures erected thereon which were completed in 2009. The buildings have a total gross floor area of approximately 454.49 sq.m., including a petrol station shed, an ancillary building and a public restroom. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 15 July 2049 for municipal facilities use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	39,510,000

Notes:

1. Pursuant to the Chengdu Zhongyou Energy Co., Ltd. Second Capital Increase And Share Expansion Agreement dated 10 December 2009, Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司, "**Chengdu Communications**", a former shareholder of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) increased its investment in Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) by capital contribution in the form of land use rights of 3rd Ring Road Jiaozi Interchange Inner Part Petrol Station and 3rd Ring Road Jiaozi Interchange Outer Part Petrol Station. Therefrom, Zhongyou Energy has obtained the land use rights of the property.

2. Pursuant to 3 Real Estate Title Certificates – Chuan (2018) Cheng Du Shi Bu Dong Chan Quan Di Nos. 0013728, 0013779 and 0013783, the property with a total gross floor area of approximately 454.49 sq.m. together with corresponding land use rights with a site area of approximately 4,789.46 sq.m. is owned by Zhongyou Energy for a term expiring on 15 July 2049 for municipal facilities use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Zhongyou Energy, as the sole owner, has legally obtained the land use rights and building ownership rights under the Real Estate Title Certificates mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land and buildings, and the aforesaid land use rights and the building ownership rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

   b. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0780 for a term between 23 November 2016 and 23 November 2021, and a hazardous chemicals operation licence – Chuan Rong Jin Wei Hua Jing Zi (2019) No. 00049 for a term between 1 August 2019 and 31 July 2022, Zhongyou Energy can legally operate 3rd Ring Road Jiaozi Interchange Inner Part Petrol Station.

4. A summary of major certificates/approvals is shown as follows:

   a. Building Ownership Certificate/Real Estate Title Certificate — Yes

5. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
14.	3rd Ring Road Modihe Outer Part Petrol Station (三環路摸底河外側加油站) located at No. 627 3rd Ring Road Section 4, Qingyang District, Chengdu, Sichuan Province, the PRC	The property known as 3rd Ring Road Modihe Outer Part Petrol Station located at No. 627 3rd Ring Road Section 4, Qingyang District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 3,801.43 sq.m., 2 buildings and various structures erected thereon which were completed in 2009. The buildings have a total gross floor area of approximately 375.91 sq.m., including a petrol station shed and an ancillary building. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 8 July 2049 for municipal public facilities use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	32,550,000

Notes:

1. Pursuant to Chengdu Zhongyou Energy Co., Ltd. Capital Contribution Agreement dated 10 April 2009, Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司, "**Chengdu Communications**", a former shareholder of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) contributed its investment in Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) by capital contribution in the form of land use rights of 3rd Ring Road Modihe Inner Part Petrol Station and 3rd Ring Road Modihe Outer Part Petrol Station. Therefrom, Zhongyou Energy has obtained the land use rights of the property.

2. Pursuant to 2 Real Estate Title Certificates – Chuan (2017) Cheng Du Shi Bu Dong Chan Quan Di Nos. 0314556 and 0314576, the property with a total gross floor area of approximately 375.91 sq.m. together with the corresponding land use rights with a site area of approximately 3,801.43 sq.m. is owned by Zhongyou Energy for a term expiring on 8 July 2049 for municipal public facilities use (petrol station shed and ancillary uses).

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Zhongyou Energy, as the sole owner, has legally obtained the land use rights and building ownership under the Real Estate Title Certificates mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land and buildings, and the aforesaid land use rights and building ownership rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

   b. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0784 for a term between 6 February 2017 and 6 February 2022, and a hazardous chemicals operation licence – Chuan Rong Qing Yang Wei Hua Jing Zi (2019) No. 00041 for a term between 27 June 2019 and 31 July 2022, Zhongyou Energy can legally operate 3rd Ring Road Modihe Outer Part Petrol Station.

4. A summary of major certificates/approvals is shown as follows:

   a. Building Ownership Certificate/Real Estate Title Certificate Yes

5. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
15.	Dongjiaxiang Petrol Station (董家巷加油站) located at No. 1 Beixing Avenue Section 1, Jinniu District, Chengdu, Sichuan Province, the PRC	The property known as Dongjiaxiang Petrol Station is located at No. 1 Beixing Avenue Section 1, Jinniu District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 2,771.02 sq.m., 2 buildings and various structures erected thereon which were completed in 2010. The buildings have a total gross floor area of approximately 395.71 sq.m., including a petrol station shed and an ancillary building. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 11 May 2051 for wholesale and retail uses.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	25,180,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract – 5101 Jin (2011) Chu Rang He Tong Di No. 3, dated 12 May 2011, the land use rights of the property with a site area of approximately 2,771.02 sq.m. were contracted to be granted to Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) for a term of 40 years for municipal public use. The total land premium was RMB1,105,636.98. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to 2 Real Estate Title Certificates – Chuan (2017) Cheng Du Shi Bu Dong Chan Quan Di Nos. 0425672 and 0425713, the property with a total gross floor area of approximately 395.71 sq.m. together with the corresponding land use rights with a site area of approximately 2,771.02 sq.m. is owned by Zhongyou Energy for a term expiring on 11 May 2051 for wholesale and retail uses.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

    a. Zhongyou Energy, as the sole owner, has obtained the land use rights and building ownership rights under the Real Estate Title Certificates mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land and buildings of the property, and the aforesaid land use rights and building ownership rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

    b. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0801 for a term between 27 December 2016 and 27 December 2021, and a hazardous chemicals operation licence – Chuan Rong Jin Niu Wei Hua Jing Zi (2019) No. 00072 for a term between 6 August 2019 and 6 August 2022, Zhongyou Energy can legally operate the Dongjiaxiang Petrol Station.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	Building Ownership Certificate/Real Estate Title Certificate	Yes

5. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
16.	Tiandu Petrol Station (天都加油站) located at No. 1042 Datian Road, Dafeng Street, Xindu District, Chengdu, Sichuan Province, the PRC	The property known as Tiandu Petrol Station is located at No. 1042 Datian Road, Dafeng Street, Xindu District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 2,804.95 sq.m., 2 buildings and various structures erected thereon which were completed in 2012. The buildings have a total gross floor area of approximately 515.45 sq.m., including a petrol station shed and an ancillary building. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 29 December 2051 for public facilities use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	23,460,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract – No. 5101092011024 (Xie) dated 29 December 2011, the land use rights of the property with a site area of approximately 2,804.95 sq.m. were contracted to be granted to Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company for a term of 40 years for municipal public use. The total land premium was in RMB5,595,875. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a Real Estate Title Certificate – Chuan (2018) Xin Du Qu Bu Dong Chan Quan Di No. 0044766, the property with a gross floor area of approximately 515.45 sq.m. together with the corresponding land use rights with a site area of approximately 2,804.95 sq.m. is owned by Zhongyou Energy for a term expiring on 29 December 2051 for public facilities use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Zhongyou Energy, as the sole owner, has obtained the land use rights and building ownership rights under the Real Estate Title Certificate mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land and buildings of the property, and the aforesaid land use rights and building ownership rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

   b. Pursuant to a retail qualification for refined oil– You Ling Shou Zheng Shu No. A0826 for a term between 19 March 2018 and 18 March 2023, and a hazardous chemicals operation licence – Chuan Rong Xin Du Wei Hua Jing Zi (2018) No. 00049 for a term between 29 May 2018 and 28 May 2021, Zhongyou Energy can legally operate the Tiandu Petrol Station.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	Building Ownership Certificate/Real Estate Title Certificate	Yes

5. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
17.	3rd Ring Road Jiaozi Interchange Outer Part Petrol Station (三環路嬌子立交外側加油站) located at No. 1-2 Group No. 1, Huaxing Village, Chenglong Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	The property known as 3rd Ring Road Jiaozi Interchange Outer Part Petrol Station is located at No. 1-2 Group No. 1, Huaxing Village, Chenglong Road, Jinjiang District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 2,645.13 sq.m., 2 buildings and various structures erected thereon which were completed in 2009. The buildings have a total gross floor area of approximately 398.24 sq.m., including a petrol station shed and a station ancillary building. The structures mainly include concrete flooring and walls. The land use rights of the property have been granted for a term with the expiry date on 14 June 2052 for municipal facilities use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	23,980,000

Notes:

1. Pursuant to the Chengdu Zhongyou Energy Co., Ltd. Second Capital Increase And Share Expansion Agreement dated 10 December 2009, Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司, "**Chengdu Communications**", a former shareholder of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) increased its investment in Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) by capital contribution in the form of land use rights of 3rd Ring Road Jiaozi Interchange Inner Part Petrol Station and 3rd Ring Road Jiaozi Interchange Outer Part Petrol Station. Therefrom, Zhongyou Energy has obtained the land use rights of the property.

2. Pursuant to 2 Real Estate Title Certificates – Chuan (2017) Cheng Du Shi Bu Dong Chan Quan Di Nos. 0439660 and 0439750, the property with a total gross floor area of approximately 398.24 sq.m. together with the corresponding land use rights with a site area of approximately 2,645.13 sq.m. is owned by Zhongyou Energy for a term expiring on 14 June 2052 for municipal facilities use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Zhongyou Energy, as the sole owner, has obtained the land use rights and building ownership rights under the Real Estate Title Certificates mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land and buildings of the property, and the aforesaid land use rights and building ownership rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

   b. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0781 for a term between 23 November 2016 and 23 November 2021, and a hazardous chemicals operation licence – Chuan Rong Jin Wei Hua Jing Zi (2019) No. 00050 for a term between 11 August 2019 and 31 July 2022, Zhongyou Energy can legally operate 3rd Ring Road Jiaozi Interchange Outer Part Petrol Station.

4. A summary of major certificates/approvals is shown as follows:

   a. Building Ownership Certificate/Real Estate Title Certificate Yes

5. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
18.	3rd Ring Road Baohe Outer Part Petrol Station (三環路保和外側加油站) located at No. 19 Hemei West Road, Chenghua District, Chengdu, Sichuan Province, the PRC	The property known as 3rd Ring Road Baohe Outer Part Petrol Station is located at No. 19 Hemei West Road, Chenghua District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 3,491.57 sq.m., 2 buildings and various structures erected thereon which were completed in 2009. The buildings have a total gross floor area of approximately 389.75 sq.m., including 2 petrol station ancillary buildings. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 15 June 2049 for municipal facilities (petrol station) use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	31,280,000

Notes:

1. Pursuant to the Chengdu Zhongyou Energy Co., Ltd. First Capital Increase And Share Expansion Agreement dated 5 November 2009, Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司, "**Chengdu Communications**", a former shareholder of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) increased its investment in Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) by capital contribution in the form of land use rights of 3rd Ring Road Baohe Outer Part Petrol Station and 3rd Ring Road Longtan Petrol Station. Therefrom, Zhongyou Energy has obtained the land use rights of the property.

2. Pursuant to a State-owned Land Use Rights Certificate – Cheng Guo Yong (2013) Di No. 130, the land use rights of a parcel of land with a site area of approximately 3,491.57 sq.m. have been granted to Zhongyou Energy for a term expiring on 15 June 2049 for municipal facilities (petrol station) use.

3. Pursuant to 2 Building Ownership Certificates – Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 5069544 and 5069607, 2 buildings with a total gross floor area of approximately 389.75 sq.m. are owned by Zhongyou Energy for petrol station ancillary building uses.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Zhongyou Energy, as the sole owner, has obtained the land use rights under the State-owned Land Use Rights Certificate mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances;

   b. Zhongyou Energy, as the sole owner, has obtained the building ownership rights under the Building Ownership Certificates mentioned in note 3 and is entitled to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the aforesaid buildings within the use period specified in the Real Estate Title Certificates. The use of the property is consistent with the corresponding land planning use; and

   c. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0779 for a term between 23 November 2016 and 23 November 2021, and a hazardous chemicals operation licence – Chuan An Rong Jing (Jia) Zi (2016) No. 00584 for a term between 5 August 2016 and 5 August 2022, Zhongyou Energy can legally operate 3rd Ring Road Baohe Outer Part Petrol Station.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
b.	Building Ownership Certificate/Real Estate Title Certificate (Building)	Yes

6. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
19.	Chuanshan Petrol Station (川陜加油站) located at No. 6 Jingcui West Road, Chenghua District, Chengdu, Sichuan Province, the PRC	The property known as Chuanshan Petrol Station is located at No. 6 Jingcui West Road, Chenghua District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 1,969.01 sq.m., 2 buildings and various structures erected thereon which were completed in 2013. The buildings have a total gross floor area of approximately 379.97 sq.m., including 2 petrol station ancillary buildings. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 3 May 2055 for municipal facilities use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	17,830,000

Notes:

1. Pursuant to the Chengdu Zhongyou Energy Co., Ltd. Fourth Capital Increase And Share Expansion Agreement dated 28 November 2010, Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司, "**Chengdu Communications**", a former shareholder of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) increased its investment in Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) by capital contribution in the form of land use rights of 3rd Ring Road Baohe Inner Part Petrol Station and Guoyan Petrol Station.

2. Pursuant to the Second Supplementary Agreement of Chengdu Zhongyou Energy Co., Ltd. dated 31 December 2012, Chengdu Communications increased its investment in Zhongyou Energy by capital contribution in the form of land use rights of Chuanshan Petrol Station instead of land use rights of Guoyan Petrol Station. Therefrom, Zhongyou Energy has obtained the land use rights of the property.

3. Pursuant to 2 Real Estate Title Certificates – Chuan (2017) Cheng Du Shi Bu Dong Chan Quan Di Nos. 0365152 and 0365199, the property with a total gross floor area of approximately 379.97 sq.m. together with the corresponding land use rights with a site area of approximately 1,969.01 sq.m. is owned by Zhongyou Energy for a term expiring on 3 May 2055 for municipal facilities use.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Zhongyou Energy, as the sole owner, has obtained the land use rights and building ownership under the Real Estate Title Certificates mentioned in note 3 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land and buildings of the property, and the aforesaid land use rights and building ownership rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

   b. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0797 for a term between 27 December 2016 and 27 December 2021, and a hazardous chemicals operation licence – Chuan Rong Cheng Hua Wei Hua Jing Zi (2019) No. 000085 for a term between 29 September 2016 and 28 September 2022, Zhongyou Energy can legally operate the Chuanshan Petrol Station.

5. A summary of major certificates/approvals is shown as follows:

   a. Building Ownership Certificate/Real Estate Title Certificate Yes

6. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
20.	3rd Ring Road Baohe Inner Part Petrol Station (三環路保和內側加油站) located at No. 2 Jialingjiang Road, 3rd Ring Road East Section 5, Chenghua District, Chengdu, Sichuan Province, the PRC	The property known as 3rd Ring Road Baohe Inner Part Petrol Station is located at No. 2, Jialingjiang Road, Chenghua District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 4,613.22 sq.m., 2 buildings and various structures erected thereon which were completed in 2009. As advised by the Target Group, the buildings have a total gross floor area of approximately 1,006.80 sq.m., including 2 petrol station ancillary buildings. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 25 June 2049 for municipal facilities (petrol station) use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	38,100,000 *(Refer to note 3)*

Notes:

1. Pursuant to the Chengdu Zhongyou Energy Co., Ltd. Fourth Capital Increase And Share Expansion Agreement dated 28 November 2010, Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司, "**Chengdu Communications**", a former shareholder of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) increased its investment in Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) by capital contribution in the form of land use rights of 3rd Ring Road Baohe Inner Part Street Petrol Station and Guoyan Petrol Station. Therefrom, Zhongyou Energy has obtained the land use rights of the property.

2. Pursuant to a State-owned Land Use Rights Certificate – Cheng Guo Yong (2012) Di No. 304, the land use rights of a parcel of land with a site area of approximately 4,613.22 sq.m. have been granted to Zhongyou Energy for a term expiring on 25 June 2049 for municipal facilities (petrol station) use.

3. As at the valuation date, the relevant Real Estate Title Certificate of the buildings of property had not been obtained. Therefore, we have attributed no commercial value to the buildings of property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at the valuation date would be RMB1,500,000.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Zhongyou Energy, as the sole owner, has obtained the land use rights under the State-owned Land Use Rights Certificate mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances;

   b. The application of Real Estate Title Certificate (Building) of the property is under processing. Pursuant to a relevant document issued by Chengdu Urban and Rural Development Commission, the property right registration procedures of 3rd Ring Road Baohe Inner Part Petrol Station can be simplified after the review opinions are given by relevant departments of Chengdu. There is no substantial impediments for the Target Group to obtain the Real Estate Title Certificate, and the Real Estate Title Certificate is expected to be obtained before 30 June 2021; and

   c. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0778 for a term between 23 November 2016 and 23 November 2021 and a hazardous operation licence – Chuan Rong Jin Niu Wei Hua Jing Zi (2019) No. 00070, for a term between 6 August 2019 and 5 August 2022, Zhongyou Energy can legally operate the 3rd Ring Road Baohe Petrol Station.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
b.	Building Ownership Certificate/Real Estate Title Certificate (Building)	No

6. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
21.	Zhongjiayan Petrol Station (鐘家堰加油站) located at No. 1892 Beixing Avenue Section 1, Jinniu District, Chengdu, Sichuan Province, the PRC	The property known as Zhongjiayan Petrol Station is located at No. 1892 Beixing Avenue Section 1, Jinniu District. It is well-served by public transportation. The vicinity of the property is dominated by residential developments and parks. The property occupies a parcel of land with a site area of approximately 2,800.91 sq.m., 2 buildings and various structures erected thereon which were completed in 2010. The buildings have a total gross floor area of approximately 395.71 sq.m., including a petrol station shed and an ancillary building. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 11 May 2051 for wholesale and retail uses.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	26,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – 5101 Jin (2011) Chu Rang He Tong Di No. 4 dated 12 May 2011, the land use rights of the property with a site area of approximately 2,800.91 sq.m. were contracted to be granted to Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) for a term of 40 years for other commercial use (petrol station). The total land premium was RMB1,117,563.09. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to 2 Real Estate Title Certificates – Chuan (2018) Cheng Du Shi Bu Dong Chan Quan Di Nos. 0133954 and 0133897, the property with a total gross floor area of approximately 395.71 sq.m. together with the corresponding land use rights with a site area of approximately 2,800.91 sq.m. is owned by Zhongyou Energy for a term expiring on 11 May 2051 for wholesale and retail uses.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Zhongyou Energy, as the sole owner, has obtained the land use rights and building ownership under the Real Estate Title Certificates mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land and buildings, and the aforesaid land use rights and building ownership rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

   b. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0800 for a term between 27 December 2016 and 27 December 2021, and a hazardous chemicals operation licence – Chuan Rong Jin Niu Wei Hua Jing Zi (2019) No. 000071 for a term between 7 August 2019 and 6 August 2022, Zhongyou Energy can legally operate the Zhongjiayan Petrol Station.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Building Ownership Certificate/Real Estate Title Certificates	Yes

5. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
22.	3rd Ring Road Modihe Inner Part Petrol Station (三環路摸底河內側加油站) located at No. 380 3rd Ring Road Section 4, Qingyang District, Chengdu, Sichuan Province, the PRC	The property known as 3rd Ring Road Modihe Inner Part Petrol Station is located at No. 380 3rd Ring Road Section 4, Qingyang District. It is well-served by public transportation. The vicinity of the property is dominated by residential and commercial developments. The property occupies a parcel of land with a site area of approximately 3,925.37 sq.m., 3 buildings and various structures erected thereon which were completed in 2010. The buildings have a total gross floor area of approximately 599.75 sq.m., including a petrol station shed and an ancillary building. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 25 March 2049 for municipal public facilities use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	34,460,000

Notes:

1. Pursuant to the Chengdu Zhongyou Energy Co., Ltd. Capital Contribution Agreement dated 10 April 2009, Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司, "**Chengdu Communications**", a former shareholder of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) contributed its investment in Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) by capital contribution in the form of land use rights of 3rd Ring Road Modihe Inner Part Petrol Station and 3rd Ring Road Modihe Outer Part Petrol Station. Therefrom, Zhongyou Energy has obtained the land use rights of the property.

2. Pursuant to 3 Real Estate Title Certificates – Chuan (2017) Cheng Du Shi Bu Dong Chan Quan Di Nos. 0319967, 0319980 and 0319975, the property with a total gross floor area of approximately 599.75 sq.m. together with the corresponding land use rights with a site area of approximately 3,925.37 sq.m. is owned by Zhongyou Energy for a term expiring on 25 March 2049 for municipal public facilities use (petrol station shed and ancillary uses).

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Zhongyou Energy, as the sole owner, has obtained the land use rights and building ownership rights under the Real Estate Title Certificates mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land and buildings, and the aforesaid land use rights and building ownership rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

   b. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0783, for a term between 6 February 2017 and 6 February 2022 and a hazardous chemicals operation licence – Chuan Rong Qing Yang Wei Hua Jing Zi (2019) No. 00043 for a term between 27 June 2019 and 31 July 2022, Zhongyou Energy can legally operate 3rd Ring Road Modihe Inner Part Petrol Station.

4. A summary of major certificates/approvals is shown as follows:

   a. Building Ownership Certificate/Real Estate Title Certificates Yes

5. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
23.	3rd Ring Road Fenghuang Petrol and Gas Station (三環路鳳凰加油加氣站) located at Group No. 4, Wangjia Village, Shaheyuan Street, Jinniu District, Chengdu, Sichuan Province, the PRC	The property known as 3rd Ring Road Fenghuang Petrol and Gas Station is located at Group No. 4, Wangjia Village, Shaheyuan Street, Jinniu District. The locality is a newly developed area where municipal facilities and amenities are still under development. The property occupies a parcel of land with a site area of approximately 4,902.59 sq.m., 2 buildings and various structures erected thereon which were completed between 2010. The buildings have a total gross floor area of approximately 1,128.96 sq.m., including a petrol and gas station shed and an ancillary building. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 27 December 2051 for public facilities use.	As at the valuation date, the property was occupied for petrol and gas station operation purpose.	39,120,000 *(refer to note 3)*

Notes:

1. Pursuant to Chengdu Zhongyou Energy Co., Ltd. Third Capital Increase And Share Expansion Agreement dated 18 June 2010, Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司, "**Chengdu Communications**", a former shareholder of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) increased its investment in Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) by capital contribution in the form of land use rights of 3rd Ring Wangjia Petrol Station and 3rd Ring Road Fenghuang Petrol and Gas Station. Subsequent to a series of investment arrangement, the land use rights of the property are owned by Zhongyou Energy and Chengdu Tongneng Compressed Natural Gas Co., Ltd. (成都通能壓縮天然氣有限公司, "**Chengdu Tongneng**", a 30%-owned associate of Chengdu Energy Development Company).

2. Pursuant to a Real Estate Title Certificate (Land) – Chuan (2017) Cheng Du Shi Bu Dong Chan Quan Di No. 0228407, the land use rights of the property with a site area of approximately 4,902.59 sq.m. are owned by Zhongyou Energy and Chengdu Tongneng for a term expiring on 27 December 2051 for public facilities use.

3. As at the valuation date, the building ownership rights of the property had not been assigned to Zhongyou Energy and Chengdu Tongneng, thus the title of the buildings of the property had not been vested in Zhongyou Energy and Chengdu Tongneng as the relevant building ownership certificate had not been obtained. Therefore, we have attributed no commercial value to the buildings of the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings of property as at the valuation date would be RMB1,690,000.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Zhongyou Energy and Chengdu Tongneng, as the co-owners, have obtained the land use rights under the Real Estate Title Certificate (Land) mentioned in note 2 and are entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the aforesaid land use rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances;

   b. The application of Real Estate Title Certificate (Building) of the property is under processing. Pursuant to a relevant document issued by Chengdu Urban and Rural Development Commission, the property right registration procedures of 3rd Ring Fenghuang Petrol and Gas Station can be simplified after the review opinions are given by relevant departments of Chengdu. There is no substantial impediments for the Target Group to obtain the Real Estate Title Certificate, and the Real Estate Title Certificate is expected to be obtained before 30 June 2021; and

   c. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0785 for a term between 23 November 2016 and 23 November 2021, and a hazardous opeartion licence – Chuan Rong Jin Niu Wei Hua Jing Zi (2019) No. 00074 for a term between 1 August 2019 and 31 July 2022, Zhongyou Energy and Chengdu Tongneng can legally operate the 3rd Ring Fenghuang Petrol and Gas Station.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	Yes
b.	Building Ownership Certificate/Real Estate Title Certificate (Building)	No

6. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
24.	3rd Ring Road Wangjia Petrol Station (三環路王賈加油站) located at Group Nos. 5 and 6, Wangjia Village, Shaheyuan Street, Jinniu District, Chengdu, Sichuan Province, the PRC	The property known as 3rd Ring Road Wangjia Petrol Station is located at Group Nos. 5 and 6, Wangjia Village, Shaheyuan Street, Jinniu District. The locality is a newly developed area where municipal facilities and amenities are still under development. The property occupies a parcel of land with a site area of approximately 2,968.44 sq.m., 2 buildings and various structures erected thereon which were completed in 2009. The buildings have a total gross floor area of approximately 398.24 sq.m., including a petrol station shed and an ancillary building. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 27 December 2051 for public facilities use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	24,370,000

Notes:

1. Pursuant to the Chengdu Zhongyou Energy Co., Ltd. Third Capital Increase And Share Expansion Agreement dated 18 June 2010, Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司, "**Chengdu Communications**", a former shareholder of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) increased its investment in Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) by capital contribution in the form of land use rights of 3rd Ring Wangjia Petrol Station and 3rd Ring Road Fenghuang Petrol and Gas Station. Therefrom, Zhongyou Energy has obtained the land use rights of the property.

2. Pursuant to 2 Real Estate Title Certificates – Chuan (2017) Cheng Du Shi Bu Dong Chan Quan Di Nos. 0365254 and 0365236, the property with a total gross floor area of approximately 398.24 sq.m. together with the corresponding land use rights with a site area of approximately 2,968.44 sq.m. are owned by Zhongyou Energy for a term expiring on 27 December 2051 for public facilities use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Zhongyou Energy, as the sole owner, has obtained the land use rights and building ownership rights under the Real Estate Title Certificates mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land and buildings, and the aforesaid land use rights and building ownership rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

   b. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0786 for a term between 23 November 2016 and 23 November 2021, and a hazardous chemicals operation licence – Chuan Rong Jin Niu Wei Hua Jing Zi (2019) No. 00073 for a term between 6 August 2019 and 6 August 2022, Zhongyou Energy can legally operate the 3rd Ring Wangjia Petrol Station.

4. A summary of major certificates/approvals is shown as follows:

   a. Building Ownership Certificate/Real Estate Title Certificate Yes

5. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
25.	3rd Ring Road Longtan Petrol Station (三環路龍潭加油站) located at No.73 3rd Ring Road East Section 2, Chenghua District, Chengdu, Sichuan Province, the PRC	The property known as the 3rd Ring Road Longtan Petrol Station is located at No.73 3rd Ring Road East Section 2, Chenghua District. The locality is a newly developed area where municipal facilities and amenities are still under development. The property occupies a parcel of land with a site area of approximately 3,014.86 sq.m., 2 buildings and various structures erected thereon which were completed in 2009. The buildings have a total gross floor area of approximately 375.91 sq.m., including a petrol station shed and an ancillary building. The structures mainly include concrete flooring and boundary walls. The land use rights of the property have been granted for a term with the expiry date on 31 August 2049 for municipal facilities use.	As at the valuation date, the property was occupied by the Target Group for petrol station operation purpose.	24,860,000

Notes:

1. Pursuant to the Chengdu Zhongyou Energy Co., Ltd. First Capital Increase And Share Expansion Agreement dated 5 November 2009, Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司, "**Chengdu Communications**", a former shareholder of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) increased its investment in Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Company) by capital contribution in the form of land use rights of 3rd Ring Road Baohe Outer Part Petrol Station and 3rd Ring Road Longtan Petrol Station. Therefrom, Zhongyou Energy has obtained the land use rights of the property.

2. Pursuant to 2 Real Estate Title Certificates – Chuan (2017) Cheng Du Shi Bu Dong Chan Quan Di Nos. 0319956 and 0319962, the property with a total gross floor area of approximately 375.91 sq.m. together with the corresponding land use rights with a site area of approximately 3,014.86 sq.m. is owned by Zhongyou Energy for a term expiring on 31 August 2049 for municipal facilities use.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

    a. Zhongyou Energy, as the sole owner, has obtained the land use rights and building ownership rights under the Real Estate Title Certificates mentioned in note 2 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land and buildings, and the aforesaid land use rights and building ownership rights are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances; and

    b. Pursuant to a retail qualification for refined oil – You Ling Shou Zheng Shu No. A0786 for a term between 23 January 2016 and 23 January 2021 and a hazardous chemicals operation licence – Chuan Rong Cheng Hua Wei Hua Jing Zi (2019) No. 000079 for a term between 9 September 2019 and 8 September 2022, Zhongyou Energy can legally operate the 3rd Ring Road Longtan Petrol Station.

4. A summary of major certificates/approvals is shown as follows:

    a. Building Ownership Certificate/Real Estate Title Certificate Yes

5. For the purpose of this report, the property is classified into the group as "Group I – Properties completed and occupied by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
26.	A parcel of land located at the junction of the south of Xianghu Avenue and the west of Jingwu Road, Qingbaijiang District, Chengdu, Sichuan Province, the PRC	The property is located near Qingbaijing Industrial Park, Qingbaijiang District. It is well-served by public transportation. The vicinity of the property is dominated by industrial and logistics developments. The property occupies a parcel of land with a site area of approximately 3,517.39 sq.m., which will be developed into a petrol station with a total planned gross floor area of approximately 656.24 sq.m. As advised by the Target Group, the construction of the project had not been commenced as at the valuation date. The land use rights of the property have been granted for a term with the expiry date on 23 May 2059 for commercial use (petrol and gas station use).	As at the valuation date, the property was bare land.	No commercial value *(refer to note 3)*

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract and a Supplementary Agreement – No. 510113-2019-C-020 dated 18 April 2019, the land use rights of the property with a site area of approximately 3,517.39 sq.m. were contracted to be granted to Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) for a term of 40 years for commercial use (petrol and gas station use). The total land premium was RMB23,742,450. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 510113202030158 in favour of Zhongyou Energy, the property with a total gross floor area of approximately 656.24 sq.m. has been approved for construction.

3. As at the valuation date, the property had not been assigned to Zhongyou Energy and thus the title of the property had not been vested in Zhongyou Energy as the relevant land use rights certificate had not been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB24,040,000, assuming the property is on clear and vacant site state, the relevant title certificates have been obtained by Zhongyou Energy and Zhongyou Energy is entitled to freely transfer the property and from the valuation date, the property will be granted for a term of 40 years for commercial use (petrol and gas station use).

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. The State-owned Construction Land Use Rights Grant Contract and Supplementary Agreement mentioned in note 1 are legal and valid; and

   b. Zhongyou Energy is proactively going through the relative procedures to obtain the Real Estate Title Certificate (Land) of the property. It is under regular process to obtain the Real Estate Title Certificate (Land) and no substantial impediments are found. As advised by Chengdu Energy Development Company, the Real Estate Title Certificate (Land) is expected to be obtained before 30 June 2021.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	No
c.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	No
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	N/A
f.	Building Ownership Certificate/Real Estate Title Certificate	N/A

6. For the purpose of this report, the property is classified into the group as "Group IV – Properties contracted to be acquired by the Target Group in the PRC" according to the purpose of which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
27.	A parcel of land located at the junction of the south of Xianghu Avenue and the west of Jingwu Road, Qingbaijiang District, Chengdu, Sichuan Province, the PRC	The property is located near Qingbaijing Industrial Park, Qingbaijiang District. It is well-served by public transportation. The vicinity of the property is dominated by industrial and logistics developments. The property occupies a parcel of land with a site area of approximately 3,071.94 sq.m., which will be developed into a gas station with a total planned gross floor area of approximately 533.46 sq.m. As advised by the Target Group, the construction of the project had not been commenced as at the valuation date. The land use rights of the property have been granted for a term with the expiry date on 23 May 2059 for commercial use (petrol and gas station use).	As at the valuation date, the property was bare land.	No commercial value *(refer to note 3)*

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract and a Supplementary Agreement – No. 510113-2019-C-021 dated 18 April 2019, the land use rights of the property with a site area of approximately 3,071.94 sq.m. were contracted to be granted to Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司, "**Zhongyou Energy**", a 51%-owned subsidiary of Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司, "**Chengdu Energy Development Company**")) for a term of 40 years for commercial use (petrol and gas station use). The total land premium was in RMB20,044,365. As advised by the Target Group, the land premium has been fully paid as at the valuation date.

2. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 510113202030261 in favour of Zhongyou Energy, the property with a total gross floor area of approximately 533.46 sq.m. has been approved for construction.

3. As at the valuation date, the property had not been assigned to Zhongyou Energy and thus the title of the property had not been vested in Zhongyou Energy as the relevant land use rights certificate had not been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB21,090,000, assuming the property is on clear and vacant site state, the relevant title certificates have been obtained by Zhongyou Energy and Zhongyou Energy is entitled to freely transfer the property and from the valuation date, the property will be granted for a term of 40 years for commercial use (petrol and gas station use).

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. The State-owned Construction Land Use Rights Grant Contract and the Supplementary Agreement mentioned in note 1 are legal and valid; and

   b. Zhongyou Energy is proactively going through the relative procedures to obtain the Real Estate Title Certificate (Land) of the property. It is under regular process to obtain the Real Estate Title Certificate (Land) and no substantial impediments are found. As advised by Chengdu Energy Development Company, the Real Estate Title Certificate (Land) is expected to be obtained before 30 June 2021.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Construction Land Use Rights Grant Contract	Yes
b.	Construction Land Planning Permit	No
c.	State-owned Land Use Rights Certificate/Real Estate Title Certificate (Land)	No
d.	Construction Work Planning Permit	Yes
e.	Construction Work Commencement Permit	N/A
f.	Building Ownership Certificate/Real Estate Title Certificate	N/A

6. For the purpose of this report, the property is classified into the group as "Group IV – Properties contracted to be acquired by the Target Group in the PRC" according to the purpose of which it is held.

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 Company's Directors, Supervisors and chief executive) 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 Group Corporation Limited (成都交通投資集團有限公司)[1]	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 and Development Co., Ltd. (成都高速公路建設開發有限公司)[2]	Beneficial owner	Domestic Shares	Long position	900,000,000	75%	54.34%

Notes:

(1) Chengdu Communications Investment Group Corporation Limited is wholly owned by Chengdu Municipal State-owned Assets Supervision and Administration Commission.

(2) Chengdu Expressway Construction and Development Co., Ltd. is a wholly-owned subsidiary of Chengdu Communications Investment Group Corporation Limited.

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)[1]	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)[1]	Beneficial owner	H Shares	Long position	100,000,000	21.92%	6.04%
Chengdu Xiecheng Asset Management Co., Ltd. (成都市協成資產管理有限責任公司)[2]	Interest in controlled corporation	H Shares	Long position	50,000,000	10.96%	3.02%
Chengdu Jiaozi Financial Holding Group Co., Ltd. (成都交子金融控股集團有限公司)[2]	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)[3]	Interest in controlled corporation	H Shares	Long position	49,950,000	10.95%	3.02%
Chengdu Rail Industrial Investment Co., Ltd. (成都軌道產業投資有限公司)[3]	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)[4]	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%

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 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)[5]	Interest in controlled corporation	H Shares	Long position	42,939,000	9.41%	2.59%
Chengdu Tianfu New Area Financial Holdings Co., Ltd. (成都天府新區金融控股有限公司)[5]	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)[6]	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)[6]	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 Jiaozi Financial Holding Group Co., Ltd. is owned as to 40% by Chengdu Xiecheng Asset Management Co., Ltd. Chengdu Jiaozi Financial Holding Group Co., Ltd. is interested in 50,000,000 H Shares of the Company.

(3) Chengdu Rail Industrial Investment Co., Ltd. is wholly-owned by Chengdu Rail Transit Group Co., Ltd. Chengdu Rail Industrial Investment 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).

(4) 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一資產管理計劃).

(5) Chengdu Tianfu New Area Investment Group Co., Ltd. holds 100% interests in Chengdu Tianfu New Area Financial Holdings Co., Ltd. Chengdu Tianfu New Area Financial Holdings 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.

(6) 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 is not aware of any other person (other than Directors, Supervisors or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares of the Company which would be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, to the best knowledge of the Directors, save as disclosed in the announcement of the Company dated 16 February 2020, there was no material adverse change in the financial or operating condition of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

5. MATERIAL LITIGATION

According to the information provided by Chengdu Energy Development Company to the Company, Petroleum Corporation, a company that used to do business with Communications Investment Energy, fabricated trade receivables due from Communications Investment Energy of approximately RMB111 million and entered into certain factoring contracts with the ABC Guanghua Branch taking advantage of such fabricated trade receivables. Pursuant to the factoring contracts, Petroleum Corporation transferred such fabricated trade receivables for exchange of financing. Such factoring contracts are recourse factoring, which means that after the trade receivables are due, should the ABC Guanghua Branch fails to recover the trade receivables from Communications Investment Energy, Petroleum Corporation shall repurchase such amount. In addition, according to certain guarantee contracts and mortgage contracts, seven guarantors provided guarantee for the performance of obligations by Petroleum Corporation. As of the Latest Practicable Date, the seven guarantors and their ultimate beneficial owners are all Independent Third Parties.

Subsequently, Communications Investment Energy found out that Petroleum Corporation fabricated the trade receivables due from Communications Investment Energy and entered into the factoring contracts with the ABC Guanghua Branch based on such fabricated trade receivables, and reported this to Chengdu Municipal Public Security Bureau (成都市公安局), which issued a “Notice of Case Filing” on 6 September 2016 to initiate a criminal case investigation into the suspected loan fraud by Petroleum Corporation.

Petroleum Corporation repurchased certain amount of the aforementioned fabricated trade receivables. Since trade receivables of RMB73,989,472.97 and interests thereof still remained outstanding and neither Petroleum Corporation nor the guarantors fulfilled their respective obligations of repurchase or guarantee, on 4 June 2018, the ABC Guanghua Branch filed a lawsuit with Chengdu Municipal Intermediate People's Court, requesting that Petroleum Corporation, the seven guarantors and Communications Investment Energy jointly bear the obligation to repay trade receivables of RMB73,989,472.97 and interests thereof. On 4 April 2019, Chengdu Municipal Intermediate People's Court heard the case. As Communications Investment Energy had reported to the public security bureau regarding the fabrication of trade receivables by Petroleum Corporation, Chengdu Municipal Intermediate People's Court issued the Civil Ruling Letter ((2018) Chuan 01 Min Chu No. 1994) on 10 April 2019, denying the motion of the ABC Guanghua Branch. Thereafter, the ABC Guanghua Branch appealed to Sichuan Provincial Higher People's Court on 24 April 2019, which issued the Civil Ruling Letter ((2019) Chuan Min Zhong No. 439), revoking the Civil Ruling Letter ((2018) Chuan 01 Min Chu No. 1994) issued by the Chengdu Municipal Intermediate People's Court, and instructed Chengdu Municipal Intermediate People's Court to hear the case. As at the Latest Practicable Date, the case has not yet been heard, and the criminal investigation by the Chengdu Municipal Public Security Bureau on Petroleum Corporation's suspected trade receivables fabrication and loan fraud has not yet been completed.

Chengdu Communications has irrevocably undertaken in writing to the Company regarding the above-mentioned case that, if, following the Completion of the Acquisition, the court ruled that Communications Investment Energy shall assume legal responsibilities, Chengdu Communications shall fully compensate the actual losses thus incurred to the Company.

As at the Latest Practicable Date, so far as the Directors are aware, save as disclosed above, the Enlarged Group was not involved in any litigation or claim of material importance pending or threatened against it.

6. 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.

7. INTERESTS OF DIRECTORS AND SUPERVISORS IN ASSETS AND 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 Enlarged Group since 31 December 2019, being the date of the latest published audited financial statements of the Group. 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 Enlarged Group subsisting as at the Latest Practicable Date.

8. 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 Enlarged 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).

9. 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, the non-executive Director and chairman of the Company who also serves as the vice chairman of Chengdu Communications, 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.

10. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Ernst & Young	certified public accountants
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
Jones Lang LaSalle Corporate Appraisal & Advisory Limited	independent valuer, independent property valuer

a. as at the Latest Practicable Date, none of the above experts 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 2019, being the date to which the latest published audited financial statements of the Group were made up;

b. as at the Latest Practicable Date, none of the above experts had any shareholding, direct or indirect, 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; and

c. each of the above experts 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.

11. MATERIAL CONTRACTS

The followings are the contracts (not being contracts entered into in the ordinary course of business) entered into by any of the members of the Enlarged Group within the two years immediately preceding the date of this circular and as at the Latest Practicable Date which are material:

a. the Equity Transfer Agreement entered into between the Company and Chengdu Expressway Construction on 28 October 2019, pursuant to which, the Company agreed to acquire and Chengdu Expressway Construction agreed to disposal of 51% equity interests in Chengming Company, at a consideration of RMB485,142,600, which was fully settled in cash by the Company. Meanwhile, the Company also agreed to assume 51% of the debt due to Chengdu Expressway Construction by Chengming Company, being RMB393,750,600. The acquisition has been completed in December 2019;

b. the Share Transfer Agreement; and

c. the Supplemental Agreement to the Non-competition Agreement.

12. 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 the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) since December 2012;

b. the registered office of the Company is situated at 1 Kexin Road, High-tech Zone, 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 People's Republic of China; 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.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including 24 July 2020:

a. the articles of association of the Company;

b. the prospectus of the Company dated 28 December 2018;

c. the annual report of the Company for the year ended 31 December 2018;

d. the annual report of the Company for the year ended 31 December 2019;

e. the letter from the Independent Board Committee to the Independent Shareholders, the full text of which is set out on page 33 to page 34 of this circular;

f. the letter from Octal Capital to the Independent Board Committee and the Independent Shareholders, the full text of which is set out on page 35 to page 59 of this circular;

g. the Valuation Report on Chengdu Energy Development Company, the full text of which is set out in Appendix I to this circular;

h. the Accountants' Report of the Target Group from the reporting accountants quoted and referred to in this circular, the full text of which is set out in Appendix IIIA to this circular;

i. the unaudited pro forma financial information of the Enlarged Group, the full text of which is set out in Appendix IV to this circular;

j. the written consents from the experts as mentioned in the section headed "Qualifications and Consents of Experts" in this appendix;

k. the contracts referred to in the section headed "Material Contracts" in this appendix;

l. this circular.

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 of Chengdu Expressway Co., Ltd. (the "**Company**") will be held at the meeting room 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, 7 August 2020 (the "**EGM**"), for the purpose of considering, and if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the Share Transfer Agreement entered into between the Company and Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司) ("**Chengdu Communications**") on 25 May 2020 and the transactions contemplated thereunder and authorise the management to, including but not limited to:

   (1) except for matters subject to approval at a general meeting as required under applicable laws, regulations, the articles of association of the Company (the "**Articles of Association**") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), modify, supplement, sign, deliver, submit and execute all the agreements and documents related to the transaction and deal with the reporting matters related to the transaction;

   (2) deal with the subsequent matters related to the approval, verification, filing, target shares transfer registration and industrial and commercial change of the transaction;

   (3) to the extent permitted by laws, administrative regulations, regulatory documents, the Articles of Association and the Listing Rules, determine and handle all other matters related to the transaction; and

   (4) the validity of the authorisation shall be 12 months from the consideration and approval of the resolution at the EGM.

2. To consider and approve the Supplemental Agreement to the Non-competition Agreement entered into between the Company and Chengdu Communications on 25 May 2020.

SPECIAL RESOLUTION

3. To consider and approve the proposed amendments to the Articles of Association, details of which are set out in the circular of the Company dated 10 July 2020.

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

Chengdu, the PRC, 10 July 2020

As at the date of this notice, the board of directors of the Company comprises Mr. Yang Tan, 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.

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 Wednesday, 8 July 2020 to Friday, 7 August 2020 (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 Tuesday, 7 July 2020.

The shareholders whose names appear on the Register of Members on Wednesday, 8 July 2020 are entitled 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 behalves. 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 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 form of proxy must be deposited, for the holders of H shares, to 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, to the Board Office of the Company in the PRC not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. If the form of proxy 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 form of proxy at the same address as mentioned above. Completion and return of the form of proxy 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 in person. If corporate shareholders appoints 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 form of proxy 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 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 Thursday, 30 July 2020. The contact details are as follows:

Contact person: Mr. Zhang Guangwen
Telephone No.: 86 28 86056037
Fax No.: 86 28 86056067
Address: 9th Floor, Chengnan Tianfu Building, No. 66 Shenghe 1st Road, High-Tech Zone, Chengdu, Sichuan Province, the PRC

5. 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.