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

If you have sold or transferred all your shares in Sichuan Expressway Company Limited (“Company”), you should at once hand this circular and the accompanying form of proxy and the reply slip to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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四川成渝高速公路股份有限公司
Sichuan Expressway Company Limited*

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

(Stock Code: 00107)

- (I) CONTINUING CONNECTED TRANSACTIONS;
(II) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION;
(III) PROPOSED APPOINTMENT OF DIRECTOR AND SUPERVISOR;
(IV) EXEMPTION OF PERFORMANCE OF COMMITMENT OF STI; AND
(V) PROPOSED INSURANCE DEBT FINANCING PLAN**

Independent Financial Adviser



A letter from the Board is set out on pages 1 to 31 of this circular.

The AGM Notice convening the annual general meeting of the Company to be held at 3:00 p.m. on 28 May 2014 (Wednesday) at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the People's Republic of China (“PRC”) has been published by the Company on 11 April 2014 and is set out on pages 63 to 69 of this circular.

A form of proxy for use at the AGM has been published on the websites of The Stock Exchange of Hong Kong Limited and the Company and issued together with the AGM Notice on 11 April 2014. If you intend to appoint a proxy to attend the AGM, you are required to complete and return the form of proxy in accordance with the instructions printed thereon. For the holders of H Shares, the form of proxy should be returned to the Company's H Share Registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for convening the AGM (or any adjournment thereof) or 24 hours before the time appointed for the passing of the resolutions. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

* For identification purposes only

13 May 2014

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DEFINITIONS

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

| | |
|---------------------------|---|
| “Articles of Association” | the articles of association of the Company |
| “AGM” | the annual general meeting of the Company to be convened and held at 3:00 p.m. on 28 May 2014 (Wednesday) at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan, the PRC, for the Shareholders to consider and, if thought fit, approve, among other things, the CCTs, the proposed amendments to the Articles of Association; the proposed appointment of the independent non-executive Director and Supervisor; exemption of performance of Commitment of STI and the proposed Insurance Debt Financing Plan |
| “AGM Notice” | the notice of annual general meeting of the Company issued on 11 April 2014 |
| “A Share(s)” | ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the Shanghai Stock Exchange (stock code: 601107) |
| “Asphalt Agreement” | the sale and purchase agreement of asphalt (《瀝青買賣合同》) entered into between Zhonglu Energy and PetroChina (Southwest Sales Branch) on 27 March 2014 for the purchase of asphalt by Zhonglu Energy from PetroChina (Southwest Sales Branch) for the period from 27 March 2014 to 31 December 2014 |
| “Board” | the board of Directors |
| “CCT(s)” | the Heavy Oil & Fuel Agreement, the Asphalt Agreement, the Refined Oil Agreement, the Refined Oil Carriage Agreement and the Materials Purchase Agreement or any one of them |
| “CNPC” | China National Petroleum Corporation (中國石油天然氣集團公司), the controlling shareholder of PetroChina |

DEFINITIONS

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| “CNPCT (Sichuan Branch)” | CNPC Transportation Co., Ltd. Sichuan Branch* (中國石油天然氣運輸公司四川分公司), a branch of CNPC Transportation Co., Ltd., a subsidiary of CNPC |
| “Company” | Sichuan Expressway Company Limited* (四川成渝高速公路股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange respectively |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “H Share(s)” | overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of the Stock Exchange (stock code: 00107) |
| “Halcyon” or “IFA” or “Independent Financial Adviser” | Halcyon Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCTs and the transactions contemplated thereunder, being a corporation licensed by Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activities under the SFO |
| “Heavy Oil & Fuel Agreement” | the sale and purchase agreement of heavy oil and fuel (《重油、燃料油買賣合同》) entered into between Zhonglu Energy and PetroChina (Sichuan Oil Sales Branch) on 27 March 2014 for the purchase of heavy oil and fuel by Zhonglu Energy from PetroChina (Sichuan Oil Sales Branch) for the period from 27 March 2014 to 31 December 2014; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

DEFINITIONS

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|-------------------------------------|---|
| “Independent Board Committee” | an independent committee of the Board composed of all the independent non-executive Directors |
| “Independent Shareholders” | has the meaning ascribed to it under Chapter 14A of the Listing Rules |
| “Independent Third Party(ies)” | third parties independent from the Company and its connected persons |
| “Insurance Debt Financing Plan” | the proposed financing scheme of insurance fund debt investment plan for infrastructure approved by the Board |
| “Latest Practicable Date” | 8 May 2014, being the latest practicable date for ascertaining certain information referred to in this circular prior to its publication |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Materials Purchase Agreement” | the framework agreement for connected transactions in relation to purchase of materials (《物資採購關聯交易框架協議》) entered into between Zhonglu Energy and TCC on 27 March 2014 for the sale of petrochemicals such as asphalt, fuel and refined oil and other raw materials by Zhonglu Energy to TCC Group for the period from 27 March 2014 to 31 December 2014 |
| “PetroChina” | PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock limited company incorporated in the PRC with limited liability which is listed on the Stock Exchange (stock code: 857) and the Shanghai Stock Exchange (stock code: 601857), and the holder of 49% equity interest in Zhonglu Energy |
| “PetroChina (Sichuan Sales Branch)” | PetroChina Company Limited Sichuan Sales Branch* (中國石油天然氣股份有限公司四川銷售分公司), a branch of PetroChina |

DEFINITIONS

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| “PetroChina (Sichuan Oil Sales Branch)” | PetroChina Company Limited Sichuan Oil Sales Branch* (中國石油天然氣股份有限公司四川銷售油料分公司), a branch of PetroChina |
| “PetroChina (Southwest Sales Branch)” | PetroChina Fuel Oil Company Limited Southwest Sales Branch* (中石油燃料油有限責任公司西南銷售分公司), a branch of PetroChina |
| “PRC” | the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan |
| “Refined Oil Agreement” | the sale and purchase agreement of refined oil (《成品油買賣合同》) entered into between Zhonglu Energy and PetroChina (Sichuan Sales Branch) on 27 March 2014 for the purchase of refined oil by Zhonglu Energy from PetroChina (Sichuan Sales Branch) for the period from 27 March 2014 to 31 December 2014 |
| “Refined Oil Carriage Agreement” | the refined oil highway carriage agreement (《成品油公路承運合同》) entered into between Zhonglu Energy and CNPCT (Sichuan Branch) on 27 March 2014 for provision of carriage services for refined oil by CNPCT (Sichuan Branch) to Zhonglu Energy for the period from 27 March 2014 to 31 December 2014 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | A Shares and H Shares |
| “Shareholder(s)” | registered holder(s) of the Shares |

DEFINITIONS

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|-------------------------|---|
| “STI” | Sichuan Transportation Investment Group Corporation* (四川省交通投資集團有限責任公司), the controlling Shareholder of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “TCC” | Sichuan Trading Construction Engineering Co., Ltd.* (四川交投建設工程股份有限公司), a non wholly-owned subsidiary of the Company which owned as to 51% by the Company and 49% by the STI (indirectly through its wholly-owned subsidiaries) |
| “TCC Group” | TCC and corporate entity(ies) or other organizations directly or indirectly controlled by TCC |
| “Zhonglu Energy” | Sichuan Zhonglu Energy Company Limited (四川中路能源有限公司), a non-wholly-owned subsidiary of the Company which owned as to 51% by the Company (indirectly through its wholly-owned subsidiary, Shuhai Company) and 49% by PetroChina |
| “Shuhai Company” | Chengdu Shuhai Investment Management Company Limited, a wholly-owned subsidiary of the Company |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “Supervisory Committee” | The supervisory committee of the Company |
| “%” | per cent |

* *For identification purposes only*



四川成渝高速公路股份有限公司
Sichuan Expressway Company Limited*

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

(Stock Code: 00107)

Executive Directors:

Mr. Zhou Liming (Chairman)
Mr. Gan Yongyi (Vice Chairman)
Mr. He Zhuqing

Non-executive Directors:

Mr. Wu Xinhua (Vice Chairman)
Mr. Tang Yong
Mr. Huang Bin
Mr. Wang Shuanming

Independent Non-executive Directors:

Mr. Sun Huibi
Mr. Guo Yuanxi
Mr. Fang Guijin
Mr. Yu Haizong

Legal Address:

252 Wuhouci Da Jie
Chengdu
Sichuan Province
The PRC
Postcode: 610041

13 May 2014

To the Shareholders

Dear Sir or Madam,

- (I) CONTINUING CONNECTED TRANSACTIONS;
(II) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION;
(III) PROPOSED APPOINTMENT OF DIRECTOR AND SUPERVISOR;
(IV) EXEMPTION OF PERFORMANCE OF COMMITMENT OF STI; AND
(V) PROPOSED INSURANCE DEBT FINANCING PLAN**

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 18 March 2014 in relation to resignation of the Supervisor and independent non-executive Director; (ii) the announcement of the Company dated 24 March 2014 on the resolution of the eleventh meeting of the fifth session of the Board in relation to the exemption of performance of commitment of STI; (iii) the announcement of the Company dated 27 March 2014 in relation to the CCTs, proposed amendments to the Articles of Association and proposed Insurance Debt Financing Plan; and (iv) the AGM Notice for the

* For identification purposes only

LETTER FROM THE BOARD

Shareholders to consider and, if thought fit, approve the proposed resolutions at the AGM in relation to, among others, the CCTs, the proposed amendments to the Articles of Association, the proposed appointment of independent non-executive Director and Supervisor, the exemption of performance of commitment of STI and the proposed Insurance Debt Financing Plan.

The purpose of this circular is to provide you with information regarding the proposed resolutions at the AGM in relation to (i) details of the CCTs; (ii) a letter setting out the opinions and recommendations from the Independent Board Committee to the Independent Shareholders regarding the CCTs; (iii) the advice of the IFA on the CCTs; (iv) details of the proposed amendments to the Articles of Association; (v) details of the proposed appointment of the independent non-executive Director and the Supervisor; (vi) details of the exemption of performance of commitment of STI; and (vii) details of the proposed Insurance Debt Financing Plan.

(I) CONTINUING CONNECTED TRANSACTIONS

On 27 March 2014, Zhonglu Energy, a non-wholly-owned subsidiary of the Company (indirectly through its wholly-owned subsidiary, Shuhai Company), entered into the following CCTs with PetroChina (Sichuan Oil Sales Branch), PetroChina (Southwest Sales Branch), PetroChina (Sichuan Sales Branch), CNPCT (Sichuan Branch) and TCC respectively:

(1) Heavy Oil & Fuel Agreement

Pursuant to the Heavy Oil & Fuel Agreement entered into between Zhonglu Energy and PetroChina (Sichuan Oil Sales Branch), Zhonglu Energy agreed to purchase heavy oil and fuel from PetroChina (Sichuan Oil Sales Branch) for the period from 27 March 2014 to 31 December 2014.

| | | |
|-----------------------|---|--|
| Date | : | 27 March 2014 |
| Term | : | 27 March 2014 to 31 December 2014. |
| Parties | : | Zhonglu Energy as purchaser; and PetroChina (Sichuan Oil Sales Branch) as supplier |
| Nature of transaction | : | PetroChina (Sichuan Oil Sales Branch) shall provide approximately 250,000 tons of heavy oil and fuel in total with specified quality requirements to Zhonglu Energy during the term of agreement |

LETTER FROM THE BOARD

- Pricing policy : The purchase price per ton shall be determined by market price, which shall be calculated by addition of RMB50 per ton (including tax) to the costs paid by PetroChina (Sichuan Oil Sales Branch) for purchasing such product.
- Payment term : Within the same month of PetroChina (Sichuan Oil Sales Branch) settle the purchase costs for purchasing the relevant products, Zhonglu Energy shall pay the purchase price to PetroChina (Sichuan Oil Sales Branch) for the relevant products.
- Conditions precedent : The effectiveness of the agreement is conditional upon, among other things, the Company having complied with the relevant requirements in relation to continuing connected transactions, which include but not limited to reporting, announcement, annual review and Independent Shareholders' approval requirements (if applicable) under the Listing Rules.

Annual cap and basis for determining the annual cap

In considering the annual cap for Heavy Oil and Fuel Agreement, the Directors have considered a number of factors including: (i) historical transaction amount with PetroChina (Sichuan Oil Sales Branch) for the purchase of heavy oil and fuel for the year ended 31 December 2013 being approximately RMB818,692,000; (ii) the fact that Zhonglu Energy will provide the heavy oil and fuel purchased from PetroChina (Sichuan Oil Sales Branch) to an Independent Third Party, and demand from such Independent Third Party for the provision of heavy oil and fuel for the year ended 31 December 2014 will increase due to its expansion of business scale and enhancement of production capacity; (iii) the expected trading volume of heavy oil and fuel under the Heavy Oil and Fuel Agreement of approximately 250,000 tons for the year ending 31 December 2014 having considered the expected demand from the Independent Third Party mentioned in item (ii) above; and (iv) the current average unit price of heavy oil and fuel being approximately RMB6,000 per ton.

Having considered the above factors, the Directors propose that the annual cap for Heavy Oil and Fuel Agreement for the year ending 31 December 2014 shall be RMB1,500,000,000.

LETTER FROM THE BOARD

(2) Asphalt Agreement

Pursuant to the Asphalt Agreement entered into between Zhonglu Energy and PetroChina (Southwest Sales Branch), Zhonglu Energy agreed to purchase asphalt from PetroChina (Southwest Sales Branch) for the period from 27 March 2014 to 31 December 2014.

- Date : 27 March 2014
- Term : 27 March 2014 to 31 December 2014
- Parties : Zhonglu Energy as purchaser; and
PetroChina (Southwest Sales Branch) as supplier
- Nature of transaction : During the term of agreement, Zhonglu Energy shall purchase approximately 50,000 tons (with 10% differential) of asphalt in total from PetroChina (Southwest Sales Branch)
- Pricing policy : The consideration shall be fixed in accordance with the purchase order to be entered into separately between the parties, which shall not be higher than the prevailing market price. Details of determining the prevailing market price are as follows: Zhonglu Energy will make reference to the lowest price offered by the major suppliers of China after enquiry with each of them. In case that PetroChina (Southwest Sales Branch) offers the lowest price or same price as other suppliers, Zhonglu Energy will purchase asphalt from PetroChina (Southwest Sales Branch).
- Payment term : Zhonglu Energy shall pay the consideration as provided in each purchase order to the designated bank account of PetroChina (Southwest Sales Branch) within 1 day after the effective date of the relevant purchase order.

LETTER FROM THE BOARD

Conditions precedent : The effectiveness of the agreement is conditional upon, among other things, the Company having complied with the relevant requirements in relation to continuing connected transactions, which include but not limited to reporting, announcement, annual review and Independent Shareholders' approval requirements (if applicable) under the Listing Rules.

Annual cap and basis for determining the annual cap

In considering the annual cap for Asphalt Agreement, the Directors have considered a number of factors including: (i) historical transaction amount with PetroChina (Southwest Sales Branch) for the purchase of asphalt for the year ended 31 December 2013 being approximately RMB1,698,190; (ii) the expected trading volume of asphalt under the Asphalt Agreement of 50,000 tons for the year ending 31 December 2014, taking into account of the increasing market demand for asphalt for the construction or maintenance of highways undertaken by TCC Group as a result of the transportation development in Sichuan Province; and (iii) the current unit price of asphalt being approximately RMB5,200 per ton. The historical purchase amount of asphalt from PetroChina (Southwest Sales Branch) for the year ended 31 December 2013 mainly represents the amount of sales of asphalt to an Independent Third Party who specially requested for asphalt from PetroChina. In the year 2014, the Directors understand that TCC has participated in the construction of Sichuan Suiguang (Suining-Guang'an) Expressway and Sichuan Suixi (Suining Xichong) Expressway. As such, it is believed that demand in asphalt for the construction will be increased. The expected demand of asphalt for TCC's construction in 2014 would be of around 50,000 to 80,000 tons. The Directors considered that Zhonglu Energy will participate in the public tender in respect of the supply of asphalt to TCC for its construction and maintenance work. Assuming Zhonglu Energy will win a substantial number of tenders and bids which Zhonglu Energy will participate and assuming that PetroChina (Southwest Sales Branch) will provide the lowest quotation for all the winning bids, the expected trading volume of asphalt would amount to approximately 50,000 tons.

Having considered the above factors, the Directors propose that the annual cap for Asphalt Agreement for the year ending 31 December 2014 shall be RMB260,000,000.

LETTER FROM THE BOARD

(3) Refined Oil Agreement

Pursuant to the Refined Oil Agreement entered into between Zhonglu Energy and PetroChina (Sichuan Sales Branch), Zhonglu Energy agreed to purchase refined oil from PetroChina (Sichuan Sales Branch) for the period from 27 March 2014 to 31 December 2014.

- Date : 27 March 2014
- Term : 27 March 2014 to 31 December 2014
- Parties : Zhonglu Energy as purchaser; and
PetroChina (Sichuan Sales Branch) as supplier
- Nature of transaction : Zhonglu Energy shall purchase specified types of refined oil of approximately 130,000 tons in total from PetroChina (Sichuan Sales Branch) during the term of agreement
- Pricing policy : PetroChina (Sichuan Sales Branch) shall provide the most favourable price for the refined oil to Zhonglu Energy. The most favourable price shall not be higher than that provided by PetroChina (Sichuan Sales Branch) to all gas stations in Sichuan Province, which is the unified price set by the 中國石油天然氣股份有限公司銷售分公司 (PetroChina Company Limited Sales Branch*) for the northwest district.
- Payment term : Zhonglu Energy shall pay at the end of each month for all outstanding payments due as at the 25th day each month via bank transfer.
- Conditions precedent : The effectiveness of the agreement is conditional upon, among other things, the Company having complied with the relevant requirements in relation to continuing connected transactions, which include but not limited to reporting, announcement, annual review and Independent Shareholders' approval requirements (if applicable) under the Listing Rules.

LETTER FROM THE BOARD

Annual cap and basis for determining the annual cap

In considering the annual cap for Refined Oil Agreement, the Directors have considered a number of factors including: (i) the historical transaction amount with PetroChina (Sichuan Sales Branch) for the purchase of refined oil for the three years ended 31 December 2011, 2012 and 2013 being approximately RMB105,809,505, 665,350,994 and RMB 671,283,586 respectively; (ii) the sales volume of refined oil of the existing gas stations may reach 72,400 tons for the year ending 31 December 2014 based on their past performance in 2013; (iii) the expected increase in the sales volume of 42,000 tons refined oil due to the addition of six gas stations based on the assumption of 7,000 tons sales volume for each gas station; (iv) the expected demand from direct sales clients (including TCC) due to the improvement of market condition, the advantages in the selling price of refined oil by Zhonglu Energy, and the demand for new construction project of TCC; (v) the expected trading volume of refined oil under the Refined Oil Agreement for the year ending 31 December 2014 being approximately 130,000 tons having considered the factors mentioned above; and (vi) the current average unit price of refined oil being RMB9,100 per ton.

Having considered the above factors, the Directors propose that the annual cap for Refined Oil Agreement for the year ending 31 December 2014 shall be RMB 1,183,000,000.

Reasons for entering into the Heavy Oil and Fuel Agreement, Asphalt Agreement and Refined Oil Agreement

The Group is principally engaged in the investment, construction, operation and management of road infrastructure projects in Sichuan Province, the PRC as well as the operation of other businesses related to toll roads within Sichuan Province. The Group also engages in gas stations operation and construction work through its non-wholly owned subsidiaries Zhonglu Energy and TCC.

In accordance with the Company's strategy of "exploit advantages and accelerate development", and the 12th Five-Year Plan of the Company, the Heavy Oil and Fuel Agreement, Asphalt Agreement and Refined Oil Agreement are entered into in order to realize the rapid development of the "Energy" segment of the "five major segments" of the Group, and to meet the ordinary business needs of Zhonglu Energy, the majority-owned subsidiary of the Company.

LETTER FROM THE BOARD

Zhonglu Energy is a limited company established in the PRC which is owned as to 51% and 49% by the Company (indirectly through its wholly-owned subsidiary Shuhai Company) and PetroChina respectively. According to the investment and operation framework agreement entered into by the Group with PetroChina in 2011 regarding the establishment of Zhonglu Energy, Zhonglu Energy shall operate gas stations along part of the expressways operated by the Group by adopting PetroChina's brand name. The gas stations carry PetroChina's brand which shall materially only supply PetroChina's products. Currently refined oil products available in the gas stations operated by Zhonglu Energy are supplied by PetroChina (Sichuan Sales Branch). As such, Zhonglu Energy shall from time to time purchase refined oil products from PetroChina (Sichuan Sales Branch). In consideration of the operational need of Zhonglu Energy's gas stations, the Directors consider that it is essential for Zhonglu Energy to enter into the Refined Oil Agreement to obtain steady supply of refined oil products.

Apart from operating gas stations along the expressways operated by the Group, Zhonglu Energy also engages in the distribution of oil products including heavy oil and asphalt, and is one of the authorized dealers of PetroChina's products. As such, from time to time Zhonglu Energy will procure oil products including heavy oil and fuel and asphalt from PetroChina (Sichuan Oil Sales Branch) and PetroChina (Southwest Sales Branch) respectively. The Directors consider that the Heavy Oil and Fuel Agreement and the Asphalt Agreement provide additional business opportunities to Zhonglu Energy's oil product distribution business by enhancing the branding portfolio of Zhonglu Energy's distribution. The Directors also consider that the Heavy Oil and Fuel Agreement and the Asphalt Agreement do not create any obligation on procurement of products with PetroChina (Sichuan Oil Sales Branch) or PetroChina (Southwest Sales Branch) by Zhonglu Energy while it only provides heavy oil, fuel and asphalt products etc. under the PetroChina's brands for Zhonglu Energy's distribution whenever Zhonglu Energy considers necessary and appropriate.

Furthermore, it has been the strategy of the Group to rapidly develop the "construction segment" of the Group and to increase the Company's share in the construction work market. Being the construction arm of the Group, TCC Group has from time to time participated in the construction work in Sichuan Province. As such, it is expected that there will be a continuous demand of relevant petroleum and chemicals materials from TCC Group for its construction business. It is the usual practice of TCC Group to go through the tender procedures for the procurement of relevant petrochemical products. Zhonglu Energy, being one of the possible suppliers by entering into the Materials Purchase Agreement, will have the flexibility to bid for the provision of petrochemical products to TCC Group.

LETTER FROM THE BOARD

The expressways in Sichuan Province are under rapid development. Due to the considerable size and scale of the newly constructed expressways and expressways that are under construction, it is expected that there will be continuous market demand for petroleum and chemical materials such as heavy oil, fuel, asphalt and refined oil. Further, the increase in the number of gas stations operated by Zhonglu Energy will also result in the increasing demand for the provision of refined oil. By entering into the Heavy Oil and Fuel Agreement, Asphalt Agreement and Refined Oil Agreement, Zhonglu Energy is able to secure stable provision of the relevant petroleum materials from PetroChina at reasonable and favourable price, which is beneficial to the business expansion of Zhonglu Energy.

(4) Refined Oil Carriage Agreement

Pursuant to the Refined Oil Carriage Agreement entered into between Zhonglu Energy and CNPCT (Sichuan Branch), CNPCT (Sichuan Branch) agreed to provide refined oil carriage service to Zhonglu Energy for the period from 27 March 2014 to 31 December 2014.

Date : 27 March 2014

Term : 27 March 2014 to 31 December 2014

Parties : Zhonglu Energy as service recipient; and
CNPCT (Sichuan Branch) as service provider

Nature of transaction : CNPCT (Sichuan Branch) shall transport the refined oil to the designated place as required by Zhonglu Energy during the term of agreement

Pricing policy : The transportation fees are determined with reference to the guidance price in the industry.

For short distance transportation (within 30 and including 30 kilometers), the carriage fees shall be calculated as follows:

carriage fees (short distance) = actual carriage tonnage (ton) × RMB29 per ton

LETTER FROM THE BOARD

For long distance transportation (exceeding 30 kilometers), the carriage fees shall be calculated as follows:

carriage fees (long distance) = transportation distance (kilometers) × actual carriage tonnage (ton) × RMB0.68 per ton per kilometer

Any price adjustment shall be made in accordance with 《關於調整中國石油天然氣運輸公司成品油運輸結算價格的通知》 (the Notice of Adjustment to the Settlement Price of Refined Oil Transportation by CNPC Transportation Company Limited*) issued by 中國石油天然氣股份有限公司銷售分公司 (PetroChina Company Limited Sales Branch*).

- Payment term : Zhonglu Energy shall pay on the 10th day of each month for all outstanding payments due for the preceding month via bank transfer or telegraphic transfer.
- Conditions precedent : The effectiveness of the agreement is conditional upon, among other things, the Company having complied with the relevant requirements in relation to continuing connected transactions, which include but not limited to reporting, announcement, annual review and Independent Shareholders' approval requirements (if applicable) under the Listing Rules.

Annual cap and basis for determining the annual cap

In considering the annual cap for Refined Oil Carriage Agreement, the Directors have considered a number of factors including: (i) historical transaction amount for the provision of refined oil carriage service by CNPCT (Sichuan Branch) for the three years ended 31 December 2011, 2012 and 2013 being approximately RMB483,492, RMB3,165,854, and RMB3,003,071 respectively; (ii) the expected purchase amount of refined oil by the Company which requires transportation service from CNPCT (Sichuan Branch) for the year ending 31 December 2014; (iii) the expected transportation distance; and (iv) the transportation unit price.

LETTER FROM THE BOARD

Having considered the above factors, the Directors propose that the annual cap for Refined Oil Carriage Agreement for the year ending 31 December 2014 shall be RMB7,000,000.

Reasons for entering into the Refined Oil Carriage Agreement

As mentioned above, since the gas stations operated by Zhonglu Energy carrying PetroChina's brand name shall materially provide PetroChina's refined oil products, Zhonglu Energy has entered into the Refined Oil Agreement for the provision of refined oil by PetroChina (Sichuan Sales Branch) to Zhonglu Energy. In the PRC, the transportation of refined oil requires special permit for transportation of dangerous goods. In this regard, CNPCT (Sichuan Branch) is the designated refined oil carrier of PetroChina (Sichuan Sales Branch), and provides logistic services regarding delivery of refined oil to Zhonglu Energy. As such, the Directors consider that it is necessary for Zhonglu Energy to enter into the Refined Oil Carriage Agreement for the provision of carriage service by CNPCT (Sichuan Branch) which owns the necessary qualification.

Aggregation of the Heavy Oil and Fuel Agreement, Asphalt Agreement, Refined Oil Agreement and the Refined Oil Carriage Agreement

Pursuant to Rule 14A.25 of the Listing Rules, the continuing connected transactions contemplated under the Heavy Oil and Fuel Agreement, Asphalt Agreement, the Refined Oil Agreement and the Refined Oil Carriage Agreement should be aggregated as each of them were entered into between Zhonglu Energy and the relevant branches of PetroChina or party associated with PetroChina, and the subject matters under each of these agreements are of similar nature or otherwise related. Accordingly, the aggregated annual cap for Heavy Oil and Fuel Agreement, Asphalt Agreement, Refined Oil Agreement and Refined Oil Carriage Agreement for the year ending 31 December 2014 shall be approximately RMB2,950,000,000.

LETTER FROM THE BOARD

(5) Materials Purchase Agreement

Pursuant to the Materials Purchase Agreement entered into between Zhonglu Energy and TCC, Zhonglu Energy agreed to sell petrochemicals such as asphalt and refined oil and other raw materials to TCC Group for the period from 27 March 2014 to 31 December 2014.

Date : 27 March 2014

Term : 27 March 2014 to 31 December 2014

Parties : TCC (for itself and on behalf of TCC Group), as purchaser; and

Zhonglu Energy as supplier

Nature of transaction : TCC Group agreed to purchase petrochemicals such as asphalt, fuel oil and refined oil, and other raw materials from Zhonglu Energy during the term of the agreement

Pricing policy : The purchase price shall be determined in accordance with the following principles:

- (a) if there is any price set by the relevant government authority, such price shall be followed;
- (b) if there is no such price set by the relevant government authority, reference shall be made to the government guidance price if there is any;
- (c) if there is no such government guidance price, the market price of the same or similar products, which shall be determined by or with reference to the tender price for the same or similar products; in such case, TCC Group will usually go through public tender procedures and enter into a separate purchase agreement with the successful bidder; and

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- (d) if none of the above is available, the contract price, which shall be negotiated by the parties on arm's length basis after considering normal business terms on fair and reasonable manner to provide the actual or reasonable costs (whichever is lower) of such products and reasonable profit.

Further details of the ways in determining the price are set out below.

The government authorities responsible for setting out guidance price of refined oil are the National Development and Reform Committee (國家發展改革委員會) and Sichuan Province Development and Reform Committee (四川省發展改革委員會). The guidance price of gasoline and diesel oil will be adjusted every 10 business days according to the international oil price. However, adjustment will not be made to retail price of refined oil if the range of increase or decrease of the price is less than RMB50 per ton. Such relatively minor increase or decrease of price will be accumulated in the next adjustment. The guidance price of refined oil will be published on the websites of National Development and Reform Committee and Sichuan Province Development and Reform Committee respectively. PetroChina Company Limited Sales Branch (中國石油天然氣股份有限公司銷售分公司) will formulate the unified price of refined oil for northwest district according to the above guidance price.

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To the best of knowledge, information and belief of Directors, there is currently no guidance price for asphalt.

For the purchase of asphalt, TCC will usually go through public tender procedures. To be eligible for the bidding, the bidder must be the authorized dealer of the recognized brands of asphalt from the recognized producers. As the authorized asphalt dealer of PetroChina, Zhonglu Energy is eligible to participate in the bidding. In the circumstances, the consideration shall be determined through bidding, with reference to the open market prices of the relevant brands of asphalt, the corporate conditions of the bidders and market conditions.

Above all, the prices of petrochemicals products under the Materials Purchase Agreement will normally be determined through bidding and tender or with reference to the recent public bidding and tender prices of similar products. If no public bidding or tender price of similar materials is available, the Company will determine the price with reference to the open market price published by major suppliers (which are Independent Third Parties of the Company) in their websites and renewed from time to time plus relevant freight costs, labour costs and taxation costs etc. Reasonable profit will be determined with reference to the then market conditions and demand-supply relationship, but in any event shall not be less than RMB50 per ton.

Nonetheless, should any government prescribed price or guidance price applicable to the relevant materials be available in future, the Company will adopt such government prescribed price or guidance price of relevant materials in its first priority.

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- Other terms : The Materials Purchase Agreement appointed that details such as kind of products, quantity, purchase price and payment terms shall be included in any specific purchase agreement to be entered into between the parties thereto.
- Conditions precedent : The effectiveness of the agreement is conditional upon, among other things, the Company having complied with the relevant requirements in relation to continuing connected transactions, which include but not limited to reporting, announcement, annual review and Independent Shareholders' approval requirements (if applicable) under the Listing Rules.

Annual cap and basis for determining the annual cap

In considering the annual cap for Materials Purchase Agreement, the Directors have considered a number of factors including: (i) the huge business volume of TCC Group for the year ending 31 December 2014, such as construction of Suiguang Suixi Expressway and other BT projects; and (ii) different kinds of petrochemicals that may be required by TCC Group, such as asphalt, fuel, refined oil or other petroleum and chemical products.

Having considered the above factors, the Directors propose that the annual cap for Materials Purchase Agreement for the year ending 31 December 2014 shall be RMB325,000,000.

Reasons for entering into the Materials Purchase Agreement

It is expected that there will be continuous demand of relevant petroleum and chemicals products from TCC Group for its construction business. As the usual practice of TCC Group, it will mainly go through the public tender procedures for the purchase of relevant materials and enter into a detailed purchase agreement with the successful bidder. The Materials Purchase Agreement is entered into to ensure that on the one hand, Zhonglu Energy will not miss the bidding opportunities provided by TCC Group from time to time, and on the other hand, the Company will comply with the Listing Rules and other relevant provisions once Zhonglu Energy succeeds in the bidding.

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Views of the Directors on the CCTs

The Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders) consider that each of the Heavy Oil and Fuel Agreement, Asphalt Agreement, Refined Oil Agreement, the Refined Oil Carriage Agreement and the Materials Purchase Agreement are entered into in the ordinary and usual course of business of the Group and the terms as contained in each of the Heavy Oil and Fuel Agreement, Asphalt Agreement, Refined Oil Agreement, the Refined Oil Carriage Agreement and the Materials Purchase Agreement are normal commercial terms, which are arrived at after arm's length negotiations between the parties, the annual cap and the terms of each of the CCTs are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole.

Mr. Zhou Liming, Mr. Tang Yong, Mr. Huang Bin and Mr. Wang Shuanming are regarded as being interested in the Materials Purchase Agreement due to their positions held in STI and therefore have abstained from voting on the Board resolutions to approve the Materials Purchase Agreement. Saved and except for the aforesaid, none the Directors has any material interest in any of the CCTs and was required to abstain from voting on the Board resolutions to approve the same.

Listing Rules Implications

As at the date of this announcement, PetroChina holds 49% equity interest in Zhonglu Energy, a subsidiary of the Company. Therefore PetroChina and its branches (including PetroChina (Southwest Sales Banch), PetroChina (Sichuan Oil Sales Banch) and PetroChina (Sichuan Sales Banch)), are connected persons of the Company under Rule 14A.11(1) of the Listing Rules. Besides, as CNPCT (Sichuan Branch) is a branch of a subsidiary of CNPC, the controlling shareholder of PetroChina, it is an associate of PetroChina. Therefore, CNPCT (Sichuan Branch) is also a connected person of the Company Rule 14A.11(4) of the Listing Rules.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the Heavy Oil and Fuel Agreement, Asphalt Agreement, Refined Oil Agreement and the Refined Oil Carriage Agreement after aggregation is, on an annual basis, over 5%, the Heavy Oil and Fuel Agreement, Asphalt Agreement, the Refined Oil Agreement and the Refined Oil Carriage Agreement after aggregation are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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As at the date of this announcement, STI is a controlling shareholder of the Company which holds approximately 31.94% of the issued share capital of the Company. Therefore STI is a connected person of the Company under Rule 14A.11(1) of the Listing Rules. On the other hand, TCC is a non-wholly subsidiary of the Company which is owned as to 51% and 49% by the Company and STI (indirectly through its wholly-owned subsidiaries) respectively. Therefore, TCC is also a connected person of the Company under Rule 14A.11(5). Accordingly, the transactions contemplated under the Materials Purchase Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the Materials Purchase Agreement is, on an annual basis, over 5%, the Materials Purchase Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the interest of STI in the Materials Purchase Agreement, STI, the controlling shareholder of the Company, and its associates will abstain from voting at the AGM on the resolution in relation to the Materials Purchase Agreement and the transaction contemplated thereunder.

Information of Zhonglu Energy, PetroChina (Sichuan Oil Sales branch), PetroChina (Southwest Sales branch), PetroChina (Sichuan Sales branch), CNPCT (Sichuan branch) and TCC

Zhonglu Energy is a limited company established in the PRC which is owned as to 51% and 49% by the Company (indirectly through its wholly-owned subsidiary, Shuhai Company) and PetroChina respectively. Its business scope mainly includes general business such as energy project investment and business information consultation. Currently it mainly engages in the operation of some gas stations along the highways.

PetroChina (Sichuan Oil Sales Branch) is a branch of PetroChina. Its business scope includes licensed business activities: sales of refined oil, sales of pre-packaged food (the above items and term are subject to approval license); general business activities (excluding pre-licensing items, and post-licensing items shall be operated under permit or approval document): sales of petrochemicals and chemical products; sales of materials, equipment and apparatus required for production and construction of pipeline, lubricants, etc.

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PetroChina (Southwest Sales Branch) is a branch of PetroChina. Its business scope mainly includes wholesale and retail of petroleum products (excluding refined oil and hazardous chemicals), chemical products (excluding dangerous chemicals) and warehousing service (excluding hazardous chemicals) etc..

PetroChina (Sichuan Sales Branch) is a branch of PetroChina. It principally engages in commissioned exploration, production and sales of onshore petroleum and natural gas; production and sales of refined oil and petroleum products; operation of oil gas pipeline, etc.

CNPCT (Sichuan Branch) is a branch of a subsidiary of CNPC, the controlling shareholder of PetroChina. It principally engages in road transportation of goods, cargo transportation of dangerous goods, sales of engineering machinery, decoration services, cargo agent services, warehousing (excluding dangerous goods, operate after passing fire control inspection).

PetroChina, a joint stock limited company incorporated in the PRC with limited liability which is listed on the Stock Exchange (stock code: 857) and the Shanghai Stock Exchange (stock code: 601857).

TCC is a joint stock limited company established in the PRC which mainly engaged in highway engineering; bridge engineering; municipal public works; groundwork and foundation engineering; earthwork engineering; ready-mixed commercial concrete; precast concrete component; tunnel engineering; highway pavement engineering; highway traffic engineering; highway transportation engineering; prestressed engineering; mechanical and electrical equipment installation; greening projects; engineering survey design; road maintenance; professional and technical advisory service; leasing and maintenance of transportation engineering machinery; manufacturing and installation of transportation engineering facilities; warehousing services; handling services; commodity wholesale and retail.

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(II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to comply with the relevant laws and regulations of the PRC, the Company intends to amend the relevant section in the Articles of Association. The proposed amendments are as follows:

Original Article 224 (2):

“Forms of profit distribution: the Company may distribute its dividends in cash, shares or a combination of both cash and shares;”

Amended Article 224 (2):

“Forms of profit distribution: the Company may distribute its profit in cash, shares, a combination of both cash and shares or otherwise permitted by laws and regulations; Cash dividend is prior to share dividend in profit distribution. Where the conditions of cash dividend are met, profit distribution shall be carried out in form of cash dividend.”

The English version of the Articles of Association is an unofficial translation of its Chinese version. In case of any discrepancy between the two versions, the Chinese version shall prevail.

The above proposed amendments to the Articles of Association are subject to the approval by the Shareholders by way of passing a special resolution at the AGM. The amendments to the Articles of Association shall come into effect upon Shareholders’ approval being obtained at the AGM.

(III) PROPOSED APPOINTMENT OF DIRECTOR AND SUPERVISOR

Proposed appointment of independent non-executive Director

As disclosed in the announcement of the Company dated 18 March 2014, Mr. Fang Guijin has applied for resignation from the position of independent non-executive Director of the Company which will be effective upon the election of the new independent non-executive Director at the AGM. In this regard, the Board has resolved to proposed to appoint Mr. Chen Weizheng as an independent non-executive Director of the Company.

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The biographical details of Mr. Chen Weizheng are set out as follows:

Mr. Chen Weizheng, aged 63, graduated from University of Toronto, Canada, with a master's degree in business administration. He is an academic and technical leader in Sichuan Province. Mr. Chen has engaged in education and scientific research in respect of human resources management, organizational behavior, enterprise shareholding reform and corporate governance for a long time. He has undertaken various research projects in National Natural Science Funds, National Social Science Funds and Humanities and Social Sciences Funds of the Ministry of Education. Mr. Chen has published more than 30 kinds of monographs, translations and textbooks, as well as more than 100 theses. He had concurrently served as a distinguished professor in the training department of the State Economic and Trade Commission, guest researcher in the Asia Research Centre of York University, Canada, guest professor in the PRC MBA teaching school of the University of Wales, guest professor in the PRC MBA teaching school of the College of Business and Economics in the Australian National University, guest professor in the EMBA project of the Huazhong University of Science and Technology, guest professor in the EMBA project of Dalian University of Technology, guest professor in Ericsson (China) Management Academy, member of The International Institute of Management, founding member of the International Association for Chinese Management Research, advisor in the science and technology advisory group of the government of Sichuan Province. Mr. Chen has served as a professor in the Business School of Sichuan University, supervisor of the doctoral candidates in corporate organization and human resources management since 1999. Recently, he is in charge of various national research projects in relation to human resources management, organizational behavior and corporate governance, etc. He also undertakes the training of human resources management, organizational behavior and corporate governance in various companies.

Saved as disclosed above, Mr. Chen Weizheng confirms that (i) he did not hold any position in the Group nor any other directorship in any other listed public companies in the last three years; (ii) he has no relationship with any Directors, Supervisors, senior management or substantial Shareholders or controlling Shareholders of the Company; and (iii) he has not held any interests in the shares of the Company within the meaning of Part XV of the SFO.

Saved as disclosed above, the Company considers that there is no information which is discloseable nor is/was Mr. Chen Weizheng involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

The appointment of Mr. Chen Weizheng as an independent non-executive Director will take effect upon approval by Shareholders at the AGM. Mr. Chen Weizheng's term of office shall commence from the date of the AGM and ends at the expiry of the term of the fifth session of the Board.

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Upon consideration by the Board, it is proposed that Mr. Chen Weizheng shall receive fix remuneration of RMB80,000 per annum for his independent non-executive directorship. The proposed remuneration of Mr. Chen Weizheng is consistent with the remuneration of the existing independent non-executive Directors of the Company, taking into account (i) the remuneration of independent non-executive directors of other companies in the same industry with domestic listed shares; and (ii) the duties and responsibilities of such independent non-executive director within the Group.

Proposed Appointment of Supervisor

In view of the resignation of Mr. Lu Ning as a Supervisor on 19 March 2014, the Supervisory Committee has resolved to propose to appoint Ms. He Kun as a Supervisor of the Company.

The biographical details of Ms. He Kun are set out as follows:

Ms. He Kun, aged 37, holds a bachelor's degree in accounting and a master's degree in economics from Renmin University of China. She is a certified public accountant (non-practicing). She has served as the project manager of the securities management department, planning and finance department and national capital trusteeship department of Huajian Transportation Economic Development Center* (華建交通經濟開發中心) (now known as China Merchants Huajian Highway Investment Co., Ltd.* (招商局華建公路投資有限公司)), project manager of the shareholding management No.2 department of China Merchants Huajian Highway Investment Co., Ltd.* (招商局華建公路投資有限公司). Ms. He had concurrently served as directors in Shangdong Expressway Company Limited* (山東高速公路股份有限公司) (listed on the Shanghai Stock Exchange) and Zhejiang Shangsang Expressway Co. Ltd.* (浙江上三高速公路有限公司), and supervisors in Anhui Expressway Company Limited* (安徽皖通高速公路股份有限公司) (listed on the Shanghai Stock Exchange and the Stock Exchange), Sichuan Expressway Company Limited* (listed on the Shanghai Stock Exchange and the Stock Exchange), Hubei Chutian Expressway Company Limited* (湖北楚天高速公路股份有限公司) (listed on the Shanghai Stock Exchange), Fujian Expressway Development Co., Ltd.* (福建發展高速公路股份有限公司) (listed on the Shanghai Stock Exchange) and Jiangsu Ningjingyan Expressway Co., Ltd. (江蘇寧靖鹽高速公路股份有限公司). At present, she serves as the assistant to general manager in the corporate management department of China Merchants Huajian Highway Investment Co., Ltd.* (招商局華建公路投資有限公司).

Saved as disclosed above, Ms. He Kun confirms that (i) she did not hold any position in the Group nor any other directorship in any other listed public companies in the last three years; (ii) she has no relationship with any Directors, Supervisors, senior management or substantial Shareholders or controlling Shareholders of the Company; and (iii) she has not held any interests in the shares of the Company within the meaning of Part XV of the SFO.

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Saved as disclosed above, the Company considers that there is no information which is discloseable nor is/was Ms He Kun involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

The appointment of Ms. He Kun as a Supervisor will take effect upon approval by Shareholders at the AGM. Ms. He Kun's term of office shall commence from the date of the AGM and ends at the expiry of the term of the fifth session of the Supervisory Committee.

Upon consideration by the Supervisory Committee, it is proposed that Ms. He Kun shall not receive any remuneration for her position as a Supervisor.

(IV) EXEMPTION OF PERFORMANCE OF COMMITMENT OF STI

On 24 March 2014, the Board considered and approved the proposal in relation to the exemption of performance of commitment of STI, the controlling shareholder of the Company.

Background of planning and construction of expressways

The Chengdu — Nanchong Expressway (the “Chengnan Expressway”) was the key highway construction project during the “Ninth Five-Year Plan” of the state, and is the national main truck line of the highway network of the state. Construction of Chengnan Expressway commenced in 1999 and it was open to traffic in 2002. The Suining — Chongqing Expressway (the “Suiyu Expressway”) is part of the ring expressway in the Chengdu Chongqing region (Chengdu — Ya’an — Leshan — Yibin — Luzhou — Chongqing — Suining — Mianyang — Chengdu) of the national highway network. The construction of Suiyu Expressway (Sichuan section) commenced in 2003 and it was open to traffic in 2007. Both of Chengnan Expressway and Suiyu Expressway are owned by Sichuan Chengnan Expressway Co., Ltd. (the “Chengnan Company”), which is in turn held by Sichuan Highway Development Holding Company (the former controlling shareholder of the Company, which is hereinafter called “Sichuan Highway Company”).

After the open to traffic of Suiyu Expressway, the Chengnan Expressway and Suiyu Expressway joined up at Suining, therefore creating a traffic passageway from Chengdu to Chongqing. However, the purpose of planning and construction, expressway line and coverage of each of the Chengnan Expressway and Suiyu Expressway are different from Chengyu Expressway.

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The commitment of STI

During the public listing process of the Company's A shares, as required by China Securities Regulatory Commission for the sake of prudence in order to avoid the potential horizontal competition with the Company caused by the open to traffic of Suiyu Expressway, Sichuan Highway Company had made the following commitments: Based on its evaluation and judgment, should the Company think that the conditions are perfect to acquire the shares of Chengnan Company held by Sichuan Highway Company or the equity of Suiyu Expressway (Sichuan Section), and propose to Sichuan Highway Company and Chengnan Company to acquire the shares of Chengnan Company or the equity of Suiyu Expressway (Sichuan Section) from Sichuan Highway Company and Chengnan Company, under the precondition of abiding by the national laws and regulations, Sichuan Highway Company may or may cause Chengnan Company to transfer the shares of Chengnan Company held by Sichuan Highway Company, or the equity of Suiyu Expressway (Sichuan Section) held by Chengnan Company to the Company at fair market value without additional conditions, so as to avoid horizontal competition. If there is any third party who would like to acquire the shares of Chengnan Company held by Sichuan Highway Company or the equity of Suiyu Expressway (Sichuan Section) held by Chengnan Company before the Company issues the acquisition offer specified in the relevant commitment letter, Sichuan Highway Company promised to make a timely and written notice to the Company, and the Company shall enjoy the preemption under the same condition.

On March 25, 2011, 31.88% state-owned shares of the Company held by Sichuan Highway Company were all transferred to STI for free. During this process of free transfer of state-owned shares, STI promised (the "Commitment"): to supervise and coordinate the commencement of the acquisition of the shares of Chengnan Company from Sichuan Highway Company by the Company (the proposed acquired share proportion is not less than 51%) and to try its best to finish the acquisition within three years after the completion of the free transfer of state-owned shares. After completion of the acquisition, Chengnan Company will become the holding subsidiary of the Company so as to eliminate the horizontal competition between Sichuan Highway Company and the Company and promote the sustainable and stable development of the Company. As advised by the Company's PRC legal advisers, since the Commitment has specified the Company as the proposed purchaser and Sichuan Highway Company as the proposed vendor, it means that the Commitment will be performed by transfer of shares of Chengnan Company by agreement between Sichuan Highway Company and the Company.

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Reasons for the exemption of performance of Commitment of STI

After the Commitment, laws and regulations in relation to the transfer of interests in enterprise operating toll roads have changed to the effect that the transfer of shares of Chengnan Company is required to be conducted by way of public tender instead of agreement.

Pursuant to the Management Provisions on Toll Roads* (《收費公路管理條例》), transfer of interests in toll roads shall be conducted by way of public tender. Pursuant to the Notice relating to the Transfer of Interests (Shares) in Enterprise Operating Toll Roads* (Jiao Cai Fa [2010] No.739) (《關於公路經營企業產權(股權)轉讓有關問題的通知》(交財發[2010]739號)) issued jointly by the Ministry of Transport, the National Development and Reform Commission and the Ministry of Finance, the interests in toll roads which are obtained by special permission from the government are closely related to the interests (shares) in the enterprise operating the toll roads. As such, the transfer of interests (shares) in the enterprise operating toll roads shall comply with the relevant provisions and requirements in relation to the transfer of interests (shares) in enterprise as well as transfer of interests in toll roads.

By the laws and regulations mentioned above, the Commitment, i.e. the transfer of shares of Chengnan Company from Sichuan Highway Company to the Company by agreement, is no longer enforceable due to change of laws and regulations that are out of control of the parties. In the absence of provisions for liability for breach or other remedies in case of impossibility of performance of the Commitment, as advised by the Company's PRC legal advisers, the rights and obligations under the Commitment will be naturally terminated under PRC laws since the performance of Commitment is no longer enforceable due to change of laws and regulations.

However, pursuant to the Listed Company Supervision Guidance No.4 — Undertaking of De-facto Controller, Shareholder, Related Party, Acquirer and Listed Company and its Performance (《上市公司監管指引第4號 — 上市公司實際控制人、股東、關聯方、收購人以及上市公司承諾及履行》) issued by the China Securities Regulatory Commission, in the event that the undertaking party is unable to perform the undertaking, or performance of the undertaking is not beneficial to the listed company, the undertaking party can submit the change or exemption of undertaking for the approval of shareholders of the listed company. For impossibility of performance or delay in performance of undertaking due to objective causes such as change of laws, regulations and policies or natural disasters that are beyond control, the undertaking party shall make prompt disclosure.

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Recently, STI sent a letter to the Company, suggesting exemption from performing the Commitment based on the following reasons:

1. The Commitment to transfer the shares of Chengnan Company to the Company was made by the controlling shareholder at the Company's public listing of its A shares based on the reason that potential competition with the Company would be caused after the open to traffic of Suiyu Expressway owned by Chengnan Company. However, with the changing of highway network, this potential peer competition has been gradually eliminated.
2. It is not beneficial for protecting the interests of the listed company and medium and small shareholders by continuously performing the Commitment.
 - (1) In recent years, the asset value of Chengnan Company has been significantly increased; the listed company would need to pay for too much for the acquisition.
 - (2) The acquisition of shares of Chengnan Company would involve the issues of confirmation of land right and change of land use right, which means to change the free allocation land used for expressway to paid-use land and go through the certification of ownership. This problem shall be coordinated and solved by the provincial government and governments at all levels along the expressway. With the tightening policies for state-owned land in recent years, it is difficult to conduct such work, and there is uncertainty. In addition, the expenses for changing land nature and confirming land rights have been significantly increased, which will also greatly increase the acquisition price to be paid by the listed company.
 - (3) At present, the policies of expressway industry, especially pricing policy, are under adjustment and alteration, bringing risk of uncertainty in relation to the level of income of expressway asset.
 - (4) Due to the changes of laws, regulations and policies, the transfer of shares of Chengnan Company is required to be conducted by way of public tender, causing great uncertainty for the listed company as to whether the shares of Chengnan Company can be injected into the listed company.

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Above all, as advised by the Company's PRC legal advisers, the Commitment is unable to perform due to change of laws and regulations that are beyond control of the parties, and under the PRC laws, the Commitment will be naturally terminated. In addition, due to the objective conditions, industrial situation, changes of laws, regulations and policies, it is not beneficial for protecting the interests of the listed company and medium and small shareholders by continuously performing the Commitment. And at present, STI has no suitable replaceable object and is not able to replace the Commitment with the new one. However, as the Company is listed on the Shanghai Stock Exchange, it shall submit the exemption of performance of the Commitment to the approval of Shareholders pursuant to the request of STI and the provisions issued by the China Securities Regulatory Commission mentioned above. As such, it is submitted to exempt the performance of the Commitment according to provisions of Regulatory Guidelines for Listed Companies No. 4: Undertakings of Defacto Controllers, Shareholders, Affiliated Parties and Acquirors of Listed Companies and of the Listed Companies, and the Performance Thereof (《上市公司監管指引第4號 — 上市公司實際控制人、股東、關聯方、收購人以及上市公司承諾及履行》) issued by China Securities Regulatory Commission.

Non-competition undertaking of Sichuan Highway Company in relation to the listing of the Company's H Shares on the Stock Exchange

Reference is made to the prospectus of the Company in relation to the listing of its H Shares on the Stock Exchange in 1997 under the paragraph headed "Competition and Competitive Advantages" under the section headed "Particulars of the Company". On 9 September 1997, the Ministry of Transport of Sichuan Province (for and on behalf the Sichuan provincial government) and the Company entered into the Sichuan Chengyu Concession and Priority Agreement (the "Sichuan Chengyu Concession and Priority Agreement"), whereby Sichuan provincial government has made the undertaking (the "Sichuan Provincial Government's Undertaking") not to plan for, or permit the construction, improvement or expansion of, any expressways and class I and II highways within 50 km on either side of the Sichuan Chengyu Expressway which are parallel to, in the same direction of, or in competition with, the Sichuan Chengyu Expressway. According to the Sichuan Chengyu Concession and Priority Agreement, the Sichuan Provincial Government Undertaking also applies to all expressways directly or indirectly owned or invested by the Company from time to time.

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On the same date, Sichuan Highway Company has also undertaken to the Company under the Reorganisation Agreement that, among others, it will not, in any place within Sichuan and in any manner participate in the construction, management or operation of any toll or non-toll road, tunnel or bridge which competes or may compete in the future, directly or indirectly, with any toll or non-toll road, tunnel or bridge which is or may be in the future owned, managed or operated by the Company (the “Sichuan Highway Company’s Undertaking”). As the Sichuan Highway Company’s Undertaking was made based on the Sichuan Provincial Government’s Undertaking, the Directors are of the view that “toll or non-toll road, tunnel or bridge which competes or may compete...with any toll or non-toll road, tunnel or bridge...owned, managed or operated by the Company” in the Sichuan Highway Company’s Undertaking shall mean any expressways and class I and II highways within 50 km on either side of the expressways of the Company which are parallel to, in the same direction of, or in competition with, the expressways of the Company.

Each of Chengnan Expressway and Suiyu Expressway was constructed according to the national planning, and was beyond 50 km on each side of Chengyu Expressway. As the purpose of planning and construction, expressway line and coverage of each of the Chengnan Expressway and Suiyu Expressway are different from Chengyu Expressway, the Directors are of the view that each of the Chengnan Expressway and Suiyu Expressway is not in direct or indirect competition with Chengyu Expressway. As such, after the exemption of performance of the Commitment of STI, the interests in Chengnan Expressway and Suiyu Expressway owned by STI through Chengnan Company will not result in breach of Sichuan Provincial Government’s Undertaking or Sichuan Expressway Company’s Undertaking.

Based on the above, the Directors are of the view that the exemption of performance of the Commitment of STI is fair and reasonable and in the interest of the Company and its Shareholders as a whole. It was resolved by the Board that, among others, STI be exempted to perform the Commitment, which means to exempt the transfer of shares of Sichuan Chengnan Expressway Co., Ltd. held by Sichuan Highway Development Holding Company (not less than 51%) to the Company.

Mr. Zhou Liming, Mr. Tang Yong, Mr. Huang Bin and Mr. Wang Shuanming, Directors of the Company, had abstained from voting in the proposal due to their positions held in STI.

STI, the controlling shareholder of the Company, will abstain from voting on the resolution in relation to the exemption of performance of the Commitment at the AGM.

LETTER FROM THE BOARD

(V) PROPOSED INSURANCE DEBT FINANCING PLAN

On 27 March 2014, the Board considered and approved the resolutions on the proposed Insurance Debt Financing Plan for infrastructure, and approved to submit the proposal for consideration and approval by Shareholders at the AGM.

Under the proposed Insurance Debt Financing Plan, the Company or a subsidiary of the Company, as borrower, will act as debt repayment entity and finance not more than RMB1.5 billion from the insurance asset management company, as lender, who will provide the financing in accordance with the provisions of China Insurance Regulatory Commission on the investment of insurance funds in infrastructure projects and other relevant laws and regulations. In the event that a subsidiary of the Company acts as the debt repayment entity, the Company will provide unconditional and irrecoverable guarantee on a joint-liability basis for the repayment of all the debts by the subsidiary. There will not be any transfer or charge of assets of the Company under the proposed Insurance Debt Financing Plan. The Company will comply with the requirements under Chapter 14 and 14A of the Listing Rules if such requirements are applicable to the Company under the Insurance Debt Financing Plan.

It is proposed to seek for Shareholders' approval by way of special resolutions in relation to that, the Company, by way of establishing a debt investment plan through the insurance asset management company, to finance not more than RMB1.5 billion under the Insurance Debt Financing Plan (the way of financing includes: the Company directly conducts financing as the debt repayment entity; or a subsidiary of the Company serves as the debt repayment entity and the Company provides unconditional and irrecoverable guarantee on a joint-liability basis for the repayment of all the debts by the subsidiary) within three years from the date of Shareholders' approval in accordance with the provisions of China Insurance Regulatory Commission on the investment of insurance funds in infrastructure projects and other relevant laws and regulations, and to authorise to the Board or any two Directors to deal with all matters relating to the Insurance Debt Financing Plan as deemed desirable or expedient and in the interests of the Company and its Shareholders at their absolute discretion. The authorization shall include, but is not limited to, the following matters:

- (1) To decide the contract terms in relation to the Insurance Debt Financing Plan including, but not limited to, the amount, time point, term, guarantee and way of improving credit rating, and to determine the interest rate of products according to market situation;
- (2) To approve the Company's provision of unconditional and irrecoverable guarantee on a joint-liability basis for the full amount of principal and interests for the Insurance Debt Financing Plan;

LETTER FROM THE BOARD

- (3) To select and engage insurance assets management agencies and intermediaries including, but not limited to, selecting and engaging insurance assets management companies, credit rating agencies and legal advisers, etc.;
- (4) To undergo all necessary negotiations on, and to amend, enter into and execute all legal documents in relation to the Insurance Debt Financing Plan (including but not limited to Product Prospectus under investment plan, Investment Contract, Letter of Undertaking and all the contracts, announcements and documents in relation to the Insurance Debt Financing Plan);
- (5) To apply for all the approvals as required by the application for the Insurance Debt Financing Plan and make all the necessary registrations and filings and including, but not limited to, submitting application to the government regulatory department(s) in relation to establishment approval and ongoing supervision and regulation, and making necessary amendments to the application documents in accordance with any requirements and suggestions of the regulatory department(s); and
- (6) To decide on all the necessary actions to be taken for the Insurance Debt Financing Plan, and to deal with or decide on all the relevant matters.

With the expansion of business scope and enlargement of investment scale of the Company, there is rapid growth of fund demand by the Company. The Board believes that, under the proposed Insurance Debt Financing Plan, financing under the Insurance Debt Financing Plan will be launched in 2014 to prepare for the future financing of the Company, and the Company will choose an appropriate issue time within the validity of registration, thus allowing flexible financing and providing various sources of fund for the Company.

AGM

The AGM will be held at 3:00 p.m. on 28 May 2014 (Wednesday) at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC, for the Shareholders to consider and, if thought fit, approve, among other things, (i) the CCTs and the proposed annual caps thereunder; (ii) the proposed amendments to the Articles of Association; (iii) the proposed appointment of the independent non-executive Director and Supervisor; (iv) the exemption of performance of commitment of STI; and (v) the proposed Insurance Debt Financing Plan. At the AGM, votes will be taken by poll.

The AGM Notice has been published by the Company on 11 April 2014 and is set out on pages 63 to 69 of this circular. The relevant form of proxy and the reply slip of the AGM have been published on 11 April 2014 and issued together with the AGM Notice to the Shareholders on 11 April 2014.

LETTER FROM THE BOARD

If you intend to appoint a proxy to attend the AGM, you are required to complete and return the form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy shall be returned to the Company's H Share Registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for convening the AGM (or any adjournment thereof) or 24 hours before the time appointed for the passing of the resolutions. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

If you intend to attend the AGM in person or by proxy, you are required to complete and lodge the reply slip for attending the AGM at the Company's legal address at 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC not later than 4:30 p.m. on 7 May 2014 (Wednesday). The reply slip may be delivered to the Company by hand, by post or by fax (fax no.: (8628) 8553 0753).

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The H Shares register of members of the Company will be closed from 26 April 2014 (Saturday) to 28 May 2014 (Wednesday), both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending the AGM, unregistered holders of H Shares shall ensure that all transfer of H Shares accompanied by the relevant share certificates and the appropriate transfer documents must be lodged with the Company's H Share Registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 25 April 2014 (Friday).

RECOMMENDATION

The Company has appointed Halcyon as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the CCTs. The letter of advice from Halcyon to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 58 of this circular.

The Independent Board Committee comprising all the independent non-executive Directors has been established to give advice to the Independent Shareholders in respect of the CCTs. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the CCTs, is set out on page 32 to 33 of this circular.

The Board considers that the CCTs, the transactions contemplated thereunder and the respective annual caps are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions for approving the CCTs at the AGM.

LETTER FROM THE BOARD

The Board also considers that the proposed amendments to the Articles of Association are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant special resolutions for approving the proposed amendments to the Articles of Association at the AGM.

The Board also considers that the proposed appointment of the independent non-executive Director and the Supervisor is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant ordinary resolutions for approving the appointment at the AGM.

The Board also considers that the exemption of performance of commitment of STI is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant ordinary resolutions for approving the exemption of performance of commitment of STI at the AGM.

The Board also considers that the proposed Insurance Debt Financing Plan is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant special resolutions for the Insurance Debt Financing at the AGM.

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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
By order of the Board
Sichuan Expressway Company Limited*
Zhang Yongnian
Company Secretary



四川成渝高速公路股份有限公司
Sichuan Expressway Company Limited*

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

(Stock Code: 00107)

13 May 2014

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to give our advice on the CCTs and the transactions contemplated thereunder, details of which are set out in the letter from the Board included in the circular to the Shareholders dated 13 May 2014 (the “**Circular**”), of which this letter forms a part. Terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Halcyon Capital Limited has been appointed as the Independent Financial Adviser to advise us on the CCTs and the transactions contemplated thereunder. The letter from the Independent Financial Adviser is set out on pages 34 to 58 of the Circular.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of each of the CCTs, the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the view that the terms of the each of the CCTs and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and the basis for determining the respective annual caps for each of the CCTs are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions at the AGM to approve the CCTs, the transactions contemplated thereunder and the respective annual caps of each of the CCTs.

Yours faithfully,

Independent Board Committee

Mr. Sun Huibi

Independent

Non-executive Director

Mr. Guo Yuanxi

Independent

Non-executive Director

Mr. Fang Guijin

Independent

Non-executive Director

Mr. Yu Haizong

Independent

Non-executive Director

LETTER FROM HALCYON CAPITAL LIMITED

The following is the full text of the letter of advice from Halcyon to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of the inclusion in this circular.



11/F, 8 Wyndham Street
Central
Hong Kong

13 May 2014

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the purchase of heavy oil and fuel from PetroChina (Sichuan Oil Sales Branch) by Zhonglu Energy; (ii) the purchase of asphalt from PetroChina (Southwest Sales Branch) by Zhonglu Energy; (iii) the purchase of refined oil from PetroChina (Sichuan Sales Branch) by Zhonglu Energy; (iv) the provision of refined oil carriage service by CNPCT (Sichuan Branch) to Zhonglu Energy and (v) the provision of petrochemicals and other raw materials by Zhonglu Energy to TCC (collectively the “**Transactions**”) pursuant to the respective agreements (the “**Agreements**”) entered into by Zhonglu Energy on 27 March 2014.

Details of the Agreements and the annual caps (the “**Annual Caps**”) of the Transactions are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 13 May 2014 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meaning as those defined in the Circular.

Zhonglu Energy is an indirect non-wholly owned subsidiary of the Company which is owned as to 51% and 49% by the Company (indirectly through its wholly-owned subsidiary Shuhai Company) and PetroChina respectively. By virtue of PetroChina’s interest in Zhonglu Energy, PetroChina is therefore a connected person of the Company. As PetroChina (Sichuan Oil Sales Branch), PetroChina (Southwest Sales Branch) and PetroChina (Sichuan Sales Branch) are branches and subsidiaries of PetroChina (as the case may be), PetroChina (Sichuan Oil Sales Branch), PetroChina (Southwest Sales Branch) and PetroChina (Sichuan Sales Branch) are therefore also connected persons of the Company pursuant to the Listing Rules.

LETTER FROM HALCYON CAPITAL LIMITED

CNPCT (Sichuan Branch) is a subsidiary of CNPC, the controlling shareholder of PetroChina and therefore an associate of PetroChina and hence also a connected person of the Company pursuant to the Listing Rules.

As at the Latest Practicable Date, STI is a controlling shareholder of the Company which holds approximately 31.94% of the issued share capital of the Company. STI is therefore a connected person of the Company under the Listing Rules. TCC is a non-wholly subsidiary of the Company which is owned as to 51% and 49% by the Company and STI (indirectly through its wholly-owned subsidiaries) respectively. By virtue of STI's shareholding in TCC, TCC is therefore a connected person of the Company.

As PetroChina (Sichuan Oil Sales Branch), PetroChina (Southwest Sale Branch) and PetroChina (Sichuan Sales Branch), CNPCT (Sichuan Branch) (together "**PetroChina Related Companies**") and TCC are connected persons of the Company, the transactions contemplated under the Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.25 of the Listing Rules, the continuing connected transactions contemplated under the Heavy Oil and Fuel Agreement, Asphalt Agreement, the Refined Oil Agreement and the Refined Oil Carriage Agreement should be aggregated as each of them were entered into between Zhonglu Energy and PetroChina Related Companies. The Company anticipates that as one or more of the applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the Heavy Oil and Fuel Agreement, Asphalt Agreement, Refined Oil Agreement and the Refined Oil Carriage Agreement after aggregation is, on an annual basis, over 5% and the Materials Purchase Agreement is, on an annual basis over 5%, the Agreements are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Messrs. Sun Huibi, Guo Yuanxi, Fang Guijin and Yu Haizong has been established to advise the Independent Shareholders as to whether the terms of the Agreements (including the Annual Caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolutions in the AGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us or referred to in the announcement of the Company dated 27 March 2014 and the Circular, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and made after due and careful inquiry by the Directors and/or management of the Company. We have been advised by the Directors and/or the management of the Company that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company including the Agreements and certain published information from the public domain. We have also discussed with the Directors and/or the management of the Company with respect to the terms of and reasons for the transaction contemplated under the Agreements (including the Annual Caps), and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position or prospects of the Group (including TCC and Zhonglu Energy), PetroChina, PetroChina (Sichuan Oil Sale Branch), PetroChina (Southwest Sales Branch) and PetroChina (Sichuan Sales Branch), CNPCT (Sichuan Branch), STI and each of their respective associates, and the parties involved in the transaction contemplated under Agreements.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the transactions contemplated under the Agreements (including the Annual Caps), we have considered the following principal factors and reasons:

1. Background to and reasons for the entering into of the Agreements

The Group is principally engaged in the investment, construction, operation and management of road infrastructure projects in Sichuan Province, the PRC as well as the operation of other businesses related to toll roads within Sichuan Province. Currently, the Group mainly owns all or substantially all interests in a number of toll roads within Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway as well as Suiguang Expressway and Suixi Expressway which are under construction. As at 31 December 2013, the length of completed expressways of the Group has reached approximately 573 km in total and the length of the expressways under construction amounted to approximately 165 km. The Group also engages in gas stations operation and construction work through its non-wholly owned subsidiaries Zhonglu Energy and TCC.

Zhonglu Energy is a limited company established in the PRC which is owned as to 51% and 49% by the Company (indirectly through its wholly-owned subsidiary Shuhai Company) and PetroChina respectively. Its business scope includes general business such as energy project investment and business information consultation. Zhonglu Energy also engages in the distribution of oil products and is one of the authorized dealers of PetroChina's products. Zhonglu Energy currently also engages in the operation of certain gas stations along the expressways operated by the Group.

TCC, is a non-wholly owned subsidiary of the Company, which is owned as to 51% by the Company and 49% by STI (indirectly through its wholly-owned subsidiaries). TCC is a limited company established in the PRC which mainly engages in highway engineering; bridge engineering; municipal public works; groundwork and foundation engineering; earthwork engineering; ready-mixed commercial concrete; precast concrete component; tunnel engineering; highway pavement engineering; highway traffic engineering; pre-stressed engineering; mechanical and electrical equipment installation; greening projects; engineering survey design; road maintenance; professional and technical advisory service; leasing and maintenance of transportation engineering machinery; manufacturing and installation of transportation engineering facilities; warehousing services; handling services; commodity wholesale and retail. It has been the strategy of the Group to rapidly develop the “**construction segment**” of the Group and to increase the Company's share in the construction work market. Being the construction arm of the Group, TCC Group has from time to time participated in the construction work in Sichuan Province.

LETTER FROM HALCYON CAPITAL LIMITED

PetroChina, a joint stock limited company incorporated in the PRC with limited liability which is listed on the Stock Exchange (stock code: 857) and the Shanghai Stock Exchange (stock code: 601857).

PetroChina (Sichuan Oil Sales Branch) is a branch of PetroChina. Its business scope includes licensed business activities: sales of refined oil, sales of pre-packaged food (the above items and term are subject to approval license); general business activities (excluding pre-licensing items, and post-licensing items shall be operated under permit or approval document): sales of petrochemicals and chemical products; sales of materials, equipment and apparatus required for production and construction of pipeline, lubricants, etc.

PetroChina (Southwest Sales Branch) is a branch of PetroChina. Its business scope mainly includes wholesale and retail of petroleum products (excluding refined oil and hazardous chemicals), chemical products (excluding dangerous chemicals) and warehousing service (excluding hazardous chemicals) etc..

PetroChina (Sichuan Sales Branch) is a branch of PetroChina. It principally engages in commissioned exploration, production and sales of onshore petroleum and natural gas; production and sales of refined oil and petroleum products; operation of oil gas pipeline, etc.

CNPCT (Sichuan Branch) is a branch of a subsidiary of CNPC, the controlling shareholder of PetroChina. It principally engages in road transportation of goods, cargo transportation of dangerous goods, sales of engineering machinery, decoration services, cargo agent services, warehousing (excluding dangerous goods, operate after passing fire control inspection).

In accordance with the Company's strategy of "**exploit advantages and accelerate development**" and the 12th Five-Year Plan of the Company, the Heavy Oil and Fuel Agreement, Asphalt Agreement and Refined Oil Agreement are entered into in order to realize the rapid development of the "**Energy**" segment of the "**five major segments**" of the Group, and to meet the ordinary business needs of Zhonglu Energy, the majority-owned subsidiary of the Company.

LETTER FROM HALCYON CAPITAL LIMITED

The expressways in Sichuan Province are under rapid development. Due to the considerable size and scale of the newly constructed expressways and expressways that are under construction, it is expected that there will be a continuous market demand for petroleum and chemical materials such as heavy oil, fuel, asphalt and refined oil. Further, the increase in the number of gas stations operated by Zhonglu Energy will also result in the increasing demand for the provision of refined oil. By entering into the Agreements, Zhonglu Energy is able to secure stable provision of the relevant petroleum materials from PetroChina at reasonable and favourable price, which is beneficial to the business expansion of Zhonglu Energy. Furthermore as it is expected that there will be a continuous demand of relevant petroleum and chemicals materials from TCC Group for its construction business and it is the usual practice of TCC Group to go through the tender procedures for the procurement of relevant petrochemical products, Zhonglu Energy being one of the possible suppliers by entering into the Materials Purchase Agreement will therefore give Zhonglu Energy the flexibility to bid for the provision of petrochemical products to TCC Group.

(i) *The Refined Oil Agreement and the Refined Oil Carriage Agreement*

The Group and PetroChina through Zhonglu Energy operate 16 gas stations along part of the expressways operated by the Group as at the Latest Practicable Date. According to the investment and operation framework agreement entered into by the Group with PetroChina (the “**Operation Agreement**”) in 2011 regarding the establishment of Zhonglu Energy, Zhonglu Energy shall operate gas stations along part of the expressways operated by the Group by adopting PetroChina’s brand name. Prior to the entering into of the Operation Agreement, gas stations were operated by PetroChina directly through renting of the Group’s gas station facilities along the expressways. As the gas stations carry PetroChina’s brand which shall materially only supply PetroChina’s products. Currently refined oil products available in the gas stations operated by Zhonglu Energy are supplied by PetroChina (Sichuan Sales Branch). As such, Zhonglu Energy shall from time to time purchase refined oil products from PetroChina (Sichuan Sales Branch). In the PRC, transportation of refined oil requires special permit for transportation of inflammable goods. As such, CNPCT (Sichuan Branch) also provides logistic services regarding delivery of refined oil to Zhonglu Energy. In order to govern the supply of refined oil products and relevant logistic services regarding delivery of refined oil to Zhonglu Energy by PetroChina Related Companies, Zhonglu Energy entered into the Refined Oil Agreement and the Refined Oil Carriage Agreement with PetroChina (Sichuan Sales Branch) and CNPCT (Sichuan Branch) respectively.

LETTER FROM HALCYON CAPITAL LIMITED

As gas stations operated by Zhonglu Energy carry PetroChina's brand, which shall exclusively provide PetroChina's refined oil products and as CNPCT (Sichuan Branch) is the designated refined oil carrier of PetroChina (Sichuan Sales Branch), the Directors consider that the entering into of the Refined Oil Agreement and the Refined Oil Carriage Agreement is necessary for Zhonglu Energy's operation. The Refined Oil Agreement and the Refined Oil Carriage Agreement were entered into with a view to regulate the relationship among Zhonglu Energy, PetroChina (Sichuan Sales Branch) and CNPCT (Sichuan Branch) as regard the aforesaid transaction. In considering the operational need of Zhonglu Energy's gas stations, the Directors consider that it is essential for Zhonglu Energy to enter into Refined Oil Agreement and the Refined Oil Carriage Agreement which will enable Zhonglu Energy to obtain steady supply of refined oil products.

(ii) ***The Heavy Oil and Fuel Agreement and the Asphalt Agreement***

Apart from operating gas stations along the expressways operated by the Group, according to the Directors, Zhonglu Energy also acts as distributor of oil products including heavy oil and asphalt. As Zhonglu Energy is also one of the authorized dealers of PetroChina, oil products distributed by Zhonglu Energy also include PetroChina's products. As such, from time to time Zhonglu Energy will procure oil products including heavy oil and fuel and asphalt from PetroChina (Sichuan Oil Sales Branch) and PetroChina (Southwest Sales Branch) respectively. In order to govern the supply of heavy oil and fuel and asphalt to Zhonglu Energy by PetroChina Related Companies, Zhonglu Energy entered into the Heavy Oil and Fuel Agreement and the Asphalt Agreement with PetroChina (Sichuan oil Sales Branch) and PetroChina (Southwest Sales Branch) respectively.

The Directors consider that the Heavy Oil and Fuel Agreement and the Asphalt Agreement provide additional business opportunities to Zhonglu Energy's oil product distribution business by enhancing the branding portfolio of Zhonglu Energy's distribution. Furthermore, the Directors also consider that the Heavy Oil and Fuel Agreement and the Asphalt Agreement do not create any obligation on procurement of products with PetroChina Related Companies by Zhonglu Energy while it only provides heavy oil, fuel and asphalt products etc. under the PetroChina's brands for Zhonglu Energy distribution whenever Zhonglu Energy considers necessary and appropriate.

(iii) *The Materials Purchase Agreement*

Being a construction arm of the Group, TCC Group has from time to time participated in the construction work including highway engineering; bridge engineering; municipal public works; groundwork and foundation engineering; and earthwork engineering which requires certain petrochemical products (including asphalt and refined oil). Due to the operational needs of TCC Group, TCC Group considered including Zhonglu Energy as one of the suppliers for petrochemicals products (including asphalt and refined oil).

The Directors are of the view that the entering into the Materials Purchase Agreement between Zhonglu Energy and TCC would allow TCC Group to source petrochemical products (including asphalt and refined oil) from additional supplier which provides more flexibility and possibly cost effective sourcing of petrochemical products (including asphalt and refined oil) by TCC Group. To govern the future on-going supply of petrochemical products (including asphalt and refined oil), TCC entered into the Materials Purchase Agreement with Zhonglu Energy.

Having considered that the transactions among the Zhonglu Energy, TCC Group and PetroChina Related Companies have been carried out in their respective ordinary and usual course of businesses and considering the business relationship between the Group (including TCC and Zhonglu Energy) and PetroChina Related Companies, we considered that the entering into of the Agreements are in the ordinary and usual course of business of the Group.

2. Principal terms of the Agreements

(i) *Heavy Oil and Fuel Agreement*

Pursuant to the Heavy Oil and Fuel Agreement entered into between Zhonglu Energy and PetroChina (Sichuan Oil Sales Branch), Zhonglu Energy agreed to purchase up to approximately 250,000 tons of heavy oil and fuel with specified quality requirements from PetroChina (Sichuan Oil Sales Branch) for the period from 27 March 2014 to 31 December 2014.

Within the same month of PetroChina (Sichuan Oil Sales Branch) settles the purchase costs for purchasing the relevant products, Zhonglu Energy shall pay the purchase price to PetroChina (Sichuan Oil Sales Branch) for the relevant products.

Pricing policies

The purchase price per ton shall be determined in accordance with market price, which shall be calculated by an addition of RMB50 per ton to the consideration (including tax) paid by PetroChina (Sichuan Oil Sales Branch) for purchasing the same product from PetroChina (Sichuan Oil Sales Branch)'s suppliers. The Directors consider that given the heavy oil and fuel supplied to Zhonglu Energy by PetroChina (Sichuan Oil Sales Branch) are all directly sourced by PetroChina (Sichuan Oil Sales Branch) from PetroChina (Sichuan Oil Sales Branch)'s suppliers, PetroChina(Sichuan Oil Sales Branch) shall add on a RMB50 per ton service and logistic charge in respect of procuring the heavy oil and fuel from PetroChina (Sichuan Oil Sales Branch)'s suppliers. According to the management of Zhonglu Energy, when Zhonglu Energy is required to purchase heavy oil and fuel from PetroChina (Sichuan Oil Sales Branch), the relevant department of Zhonglu Energy will place a purchase order to PetroChina (Sichuan Oil Sales Branch) stating the quantity required. PetroChina (Sichuan Oil Sales Branch) will then provide quotations regarding the product price quoted from PetroChina (Sichuan Oil Sales Branch)'s suppliers plus a RMB50 per ton service and logistic charge. According to the Directors, as a franchise distributor, Zhonglu Energy does not keep inventory on hand and will only place orders to PetroChina (Sichuan Oil Sales Branch) once they receive orders from their customers. As the customer specifically demand for PetroChina's heavy oil and fuel, Zhonglu Energy will directly procure from PetroChina (Sichuan Oil Sales Branch). In any case, should the selling price of PetroChina (Sichuan Oil Sales Branch) exceed the expected purchase price of Zhonglu Energy's customer or the profit margin of Zhonglu Energy is not considered reasonable by the management of Zhonglu Energy, Zhonglu Energy shall not conclude the sales and will not procure heavy oil and fuel from PetroChina (Sichuan Oil Sales Branch) for the relevant transactions.

(ii) Asphalt Agreement

Pursuant to the Asphalt Agreement entered into between Zhonglu Energy and PetroChina (Southwest Sales Branch), Zhonglu Energy agreed to purchase up to approximately 50,000 tons of asphalt from PetroChina (Southwest Sales Branch) for the period from 27 March 2014 to 31 December 2014. Zhonglu Energy shall pay the consideration as provided in each purchase order to the designated bank account of PetroChina (Southwest Sales Branch) within 1 day after the effective date of the relevant purchase order.

Pricing policies

The price shall be determined in accordance with the purchase order to be entered into separately between the parties, which shall not be higher than the prevailing market price. When determining the prevailing market price, Zhonglu Energy will make reference to the suggested range of tender prices published by a third party for purchasing asphalt, if any. If no such suggested tender price is available, Zhonglu Energy will enquire other major suppliers of asphalt in China. As a distributor, Zhonglu Energy does not keep inventory on hand and will only procure asphalt when Zhonglu Energy receives orders or successfully secures a tender from customers. Should the customers have no specifications on the branding of the asphalt, the relevant department of Zhonglu Energy will obtain quotations from other suppliers of asphalt, and will procure from the supplier with the lowest quotation. Should the customer specifically demand for PetroChina's asphalt, Zhonglu Energy will negotiate with PetroChina (Southwest Sales Branch) on the pricing with reference to the purchaser price requested by the customer or the tentative tender price to be submitted by Zhonglu Energy and ensure Zhonglu Energy obtains a reasonable profit from the distribution of PetroChina's asphalt. In any case should the selling price of PetroChina (Southwest Sales Branch) exceed the expected purchase price of Zhonglu Energy's customer or the profit margin of Zhonglu Energy is not considered reasonable by the management of Zhonglu Energy, Zhonglu Energy shall not conclude sales and will not procure asphalt from PetroChina (Southwest Sales Branch) for the relevant transaction.

(iii) Refined Oil Agreement

Pursuant to the Refined Oil Agreement entered into between Zhonglu Energy and PetroChina (Sichuan Sales Branch), Zhonglu Energy agreed to purchase specified types of refined oil of up to approximately 130,000 tons from PetroChina (Sichuan Sales Branch) for the period from 27 March 2014 to 31 December 2014.

Pursuant to the Refined Oil Agreement, Zhonglu Energy shall pay at the end of each month for all outstanding payments due as at the 25th day each month via bank transfer.

LETTER FROM HALCYON CAPITAL LIMITED

Pricing policies

Pursuant to the Refined Oil Agreement, PetroChina (Sichuan Sales Branch) shall provide the most favourable price for the refined oil to Zhonglu Energy. The most favourable price shall be no less favorable than the price provided to all other gas stations in Sichuan Province, which is the unified price set by the 中國石油天然氣股份有限公司銷售分公司 (PetroChina Company Limited Sales Branch*) to the northwest district. Given that the gas stations operated by Zhonglu Energy carry only PetroChina's brand, it is not feasible for Zhonglu Energy to seek quotation or procure refined oil products from other suppliers.

(iv) *Refined Oil Carriage Agreement*

Pursuant to the Refined Oil Carriage Agreement entered into between Zhonglu Energy and CNPCT (Sichuan Branch), CNPCT (Sichuan Branch) agreed to transport the refined oil to the designated places as required by Zhonglu Energy for the period from 27 March 2014 to 31 December 2014. Pursuant to the Refined Oil Carriage Agreement, Zhonglu Energy shall pay on the 10th day of each month for all outstanding payments due for the preceding month via bank transfer or telegraphic transfer.

Pricing policies

The transportation fees are determined in accordance with the guidance price of transportation issued by CNPCT (Sichuan Branch). Any price adjustment shall be made in accordance with the 《關於調整中國石油天然氣運輸公司成品油運輸結算價格的通知》 (Notice of Adjustment to the Settlement Price of Refined Oil Transportation by CNPC Transportation Company Limited*) published by 中國石油天然氣股份有限公司銷售分公司 (PetroChina Company Limited Sales Branch*). As confirmed by the management of Zhonglu Energy, the guidance price shall be no less favorable than the price provided by CNPCT (Sichuan Branch) to all other customers of CNPCT (Sichuan Branch). According to the Directors, as discussed between the Directors and the management of CNPCT (Sichuan Branch), CNPCT (Sichuan Branch) only provide logistic services to PetroChina's member companies and all customers of CNPCT (Sichuan Branch) are related companies of CNPCT (Sichuan Branch).

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According to the guidance price, for short distance transportation (within and including 30 kilometers), the carriage fees shall be calculated by multiplying the actual carriage tonnage with the price of RMB29 per ton. For long distance transportation (exceeding 30 kilometers), the carriage fees shall be calculated by multiplying the transportation distance with the actual carriage tonnage and the price of RMB0.68 per ton per kilometer. Since the procurement of refined oil shall only be made directly with PetroChina (Sichuan Sales Branch) and CNPCT (Sichuan Branch) is the designated logistic carrier of PetroChina (Sichuan Sales Branch)'s product, otherwise, the transportation of refined oil requires special permit for transportation of inflammable goods, it is necessary for Zhonglu Energy to enter into the Refined Oil Carriage Agreement for the provision of carriage service by CNPCT (Sichuan Branch) which owns the necessary qualification, as such, it is infeasible for Zhonglu Energy to obtain quotations from other logistic carriers.

(v) ***Materials Purchase Agreement***

Pursuant to the Materials Purchase Agreement entered into between Zhonglu Energy and TCC, Zhonglu Energy agreed to sell petrochemicals such as asphalt, fuel oil and refined oil, and other raw materials to TCC Group for the period from 27 March 2014 to 31 December 2014. Details such as the kind of products, quantity, purchase price and payment terms are to be included in any separate materials purchase agreement to be entered into between the parties thereto.

Pricing policies of TCC

The purchase price pursuant to the Materials Purchase Agreement shall be determined in accordance with the following principal: (i) if there is any price set by the relevant government authority, such price shall be followed; (ii) if there is no such price set by the relevant government authority, reference shall be made to the government guidance price if there is any; (iii) if there is no such government guidance price, the market price of the same or similar products, which shall be determined by or with reference to the tender price for the same or similar products; and (iv) if none of the above is available, the parties shall negotiate on arm's length basis on fair and reasonable terms, taking into account the normal commercial terms, the actual or reasonable costs (whichever is lower) of such products and reasonable profit (the "**Pricing Mechanism**").

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Further details of the ways in determining the price are set out below:

The government authorities responsible for setting out guidance price of refined oil are the National Development and Reform Committee (國家發展改革委員會) and Sichuan Province Development and Reform Committee (四川省發展改革委員會). The guidance price of gasoline and diesel oil will be adjusted every 10 business days according to the international oil price. However, adjustment will not be made to retail price of refined oil if the range of increase or decrease of the price is less than RMB50 per ton. Such relatively minor increase or decrease of price will be accumulated in the next adjustment. The guidance price of refined oil will be published on the websites of National Development and Reform Committee and Sichuan Province Development and Reform Committee respectively. PetroChina Company Limited Sales Branch (中國石油天然氣股份有限公司銷售分公司) will formulate the unified price of refined oil for northwest district according to the above guidance price.

To the best of knowledge, information and belief of Directors, there is currently no guidance price for asphalt.

For the purchase of asphalt, TCC will usually go through public tender procedures. To be eligible for the bidding, the bidder must be the authorized dealer of the recognized brands of asphalt from the recognized producers. As the authorized asphalt dealer of PetroChina, Zhonglu Energy is eligible to participate in the bidding. In the circumstances, the consideration shall be determined through bidding, with reference to the open market prices of the relevant brands of asphalt, the corporate conditions of the bidders and market conditions.

Above all, the prices of petrochemicals products and tendering under the Materials Purchase Agreement will normally be determined through bidding or with reference to the recent public bidding and tendering prices of similar products. If no public tender or bidding or tender price of similar materials is available, the Company will determine the price with reference to the open market price published by major suppliers (which are Independent Third Parties of the Company) in their websites and renewed from time to time plus relevant freight costs, labour costs and taxation costs etc. Reasonable profit will be determined with reference to the then market conditions and demand-supply relationship, but in any event shall not be less than RMB50 per ton.

Nonetheless, should any government prescribed price or guidance price applicable to the relevant materials be available in future, the Company will adopt such government prescribed price or guidance price of relevant materials in its first priority.

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According to the Directors, when any members of TCC Group require purchasing any items, relevant department of the members of TCC Group will prepare a procurement plan. Details of the procurement plan includes, (i) method of price determination selected according to the Pricing Mechanism; (ii) purchase quantity; and (iii) draft purchase agreement to be entered into. The department head of the relevant department of the relevant member of TCC Group will review the procurement plan to ensure the appropriate price determination method is selected according to the Pricing Mechanism. The procurement plan will also be passed to the financial department and internal control and review department of the relevant member of TCC Group for further review. Relevant senior management of the relevant member of TCC Group will be responsible to approve the procurement plan and the chief executive or director of the relevant member of TCC Group will make final endorsement on the procurement plan.

Pricing policies of Zhonglu Energy

When Zhonglu Energy is invited to submit tender by customers (for either independent third parties or related companies) for the supply of materials including but not limited to petrochemicals products, the business department of Zhonglu Energy will make relevant assessment on the tender announcement including but not limited to obtaining the latest market price of the relevant products subject to tender. Zhonglu Energy will obtain quotations from a number of suppliers, if products subject to tender is available from PetroChina Related Companies, Zhonglu Energy will also discuss with PetroChina Related Companies on the possible purchase price of such products. Business department of Zhonglu Energy will base on the best available quotations obtained in market plus a reasonable profit margin and come up with a tender price for the respective tender submission. The tender submission, with information including but not limited to product details, credit terms and tender price will be submitted to the finance and internal control department to ensure that the pricing and terms of the tender submission is based on the best available price obtained from the market. Subsequent to the review by the finance and internal control department, the tender submission will be further reviewed by the general manager of Zhonglu Energy and then submitted to the chairman of Zhonglu Energy for his final review and approval. Given such tendering submission policies of Zhonglu Energy is applied to both related parties and independent third parties customers, we are of the view that the selling terms under the tender submission to be submitted to TCC will be no less favorable to the selling terms submitted under the tender submission to be submitted to independent third parties customers.

3. Comparison of terms with independent third parties

(i) *Heavy Oil and Fuel Agreement*

As Zhonglu Energy has not procured any heavy oil and fuel from independent supplier in the past, we are unable to review and compare the terms of the past transaction with PetroChina (Sichuan Oil Sales Branch) with transaction between Zhonglu Energy and independent suppliers. According to the Directors, in previous transactions entered into by Zhonglu Energy with PetroChina (Sichuan Oil Sales Branch) for the year ended 31 December 2013, given the customers requested Zhonglu Energy for PetroChina's heavy oil and fuel products, as such Zhonglu Energy would only be able to source such products from PetroChina (Sichuan Oil Sales Branch) instead of independent third parties. We have however discussed with the management of Zhonglu Energy, according to the management of Zhonglu Energy, to their best knowledge, the pricing and other terms of the transaction between Zhonglu Energy and PetroChina (Sichuan Oil Sales Branch) are no less favorable than the transactions entered into between PetroChina (Sichuan Oil Sales Branch) and other independent parties. We have also reviewed a confirmation provided by PetroChina (Sichuan Oil Sales Branch) to Zhonglu Energy confirming the above mentioned understanding.

(ii) *Asphalt Agreement*

As Zhonglu Energy has not procured any asphalt from independent supplier in the past, we are unable to review and compare the terms of the past transaction with PetroChina (Southwest Sales Branch) with transaction between Zhonglu Energy and independent suppliers. According to the Directors, in previous sales of asphalt in 2013, given the customers requested Zhonglu Energy specifically for PetroChina's asphalt as such Zhonglu Energy would only be able to source such products from PetroChina (Southwest Sales Branch) instead of independent third parties. We have however discussed with the management of Zhonglu Energy, according to the management of Zhonglu Energy, the prices of asphalt sold to Zhonglu Energy's customers were generally higher than the purchase price of Zhonglu Energy paid to PetroChina (Southwest Sales Branch) and Zhonglu Energy recorded a gross profit in the transaction during the past year ended 31 December 2013.

(iii) *Refined Oil Agreement*

According to the Directors, as Zhonglu Energy operates gas stations under the brand of PetroChina, in which the gas stations of Zhonglu Energy will only be able to supply PetroChina's refined oil. Hence, Zhonglu Energy can only procure refined oil from PetroChina (Sichuan Sales Branch). As Zhonglu Energy has not procured any refined oil from the independent supplier in the past three years ended 31 December 2013, we are unable to review and compare the terms of the past transaction with PetroChina (Sichuan Sales Branch) with transactions between Zhonglu Energy and independent suppliers. We have however reviewed the transactions entered into with PetroChina (Sichuan Sales Branch) in the past and compared the price of refined oil with the price as published on PetroChina's website of the then period. We noticed that the price of the transactions entered with PetroChina (Sichuan Sales Branch) is no less favorable to the price noted from PetroChina's website. Furthermore, according to the Directors, the procurement price of refined oil of Zhonglu Energy from PetroChina (Sichuan Sales Branch) is no less favorable to the selling price of refined oil of PetroChina (Sichuan Sales Branch) to other gas stations in the Sichuan Province and the pricing of PetroChina (Sichuan Sales Branch) has been made reference to the price as announced by the relevant government authority.

(iv) *Refined Oil Carriage Agreement*

As all refined oil shall have to be procured from PetroChina (Sichuan Sales Branch), Zhonglu Energy shall also have to engage CNPCT (Sichuan Branch) for refined oil carriage service as CNPCT (Sichuan Branch) is the designated logistic carrier of PetroChina (Sichuan Sales Branch). Transportation of refined oil requires special permit for transportation of dangerous goods, as such CNPCT (Sichuan Branch) provides logistic services regarding delivery of refined oil to Zhonglu Energy. In view of such, Zhonglu Energy has not engaged any independent logistic carrier to provide refined oil carriage service in the past, we are unable to review and compare the terms of the past transaction with CNPCT (Sichuan Branch) with transactions between Zhonglu Energy and any independent logistic carrier. We have however reviewed certain invoices of the past transactions entered into with CNPCT (Sichuan Branch) in the past three years ended 31 December 2013, we noted that the carriage price of Zhonglu Energy is consistent with the price as stated in the pricing policies of CNPCT (Sichuan Branch).

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(v) *Materials Purchase Agreement*

TCC Group has not engaged in any procurement of petrochemicals products with Zhonglu Energy in the past as such we are unable to review and compare the terms of the past transaction with Zhonglu Energy with transactions between TCC Group and the independent suppliers. We have however discussed with the Directors and according to the Directors, the Pricing Policies as discussed above has been applied in procurement of others products from other suppliers of TCC Group.

4. The Annual Caps

The transactions contemplated under the Agreements are subject to the Listing Rules' requirements and conditions as further discussed under the section headed "Reporting requirements and conditions of the continuing connected transactions" below. In particular, the continuing connected transactions are also subject to the Annual Caps as discussed below.

In assessing the reasonableness of the Annual Caps, we have discussed with the Directors the basis and assumptions underlying the projections for the procurement of the relevant products pursuant to the Agreements among the Zhonglu Energy, TCC and PetroChina Related Companies (as the case may be) for the purpose of determining the Annual Caps.

(i) *Heavy Oil & Fuel Agreement*

Set out below are the historical values of the transactions entered into between Zhonglu Energy and PetroChina (Sichuan Oil Sales Branch) during the three years ended 31 December 2013 and as extracted from the relevant financial years and the proposed Annual Cap for the year ending 31 December 2014:

| | For the year ended 31 December | | | For the year ending 31 December (Annual Cap) |
|--|--------------------------------|------|-------------|---|
| | 2011 | 2012 | 2013 | 2014 |
| | RMB | RMB | RMB | RMB |
| Procurement of heavy oil and fuel by Zhonglu Energy from PetroChina (Sichuan Oil Sales Branch) | — | — | 818,692,000 | 1,500,000,000 |

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Zhonglu Energy has not procured any heavy oil and fuel from PetroChina (Sichuan Oil Sales Branch) during the two years ended 31 December 2012. The procurement for the year ended 31 December 2013 mainly represented the procurement of heavy oil and fuel for the resale of approximately 144,000 ton to an independent customer whom specifically requested for heavy oil from PetroChina. We have reviewed confirmation from Zhonglu Energy's customer and noted that this particular customer only specifically requested for PetroChina's product. According to the Directors, the selling price of heavy oil of Zhonglu Energy to the independent customer is higher than the price Zhonglu Energy procured heavy oil from PetroChina (Sichuan Oil Sales Branch). We have reviewed certain past transactions on the purchases of heavy oil and fuel by Zhonglu Energy from PetroChina and the corresponding sales to independent third party. From the samples we have reviewed, we note that Zhonglu Energy's selling price to Zhonglu Energy's customer were higher than Zhonglu Energy's purchase price from PetroChina and therefore according to the Directors, a profit has been recorded.

According to the Directors, when coming up with the Annual Cap regarding the procurement of heavy oil and fuel from PetroChina (Sichuan Oil Sales Branch), the management of Zhonglu Energy has discussed with the independent customers regarding their tentative demand on heavy oil and fuel for the year ending 31 December 2014. The Directors understand that the independent customer is expected to expand its business scale and enhance its production capacity and hence expected that the demand for heavy oil and fuel will increase substantially for the year ending 31 December 2014. The determination of the Annual Cap has taken into account (i) the tentative quantity demand from the independent customer of 250,000 ton pursuant to the indicative maximum order quantity provided by the independent customer and (ii) the current average unit selling price of heavy oil of PetroChina (Sichuan Oil Sales Branch) of RMB6,000 per ton (being the current heavy oil and fuel procurement price of PetroChina (Sichuan Oil Sales Branch) plus RMB50 per ton service and logistic charge).

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(ii) Asphalt Agreement

Set out below are the historical values of the transactions entered into between Zhonglu Energy and PetroChina (Southwest Sales Branch) during the three years ended 31 December 2013 and as extracted from the relevant financial years and the proposed Annual Cap for the year ending 31 December 2014:

| | For the year ended 31 December | | | For the year ending 31 December |
|--|--------------------------------|------------|------------|---------------------------------------|
| | 2011 | 2012 | 2013 | (Annual Cap) |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Procurement of asphalt by Zhonglu Energy from PetroChina (Southwest Sales Branch) | — | — | 1,698,190 | 260,000,000 |

Zhonglu Energy has not procured any asphalt from PetroChina (Southwest Sales Branch) during the two years ended 31 December 2012. The procurement for the year ended 31 December 2013 mainly represented the amount of procurement of asphalt for the resale to an independent customer who specifically requested for asphalt from PetroChina. We have reviewed the confirmation from Zhonglu Energy's customer and noted that this particular customer only specifically requested for PetroChina's product. According to the Directors, the selling price of asphalt of Zhonglu Energy to the independent customer was higher than the price Zhonglu Energy procured asphalt from PetroChina (Southwest Sales Branch). We have reviewed certain past transactions on the purchases of asphalt by Zhonglu Energy from PetroChina and the corresponding sale to an independent third party. From the samples we have reviewed, we note that Zhonglu Energy's selling price of asphalt to Zhonglu Energy's customer were higher than Zhonglu Energy's purchase price of asphalt from PetroChina and therefore according to the Directors, a profit has been recorded. As confirmed by the Directors, Zhonglu Energy commenced distribution of asphalt in the 4th quarter of 2013 and had only engaged in the distribution of asphalt to the independent customer as mentioned above. During the past three years, TCC have procured asphalt from independent suppliers instead of from PetroChina or Zhonglu Energy. In view of the upcoming expected increase in demand of asphalt by TCC, TCC considered to include Zhonglu Energy as one of TCC's possible suppliers of asphalt as appropriate.

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According to the Directors, when coming up with the Annual Cap regarding the procurement of asphalt from PetroChina (Southwest Sales Branch), the Directors took into account the plan of Zhonglu Energy expanding its operation in the distribution of asphalt in the coming years. The Directors understand TCC has been participated in the construction of Sichuan Suiguang (Suining-Guang'an) Expressway and Sichuan Suixi (Suining Xichong) Expressway and will require asphalt for construction in 2014. The expected demand of asphalt for TCC's construction in 2014 would be of around 50,000 to 80,000 tons and the management of Zhonglu Energy considered that out of the 50,000 to 80,000 tons, Zhonglu Energy will participate in tendering of supplier of asphalt up to 48,000 tons for such construction. The Directors considered that the Zhonglu Energy will participate in the public tendering in respect of the supply of asphalt to TCC for the above mentioned construction and also in public tenders on asphalt supply in 2014 of TCC for maintenance work. Assuming Zhonglu Energy will win a substantial number of tenders and bids which Zhonglu Energy will participate and assuming that PetroChina (Southwest Sales Branch) will provide the lowest quotation for all the winning bids, the expected trading volume of asphalt would amount to approximately 50,000 tons. The Directors have also taken into account the current unit price of asphalt being RMB5,200 in estimating the Annual Cap for procurement of asphalt by Zhonglu Energy from PetroChina (Southwest Sales Branch).

(iii) Refined Oil Agreement

Set out below are the historical value of the transactions entered into between Zhonglu Energy and PetroChina (Sichuan Sales Branch) during the three years ended 31 December 2013 and as extracted from the relevant financial years and the proposed Annual Cap for the year ending 31 December 2014:

| | For the year ended 31 December | | | For the year ending 31 December (Annual Cap) |
|--|--------------------------------|-------------|-------------|---|
| | 2011 | 2012 | 2013 | 2014 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Procurement of refined oil by Zhonglu Energy from PetroChina (Sichuan Sales Branch) | 105,809,505 | 665,350,994 | 671,283,586 | 1,183,000,000 |

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Zhonglu Energy procured refined oil from PetroChina (Sichuan Sales Branch) for supplying refined oil products in the gas stations along the expressways of the Group operated by Zhonglu Energy. For the year ended 31 December 2011, procurement of refined oil from PetroChina (Sichuan Sales Branch) amounted to approximately RMB105.8 million. The procurement amount increased substantially by approximately 6 times to approximately RMB665.3 million for the year ended 31 December 2012. Such increase was mainly due to the annualised effect of operation of gas station by Zhonglu Energy, as Zhonglu Energy only engaged in the operation of gas station for two months in the year ended 31 December 2011. The transaction amount remained at a comparable level for the year ended 31 December 2013 as compared to 2012.

The Directors expected that the demand of refined oil for the year ending 31 December 2014 will be approximately RMB1.18 billion. The management of Zhonglu Energy when determining the Annual Cap for the year ending 31 December 2014, has considered (i) the historical sales volume of the current gas stations operated by Zhonglu Energy and the historical sales volume of direct corporate sales of Zhonglu Energy; (ii) the expected demand for the additional gas stations to commence operation in the year ending 31 December 2014, when coming up the expected demand for the additional gas stations, Zhonglu Energy have taken into account the historical sales volume of the gas stations located at the same highway where the new gas stations will be situated in or gas station located in a highway with similar traffic volume; (iii) the anticipated increase in demand for direct corporate sales of refined oil due to the increase in construction projects in the Sichuan Province; and (iv) the current market price of refined oil as published by PetroChina (Sichuan Sales Branch). In view of the development of Sichuan Province and upcoming in expressways, transportation and infrastructure projects, the Directors expected that traffic flow will increase and due to the commencement of operation of new gas stations, demand for refined oil is expected to increase for the year ending 31 December 2014.

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(iv) Refined Oil Carriage Agreement

Set out below are the historical values of the transactions entered into between Zhonglu Energy and CNPCT (Sichuan Branch) during the three years ended 31 December 2013 and as extracted from the relevant financial years and the proposed Annual Cap for the year ending 31 December 2014:

| | For the year ended 31 December | | | For the year ending 31 December |
|---|--------------------------------|------------|------------|---------------------------------------|
| | 2011 | | | (Annual Cap) |
| | 2011 | 2012 | 2013 | 2014 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Engagement of CNPCT (Sichuan Branch) in respect of refined oil carriage service by Zhonglu Energy | 483,492 | 3,165,853 | 3,003,071 | 7,000,000 |

For the three years ended 31 December 2013, the amount of oil carriage service fee paid to CNPCT (Sichuan Branch) amounted to approximately RMB0.5 million, RMB3.2 million and RMB3.0 million respectively, representing approximately 0.045%, 0.047% and 0.045% of Zhonglu Energy's total purchase amount of refined oil for the three years ended 31 December 2013 respectively. In-line with the expected increase in procurement amount of refined oil for the year ending 31 December 2014, the amount of oil carriage service fee paid to CNPCT (Sichuan Branch) is expected to increase at a similar proportion to the increase in procurement of refined oil. The Annual Cap for the year ended 31 December 2014 represents 0.59% of the expected total procurement of refined oil for the year ending 31 December 2014, which is slightly higher than the three years ended 31 December 2013. The expected slightly higher percentages of oil carriage service fee to expected total purchase amount of refined oil factored in the possibility of longer distance for delivery for the year ending 2014, catering for the possible shift in customer mix.

As the transactions entered into under the Heavy Oil and Fuel Agreement, Asphalt Agreement, the Refined Oil Agreement and the Refined Oil Carriage Agreement were entered into between Zhonglu Energy and the relevant branches of PetroChina or party associated with PetroChina and the subject matters under each of these agreements are of similar nature or otherwise related, the transactions contemplated should accordingly be aggregated and the aggregated annual cap for the year ending 31 December 2014 shall be approximately RMB2,950,000,000.

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(v) *Materials Purchase Agreement*

No historical transactions have been entered into by Zhonglu Energy and TCC Group. Set out below is the proposed Annual Cap for the year ending 31 December 2014:

| | For the year ending 31 December (Annual Cap) | | | |
|---|---|------------|------------|-------------|
| | For the year ended 31 December | | 2013 | 2014 |
| | 2011 | 2012 | RMB | RMB |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Procurement of petrochemical products by TCC Group from Zhonglu Energy | — | — | — | 325,000,000 |

TCC Group has not engaged Zhonglu Energy as one of its suppliers for the three years ended 31 December 2013. Due to the expected increase in operation needs of TCC Group, TCC Group considered including Zhonglu Energy as one of the suppliers for asphalt and refined oil in the future. As discussed with the Directors, when estimating the Annual Caps, the Directors have taken into account the number of projects which TCC Group is expected to participate and submit tenders for the year ending 31 December 2014 and the estimated amount of petrochemical products required for such projects. According to the Directors, when determining the Annual Cap, the Directors took into account (i) the supply volume of Zhonglu Energy; and (ii) the demand on asphalt in regarding the construction of Sichuan Suiguang (Suining-Guang'an) Expressway and Sichuan Suixi (Suining-Xichong) Expressway and the daily maintenance work carried out by TCC in 2014. Furthermore, the Directors have also taken into account the demand on refined oil by TCC Group in respect of (i) the expressway construction as mentioned above; the (ii) participation in other build and transfer government project ("**BT project**"); and (iii) daily expressway maintenance work carried out by TCC in 2014. The Directors have also taken into account the current price for procuring asphalt and refined oil from Zhonglu Energy when determining the Annual Cap.

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In view of the supply volume of Zhonglu Energy, the Directors have estimated that Zhonglu Energy will participate in the bidding of the supply of asphalt to TCC up to 50,000 tons and refined oil to TCC Group up to 3,000 tons for such expressway construction, other BT project and daily expressway maintenance and is able to win all bids. According to the Directors, given both independent third parties and Zhonglu Energy shall have the similar chance to participate in and winning the bids, for prudent purpose, the Directors estimated a 100% success rate for TCC Group to award all the supply contracts to Zhonglu Energy, in case Zhonglu Energy is able to win each of the bids which Zhonglu Energy participated in, the Annual Cap will still be sufficient.

5. Reporting requirements and conditions of the Transactions

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Transactions and confirm in the annual report and accounts that Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company (currently, Ernst & Young) must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming that the Transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group (if applicable);
 - (iii) have been entered into in accordance with the relevant agreements governing the Transactions; and
 - (iv) have not exceeded the Annual Caps;

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- (c) the Company shall allow, and shall procure the relevant counterparties to the Transactions to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the Annual Caps; and (ii) the on-going review by the independent non-executive Directors and auditors of the Company of the terms of the Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the Transactions and assist to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the terms of the Agreements and the transactions contemplated there under are in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the Agreements (including the Annual Caps) and the transactions contemplated thereunder at the AGM.

Yours faithfully,
For and on behalf of
HALCYON CAPITAL LIMITED

Terry Chu
Managing Director

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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES**(a) Interests in the Company and its associated corporations**

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executives of the Company or their respective associates had or was deemed to have any interest or short position in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors or chief executives of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Other interests

As at the Latest Practicable Date, so far is known to the Directors,

- (i) none of the Directors and Supervisors had any interest, direct or indirect, in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2013, the date to which the latest published audited financial statement of the Group was made up;
- (ii) none of the Directors and Supervisors of the Company was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which was subsisting and significant in relation to the business of the Group taken as a whole; and

- (iii) save as disclosed in this circular, none of the Directors and their respective associates had any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executives of the Company, no other person had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

| Name | Type of Shares | Long position/ short position | Approximate | | Approximate percentage in A/H Shares | Capacity |
|-----------------|---------------------------------------|----------------------------------|---|--|--|------------------|
| | | | Number of the Company's Shares held | percentage in the total share capital of the Company | | |
| STI | A Shares (state-owned shares) | Long position | 975,060,078 | 31.88% | 45.08% | Beneficial owner |
| | H shares | Long position | 1,904,000 | 0.06% | 0.21% | Beneficial owner |
| Huajian Company | A Shares (legal person shares) | Long position | 664,487,376 | 21.73% | 30.72% | Beneficial owner |

4. COMPETING BUSINESS

Mr. Zhou Liming, Mr. Tang Yong, Mr. Huang Bin and Mr. Wang Shuanming hold positions in STI, the controlling Shareholder of the Company which principally engaged in the investment, construction and operation management of major transportation infrastructure including highways, ports, waterways and avionics hubs mainly for waterway canalization, etc. As such, the abovesaid Directors are considered to be of an interest in a business which competes or may compete, directly or indirectly, with the business of the Group.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors, Supervisors and their respective associates had an interest in a business which operates in or may operate in significant competition with the business of the Group.

5. SERVICE CONTRACTS OF THE DIRECTORS

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

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, to the Directors' best knowledge, there was no litigation or claim of material importance pending or threatened by or against any member of the Group.

7. MATERIAL ADVERSE CHANGE

Save as disclosed in the Company's annual results announcement dated 27 March 2014 and annual report issued on 11 April 2014, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited accounts of the Company were made up.

8. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have been named in this circular or have given opinion or advice contained in this circular:

| Name | Qualification |
|-------------------------|--|
| Halcyon Capital Limited | a corporation licensed by Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activities under the SFO |

As at the Latest Practicable Date, Halcyon was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Halcyon has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its names in the form and context in which they appear.

The letter and recommendation given by Halcyon is given as at the date of this circular for incorporation herein.

Halcyon has not, or has not had, direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2013, the date to which the latest published audited financial statement of the Group was made up.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at Messrs. Li & Partners at 22nd Floor, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date hereof:

- (a) the agreement of each of the CCTs;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 32 to 33 of this circular;
- (c) the letter from Halcyon to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 34 to 58 of this circular; and
- (d) the letter of consent referred to under the paragraph headed “Expert and Consents” of this appendix.



四川成渝高速公路股份有限公司
Sichuan Expressway Company Limited*

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

(Stock Code: 00107)

NOTICE OF 2013 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2013 annual general meeting (the “**AGM**”) of Sichuan Expressway Company Limited* (the “**Company**”) will be held at 3:00 p.m. on 28 May 2014 (Wednesday) at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan, the People's Republic of China (“**PRC**”) for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions.

AS ORDINARY RESOLUTIONS

1. To consider and approve the proposed profit appropriations and dividend distribution plan of the Company for the year ended 31 December 2013;
2. To consider and approve the financial budget implementation report of the Company for the year 2013;
3. To consider and approve the work report of the board (the “**Board**”) of Directors (the “**Director(s)**”) of the Company for the year ended 31 December 2013;
4. To consider and approve the work report of the supervisory committee (the “**Supervisory Committee**”) of the Company for the year ended 31 December 2013;
5. To consider and approve the duty performance report of independent non-executive Directors for the year 2013;
6. To consider and approve the audited financial report of the Company for the year ended 31 December 2013;
7. To consider and approve the Company's financial budget proposal for the year of 2014;

NOTICE OF AGM

8. To consider and approve the re-appointment of Ernst & Young Certified Public Accountants as the international auditor of the Company for the year 2014 and to authorize the Board to fix the remuneration of the international auditor of the Company;
9. To consider and approve the re-appointment of Shinewing Certified Public Accountants (Special General Partnership) as the PRC auditor of the Company for the year 2014 and to authorize the Board to fix the remuneration of the PRC auditor of the Company;
10. To elect and appoint Mr. Chen Weizheng as an independent non-executive Director of the fifth session of the Board to hold office from the date of approval at the AGM until expiry of the term of the fifth session of the Board; the remuneration scheme of Mr. Chen Weizheng: fixed remuneration of RMB80,000 per annum (tax inclusive);
11. To elect and appoint Ms. He Kun as a supervisor of the fifth session of the Supervisory Committee to hold office from the date of approval at the AGM until expiry of the term of the fifth session of the Supervisory Committee; the remuneration scheme of Ms. He Kun: she shall not receive any remuneration for her position of supervisor of the Company;
12. The performance and implementation of the sale and purchase agreement of heavy oil and fuel (《重油、燃料油買賣合同》) (“**Heavy Oil and Fuel Agreement**”), and the relevant proposed annual cap for the year ending 31 December 2014 (contained in the circular to be dispatched to the shareholders of the Company) are hereby confirmed and approved; Sichuan Zhonglu Energy Company Limited (“Zhonglu Energy”) be and is hereby approved to, in its absolute discretion deem appropriate or expedient and in the interests of the Company and its shareholders (“**Shareholder(s)**”) as a whole, to negotiate, develop, execute, amend, supplement and perform any documents (including but not limited to contracts) in connection with the Heavy Oil and Fuel Agreement with PetroChina Company Limited Sichuan Oil Sales Branch* (中國石油天然氣股份有限公司四川銷售油料分公司), and to take all steps necessary or expedient to implement and/or give effect to the Heavy Oil and Fuel Agreement within the scope set out therein;
13. The performance and implementation of the sale and purchase agreement of asphalt (《瀝青買賣合同》) (the “**Asphalt Agreement**”), and the relevant proposed annual cap for the year ending 31 December 2014 (contained in the circular to be dispatched to the Shareholders) are hereby confirmed and approved; Zhonglu Energy be and is hereby approved to, in its absolute discretion deem appropriate or expedient and in the interests of the Company and the Shareholders as a whole, to negotiate, develop, execute, amend, supplement and perform any documents (including but not limited to contracts) in connection with the Asphalt Agreement with PetroChina Fuel Oil Company Limited Southwest Sales Branch* (中石油燃料油有限責任公司西南銷售分公司), and to take all steps necessary or expedient to implement and/or give effect to the Asphalt Agreement within the scope set out therein;

NOTICE OF AGM

14. The performance and implementation of the sale and purchase agreement of refined oil (《成品油買賣合同》) (the “**Refined Oil Agreement**”), and the relevant proposed annual cap for the year ending 31 December 2014 (contained in the circular to be dispatched to the Shareholders) are hereby confirmed and approved; Zhonglu Energy be and is hereby approved to, in its absolute discretion deem appropriate or expedient and in the interests of the Company and the Shareholders as a whole, to negotiate, develop, execute, amend, supplement and perform any documents (including but not limited to contracts) in connection with the Refined Oil Agreement with PetroChina Company Limited Sichuan Sales Branch* (中國石油天然氣股份有限公司四川銷售分公司), and to take all steps necessary or expedient to implement and/or give effect to the Refined Oil Agreement within the scope set out therein;

15. The performance and implementation of the refined oil highway carriage agreement (《成品油公路承運合同》) (the “**Refined Oil Carriage Agreement**”), and the relevant proposed annual cap for the year ending 31 December 2014 (contained in the circular to be dispatched to the Shareholders) are hereby confirmed and approved; Zhonglu Energy be and is hereby approved to, in its absolute discretion deem appropriate or expedient and in the interests of the Company and the Shareholders as a whole, to negotiate, develop, execute, amend, supplement and perform any documents (including but not limited to contracts) in connection with the Refined Oil Carriage Agreement with CNPC Transportation Co., Ltd. Sichuan Branch* (中國石油天然氣運輸公司四川分公司), and to take all steps necessary or expedient to implement and/or give effect to the Refined Oil Carriage Agreement within the scope set out therein;

16. The performance and implementation of the framework agreement for connected transactions in relation to purchase of materials (《物資採購關聯交易框架協議》)(the “**Materials Purchase Agreement**”), and the relevant proposed annual cap for the year ending 31 December 2014 (contained in the circular to be dispatched to the Shareholders) is hereby confirmed and approved; Zhonglu Energy be and is hereby approved to, in its absolute discretion deem appropriate or expedient and in the interests of the Company and the Shareholders as a whole, to negotiate, develop, execute, amend, supplement and perform any documents (including but not limited to contracts) in connection with the Materials Purchase Agreement with Sichuan Trading Construction Engineering Co., Ltd.* (四川交投建設工程股份有限公司), and to take all steps necessary or expedient to implement and/or give effect to the Materials Purchase Agreement within the scope set out therein;

NOTICE OF AGM

17. To consider and approve the exemption of performance of commitment of Sichuan Transportation Investment Group Corporation (the controlling Shareholder) on solving the horizontal competition between Sichuan Highway Development Holding Company (“**Sichuan Highway Development**”) and the Company (details of which are set out in the announcement of the Company dated 24 March 2014), which means to exempt the transfer of shares of Sichuan Chengnan Expressway Co., Ltd. held by Sichuan Highway Development (no less than 51%) to the Company.

AS SPECIAL RESOLUTIONS

18. To approve and confirm the proposed amendments to the Articles of Association (details of which are set out in the announcement of the Company dated 27 March 2014 and the circular to be dispatched to the Shareholders of the Company), and to authorize any one Director or the company secretary to modify the wordings of such amendments as appropriate (such amendments will not be required to be approved by the Shareholders of the Company) and execute all such documents and/or do all such acts as he may deem necessary or expedient and in the interest of the Company in order to effect the proposed amendments, comply with the changes in the PRC laws and regulations, and satisfy the requirements (if any) of the relevant PRC authorities, and to deal with other related issues arising from the amendments to the Articles of Association; and
19. To consider and approve the financing scheme of insurance fund debt investment plan for infrastructure (“**Insurance Debt Financing Plan**”) by way of establishing a debt investment plan through insurance asset management company, to finance not more than RMB1.5 billion (the way of financing includes: the Company directly conducts financing as the debt repayment entity; or a subsidiary of the Company serves as the debt repayment entity and the Company provides unconditional and irrecoverable guarantee on a joint-liability basis for the repayment of all the debts by the subsidiary) within three years from the date of approval by the Shareholders of the Company in accordance with the provisions of China Insurance Regulatory Commission on the investment of insurance funds in infrastructure projects and other relevant laws and regulations, and to authorise the Board or any two Directors to deal with all matters relating to the Insurance Debt Financing Plan as deemed desirable or expedient and in the interests of the Company and its Shareholders at their absolute discretion, which include but not limited to the following matters:
- (1) to decide the contract terms in relation to the Insurance Debt Financing Plan including, but not limited to, the amount, time point, term, guarantee and way of improving credit rating, and to determine the interest rate of products according to market situation;

NOTICE OF AGM

- (2) to approve the Company's provision of unconditional and irrecoverable guarantee on a joint-liability basis for the full amount of principal and interests for the Insurance Debt Financing Plan;
- (3) to select and engage insurance assets management agencies and intermediaries including, but not limited to, selecting and engaging insurance assets management companies, credit rating agencies and legal advisers, etc.;
- (4) to undergo all necessary negotiations on, and to amend, enter into and execute all legal documents in relation to the Insurance Debt Financing Plan (including but not limited to Product Prospectus under investment plan, Investment Contract, Letter of Undertaking and all the contracts, announcements and documents in relation to the Insurance Debt Financing Plan);
- (5) to apply for all the approvals as required by the application for the Insurance Debt Financing Plan and make all the necessary registrations and filings and including, but not limited to, submitting application to the government regulatory department(s) in relation to establishment approval and ongoing supervision and regulation, and making necessary amendments to the application documents in accordance with any requirements and suggestions of the regulatory department(s); and
- (6) to decide on all the necessary actions to be taken for the Insurance Debt Financing Plan, and to deal with or decide on all the relevant matters.

By order of the Board
Sichuan Expressway Company
Limited*
Zhang Yongnian
Company Secretary

Chengdu, Sichuan, the PRC
11 April 2014

NOTICE OF AGM

Notes:

1. ELIGIBILITY FOR ATTENDING THE AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The H shares (“H Shares”) register of members of the Company will be closed for the purpose of determining H Shares Shareholders’ entitlement to attend the AGM from 26 April 2014 (Saturday) to 28 May 2014 (Wednesday) (both days inclusive), during which period no transfer of H Shares will be registered. In order to qualify to attend and vote at the AGM, H Shares Shareholders shall ensure that all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s H Shares Registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 April 2014 (Friday).

Shareholders are advised that the aforesaid arrangements are not applicable to A Shares Shareholders. The Company will announce separately on the Shanghai Stock Exchange regarding details of A Shares Shareholders’ eligibility for attending the AGM.

2. RECOMMENDATION OF 2013 FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Board has recommended a final dividend of RMB0.08 per share (tax inclusive) for the year 2013, amounting to a total of approximately RMB244,645,000 (tax inclusive). If the recommended dividend is approved by Shareholders by passing Resolution No. 1, the 2013 final dividend is expected to be paid on or about 24 June 2014 (Tuesday) to the H Shares Shareholders whose names appear on the H Shares register of members of the Company on 10 June 2014 (Tuesday).

The H Shares register of members of the Company will be closed for the purpose of determining H Shares Shareholders’ entitlement to the 2013 final dividend from 5 June 2014 (Thursday) to 10 June 2014 (Tuesday) (both days inclusive), during which period no transfer of H Shares will be registered. In order to be entitled to the 2013 final dividend, H Shares Shareholders shall ensure that all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s H Shares Registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 4 June 2014 (Wednesday).

Please refer to the Company’s 2013 annual results announcement dated 27 March 2014 for further details on the arrangement on distribution of 2013 final dividend to H Shares Shareholders. Such arrangements will also be included in the Company’s annual report for the year ended 31 December 2013 to be despatched to Shareholders in due course.

Shareholders are advised that the aforesaid arrangements are not applicable to distribution of the 2013 final dividend in respect of A Shares. The Company will announce separately on China Securities Journal, Shanghai Securities News and the Shanghai Stock Exchange regarding details of the arrangement on the distribution of 2013 final dividend to A Shares Shareholders.

NOTICE OF AGM

3. PROXY

- (i) Each Shareholder entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Shareholder of the Company.
- (ii) Shareholders can appoint a proxy by an instrument in writing (i.e. by using the proxy form enclosed). The proxy form shall be signed by the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorized attorney of the entity. If the proxy form is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign or other document of authorization must be notarized.
- (iii) To be valid, for holders of H Shares, the proxy form and notarized power of attorney or other documents of authorization (if applicable), must be delivered to the Company's H Shares Registrar, Hong Kong Registrars Limited not less than 24 hours before the time for holding the AGM or any adjournment thereof.
- (iv) Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the AGM or any adjournment thereof should you so wish.

4. REGISTRATION PROCEDURES FOR ATTENDING THE AGM

- (i) Shareholders or their proxies shall produce their identity documents when attending the AGM. If a Shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such Shareholder may attend the AGM by producing a copy of the resolution of the board of directors or other governing body of such Shareholder appointing such person to attend the AGM. Should a proxy be appointed, the proxy shall also present the proxy form.
- (ii) Shareholders of the Company intending to attend the AGM in person or by their proxies shall return the reply slip for attending the AGM by courier, by post or by facsimile to the registered office of the Company in the PRC on or before 7 May 2014 (Wednesday).

5. VOTING BY POLL

The chairman of the AGM will demand a poll in relation to all the proposed resolutions at the AGM.

6. MISCELLANEOUS

- (i) The AGM is expected to last for less than one day. Shareholders or their proxies attending the AGM shall be responsible for their own traveling and accommodation expenses.
- (ii) The registered office of the Company in the PRC is: 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC (Postal Code: 610041)

Telephone No.: (8628) 8552 7510

Facsimile No.: (8628) 8553 0753

As at the date of this announcement, the Board comprises Mr. Zhou Liming (Chairman), Mr. Gan Yongyi (Vice Chairman) and Mr. He Zhuqing as executive Directors, Mr. Wu Xinhua (Vice Chairman), Mr. Tang Yong, Mr. Huang Bin and Mr. Wang Shuanming as non-executive Directors, and Mr. Sun Huibi, Mr. Guo Yuanxi, Mr. Fang Guijin and Mr. Yu Haizong as independent non-executive Directors.

* For identification purposes only