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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

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



A letter from the Board is set out on pages 1 to 34 of this circular.

The notice convening the extraordinary general meeting of the Company to be held at 3:00 p.m. on 19 January 2017 (Thursday) at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the People's Republic of China (the “PRC”) is set out on pages 65 to 67 of this circular.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited and the Company. If you intend to appoint a proxy to attend the EGM, you are required to complete and return the form of proxy enclosed with this circular 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and in any event not less than 24 hours before the time appointed for convening the EGM (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 EGM or any adjournment thereof should you so wish.

* For identification purposes only

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DEFINITIONS

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

“2015 Continuing Connected Transaction Agreements”	the Previous Construction Framework Agreement A, Previous Construction Framework Agreement B and Previous Purchase Framework Agreement
“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)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“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
“Construction Framework Agreement A”	the construction framework agreement entered into between the Company and TCC on 27 October 2016
“Construction Framework Agreement B”	the construction framework agreement entered into between TCC and STI on 27 October 2016
“Construction Framework Agreements”	Construction Framework Agreement A and Construction Framework Agreement B
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be convened by the Company on 19 January 2017, at which the Construction Framework Agreements and Purchase Framework Agreement are proposed to be approved by the Shareholders or the Independent Shareholders
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas listed foreign 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)
“Independent Board Committee”	an independent committee of the Board composed of all the independent non-executive Directors
“Independent Financial Adviser” or “Halcyon Capital”	Halcyon Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Construction Framework Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting on relevant resolutions due to their material interests in the Construction Framework Agreements and the Purchase Framework Agreement
“Latest Practicable Date”	29 November 2016, being the latest practicable date for ascertaining information referred to in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	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
“Previous Construction Framework Agreement A”	the construction framework agreement entered into between the Company and TCC on 29 October 2015, please refer to the Company’s announcement dated 29 October 2015 and the circular dated 15 January 2016 for details
“Previous Construction Framework Agreement B”	the construction framework agreement entered into between TCC and STI on 29 October 2015, please refer to the Company’s announcement dated 29 October 2015 and the circular dated 15 January 2016 for details

DEFINITIONS

“Previous Purchase Framework Agreement”	the purchase framework agreement entered into between the Company and STI on 29 October 2015, please refer to the Company’s announcement dated 29 October 2015 and the circular dated 15 January 2016 for details
“Purchase Framework Agreement”	the purchase framework agreement entered into between the Company and STI on 27 October 2016
“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
“Shareholders”	registered holder(s) of the Shares
“STI”	Sichuan Transportation Investment Group Co., Ltd.* (四川省交通投資集團有限責任公司), the Controlling Shareholder of the Company
“STI Group”	STI and its subsidiaries (other than the Group)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisors of the Company
“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)
“%”	per cent

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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)

Executive Directors:

Mr. Zhou Liming (*Chairman*)
Mr. Gan Yongyi (*Vice Chairman*)
Mr. Luo Maoquan

Non-executive Directors:

Mr. Zheng Haijun (*Vice Chairman*)
Mr. Tang Yong
Mr. Huang Bin
Mr. Wang Shuanming
Mr. Ni Shilin

Independent Non-executive Directors:

Mr. Sun Huibi
Mr. Guo Yuanxi
Mr. Yu Haizong
Madam Liu Lina

Legal Address:

252 Wuhouci Da Jie
Chengdu
Sichuan Province
The PRC
Post code: 610041

2 December 2016

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Company's announcement dated 27 October 2016 in relation to the Construction Framework Agreements and the Purchase Framework Agreement.

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The purpose of this circular is to provide you with information regarding the resolutions proposed at the EGM in relation to (i) further details of the Construction Framework Agreements and the Purchase Framework Agreement; (ii) a letter setting out the opinions and recommendations from the Independent Board Committee to the Independent Shareholders regarding the Construction Framework Agreements; (iii) the advice provided by Halcyon Capital to the Independent Board Committee and the Independent Shareholders regarding the Construction Framework Agreements; and (iv) a notice convening the EGM.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement dated 29 October 2015, and the circular dated 15 January 2016 of the Company, in relation to, among other things, the entering into of the 2015 Continuing Connected Transaction Agreements by the Company, TCC and STI on 29 October 2015 respectively.

As the 2015 Continuing Connected Transaction Agreements will expire on 31 December 2016, the Company, TCC and STI agreed to renew the transaction terms, and entered into the Construction Framework Agreements and Purchase Framework Agreement on 27 October 2016 respectively.

(1) Construction Framework Agreements

(i) Construction Framework Agreement A

Date:	27 October 2016
Term:	1 January 2017 to 31 December 2017
Parties:	The Company; and TCC
Nature of transaction:	TCC shall contract the following construction works (“ construction works ”) from the Group (excluding TCC itself): <ul style="list-style-type: none">(A) Contracting and subcontracting of construction works of expressways (including roads, bridges, tunnels, etc.) and ancillary facilities, which includes:<ul style="list-style-type: none">(i) construction works of expressways and ancillary facilities (including restructuring and construction extension);(ii) daily maintenance works of expressways and ancillary facilities;

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(iii) large- and medium-scale repair and maintenance works of expressways and ancillary facilities;

(iv) emergency or rescue works of expressways and ancillary facilities.

(B) Contracting and subcontracting of municipal construction works, which includes:

(i) construction works such as urban roads, squares, parks, land consolidation and others.

The above construction works include the tender and bidding projects conducted pursuant to the laws of the PRC.

Pricing policy: 1. For transactions excluding emergency rescue construction works

The final consideration will be determined through procedures for tender and bidding.

The procedures for tender and bidding refer to the processes of invitation for tender, bid submission, bid opening, bid evaluation and bid granting implemented by the tenderer and bidder pursuant to the relevant rules and regulations of the PRC, which is subject to the inspection of relevant departments of the PRC government. In relation to the Construction Framework Agreement A, the Group as the tenderer via the business department of the responsible construction unit of the Company and its subsidiaries and the bid evaluation panel (comprising of bid evaluation experts and subject to the supervision of the government administration authorities of PRC) will select the contractor for the construction works (excluding emergency rescue construction works) by conducting a comparison of the prices and service terms offered by all bidders so as to grant the construction works to the bidder who offers the best price and/or the service terms pursuant to the bid evaluation methods publicly published in the tender documents. If special requirements are made by the tenderer, the tenderer could set out requirements on construction projects, bidders'

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experience, historical achievements and abilities and other information based on the principle of non-exclusivity pursuant to the relevant regulations in the process of tender and bidding for all bidders' reference. The Group will not proceed with the transaction if TCC is the only bidder. With reference to the Tender and Bidding Law (《招標投標法》), if there are less than three bidders, the tenderer shall invite bids again. As such, there shall be three or more units applying for bidding and submitting bidding documents during the process of tender and bidding. Pursuant to the Provisions on Tender and Bidding of Construction Projects (Order 30 of Seven Ministries) (《工程建設項目施工招標投標辦法(七部委30號令)》), if there are still less than three bidders in the re-bidding, (i) for construction projects that are subject to examination and approval from the original examination and approval department of the PRC, the tenderer may not need to proceed with tender procedure after obtaining approval; or (ii) other than construction projects classified in (i), the tenderer may decide not to proceed with tender procedure at their own discretion).

If TCC satisfies all the requirements of the Group (as the tenderer) in relation to the qualifications, experience, strength and track record of the bidder, and participates in the bidding and eventually becomes the successful bidder, the transaction price will be the price for the construction works as specified in the tender document of TCC. The transaction price is scrutinised and eventually confirmed in accordance with the same objective standard through the tendering mechanism which is also conducted on a non-exclusive basis.

Therefore, the aforementioned pricing mechanism will ensure that the price of the transaction arrangement under the Construction Framework Agreement A is fair and reasonable, and no less favorable than those provided by any independent third party.

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2. For transactions for emergency rescue construction works

Tender may not be carried out pursuant to relevant regulations in the PRC under special circumstances involving national security, emergency rescue and disaster relief, and for projects which are not applicable to tender in accordance with the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招投標法》), the Regulations on the Implementation of the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) (State Council Circular No. 613), Opinions on Further Regulations on Tender and Bidding Activities (《關於進一步規範招投標活動的若干意見》, Guoban Fa (2004) No. 56) and other rules and regulations. Hence, emergency rescue construction works under the Construction Framework Agreement A need not be carried out by tender pursuant to the aforesaid regulations.

For emergency rescue construction works under the Construction Framework Agreement A, where the Group is the contract letting party and TCC is the contractor of construction works, the consideration is determined with reference to the recent bidding prices of similar type of construction works. The bidding prices of recent similar type of construction works refer to the bidding prices of the most recent piece of similar construction work (including but not limited to general condition of construction works, technical standard adopted in the construction, anticipated term for construction and engineering quantity, etc.) determined by procedures for tender and bidding held by the Group or an independent third party which TCC participated in. In practice, due to the uniqueness of each piece of construction work, it is generally difficult to find a recent project which is comparable. If the bidding price of similar type of construction works is not available, the consideration shall be determined by the pricing consulting agencies (primarily a public institution or state-owned enterprise, being an independent third party under supervision and administration from the government administrative authorities of PRC and with relevant

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professional qualification) in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC.

3. Government Prescribed Price or Guidance Price

Under the Price Law of the People's Republic of China 《中華人民共和國價格法》), the government may implement government prescribed price or guidance price for special goods and services when necessary.

If there is corresponding government prescribed price or guidance price of the target subject of the construction works transaction (such government prescribed price or guidance price will be promulgated, in accordance with the requirements of relevant laws and regulations or notice from relevant government administrative authorities from time to time), the Company will execute government prescribed price or guidance price in priority.

As of the Latest Practicable Date, none of the construction works transactions signed or executed by the Company is subject to the above government prescribed price or guidance price by government authorities. Parties to the agreement shall execute the prescribed price or guidance price of the government authority in priority if any future prescribed price or guidance price of the government authority is applicable to the relevant transaction.

Payment term: The payment terms are determined based on general condition of the construction site, construction works progress and technical standard of construction works, which are disclosed to all potential bidders (including connected persons and independent third parties) under the tender documents.

After the winner of the tender is decided, both parties will then determine detailed payment method according to the payment terms set in the tender documents.

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Payment terms are determined on normal commercial terms and in a fair and reasonable manner, and shall be the same regardless the winner of the tender is connected person or independent third party. Normally, the contract letting party shall pay to the contractor progress payment within 28 days upon receiving of the application for bill of progress payment by the supervisor, being an independent third party responsible for the supervision of the construction progress.

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 under the Listing Rules, which include but not limited to reporting, announcement, annual review and Independent Shareholders' approval requirements, and the compliance requirements of the Shanghai Stock Exchange (including but not limited to Independent Shareholders' approval requirement).

Annual Caps and Basis for Determining the Annual Caps

In determining the annual caps for the Construction Framework Agreement A, the Directors have considered a number of factors including: (i) the historical transaction amounts under the Previous Construction Framework Agreement A; (ii) the construction and maintenance plans for each of the expressways of the Group for the year ending 31 December 2017; (iii) the business development plan of the Group, including the projects proposed under the agreements of strategic cooperation intentions entered into between the Group and governments at different levels and other potential projects the Group observed in the market in which it can participate; and (iv) the business development potential of TCC, in order to estimate the annual transaction amounts ending 31 December 2017 for each of the constructions in progress and to be granted over the next year.

Annual caps under the Construction Framework Agreement A comprised of estimated transaction amount for (i) expressway and ancillary facilities construction; (ii) expressway maintenance work; and (iii) municipal construction works, for both signed contracts and upcoming projects to be awarded.

(1) Basis of estimation

- (a) When estimating the contract sum on expressway and ancillary facilities construction and municipal construction works to be entered into by

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TCC, the Directors have taken into account the anticipated expressways and ancillary facilities and municipal construction works contract to be awarded in the coming year by the Group.

- (b) When estimating the timing and contract sum for upcoming construction contracts to be awarded, the Directors made referenced to the relevant government's municipal construction works development plan, the Group's expressway and ancillary facilities and municipal construction development plan.
- (c) Although independent third parties and TCC have equal opportunities in the bidding, in order to ensure the 2017 annual caps remains sufficient, the Directors prudently assumed an 100% success rate of TCC being awarded with the contracts for the year ending 31 December 2017.
- (d) The Directors have taken into account the latest construction progress of each project and the estimated amount to be recognized.
- (e) When estimating the maintenance work to be taken place during the relevant periods, the Directors made reference to the historical amounts of maintenance work taken place in the prior year and also made reference to the daily maintenance schedule of each of the expressway operated by the Group.
- (f) Having considered the business development potential of TCC, the Directors are of the view that TCC would be capable of undertaking all the construction projects awarded to it should its success rate of tenders be 100%.

(2) Quantitative estimation

The Directors prepared upcoming project participation schedules during the year ending 31 December 2017 which sets out (i) the nature of project; (ii) the transaction amount contemplated under the construction progress estimated by the Directors for each of TCC's on-going project; and (iii) the expected total sum of construction contract to be granted over the next year estimated by the Directors and transaction amount contemplated under the estimated construction

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progress of such projects. By summing up the schedules, the Directors obtained a quantitation estimation of the annual cap required, details as follow:

- (a) The Directors estimated that the transaction amount for projects under signed contracts during 2017 pursuant to the construction plan and the latest construction progress would be RMB355 million, including (i) certain connecting projects of expressway; and (ii) municipal construction including among other things local roads, traffic lights, road-side electricity duct, lamp pole and associated street light.
- (b) The Directors estimated that the amount of upcoming projects to be awarded would be RMB5,581 million, including (i) expressway and ancillary facilities construction, which mainly comprises expansion plan for an inter-city expressway in Sichuan Province and a new expressway sector to expand coverage of certain expressways; and (ii) municipal construction project pursuant to the upgrading and transformation plan for municipal facilities according to the thirteenth five year plan of the Renshou county government of the PRC.
- (c) The Directors estimated that the amount of expressway maintenance work to be carried out during 2017 would be RMB163 million.

Having considered the above factors and aggregated the estimated annual transaction amounts ending 31 December 2017 for each of the constructions in progress and to be granted over the next year, the Directors propose that the annual cap for the Construction Framework Agreement A for the year ending 31 December 2017 shall be RMB6,100,000,000.

Historical Transaction Amount

Pursuant to the Previous Construction Framework Agreement A, the recognized construction income received by TCC for providing the relevant construction service to the Group was as follows:

	<i>RMB'000</i>
For the period from 1 January 2015 to 31 December 2015	243,540
For the six months ended 30 June 2016	217,042

LETTER FROM THE BOARD

(ii) *Construction Framework Agreement B*

Date: 27 October 2016

Term: 1 January 2017 to 31 December 2017

Parties: TCC;
and STI

Nature of transaction: TCC shall contract the following construction works from STI Group (excluding the Group):

(A) Contracting and subcontracting of construction works of expressways (including roads, bridges, tunnels, etc.) and ancillary facilities, which includes:

(i) construction works of expressways and ancillary facilities (including restructuring and construction extension, etc.);

(ii) daily maintenance works of expressways and ancillary facilities;

(iii) large- and medium-scale repair and maintenance works of expressways and ancillary facilities;

(iv) emergency and rescue works of expressways and ancillary facilities.

(B) Contracting and subcontracting of municipal construction works, which includes:

(i) construction works such as urban roads, squares, parks, land consolidation and others.

The above construction works include the tender and bidding projects conducted pursuant to the laws of the PRC.

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Pricing policy:

1. For transactions excluding emergency rescue construction works

The final consideration will be determined through procedures for tender and bidding.

The procedures for tender and bidding refer to the processes of invitation for tender, bid submission, bid opening, bid evaluation and bid granting implemented by the tenderer and bidder pursuant to the relevant rules and regulations of the PRC, which is subject to the inspection of relevant departments of the PRC government. In relation to the Construction Framework Agreement B, with STI Group being the tenderer of the construction and TCC being the bidder, the bidding price of construction is determined by the bidding department (i.e. the marketing department) of TCC which leads and organizes relevant departments such as the engineering department, cost control department, financial departments and machinery and materials departments; and on this basis, proposal is optimized and the case budget is formulated before bidding and analysis of target profit. The approval from the bidding management panel is needed in order to participate in the bidding process (approval from the Board is also needed for substantial project). If special requirements are made by the tenderer, the tenderer could set out requirements on construction projects, bidders' experience, historical achievements and abilities and other information based on the principle of non-exclusivity pursuant to the relevant regulations in the process of tender and bidding for all bidders' reference. STI Group will not proceed with the transaction if TCC is the only bidder. With reference to the Tender and Bidding Law (《招標投標法》), if there are less than three bidders, the tenderer shall invite bids again. As such, there shall be three or more units applying for bidding and submitting bidding documents during the process of tender and bidding. Pursuant to the Provisions on Tender and Bidding of Construction Projects (Order 30 of Seven Ministries) (《工程建設項目施工招標投標辦法(七部委30號令)》), if there are still less than three bidders in the re-bidding, (i) for construction projects that are subject to examination and approval from the original examination and approval department of the PRC, the tenderer may not need to proceed with tender procedure after obtaining approval; or (ii) other than construction projects classified in (i), the tenderer may decide not to proceed with tender procedure at their own discretion.

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If TCC satisfies all the requirements of STI Group (as the tenderer) in relation to the qualifications, experience, strength and track record of the bidder, and participates in the bidding and eventually becomes the successful bidder, the transaction price will be the price for the construction works as specified in the tender document of TCC. The transaction price is scrutinised and eventually confirmed in accordance with the same objective standard through the tendering mechanism which is also conducted on a non-exclusive basis.

Therefore, the aforementioned pricing mechanism will ensure that the price of the transaction arrangement under the Construction Framework Agreement B is fair and reasonable, and no less favorable than those provided by any independent third party.

2. For transactions for emergency rescue construction works

Tender may not be carried out pursuant to relevant regulations in the PRC under special circumstances involving national security, emergency rescue and disaster relief, and for projects which are not applicable to tender in accordance with the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招投標法》), the Regulations on the Implementation of the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) (State Council Circular No. 613), Opinions on Further Regulations on Tender and Bidding Activities (《關於進一步規範招投標活動的若干意見》, Guoban Fa (2004) No. 56) and other rules and regulations. Hence, emergency rescue construction works under the Construction Framework Agreement B need not be carried out by tender pursuant to the aforesaid regulations.

LETTER FROM THE BOARD

For emergency rescue construction works under the Construction Framework Agreement B, where STI Group is the contract letting party and TCC is the contractor of construction works, the consideration is determined with reference to the recent bidding prices of similar type of construction works. The bidding prices of recent similar type of construction works refer to the bidding prices of the most recent piece of similar construction work (including but not limited to general condition of construction works, technical standard adopted in the construction, anticipated term for construction and engineering quantity, etc.) determined by procedures for tender and bidding held by STI Group or an independent third party which TCC participated in. In practice, due to the uniqueness of each piece of construction work, it is generally difficult to find a recent project which is comparable. If the bidding price of similar type of construction works is not available, the consideration shall be determined by the pricing consulting agencies (primarily a public institution or state-owned enterprise, being an independent third party under supervision and administration from the government administrative authorities of PRC and with relevant professional qualification) in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC.

3. Government Prescribed Price or Guidance Price

Under the Price Law of the People's Republic of China (《中華人民共和國價格法》), the government may implement government prescribed price or guidance price for special goods and services when necessary.

If there is corresponding government prescribed price or guidance price of the target subject of the construction works transaction (such government prescribed price or guidance price will be promulgated, in accordance with the requirements of laws and regulations or notice from relevant government administrative authorities from time to time), the TCC will execute government prescribed price or guidance price in priority.

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As of the latest Practicable Date, none of the construction works transactions signed or executed by the TCC is subject to the above government prescribed price or guidance price by government authorities. Parties to the agreement shall execute the prescribed price or guidance price of the government authority in priority if any future prescribed price or guidance price of the government authority is applicable to the relevant transaction.

Payment term:

The payment terms are based on general condition of the construction site, construction works progress and technical standard of construction works, which are disclosed to all potential bidders (including connected persons and independent third parties) under the tender documents.

After the winner of the tender is decided, both parties will then determine detailed payment method according to the payment terms set in the tender documents.

Payment terms are determined on normal commercial terms and in a fair and reasonable manner, and shall be the same regardless the winner of the tender is connected person or independent third party. Normally, the contract letting party shall pay to the contractor progress payment within 28 days upon receiving of the application for bill of progress payment by the supervisor, being an independent third party responsible for the supervision of the construction progress.

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 under the Listing Rules, which include but not limited to reporting, announcement, annual review and Independent Shareholders' approval requirements, and the compliance requirements of the Shanghai Stock Exchange (including but not limited to Independent Shareholders' approval requirement).

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Annual Caps and Basis for Determining the Annual Caps

In determining the annual caps for the Construction Framework Agreement B, the Directors have considered a number of factors including: (i) the historical transaction amounts under the Previous Construction Framework Agreement B; (ii) the construction and maintenance plans for each of the expressways of STI Group for the year ending 31 December 2017; (iii) the business development plan of STI Group; and (iv) the business development potential of TCC, to estimate the annual transaction amounts ending 31 December 2017 for each of the constructions in progress and to be participated in over the next year.

Annual caps under the Construction Framework Agreement B comprised of estimated transaction value for (i) expressway and ancillary facilities construction; (ii) expressway maintenance; and (iii) municipal construction works.

(1) Basis of estimation

- (a) When estimating the contract sum on expressway construction and municipal construction works to be entered into by TCC with STI Group, the Directors have taken into account the anticipated expressway and ancillary facilities and municipal construction works contracts to be awarded in the coming year by STI Group.
- (b) When estimating the timing and contract sum for upcoming construction contracts to be awarded, the Directors made reference to the relevant government's expressway and ancillary facilities development plan and the discussion between the management of the Group and the management of STI regarding the expressway and ancillary facilities development plan of STI Group, and other potential projects the Group observed in the market in which it can participate and discussion made with TCC regarding their infrastructure development plan.
- (c) Although independent third parties and TCC have equal opportunities in the bidding, in order to ensure the 2017 annual caps remains sufficient, the Directors prudently assumed a 100% success rate of TCC being awarded with the contracts for the year ending 31 December 2017.
- (d) When estimating the annual caps, the Directors have taken into account the latest construction progress of each project and the estimated amount to be recognized.

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- (e) When estimating the maintenance work to be taken place during the relevant period for STI Group, the Directors made reference to the historical amount of maintenance work taken place in prior year and also made reference to discussion between the Group and STI Group regarding the daily maintenance schedule of each of the expressway operated by STI Group for the year ending 31 December 2017.
 - (f) Having considered the business development potential of TCC, the Directors are of the view that TCC would be capable of undertaking all the construction projects awarded to it should its success rate of tenders be 100%.
- (2) Quantitative estimation

The Directors prepared upcoming project participation schedules during the year ending 31 December 2017 which sets out (i) the nature of project; (ii) the transaction amount contemplated under the construction progress estimated by the Directors for each of TCC's on-going project; and (iii) the total sum of construction contract to be granted by STI Group over the next year estimated by the Directors and transaction amount contemplated under the estimated construction progress of such projects. By summing up the schedules, the Directors obtained a quantitation estimation of the annual cap required, details as follow:

- (a) The Directors estimated that the amount for projects under signed contracts during 2017 pursuant to the construction plan and the latest construction progress would be RMB552 million, including, among other things, certain widening of expressway project, service pit upgrading works, construction of new sections of expressways and certain civil works for local roads.
- (b) The Directors estimated that the amount of upcoming projects to be awarded would be RMB1,213 million, including seven expressway and ancillary facilities construction projects.
- (c) The Directors estimated that the amount of expressway maintenance would be RMB36 million.

Having considered the above factors and aggregated the estimated annual transaction amounts ending 31 December 2017 for each of the construction in progress and to be participated in by TCC over the next year, the Directors propose that the annual cap

LETTER FROM THE BOARD

for the Construction Framework Agreement B for the year ending 31 December 2017 shall be RMB1,810,000,000.

Historical Transaction Amount

Pursuant to the Previous Construction Framework Agreement B, the recognized construction income received by TCC for providing the relevant construction service to STI Group was as follows:

RMB'000

For the period from 1 January 2015 to 31 December 2015	923,643
For the six months ended 30 June 2016	427,305

(iii) *Aggregation of the Construction Framework Agreements*

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Construction Framework Agreements should be aggregated as such agreements were entered into by the Company, TCC and STI, and the nature of the transactions under each of the agreements is the same. Accordingly, the aggregated annual caps for Construction Framework Agreements for the year ending 31 December 2017 is RMB7,910,000,000.

(iv) *Reasons for increase in the proposed annual caps for the Construction Framework Agreements as compared with the historical transaction amount*

The Directors are aware that the proposed annual cap for each of the Construction Framework Agreements represented a significant increase to each of its annualised historical transaction amount for the six months ended 30 June 2016, respectively.

The Directors consider it necessary to increase such annual caps for the year ending 31 December 2017 for the Construction Framework Agreements because:

- (i) TCC shall have equal opportunities as other independent third parties in participating in and winning the tenders under the Construction Framework Agreements and thus for prudent purpose, the Directors estimated a 100% success rate for TCC. In case TCC is able to win each of the tenders which TCC participates, the annual caps for the year ending 31 December 2017 will still be sufficient.

LETTER FROM THE BOARD

- (ii) The annual caps for Construction Framework Agreement A amounted to RMB6,100 million, of which RMB5,581 million is the transaction amount of certain upcoming projects to be awarded in the coming year. To the knowledge of the Directors, the government's implementation of the thirteenth five-year plan for national economy has released a number of upcoming infrastructure projects, in which TCC has planned to participate based on its own resources and construction plan, and thus resulting in the need for significant increase of annual cap under Construction Framework Agreement A.
- (iii) There were construction projects postponed during the year ending 31 December 2016. After discussion with relevant government authorities, the Directors have taken the view that the relevant construction projects will possibly be subject to tender in 2017.
- (iv) Some maintenance works originally scheduled to be carried out in 2016 were delayed to year 2017. Therefore the need for maintenance works will be higher than in 2016.

In addition, the Directors are of the view that, as a construction company where its daily operation involves tender and bidding, and that progress of construction and maintenance works may vary due to uncertainties such as climate and environmental factors, it is inevitable that there may be difference in the proposed annual caps and the actual transaction amounts. Although the utilization rates of the 2016 annual caps are relatively low, the Directors consider it prudent and favorable to the Group to take into account the above-mentioned assumptions and uncertainties when obtaining 2017 annual caps.

Taking into account the above factors, the Directors consider the annual caps under the Construction Framework Agreements fair and reasonable.

LETTER FROM THE BOARD

(v) *Reasons for and Benefits of the Construction Framework Agreements*

TCC, being a construction work company and a subsidiary of the Company, intends to undertake the potential construction works of the Group (not including TCC itself) and STI Group in order to realize the rapid development of the “construction” segment of the “five major segments” of the Group. Pursuant to the relevant PRC laws and regulations, businesses of construction works are primarily conducted by way of tender and bidding, by which all bidders have to bid in compliance with the relevant requirements at the prescribed time. TCC, being a potential bidder, cannot control such schedule. Therefore, in order to grasp the opportunities of the tenders organized by the Group and STI Group from time to time and to ensure the Company’s compliance with the relevant requirements under the Listing Rules, TCC entered into the Construction Framework Agreements with the Company and STI, respectively.

As at the end of 2015, the length of the constructed expressways of the Group reached approximately 736 km; STI Group administers and invests in the construction of multiple expressways, and national and provincial arteries. At the same time, the Group and STI Group also engage in various types of other construction works. The construction works of expressways and ancillary facilities and municipal construction works of the Group (not including TCC itself) and STI Group to be conducted by TCC can enhance the revenue from construction operation of TCC and increase its market share in the construction works market. Therefore the Construction Framework Agreements are beneficial to the development of TCC and the Group.

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 the Construction Framework Agreements are entered into in the ordinary and usual course of business of the Group and the terms as contained in the Construction Framework Agreements are normal commercial terms, which are arrived at after arm’s length negotiations between the parties, and the annual caps and the terms of the Construction Framework Agreements stated above in this circular are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(2) **Purchase Framework Agreement**

Date: 27 October 2016

Term: 1 January 2017 to 31 December 2017

Parties: The Company; and
STI

Nature of transaction: The Group will purchase the following items from STI Group (the “**construction items**”):

- (A) Raw materials for various infrastructural construction works projects, including but not limited to steel, cement, asphalt, gravel, oil, etc.;
- (B) Machinery and electronic equipment required for various infrastructural construction works projects (installation included);
- (C) Various infrastructural construction related facilities (installation included), including but is not limited to road safety facilities, greening facilities, etc;
- (D) Other raw materials and equipment (installation included).

The above construction works include the tender and bidding projects conducted pursuant to the laws of the PRC.

- Pricing policy:
1. For transactions excluding emergency rescue construction works

In order to ensure stable supplies and the consideration to be under normal commercial terms, fair and reasonable, final consideration of transactions under the Purchase Framework Agreement will be determined through procedures for tender and bidding.

LETTER FROM THE BOARD

The procedures for tender and bidding refer to the processes of invitation for tender, bid submission, bid opening, bid evaluation and bid granting implemented by the tenderer and bidder pursuant to the relevant rules and regulations of the PRC, which is subject to the inspection of relevant departments of the PRC government. In relation to the Purchase Framework Agreement, the Group as the tenderer via the business department of the responsible purchase unit of the Company and its subsidiaries and the bid evaluation panel (comprising of bid evaluation experts and subject to the supervision of the government administration authorities of PRC) will select the purchaser for the construction items (excluding emergency rescue construction items) by conducting a comparison of the prices and service terms offered by all bidders so as to purchase from the bidder who offers the best price and/or the service terms pursuant to the bid evaluation methods publicly published in the tender documents. If special requirements are made by the tenderer, the tenderer could set out requirements on construction items, bidders' historical achievements and abilities and other information based on the principle of non-exclusivity pursuant to the relevant regulations in the process of tender and bidding for all bidders' reference. The Group will not proceed with the transaction if STI Group is the only bidder. With reference to the Tender and Bidding Law (《招標投標法》), if there are less than three bidders, the tenderer shall invite bids again. As such, there shall be three or more units applying for bidding and submitting bidding documents during the process of tender and bidding. Pursuant to the Provisions on Tender and Bidding of Construction Projects Goods (Order 27 of Seven Ministries) (《工程建設項目貨物招標投標辦法 (七部委27號令)》), if there are still less than three bidders in the re-bidding, (i) for the construction items for construction projects that are subject to examination and approval by the original examination and approval department of the PRC, the tenders may not need to proceed with tender procedure after obtaining approval; or (ii) other than the construction items for construction projects classified in (i), the tenderer may decide not to proceed with tender at their own discretion.

LETTER FROM THE BOARD

If STI Group satisfies all the requirements of the Group (as the tenderer) in relation to the track record and strength of the bidder, and participates in the bidding and eventually becomes the successful bidder, the transaction price will be the price for the purchase as specified in the tender document of STI Group. The transaction price is scrutinised and eventually confirmed in accordance with the same objective standard through the tendering mechanism which is also conducted on a non-exclusive basis.

Therefore, the aforementioned pricing mechanism will ensure that the price of the transaction arrangement under the Purchase Framework Agreement is fair and reasonable, and no less favorable than those provided by any independent third party.

2. For transactions for emergency rescue construction works

Tender may not be carried out pursuant to relevant regulations in the PRC under special circumstances involving national security, emergency rescue and disaster relief, and for projects which are not applicable to tender in accordance with the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招投標法》), the Regulations on the Implementation of the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) (State Council Circular No. 613), Opinions on Further Regulations on Tender and Bidding Activities (《關於進一步規範招投標活動的若干意見》, Guoban Fa (2004) No. 56) and other rules and regulations. Hence, the purchasing of the construction items used for emergency rescue under the Purchase Framework Agreement need not be carried out by tender pursuant to the aforesaid regulations.

LETTER FROM THE BOARD

For the construction items used for emergency rescue under the Purchase Framework Agreement entered into between the Company and STI, where the Group is the purchaser and STI Group is the supplier, the consideration is determined with reference to the recent bidding prices of similar type of construction items. The bidding prices of recent similar type of construction items refer to the bidding prices of the most recent piece of similar construction item (including but not limited to technical standard adopted in the construction items purchased, type of construction items and number of construction items, etc.) determined by procedures for tender and bidding held by STI Group and STI Group or independent third parties. If the bidding price of similar type of items is not available, the parties will determine the price with reference to comparable market price or pricing standard of independent third parties (transportation costs will be added if the same has not been included in such third party's price).

3. Government Prescribed Price or Guidance Price

Under the Price Law of the People's Republic of China (《中華人民共和國價格法》), the government may implement government prescribed price or guidance price for special goods and services when necessary.

If there is corresponding government prescribed price or guidance price of the target subject of the construction items transaction (such government prescribed price or guidance price will be promulgated, in accordance with the requirements of relevant laws and regulations or notice from relevant government administrative authorities from time to time), the Company will execute government prescribed price or guidance price in priority.

LETTER FROM THE BOARD

As of the Latest Practicable Date, none of the construction items purchase transactions signed or executed by the Company is subject to the above government prescribed price or guidance price by government authorities. Parties to the agreement shall execute the prescribed price or guidance price of the government authority in priority if any future prescribed price or guidance price of the government authority is applicable to the relevant transaction.

Payment terms:

The payment terms are determined based on general condition of the construction site, construction works progress and technical standard of construction items, which are disclosed to all potential bidders (including connected persons and independent third parties) under the tender documents.

After the winner of the tender is decided, both parties will then determine detailed payment method according to the payment terms set in the tender documents.

Payment terms are determined on normal commercial terms and in a fair and reasonable manner, and shall be the same regardless the winner of the tender is connected person or independent third party.

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 under the Listing Rules, which include but not limited to reporting, announcement, annual review and Independent Shareholders' approval requirements, and the compliance requirements of the Shanghai Stock Exchange (including but not limited to Independent Shareholders' approval requirement).

LETTER FROM THE BOARD

Annual Caps and Basis for Determining the Annual Caps

In determining the annual caps for the Purchase Framework Agreement, the Directors have considered a number of factors including: (i) the historical transaction amounts under the Previous Purchase Framework Agreement; (ii) the business development plan of the Group; (iii) the business development plan of STI Group; (iv) the proportion of purchase in the revenue from relevant business, such as construction business.

(1) Basis of estimation

Although independent third parties and TCC have equal opportunities in the bidding, in order to ensure the 2017 annual caps remains sufficient, the Directors, when estimating the 2017 annual caps for the Purchase Framework Agreement, prudently assumed a 100% success rate of TCC winning the tenders.

(2) Quantitative estimation

- (a) As the aggregated proposed annual caps for the Construction Framework Agreements for the year ending 31 December 2017 is RMB7,910,000,000. Considering the proportion of purchase (which is 4% to 8%, as estimated by relevant personnel with construction engineering qualifications according to actual situations) in the revenue of the construction works under the Construction Framework Agreements, the Directors estimated that the purchase amount required for the construction works under the Construction Framework Agreements would be RMB350,000,000.
- (b) The Directors estimated that the purchase amount required for other building and construction works would be RMB30,000,000.

Having considered the above factors, the Directors propose that the annual caps for the Purchase Framework Agreement for the year ending 31 December 2017 shall be RMB380,000,000.

Historical Transaction Amount

Pursuant to the Previous Purchase Framework Agreement, the purchase amount paid by the Group to STI Group was as follows:

RMB'000

For the period from 1 January 2015 to 31 December 2015	147,768
For the six months ended 30 June 2016	13,493

LETTER FROM THE BOARD

Reasons for and Benefits of the Purchase Framework Agreement

Based on the need of the Company's business development and the business condition of STI Group, the Group intends to procure the relevant materials mainly through tender and bidding in the future. As relevant members of STI Group may participate in such tender and biddings in accordance with the law, the Company and the STI entered into the Purchase Framework Agreement in order to ensure that the Company is compliant with the relevant requirements under the Listing Rules in the event that any member of STI Group win the bid.

The Directors (including the independent non-executive Directors) consider that the Purchase Framework Agreement is entered into in the ordinary and usual course of business of the Group and the terms as contained in the Purchase Framework Agreement are normal commercial terms, which are arrived after arm's length negotiations between the parties, and the annual caps and the terms of the Purchase Framework Agreement stated above in this announcement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Directors' opinion on internal control procedures of transactions terms such as pricing policy and payment method of continuing connected transactions

The Directors believe that in respect of the Construction Framework Agreements and the Purchase Framework Agreement, the Group has implemented complete internal control procedures and steps in practicing the transactions terms such as pricing policy and payment method of continuing connected transactions.

(i) For transactions excluding emergency rescue construction works

The final consideration of contracts for construction works and purchases of construction items will be determined through procedures for tender and bidding. The procedures for tender and bidding refer to the processes of invitation for tender, bid submission, bid opening, bid evaluation and bid granting implemented by the tenderer and bidder pursuant to the relevant rules and regulations of the PRC, which is subject to the inspection of relevant departments of the PRC government.

LETTER FROM THE BOARD

The Group as the tenderer

In relation to the Construction Framework Agreement A, the Group as the tenderer via the business department of the responsible construction unit of the Company and its subsidiaries and the bid evaluation panel (comprising of bid evaluation experts and subject to the supervision of the government administration authorities of PRC) will select the contractor for the construction works (excluding emergency rescue construction works) by conducting a comparison of the prices and service terms offered by all bidders so as to grant the construction works to the bidder who offers the best price and/or the service terms pursuant to the bid evaluation methods publicly published in the tender documents. As the tenderer, the Group (excluding TCC) could set out requirements on construction projects, bidders' experience, historical achievements and abilities and other information based on the principle of non-exclusivity pursuant to the relevant regulations in the process of tender and bidding for all bidders' reference.

In relation to the Purchase Framework Agreement, the Group as the tenderer via the business department of the responsible purchase unit of the Company and its subsidiaries and the bid evaluation panel (comprising of bid evaluation experts and subject to the supervision of the government administration authorities of PRC) will select the purchaser for the construction items (excluding emergency rescue construction items) by conducting a comparison of the prices and service terms offered by all bidders so as to purchase from the bidder who offers the best price and/or the service terms pursuant to the bid evaluation methods publicly published in the tender documents. As the tenderer, the Group could set out requirements on construction items, bidders' historical achievements and abilities and other information based on the principle of non-exclusivity pursuant to the relevant regulations in the process of tender and bidding for all bidders' reference.

TCC as the bidder

In relation to the Construction Framework Agreement B, with TCC being the bidder of the construction works, the bidding price of construction is determined by the bidding department (i.e. the marketing department) of TCC which leads and organizes relevant departments such as the engineering department, cost control department, financial departments and machinery and materials departments; and on this basis, proposal is optimized and the case budget is formulated before bidding and analysis of target profit. When TCC determines the bidding price for the proposed tender projects, consideration is made on (i) any relevant guidance price as stipulated in the tender documents (if any); (ii) the project costs and proposed target margins as estimated by the relevant managements of TCC; (iii) the analysis on market competitors of the relevant projects; and (iv) the strategic importance of the projects on TCC. After that, the bidding leading team will review and approve the cost budget and profitability analysis.

LETTER FROM THE BOARD

If TCC is the only bidder, according to the Tender and Bidding Law (《招標投標法》), the tenderer shall invite bids again as there are less than three bidders. As such, there shall be three or more units applying for bidding and submitting bidding documents during the process of tender and bidding.

Pursuant to the Provisions on Tender and Bidding of Construction Projects (Order 30 of Seven Ministries) (《工程建設項目施工招標投標辦法 (七部委30號令)》), if there are still less than three bidders in the re-bidding, (i) for construction projects that are subject to examination and approval from the original examination and approval department of the PRC, the tenderer may not need to proceed with tender procedure after obtaining approval; or (ii) other than construction projects classified in (i), the tenderer may decide not to proceed with tender procedure at their own discretion.

If TCC satisfies all the requirements of the Group (as the tenderer) or STI Group (as the tenderer) in relation to the qualifications, experience, strength and track record of the bidder, and participates in the bidding and eventually becomes the successful bidder, the transaction price will be the price for the construction works as specified in the tender document of TCC.

(ii) *For transactions for emergency rescue construction works*

Tender may not be carried out pursuant to relevant regulations in the PRC under special circumstances involving national security, emergency rescue and disaster relief, and for projects which are not applicable to tender in accordance with the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招投標法》), the Regulations on the Implementation of the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) (State Council Circular No. 613), Opinions on Further Regulations on Tender and Bidding Activities (《關於進一步規範招投標活動的若干意見》, Guoban Fa (2004) No. 56) and other rules and regulations. Hence, emergency rescue construction works under the Construction Framework Agreements and the Purchase Framework Agreement need not be carried.

LETTER FROM THE BOARD

The Group or STI Group as the tenderer and TCC as the bidder of emergency rescue construction works

For emergency rescue construction works under the Construction Framework Agreements, where the Group or STI Group is the contract letting party and TCC is the contractor of construction works, the consideration is determined with reference to the recent bidding prices of similar type of construction works. The bidding prices of recent similar type of construction works refer to the bidding prices of the most recent piece of similar construction work (including but not limited to general condition of construction works, technical standard adopted in the construction, anticipated term for construction and engineering quantity, etc.) determined by procedures for tender and bidding held by the Group or STI Group or an independent third party which TCC participated in. If the bidding price of similar type of construction works is not available, the consideration shall be determined by the pricing consulting agencies (primarily a public institution or state-owned enterprise, being an independent third party under supervision and administration from the government administrative authorities of PRC and with relevant professional qualification) in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC.

The Group as the purchaser and STI Group as the supplier of construction items of emergency rescue construction works

For the construction items used for emergency rescue under the Purchase Framework Agreement entered into between the Company and STI, where the Group is the purchaser and STI Group is the supplier, the consideration is determined with reference to the recent bidding prices of similar type of construction items. The bidding prices of recent similar type of construction items refer to the bidding prices of the most recent piece of similar construction item (including but not limited to technical standard adopted in the construction items purchased, type of construction items and number of construction items, etc.) determined by procedures for tender and bidding held by STI Group and STI Group or independent third parties. If the bidding price of similar type of items is not available, the parties will determine the price with reference to comparable market price or pricing standard of independent third parties (transportation costs will be added if the same has not been included in such third party's price).

LETTER FROM THE BOARD

(iii) Payment terms

The payment terms under the Construction Framework Agreements and the Purchase Framework Agreement are based on general condition of the construction site, construction works progress and technical standard of construction works, which are disclosed to all potential bidders (including connected persons and independent third parties) under the tender documents. After the winner of the tender is decided, both parties will then determine detailed payment method according to the payment terms set in the tender documents. Payment terms are determined on normal commercial terms and in a fair and reasonable manner, and shall be the same regardless the winner of the tender is connected person or independent third party.

At the same time, in order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures in monitoring the transactions under the Construction Framework Agreements and the Purchase Framework Agreement:

- (1) After the above continuing connected transactions were proposed and reported by the department responsible for connected transaction business, the Directors of the Company (including independent Directors) conducted investigation on necessity and reasonableness of connected transactions and fairness of pricing, and considered that the terms of the connected transactions are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.
- (2) The Supervisory Committee of the Company has effectively supervised the consideration and voting of the connected transactions, and also reviewed and approved the above connected transactions.
- (3) the Directors and Supervisory Office (董監事會辦公室) and the manager of the Discipline Inspection (Audit) Unit (紀檢監察(審計)部) of the Company will review the connected transactions under the continuing connected transaction agreements on a regular basis, so as to consider (i) the effective implementation of the pricing policies and the payment methods as well as the appraisal of the balance of the annual caps; (ii) discover management weakness, and make recommendations for improvement to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective and where the weaknesses are identified, the Company will take measures to address them as soon as practicable.
- (4) the Discipline Inspection (Audit) Unit of the Company will conduct internal checks at least twice a year to ensure that internal control measures in respect of the transactions under the continuing connected transaction agreements remain complete and effective.

LETTER FROM THE BOARD

ABSTENTION IN BOARD RESOLUTIONS AND AT THE EGM

As Mr. Zhou Liming, Mr. Tang Yong, Mr. Huang Bin and Mr. Wang Shuanming held positions in STI and Mr. Luo Maoquan held a position in TCC, they are regarded as being interested in the Construction Framework Agreements and the Purchase Framework Agreement and therefore have abstained from voting on the Board resolutions to approve the said agreements. Saved and except for the aforesaid, none of the Directors has any material interest in the said agreements and was required to abstain from voting on the Board resolutions.

In view of STI's interest in the Construction Framework Agreements and the Purchase Framework Agreement, STI, the controlling shareholder which holds 33.87% equity interest in the Company, and its associates will abstain from voting at the EGM on the resolutions in relation to the Construction Framework Agreements and the Purchase Framework Agreement.

INFORMATION OF THE COMPANY, STI AND TCC

The Company 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.

STI is a state-owned enterprise established in the PRC. It is principally engaged in the investment, construction and operation management of major transportation infrastructure which includes highways, ports, waterways and navigation hubs mainly for waterway canalization, etc.

TCC is a joint stock company established in the PRC with limited liabilities 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 foundation engineering; highway traffic 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.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, STI is a Controlling Shareholder of the Company which holds approximately 33.87 % of the issued share capital of the Company. Therefore STI is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. On the other hand, TCC is a non-wholly owned 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.07(5). Accordingly, each of the Construction Framework Agreements and the Purchase Framework Agreement constitutes 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 Construction Framework Agreements (in aggregate) are, on an annual basis, over 5%, the Construction Framework Agreements are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements 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 Purchase Framework Agreement are, on an annual basis, over 0.1% but lower than 5%, the Purchase Framework Agreement is only subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. However, since Independent Shareholders' approval is required for the Purchase Framework Agreement pursuant to the listing rules of the Shanghai Stock Exchange, the Company will seek Independent Shareholders' approval on the Purchase Framework Agreement at the EGM. In the event that one or more applicable percentage ratios (other than the profit ratio) in respect of the future materials purchase transactions between the Group and STI Group exceed 5% after aggregation with the transactions under the Purchase Framework Agreement pursuant to the requirements under Chapter 14A of the Listing Rules, the Company will make relevant disclosure and seek Independent Shareholders' approval pursuant to the requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be held at 3:00 p.m. on 19 January 2017 (Thursday) 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, the Construction Framework Agreements and Purchase Framework Agreement (and the proposed annual caps thereunder). At the EGM, votes will be taken by poll.

The notice of the EGM is set out on pages 65 to 67 of this circular in which form of proxy and the reply slip of the EGM are enclosed.

LETTER FROM THE BOARD

If you intend to appoint a proxy to attend the EGM, 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 17M 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 EGM (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 EGM or any adjournment thereof should you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and lodge the reply slip for attending the EGM at the Company's legal address at 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC not later than 4:30 p.m. on 29 December 2016 (Thursday). 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 20 December 2016 (Tuesday) to 19 January 2017 (Thursday), both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending the EGM, 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 19 December 2016 (Monday).

RECOMMENDATION

The Company has appointed Halcyon Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Construction Framework Agreements. The letter of advice from Halcyon Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 36 to 59 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 Construction Framework Agreements. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Construction Framework Agreements, is set out on page 35 of this circular.

LETTER FROM THE BOARD

The Directors considers that each of the Construction Framework Agreements and Purchase Framework Agreement, the respective transactions contemplated thereunder and the respective annual caps are in the best interests of the Company and the Shareholders. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions for approving the Construction Framework Agreements and the Purchase Framework Agreement at the EGM (and the respective proposed annual caps thereunder).

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

* *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)

2 December 2016

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to give our advice on the Construction Framework Agreements 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 2 December 2016 (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 has been appointed as the Independent Financial Adviser to advise us on the Construction Framework Agreements and the transactions contemplated thereunder. The letter from Halcyon Capital is set out on pages 36 to 59 of the Circular.

Having considered the terms and conditions of each of the Construction Framework Agreements, the advice given by Halcyon Capital 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 Construction Framework Agreements 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 relevant annual caps for Construction Framework Agreements 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 resolution at the EGM to approve the Construction Framework Agreements, the transactions contemplated thereunder and the relevant annual caps.

Yours faithfully,

Independent Board Committee

Mr. Sun Huibi

Independent

Non-executive Director

Mr. Guo Yuanxi

Independent

Non-executive Director

Mr. Yu Haizong

Independent

Non-executive Director

Madam Liu Lina

Independent

Non-executive Director

* For identification purposes only

LETTER FROM HALCYON CAPITAL LIMITED

The following is the full text of the letter of advice from Halcyon Capital Limited 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

2 December 2016

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

RENEWAL OF 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 the contracting and subcontracting of certain construction works by the Group and STI Group to TCC (the “**Transactions**”). Details of the Construction Framework 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 2 December 2016 (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.

STI is a controlling shareholder of the Company which holds approximately 33.87% of the equity interest in of the Company and hence a connected person of the Company as at the Latest Practicable Date under Rule 14A.07(1) of the Listing Rules. TCC is a non-wholly owned subsidiary of the Company which is owned as to 51% by the Company and 49% indirectly by STI through STI’s wholly-owned subsidiaries. By virtue of STI’s indirect shareholding in TCC, TCC is therefore a connected person of the Company under Rule 14A.07(5). As both STI and TCC are connected persons of the Company, the transactions contemplated under the Construction Framework Agreements constitute continuing connected transactions for 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 Construction Framework Agreements are, on an annual basis, over 5%, the Construction Framework Agreements (including the Annual Caps), will be subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. STI, TCC and their associates and any Shareholders who are materially interested in the Construction Framework Agreements shall abstain from voting in relation to the terms of the Construction Framework Agreements and the transactions contemplated thereunder.

LETTER FROM HALCYON CAPITAL LIMITED

The Independent Board Committee comprising all the independent non-executive Directors, namely Messrs. Sun Huibi, GuoYuanxi, Yu Haizong and Madam Liu Lina has been established to advise the Independent Shareholders as to whether the terms of the Construction Framework 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 EGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In the last two years from the date of our appointment, except for being appointed as the independent financial adviser to the then Independent Board Committee and Independent Shareholders of the Company (details of which have been set out in the letter from the independent financial adviser contained in the circular of the Company dated 10 December 2014), we have no other relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees paid to us in connection with our appointments, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence. We are therefore independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Transactions.

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 October 2016 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.

LETTER FROM HALCYON CAPITAL LIMITED

Our review and analyses were based upon, among others, the information provided by the Company including the Construction Framework 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 Construction Framework 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), STI and each of their respective associates, and the parties involved in the transactions contemplated under Construction Framework Agreements.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the transactions contemplated under the Construction Framework 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 Construction Framework 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. 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. As at the end of 2015, the length of completed expressways of the Group has reached approximately 736 km in total.

STI is a state-owned enterprise established in the PRC. It is principally engaged in the investment, construction and operation management of major transportation infrastructure which includes highways, ports, waterways and navigation hubs mainly for waterway canalization, etc.

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. Being the construction arm of the

Group, TCC from time to time participates in tender and bidding for construction and maintenance projects of the Group (excluding TCC itself) and STI Group. TCC also provides emergency rescue services and maintenance services to the Group (excluding TCC itself) and to STI Group.

Pursuant to the relevant regulations, business of construction works is primarily conducted by way of tender and bidding, by which all bidders have to comply with the relevant requirements at the prescribed time. According to the Directors, TCC being a potential bidder, in order (i) to meet the tendering and bidding timetable; (ii) to prevent losing the opportunity to participate in the tenders organized by the Group and STI Group; and (iii) to ensure the Company's compliance with the relevant Listing Rules, TCC entered into the construction framework agreements with the Company and STI on an annual basis to agree on the annual caps for the constructions project intended to be participated by TCC to be awarded by the Group and STI Group respectively. Since the annual framework construction agreements which sets out the annual caps for the year ending 31 December 2016 entered into by TCC, the Company and STI respectively will expiry by 31 December 2016, the Company, STI and TCC entered into the Construction Framework Agreements on 27 October 2016 to govern the on-going participation of tender and bidding by TCC for construction projects to be awarded by the Group and STI Group in 2017.

The Directors considered that the Construction Framework Agreements provide flexibility but not an obligation to the Group (excluding TCC), STI Group and TCC to engage each other in their respective business operation whenever their respective directors considered appropriate.

Having considered that the transactions between the Group (excluding TCC), STI Group and TCC have been carried out in their respective ordinary and usual course of business and the continuing business relationship among the Group (excluding TCC), STI Group and TCC, we considered that the entering into of the Construction Framework Agreements are in the ordinary and usual course of business of the Group.

2. Principal terms of the Construction Framework Agreements

(i) Construction Framework Agreement A

On 27 October 2016, the Company and TCC entered into the Construction Framework Agreement A, pursuant to which TCC shall contract the following construction works from the Group (excluding TCC itself): (A) contracting and subcontracting the construction work of expressways (including roads, bridges, tunnels, etc.) and ancillary facilities, which include: (i) construction work of expressways and ancillary facilities (including restructuring and construction extension); (ii) daily maintenance work of expressways and ancillary facilities; (iii) large and medium scale repair and maintenance works of expressways and ancillary facilities; and (iv) emergency or rescue works of expressways and ancillary facilities; and (B) contracting and subcontracting municipal construction works, which

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include: construction works such as urban roads, squares, parks, land consolidation and others (“**Relevant Works**”). The above construction works include the tender and bidding projects conducted pursuant to the laws of the PRC.

The Construction Framework Agreement A is for a term commencing from 1 January 2017 (effective upon the fulfillment of all conditions precedents, whichever is later) to 31 December 2017.

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 under the Listing Rules, which include but not limited to reporting, announcement, annual review and Independent Shareholders’ approval requirements, and the compliance requirements of the Shanghai Stock Exchange (including but not limited to Independent Shareholders’ approval requirement).

Payment terms and pricing policies

The payment terms are based on brief conditions of the construction site, construction works progress and technical standard of construction works, which are disclosed to all potential bidders (including connected persons and independent third parties) under the tender documents. After the successfully bidding the tender, both parties to the tender will then determine detailed payment method according to the payment terms set in the tender documents. Payment terms shall be the same regardless the winner of the tender is a connected person or an independent third party.

In respect of pricing policies, please refer to the section headed “Pricing Policies and relevant internal control” below.

(ii) Construction Framework Agreement B

On 27 October 2016, STI and TCC entered into the Construction Framework Agreement B, pursuant to which TCC shall contract the Relevant Works from STI Group. The Relevant Works include the tender and bidding projects conducted pursuant to the laws of the PRC.

The Construction Framework Agreement B is for a term commencing from 1 January 2017 (effective upon the fulfillment of all conditions precedents, whichever is later) to 31 December 2017.

LETTER FROM HALCYON CAPITAL LIMITED

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 under the Listing Rules, which include but not limited to reporting, announcement, annual review and Independent Shareholders' approval requirements, and the compliance requirements of the Shanghai Stock Exchange (including but not limited to Independent Shareholders' approval requirement).

Payment terms and pricing policies

The payment terms are based on brief conditions of the construction site, construction works progress and technical standard of construction works, which are disclosed to all potential bidders (including connected persons and independent third parties) under the tender documents. After the successfully bidding the tender, both parties to the tender will then determine detailed payment method according to the payment terms set in the tender documents. Payment terms shall be the same regardless the winner of the tender is a connected person or an independent third party.

In respect of pricing policies, please refer to the section headed "Pricing Policies and relevant internal control" below.

3. Pricing policies and relevant internal control

(i) *For transactions excluding those concerning the construction works used for emergency rescue*

The ultimate consideration of the construction contracts will be determined through procedures for tender and bidding. The procedures for tender and bidding refer to the processes of invitation for tender, bid submission, bid opening, bid evaluation and bid granting implemented by the tenderer and bidder pursuant to the relevant rules and regulations of the PRC, which are subject to the inspection of relevant departments of the PRC government.

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The Group as tenderer

In relation to the Construction Framework Agreement A, where the Group (excluding TCC) as the tenderer (via the business department of the responsible construction unit of the Group) and TCC being the bidder, the bid evaluation panel (評標委員會) which comprised of bid evaluation experts and subject to the supervision of the government administration authorities of the PRC will select the contractor for the construction works (excluding emergency construction works) by conducting a comparison of the prices and service terms offered by all bidders so as to grant the construction work to the bidder who offers the best price and/or the service terms pursuant to the bid evaluation methods publicly published in the tender documents. As the tenderer, the Group (excluding TCC) could set out requirements on construction projects including bidders' experience, historical achievements and abilities and other information based on the principle of non-exclusivity pursuant to the relevant regulations in the process of tender and bidding procedure for all bidders' reference.

STI as tenderer

Pursuant to the management of the Group, to their best knowledge, the process of STI Group in selecting a contractor is similar to the process adopted by the Group (excluding TCC) as mentioned above.

TCC as bidder

When TCC being the bidder of construction contracts, the bidding price for each of the tender project is determined by the bidding department (投標部門) (i.e. the marketing department) of TCC together with the collaboration with relevant departments such as the engineering department, cost control department, financial departments and machinery and materials departments and on this basis to formulate a cost budget and to carry out a profitability analysis based on such cost budget. Furthermore, as discussed with the management of the Group, when determining the bidding price for the proposed bidding projects, TCC will take into account (i) the relevant price guidance as stipulated in the tender document (if any); (ii) the cost of the project and target profit margin of the proposed bidding project as estimated by the relevant management of TCC; (iii) the analysis on peer competitors of the projects; and (iv) the strategic importance of the project to TCC. The cost budget and the profitability analysis will then be reviewed and approved by the bidding leading team (投標領導小組).

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The Group or STI Group will not proceed with the transaction if TCC is the only bidder. With reference to the Tender and Bidding Law (《招標投標法》), if there are fewer than three bidders, the tenderer shall invite bids again. As such, there shall be three or more units applying for bidding and submitting bidding documents during the process of tender and bidding. Pursuant to the Provisions on Tender and Bidding of Construction Projects (Order 30 of Seven Ministries) (《工程建設項目施工招標投標辦法(七部委30號令)》), if there are still fewer than three bidders in the re-bidding, (i) for construction projects that are subject to examination and approval from the original Examination and Approval Department of the PRC, the tenders may not be required to proceed with tender procedure after obtaining approval; or (ii) other than construction projects classified in (i), tenders may decide not to proceed with tender procedure at their own discretion).

If TCC satisfies all the requirements of the Group (as the tenderer)/STI Group (as the tenderer) in relation to the qualifications, experience, strength and track record of the bidder, and participates in the bidding and eventually becomes the successful bidder, the transaction price will be the price for the construction works as specified in the tender document of TCC and transaction price is considered to be determined by a standardized tendering/bidding process and which applies to all construction projects subject to tender/bidding on a non-exclusive basis, as such the Directors considered that the pricing mechanisms as mentioned above, will ensure that the price of the transactions under the Construction Framework Agreements are fair and reasonable, and no less favorable than those provided by any independent third party.

(ii) *For transactions concerning the construction works used for emergency rescue*

Pursuant to relevant laws and regulations of the PRC, for cases under special circumstances, involving among other things, emergency rescue, will not be subject to the tendering and bidding procedure.

Pursuant to relevant laws and regulations of the PRC, tender may not be carried out under special circumstances involving national security, emergency rescue and disaster relief, and for projects which are not applicable to tender in accordance with the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招投標法》), the Regulations on the Implementation of the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) (State Council Circular No.613), Opinions on Further Regulations on Tender and Bidding Activities (《關於進一步規範招投標活動的若干意見》), Guoban Fa (2004) No. 56) and other rules and regulations. Hence, emergency rescue construction works under the Construction Framework Agreements need not be carried out by tender pursuant to the aforesaid regulations.

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Where the Group acts as the contract letting party and TCC as the contractor

For emergency rescue construction work under the Construction Framework Agreement A, where the Group is the contract letting party and TCC is the contractor of construction works, the consideration is determined with reference to the recent bidding prices of similar type of construction works. The bidding prices of recent similar type of construction works refer to the bidding prices of the most recent piece of similar construction work (including but not limited to general condition of construction works, technical standard adopted in the construction, anticipated term for construction and engineering quantity, etc.) determined by procedures for tender and bidding held by the Group or an independent third party which TCC participated in. In practice, due to the uniqueness of each piece of construction work, it may be difficult to find a recent project which is comparable. If the bidding price of similar type of construction works is not available, the consideration shall be determined by the pricing consulting agencies (primarily a public institution or state-owned enterprise, being an independent third party under supervision and administration from the government administrative authorities of PRC and with relevant professional qualification) in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC.

Where STI Group acts as the contract letting party and TCC as the contractor

For emergency rescue construction work under the Construction Framework Agreement B, where STI Group is the contract letting party and TCC is the contractor of construction works, the consideration is determined with reference to the recent bidding prices of similar type of construction works. The bidding prices of recent similar type of construction works refer to the bidding prices of the most recent piece of similar construction work (including but not limited to general condition of construction works, technical standard adopted in the construction, anticipated term for construction and engineering quantity, etc.) determined by procedures for tender and bidding held by STI Group or an independent third party which TCC participated in. In practice, due to the uniqueness of each piece of construction work, it may be difficult to find a recent project which is comparable. If the bidding price of similar type of construction works is not available, the consideration shall be determined by the pricing consulting agencies (primarily a public institution or state-owned enterprise, being an independent third party under supervision and administration from the government administrative authorities of PRC and with relevant professional qualification) in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC.

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If the bidding price of similar type of construction works is not available where the Group and STI Group as the contract letting party and TCC as the contractor, the consideration shall be determined by the pricing consulting agencies (“Pricing Consulting Agencies”) (造價諮詢中介機構) (primarily a public institution (事業單位) or state-owned enterprise (國有企業)), being an independent third party under supervision and administration from the government administrative authorities of PRC and with relevant professional qualification in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC.

According to the Directors, pursuant to the Engineering Cost Consulting Business Management Approach* (工程造價諮詢企業管理辦法) (implemented on 1 July 2006) published by Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) qualification and pre-requisite of Pricing Consulting Agencies shall include among other things, (i) holding Grade A (which allows the holder to undertake engineering cost consultancy businesses for construction projects of any kind) or Grade B (which allows the holder to undertake engineering cost consultancy businesses for construction projects of any kind with engineering costs of less than RMB50 million) Certificate which is valid for three years and is allowed to extend for three years subject to approval by relevant government authorities; (ii) under the supervision of 國務院建設主管部門 (Building Department of State Council of the PRC*); (iii) with responsible officers for Grade A pricing consulting agencies and Grade B Pricing Consulting Agencies of not less than 15 years’ experience and 10 years’ experience in estimating budget/construction cost of project respectively and hold registered qualification certificate of cost engineer (造價工程師註冊證書); and (iv) should have technique filing system, quality control system and financial management system.

Having considered the aforesaid qualification and pre-requisite of Pricing Consulting Agencies, we consider that the reliance on the project budgetary estimates prepared by the independent Pricing Consulting Agencies is acceptable.

(iii) Government Prescribed Price or the Guidance Price

Under the Price Law of the PRC 《中華人民共和國價格法》, the government may implement government prescribed price or guidance price for special goods and services when necessary.

If there is corresponding government prescribed price or guidance price of the target subject of the construction works transaction (such government prescribed price or guidance price will be promulgated, in accordance with the requirements of relevant laws and regulations or notice from relevant laws and regulations or government administrative authorities from time to time), the Company will execute government prescribed price or guidance price first.

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As of the Latest Practicable Date, none of the construction works transactions contracted by the Group or carried out by TCC are subject to the above government prescribed price or guidance price by government authorities. Parties to the agreement shall execute the prescribed price or guidance price of the government authority first if any future prescribed price or guidance price of the government authority is applicable to the relevant transaction.

As stated in the Annual Report of the Group for the year ended 31 December 2015, the independent non-executive Directors of the Company have reviewed the continuing connected transactions for the year ended 31 December 2015 and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of businesses of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from 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 of the Company as a whole.

Furthermore, Ernst & Young, the Company's auditor, has been appointed to report on the Group's continuing connected transactions for in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on continuing connected transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants (the "**Letter**"). We have reviewed the Letter for the year ended 31 December 2015, pursuant to which (i) nothing has come to the auditor's attention that has caused them to believe that the continuing connected transactions have not been approved by the Board; (ii) nothing has come to the auditor's attention that has caused them to believe that the continuing connected transactions were not, in all material respects in accordance with the pricing policies of the Group; and (iii) nothing has come to the auditor's attention that caused them to believe that the continuing connected transactions were not entered into all material respects, in accordance with the relevant agreements governing such continuing connected transactions.

In light of the above, we are of the view that appropriate measures are in place to ensure that the Transactions will be conducted on normal commercial terms and to safeguard the interests of the Independent Shareholders.

4. Comparison of terms with independent third parties

(i) *Construction Framework Agreement A*

From our understanding with the management of the Group, during the period between 1 January 2016 and up to the Latest Practicable Date, the Group (excluding TCC) entered into one construction contract with TCC. We have compared the construction contract entered into between the Group (excluding TCC) with TCC against similar contract entered into between TCC and other independent third party during corresponding period in respect of carrying out the Relevant Work. From our review, we noted that the both prices agreed in (i) construction contract entered into between the Group (excluding TCC) with TCC and (ii) between the TCC and other independent third party were entered into based on the winning bid prices which were consistent with the relevant pricing mechanism of the Group.

In respect of emergency rescue, from our understanding with the management of the Group, TCC did not carry out any emergency rescue for the Group or independent third parties since 1 January 2016 up to the Latest Practicable Date, as such we are unable to compare the individual contracts entered into between the Group (excluding TCC) and TCC against similar contract entered into between the Group and other independent third party contractor.

(ii) *Construction Framework Agreement B*

We understand from the management of the Group that four construction contracts in respect of construction of expressway and ancillary facilities were entered into between STI Group and TCC during the period between 1 January 2016 up to the Latest Practicable Date. Noting from such contracts, we were not aware that prices agreed in the construction transactions between TCC and STI Group inconsistent with the relevant pricing mechanism of the Group. Furthermore such pricing policies were also applied to the construction contract entered into between the TCC and other independent third party during the same period in respect of construction of expressway and ancillary facilities.

For emergency rescue, from our understanding with the management of the Group, since TCC did not carry out any emergency rescue for independent third parties, we are unable to compare the individual contracts entered into between STI Group and TCC against similar contract entered into between TCC and other independent third party. We have, however understand from the management of the Group that, should any independent third parties require any emergency rescue service from TCC, the pricing mechanism and the relevant internal control as discussed in the section headed “Pricing policies and relevant internal control” above will be consistently apply when providing emergency rescue service to independent third parties. In view of the pricing policies and relevant internal control as discussed above being in place, we consider that, the services provided will be under normal commercial terms.

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5. Basis of the Annual Caps

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

In assessing the reasonableness of the Annual Caps, we have discussed with the management of the Group the basis and assumptions underlying the projections for contracting and sub-contracting of the Relevant Works pursuant to the Construction Framework Agreements entered into between (i) the Group and TCC and (ii) between TCC and STI (as the case may be) for the purpose of determining the Annual Caps.

(i) *Review of the historical figures*

Set out below are the historical values of the Transactions entered into between (i) the Group (excluding TCC) and TCC and (ii) TCC and STI Group during the two years ended 31 December 2015 and for the six months ended 30 June 2015 and 2016 extracted from the financial records in the relevant financial periods:

	For the year ended 31 December 2014 <i>RMB' in million</i>	For the year ended 31 December 2015 <i>RMB' in million</i>	For the six months ended 30 June 2015 <i>RMB' in million</i>	For the six months ended 30 June 2016 <i>RMB' in million</i>
Construction income recorded by TCC for providing the relevant construction services to the Group (excluding TCC)	267.0	243.5	56.8	217.0
Annual caps under Construction Framework Agreement A and Previous Construction Framework Agreement A	2,260	980	490 (<i>Note</i>)	505 (<i>Note</i>)
Utilization rate	11.8%	24.8%	11.6%	43.0%
Construction income recorded by TCC for providing the relevant construction services to STI Group	1,084.6	923.6	203.8	427.3
Annual caps under Construction Framework Agreement B and Previous Construction Framework Agreement B	3,400	2,900	1,450 (<i>Note</i>)	700 (<i>Note</i>)
Utilization rate	31.9%	31.8%	14.1%	61.0%

Note: Six months pro-rata of the annual cap for the year ended 31 December 2015 and for the year ending 31 December 2016.

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a) *Historical transaction between the TCC and the Group (excluding TCC)*

During the year ended 31 December 2015, the construction income recorded by TCC for providing the relevant construction service to the Group (excluding TCC) decreased slightly as compared to that of for the year ended 31 December 2014. Such decrease was mainly contributed by a slight drop in construction work carried out by TCC for the Group (excluding TCC) as a result of certain delay in construction contracts caused by climate issues. During the first half of 2016, the construction income recorded by TCC for providing the relevant construction service to the Group (excluding TCC) increased substantially, as certain delay in construction occurred in 2015 and the Group caught up the construction in progress during the first half of 2016 to ensure timely completion of the relevant construction projects. Furthermore during the first half of 2016, TCC also commenced a number new expressways and municipal construction works project which was awarded to TCC in the second half of 2015 and recorded substantial progress during the first half of 2016.

The utilization rate of the annual cap for 2015 was 24.8%. Such relatively low utilization was mainly caused by (i) the postponement of 3 construction projects as stipulated in the government development plan as a result of macro-economic factors and change in the governmental investment plan; (ii) the unsuccessful bidding of certain construction projects; and (iii) delay in carrying out the relevant maintenance works due to tightening of maintenance plan by the Group for cost saving purposes.

The utilization rate of the annual cap for the first half of 2016 improved to 43.0% (taking into account the six months pro-rate of the annual cap for the year ending 31 December 2016). The deviation of the actual transaction amount to the expected annual cap for the period was mainly due to (i) the postponement of 4 construction projects as stipulated in the government development plan to the second half of 2016; and (ii) the continuous deferral of carrying out the relevant maintenance works due to tightening of maintenance plan by the Group for cost saving purposes to the second half of 2016 or to 2017; and (iii) delay in construction progress of 3 construction project as a result of (a) extra time required for demolition of original construction structure on the construction site; (b) extra time spent on the tendering process which resulted in a delay in awarding the construction contract to TCC; and (c) extra time was required to complete the pre-site formation of the construction site by independent third party contractor respectively.

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b) Historical transaction between the TCC and STI Group

During the year ended 31 December 2015, the construction income recorded by TCC for providing the relevant construction service to STI Group decreased slightly as compared to that of the year ended 31 December 2014. Such decrease was mainly contributed by a slight drop in construction work carried out by TCC for STI Group following the construction schedule. While comparing to the first half of 2015, construction income recorded by TCC from STI Group increased substantially as certain construction work which was scheduled to be carried out by TCC in 2015 were delayed until the first half of 2016 and hence construction income of TCC from STI Group increased accordingly.

The utilization rate of the annual cap for 2015 was 31.8%. Such relatively low utilization was mainly contributed by (i) the postponement of 6 construction projects as a result of the change in the governmental investment plan; (ii) the unsuccessful bidding of 3 construction projects; (iii) delay in carrying out the relevant maintenance works due to change tightening of maintenance plan by the STI Group for cost saving purposes; and (iv) delay in construction progress as a result of alternation of development plan of the Sichuan government or unexpected climate condition.

The utilization rate of the annual cap for the first half of 2016 was 61.0% (taking into account the six months pro-rate of the annual cap for the year ending 31 December 2016). The deviation of the actual transaction amount to the expected annual cap for the period was mainly due to (i) the postponement of 4 construction projects as stipulated in the government development plan to the second half of 2016 or to 2017; (ii) the unsuccessful bidding of 3 construction projects during the period; and (iii) the deferral of carrying out the relevant maintenance works due to weather and traffic condition to the second half of 2016.

The Directors are of the view that the abovementioned factors which contributed to the low utilization rate are inevitable circumstances which a construction company will encounter during its daily operations, and they have taken into account the abovementioned changes in project investment timeframe development plan and the latest construction progress when determining the proposed annual caps for the year ending 31 December 2017 under Construction Framework Agreement A and Construction Framework Agreement B respectively.

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(ii) *Assessment of the Annual Caps*

When assessing the reasonableness of the Annual Caps, we have discussed with the management the basis and assumptions underlying the projection of the Annual Caps. Set out below are the Annual Caps being proposed for the transactions contemplated under the Construction Framework Agreements for the years ending 31 December 2017:

	For the year ended 31 December 2017 <i>RMB' in million</i>
Annual Caps in respect of the Construction Framework Agreement A	6,100
Annual Caps in respect of the Construction Framework Agreement B	<u>1,810</u>
Aggregated Annual Caps for the Construction Framework Agreements	<u><u>7,910</u></u>

Note: Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Construction Framework Agreements should be aggregated as such agreements were entered into by the Company, TCC and STI, and the nature of the transactions under each of the agreements is the same. Accordingly, the aggregated annual caps for Construction Framework Agreements for the year ending 31 December 2017 is RMB7,910 million.

(a) *Construction Framework Agreement A*

In considering the annual caps for the Construction Framework Agreement A, the Directors have considered a number of factors including: (i) the historical transaction amounts under the Previous Construction Framework Agreement A; (ii) the construction and maintenance plans for each of the expressways of the Group for the year ending 31 December 2017; (iii) the business development plan of the Group, including the proposed projects under the agreements of strategic cooperation intentions entered into between the Group and governments at different levels and other potential projects the Group observed in the market in which it can participate; and (iv) the business development potential of TCC.

Annual Caps under the Construction Framework Agreement A comprised of estimated transaction value for (i) expressway and ancillary facilities construction; (ii) expressway maintenance work; and (iii) municipal construction works, for both signed contracts and upcoming projects to be awarded.

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When estimating the contract sum on expressway and ancillary facilities construction and municipal construction works to be entered into by TCC, the Directors have taken into account the anticipated expressways and ancillary facilities and municipal construction works contract to be awarded in the coming year by the Group. When estimating the timing and contract sum for upcoming construction contracts to be awarded, the Directors made referenced to the relevant government's municipal construction works development plan, the Group's expressway and ancillary facilities and municipal construction development plan. An 100% success rate of TCC being awarded with the contracts for the year ending 31 December 2017 was estimated by the Directors, in case TCC successfully wins all bids, the Annual Caps will still be sufficient. Having considered the business development potential of TCC, the Directors are of the view that TCC would be capable of undertaking all the construction projects awarded to it should its success rate of tenders be 100%. Furthermore, the Directors have taken into account the latest estimated construction progress of each project and the estimated amount to be recognized. When estimating the maintenance work to be taken place during the relevant periods, the Directors made reference to the historical amounts of maintenance work taken place in the prior year and also made reference to the daily maintenance schedule of each of the expressway operated by the Group.

According to the Directors, with reference to the development plans as mentioned above, the Annual Cap for the year ending 31 December 2017 in accordance with construction progress schedule in aggregate would amount to RMB6,100 million, which primarily represented (a) estimated amount for projects under signed contracts of RMB355 million estimated to be recognized during 2017 pursuant to the construction plan and the latest construction progress, including (i) certain connecting joint of an expressway; and (ii) municipal construction including among other things local roads, traffic lights, road-side electricity duct, lamp pole and associated street light; and (b) for upcoming projects to be awarded of RMB5,581 million, including (i) expressway and ancillary facilities construction, which mainly taken into account the inter-city expressway expansion construction plan of Sichuan Province and the construction of a new expressway sector to expand coverage of the Sichuan expressway network; and (ii) municipal construction project pursuant to the city municipal upgrading plan according to the thirteenth five year plan of the Renshou county government of the PRC; and (c) estimated expressway maintenance work to be carried out during 2017 of RMB163 million.

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The inter-city expressway expansion construction plan as disclosed above includes the trial section of the expressway expansion connecting Qinglongchang and Meishan (the “**Trial Section**”), which forms part of Chengle Expressway. The construction is expected to commence by the end of 2016 for an estimated construction term of three years, with an aim to relieve the traffic pressure and improve the traffic capacity and service level. In such respect the Group estimated that a contract sum of approximately RMB600 million will be recognized from the Trail Section in 2017 and such contract sum have been included in the Annual Cap for the Construction Framework Agreement A. For further details of the Trial Section, please refer to the announcement of the Company dated 27 October 2016.

(b) Construction Framework Agreement B

In considering the annual caps for Construction Framework Agreement B, the Directors have considered a number of factors including: (i) the historical transaction amounts under the Previous Construction Framework Agreement B; (ii) the construction and maintenance plans for each of the expressways of STI Group for the year ending 31 December 2017; (iii) the business development plan of STI Group; and (iv) the business development potential of TCC.

Annual Caps under the Construction Framework Agreement B comprised of estimated transaction value for (i) expressway and ancillary facilities construction; (ii) expressway maintenance; and (iii) municipal construction works.

When estimating the contract sum on expressway construction and municipal construction works to be entered into by TCC with STI Group, the Directors have taken into account the anticipated expressway and ancillary facilities and municipal construction works contracts to be awarded in the coming year by STI Group. When estimating the timing and contract sum for upcoming construction contracts to be awarded, the Directors made reference to the relevant government’s expressway and ancillary facilities construction development plan and the discussion between the management of the Group and the management of STI regarding the expressway an ancillary facilities development plan of STI Group, and other potential projects the Group observed in the market in which it can participate and discussion made with TCC regarding their infrastructure development plan. The Directors assume 100% success rate of TCC being awarded with the contracts for the year ending 31 December 2017 (in case TCC is successful in winning all bids, the Annual Caps will still be sufficient). Having considered the business development potential of TCC, the Directors are of the view that TCC would be capable of undertaking all the construction projects awarded to it should its success rate of tenders be 100%. Furthermore, when estimating the annual caps, the Directors have taken into account

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the latest estimated construction progress of each project and the estimated amount to be recognized. When estimating the maintenance work to be taken place during the relevant period for STI Group, the Directors made reference to the historical amount of maintenance work taken place in prior year and also made reference to discussion between the Group and STI Group regarding the daily maintenance schedule of each of the expressway operated by STI Group for the year ending 31 December 2017.

According to the Directors, with reference to the development plans as mentioned above, the Annual Cap for the year ending 31 December 2017 in accordance with construction progress schedule in aggregate would amount to RMB1,810 million, which primarily represented (a) estimated amount for projects under signed contracts of RMB552 million estimated to be recognized during 2017 pursuant to the construction plan and the latest construction progress in respect of among other things, certain widening of expressway project, service pit upgrading works, construction of new sections of expressways and certain civil works for local roads; and (b) for upcoming projects to be awarded of RMB1,213 million in respect of seven expressway and ancillary facilities construction projects; and (c) expressway maintenance of RMB36 million.

In accessing the fair and reasonableness of the Annual Caps for the Construction Framework Agreements, we have reviewed the upcoming project participation schedules prepared by the Directors for the year ending 31 December 2017 which sets out (i) the nature of the project; (ii) the progress revenue recognition estimated by the Directors for each of TCC's on-going project; and (iii) the expected total contract sum with estimated progress revenue recognition estimated by the Directors for each of the project expected to be participated by TCC. As discussed with the management of the Group, we noted that the expected total contract sum for upcoming projects of the Group estimated by the Directors were based on government discussion, government tendering plan, while the expected total contract sum of STI Group's project estimated by the Directors were based on their discussion with STI Group. In regarding the revenue to be recognised according the progress of completion, the Directors have made reference to the progress of past experience in similar construction projects and the estimated completion time for each of the upcoming projects. We have also discussed with the management of the Group regarding the assumed 100% success rate on winning the tendering on the relevant contracts. According to the Directors, given both independent third parties and TCC shall have the similar chance to participate in and winning the tender, for prudent purpose, the Directors estimated a 100% success rate for awarding the contract to TCC, in case TCC is able to win each of the tender which TCC participates in, the Annual Caps will still be sufficient. In respect of the maintenance work, we have discussed with the management of the Group regarding

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their maintenance plan and their understanding on STI Group's maintenance plan, according to the management of the Group, based on the maintenance plan of the Group and STI Group, the management of the Group expected that the maintenance level for the Group and STI Group in the coming year ending 31 December 2017 will decrease as compared to current year, as a result of the continue tightening of maintenance program by the Group and STI Group.

A significant increase in the Annual Cap under Construction Framework Agreement A as compared to the annual cap under the Previous Construction Framework Agreement is noted. The Annual Cap for Construction Framework Agreement A amounted to RMB6,100 million, of which RMB5,581 million was catered for certain upcoming projects to be awarded in the coming year. According to the Directors, the government's implementation of the thirteenth five-year plan for national economy has released a number of upcoming infrastructure projects, in which TCC has planned to participate based on its own resources and construction plan, and thus resulting in the significant increase of Annual Cap under Construction Framework Agreement A. Furthermore, as a number of projects which were subject to tender in 2016 had delayed to 2017 due to changes in governmental planning, as such an increase in the Annual Caps are necessary to cater for tendering of such projects in 2017 which were supposed to be subject to tender in 2016.

In relation to the government plan as referenced by the Group in estimating the Annual Caps, we noted from the thirteenth five year plan of the Renshou county government of the PRC that, the Renshou county government of the PRC will be implementing a city municipal upgrading plan in which a number of road construction projects will be launched by the Renshou county government of the PRC in the coming five years. We also noted that when estimating the Annual Caps, the management of the Group have took into account the estimated investment amount of each road which the Group anticipated that it would be up for tendering in 2017 in which the Group expected to participate in such tender.

Furthermore, in relation to the inter-city expressway expansion construction plan which was taken into account by the Group when estimating the Annual Caps, we noted from the notice published by the Sichuan government of the PRC in June 2016 (www.sc.gov.cn) in relation to certain inter-city expressway expansion plan that, the Sichuan government is expected to commence the expressway expansion construction plan by the second half of 2016 and is expected to complete the expansion by 2019. We also noted from the notice that, the estimated investment amount of the entire expansion plan would cost up to RMB20.5 billion. According to the management of the Group, after their discussion with the Sichuan government of the PRC, the management of the Group have taken into account the relevant constructions which are

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expected to be carried out by the end of 2016 and in 2017 when estimating the Annual Caps.

In respect of other construction projects, which TCC intended to participate in bidding in 2017, we also noted that contract sum which the management of the Group made reference to were in accordance with the relevant local county investment plans and feasibility study reports.

In respect of the estimated contract sum to be recorded by TCC for each project estimated to be carried out by TCC in 2017, as discussed with the management of the Group the estimated contract sums to be recorded by TCC in 2017 for each project which TCC intended to participate were estimated by (i) personnel holding professional qualifications in engineering, being the National Pricing Engineer (全國造價工程師) and/or Senior Engineer; and/or (ii) personnel having extensive experience in construction/engineer industry. Furthermore, we also noted from our discussion with the management of the Group that the personnel who obtains title of “Senior Economist” (高級經濟師) and has over 15 years’ experience in construction/engineer industry, will be responsible for the coordination of each of the estimation for the anticipated construction contracts to be carried out by TCC.

In view of (i) the projects anticipated to be carried out by TCC were referenced to various investment plan, and feasibility study report of various governmental body; and (ii) the estimated cost to be recorded in 2017 was estimated by personnel of TCC with relevant background and experience in engineering and costing, as such we consider, among other things, the Annual Caps estimated based on the above measures to be appropriate.

Due to the substantial deviation between the actual transaction amount for the period ended 30 June 2016 and the annual cap amount for the year ending 31 December 2016, we have discussed with the management of the Group regarding the reasons for such deviation, details of which please refer to the section headed “Review of historical figures”. According to the management of the Group, the factors leading towards the low utilization rate of the annual caps for the year ended 31 December 2015 and for the six months ending 30 June 2016 had been taken into account when determining the proposed annual caps for the year ending 31 December 2017 under Construction Framework Agreement A and Construction Framework Agreement B respectively. Despite the factors which contributed to the variance between the actual transaction amount and the annual caps for the year ended 31 December 2015 and for the six months ending 30 June 2016 were unpredictable, the Directors have taken into account, among other things, the following to come up with the estimation on the Annual Caps for the year ending 31 December 2017 including among other things: (i)

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TCC shall have the similar chance to participate in and winning the tender, for prudent purpose, the Directors estimated a 100% success rate for awarding the contract to TCC, in case TCC is able to win each of the tender which TCC participates the Annual Caps for the year ending 31 December 2017 will still be sufficient; (ii) in respect of construction projects postponed during the year ending 31 December 2016, after discussion with relevant government authorities, the Directors have taken into account the fact that the relevant construction project will be possibility subject to tender in 2017, as such the Annual Caps for the year ending 31 December 2017 have factored in such consideration; (iii) in respect of the postponement or cancellation of projects by the relevant government authorities during 2016, after discussing with the relevant government authorities, the Directors have factored in all postponement or cancellation of projects according to their knowledge as at the date of the Announcement and as at the Latest Practicable Date, the Directors were not informed of any updates regarding the postponement or cancellation of any other construction projects; and (iv) in respect of maintenance work, as at the Latest Practicable Date, as discussed with the management of the Group, the Group considered that the maintenance work to be carried out for the year ending 31 December 2017 will be in accordance to the latest maintenance schedule (subject to the then weather condition) and up to the Latest Practicable Date, the Group is not aware of any information which would result in any changes to be made on the current maintenance schedule.

We concur with the Directors' view that, the circumstances mentioned above were considered to be inevitable which construction company will encounter during its daily operation.

Taking into account the above factors, we concur with the Directors that, by making reference to the relevant government plan and factoring in any updated changes of the government development plan as well as the latest construction progress in estimating the Annual Caps is considered fair and reasonable.

As a result of the nature of construction and maintenance work, the revenue recognised according to progress of completion may vary due to uncertainties to be faced by TCC including climate and environmental uncertainties which may result in changes in construction plan and schedule. It is therefore difficult for the Group to form a definitive estimation for TCC's transaction value for the upcoming projects. In the event that the total values of the Transactions exceeded the Annual Caps in any for the year ending 31 December 2017, the Transactions will be subject to further review and re-approval by the Independent Shareholders as required by the Listing Rules.

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6. Reporting requirements and conditions of the Transactions

Pursuant to Rules 14A.55 to 14A.59 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) on normal commercial terms or better; 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 whether anything has come to the Board's attention that causes them to believe that the Transactions:
 - (i) have not been approved by the Board;
 - (ii) are not, in all material respects, in accordance with the pricing policies of the Group (if applicable);
 - (iii) have not been entered into, in all material respects, in accordance with the relevant agreements governing the Transactions; and
 - (iv) have exceeded the Annual Caps;
- (c) the Company shall allow, and ensure 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 the independent non-executive Directors and/or auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) respectively.

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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 Construction Framework 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 Construction Framework Agreements (including the Annual Caps) and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
HALCYON CAPITAL LIMITED
Terry Chu
Managing Director

Mr. Terry Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 16 years of experience in corporate finance industry.

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. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or was deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

(a) Long position in the Company

Name of Director	Type of Shares	Nature of interest	Percentage of issued share capital of	
			Number of Shares held	the Company
Mr. Zhou Liming	A Shares	Beneficial owner	50,000	0.0016%
Mr. Gan Yongyi	A Shares	Beneficial owner	50,000	0.0016%
Mr. Wang Shuanming	A Shares	Beneficial owner	5,100	0.0002%
Mr. Luo Maoquam	A Shares	Beneficial owner	10,000	0.0003%

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(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 2015, 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	Number of the Company's Shares held	Approximate percentage in	Approximate percentage in A/H Shares	Capacity
				the total share capital of the Company		
STI Group	A Shares (state- owned shares)	Long position	975,060,078	31.88%	45.08%	Beneficial owner
	H Shares	Long position	60,854,200	1.99%	6.80%	Beneficial owner
		Total	<u>1,035,914,278</u>	<u>33.87%</u>	<u>–</u>	Beneficial owner
China Merchants Expressway Network & Technology Holdings Co., Ltd.	A Shares (legal person shares)	Long position	664,487,376	21.73%	30.72%	Beneficial owner

4. COMPETING BUSINESS

As 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 navigation hubs mainly for waterway canalization, etc.; Mr. Luo Maoquan holds a position in TCC, which is a joint stock company established in the PRC with limited liabilities 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 foundation engineering; highway traffic 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. 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 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 first quarterly report dated 28 April 2016, the interim results announcement dated 30 August 2016, the interim report dated 22 September 2016 and the third quarterly report dated 27 October 2016, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2015, the date to which the latest published audited financial statement 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 licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Halcyon Capital 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 Capital 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 Capital is given as at the date of this circular for incorporation herein.

As at the Latest Practicable Date, Halcyon Capital 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 2015, 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 Construction Framework Agreements and the Purchase Framework Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 35 of this circular;
- (c) the letter from Halcyon Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 36 to 59 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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Sichuan Expressway Company Limited* (the “**Company**”) will be held at 3:00 p.m. on 19 January 2017 (Thursday) at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan, the PRC for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions.

Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the announcement of the Company dated 27 October 2016 (the “**Announcement**”). As disclosed in the Announcement, a circular (the “**Circular**”) containing the details in relation to the resolutions herein below will be despatched to the shareholders as soon as practicable.

AS ORDINARY RESOLUTIONS

1. The signing, performance and implementation of the Construction Framework Agreement A and the proposed annual cap for the year ending 31 December 2017 as set out in the Circular be and are hereby considered, recognized, confirmed and approved; and any one of the Directors of the Company be and are hereby authorized to execute for and on behalf of the Company all such other documents, instruments and agreements and to take all steps necessary or expedient to implement and/or give effect to the Construction Framework Agreement A; any member of the Group (including those newly established or acquired through equity investment or other organizations) be and are hereby approved to, in its absolute discretion deemed appropriate or expedient and in the interests of the Company and the shareholders as a whole and based on the actual work needs, to negotiate, develop, execute, amend, supplement and perform any documents in connection with the Construction Framework Agreement A (including but not limited to the actual agreement contemplated under the Construction Framework Agreement A) with any member of TCC (including those newly established or acquired through equity investment or other organizations) and proceed with all things and actions necessary for the construction pursuant to the terms set out therein;

NOTICE OF EGM

2. The signing, performance and implementation of the Construction Framework Agreement B and the proposed annual cap for the year ending 31 December 2017 as set out in the Circular be and are hereby considered, recognized, confirmed and approved; TCC and any of its members (including those newly established or acquired through equity investment or other organizations) be and are hereby approved to, in its absolute discretion deem appropriate or expedient and in the interests of the Company and the shareholders as a whole and based on the actual work needs, to negotiate, develop, execute, amend, supplement and perform any documents in connection with the Construction Framework Agreement B (including but not limited to the specific agreement contemplated under the Construction Framework Agreement B) with STI Group and any of its members (including those newly established or acquired through equity investment or other organizations) and proceed with all things and actions necessary for the construction pursuant to the terms set out therein; but no advance payment shall be made by TCC to STI Group, where any advance payment is required, it shall be subject to separate procedure for approval by the Company;
3. The signing, performance and implementation of the Purchase Framework Agreement and the proposed annual cap for the year ending 31 December 2017 as set out in the Circular be and are hereby considered, recognized, confirmed and approved; and any one of the Directors of the Company be and are hereby authorized to execute for and on behalf of the Company all such other documents, instruments and agreements and to take all steps necessary or expedient to implement and/or give effect to the Purchase Framework Agreement; any member of the Group (including those newly established or acquired through equity investment or other organizations) be and are hereby approved to, in its absolute discretion deem appropriate or expedient and in the interests of the Company and the shareholders as a whole and based on the actual work needs, to negotiate, develop, execute, amend, supplement and perform any documents in connection with Purchase Framework Agreement (including but not limited to the actual agreement contemplated under Purchase Framework Agreement) with STI Group and any of its members (including those newly established or acquired through equity investment or other organizations) and proceed with all things and actions necessary for the purchase pursuant to the terms set out therein.

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

Chengdu, Sichuan, the PRC
2 December 2016

NOTICE OF EGM

Notes:

1. The register of members of H Shares will be closed from 20 December 2016 (Tuesday) to 19 January 2017 (Thursday), both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the EGM, unregistered holders of H Shares shall ensure that all transfers 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 19 December 2016 (Monday).
2. Any holder of H Shares who has registered on the register of members of H Shares before the close of business on 19 December 2016 (Monday) is entitled to attend the EGM after registration for the meeting. He/she is also entitled to appoint one or more proxies to attend and vote at the EGM on his/her behalf in accordance with the Articles of Association of the Company. A proxy need not be a Shareholder of the Company.
3. In order to be valid, the form of proxy of holders of H Shares and, if such form of proxy is signed by a person under a power of attorney or other authority on behalf of the principal, a notarially certified copy of that power of attorney or authority shall be deposited at the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the EGM (or any adjournment thereof) or 24 hours before the time appointed for the passing of the resolution(s).
4. Shareholders or their proxies should produce their identity documents when attending the EGM. Should a proxy be appointed, the proxy shall also present the form of proxy.
5. Pursuant to the Articles of Association of the Company and the Listing Rules, the Chairman of the EGM will demand a poll in relation to all the resolution(s) proposed at the EGM.
6. Shareholders who intend to attend the EGM shall complete and lodge the reply slip for attending the EGM at the Company's legal address at 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC not later than 4:30 p.m. on 29 December 2016 (Thursday). The reply slip may be delivered to the Company by hand, by post or by fax (fax no.: (8628) 8553 0753).
7. The EGM is expected to last for less than one day. Shareholders or their proxies attending the EGM shall be responsible for their own traveling and accommodation expenses.

* *For identification purposes only*