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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)

CONTINUING CONNECTED TRANSACTION
ENTERING INTO OF
CONSTRUCTION FRAMEWORK AGREEMENT

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



References are made to the announcement dated 27 October 2016 and the circular dated 2 December 2016 of the Company in relation to, among other things, the Previous Construction Framework Agreement A entered into between the Company and TCC and the Previous Construction Framework Agreement B entered into between TCC and SCI respectively on 27 October 2016.

CONSTRUCTION FRAMEWORK AGREEMENT

As both the Previous Construction Framework Agreement A entered into between the Company and TCC (a company owned as to 95% by SCI directly and through its wholly-owned subsidiaries) and the Previous Construction Framework Agreement B entered into between TCC and SCI will expire on 31 December 2017, the Company and SCI entered into the Construction Framework Agreement on 30 October 2017, pursuant to which, SCI Group shall contract certain construction services from the Group for the period from 1 January 2018 to 31 December 2018.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SCI is a Controlling Shareholder of the Company which holds approximately 33.87 % of the issued share capital of the Company. Therefore, SCI is a connected person of the Company under Rule 14A.07(1) 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 Agreement are, on an annual basis, over 5%, the Construction Framework Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

An Independent Board Committee has been formed to consider whether the terms of the Construction Framework Agreement and the transactions contemplated thereunder, and the annual cap for the year from 1 January 2018 to 31 December 2018 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. Halcyon Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing (i) further details of the transactions contemplated under the Construction Framework Agreement; (ii) the recommendation of the Independent Board Committee in connection with the Construction Framework Agreement; (iii) the advice of the Independent Financial Adviser in connection with the Construction Framework Agreement; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 20 November 2017.

CONSTRUCTION FRAMEWORK AGREEMENT

References are made to the announcement dated 27 October 2016 and the circular dated 2 December 2016 of the Company in relation to, among other things, the Previous Construction Framework Agreement A entered into between the Company and TCC and the Previous Construction Framework Agreement B entered into between TCC and SCI respectively on 27 October 2016.

As both the Previous Construction Framework Agreement A entered into between the Company and TCC (a company owned as to 95% by SCI directly and through its wholly-owned subsidiaries) and the Previous Construction Framework Agreement B entered into between TCC and SCI will expire on 31 December 2017, the Company and SCI entered into the Construction Framework Agreement on 30 October 2017, pursuant to which, SCI Group shall contract certain construction services from the Group for the period from 1 January 2018 to 31 December 2018.

The major terms of the Construction Framework Agreement are set out as follows:

Date:	30 October 2017
Term:	1 January 2018 to 31 December 2018
Parties:	The Company; and SCI
Nature of transaction:	SCI Group shall contract the following construction works (“ Construction Works ”) from 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); (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 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, the Group shall act as the tenderer via the business department of the responsible construction unit of the Company and its subsidiaries, and the bid evaluation panel (comprised 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' experience, historical achievements and abilities and other information based on the principle of non-exclusivity pursuant to the relevant regulations in the process of open tender and bidding for all bidders' reference. The Group will not proceed with the transaction if SCI 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 (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 rebidding, (i) for construction projects that are subject to examination and approval by 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 its own discretion.

If SCI Group satisfies all the requirements of the Group (as the tenderer) in relation to the qualifications, experience, strength and track record of the bidders, 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 SCI 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 Construction 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》) (Order of the State Council 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 need not be carried out by tender pursuant to the aforesaid regulations.

For emergency rescue construction works under the Construction Framework Agreement, where the Group is the contract letting party and SCI Group 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 recent similar type of construction works (including but not limited to general condition of construction works, technical standard adopted in the construction, anticipated construction period and engineering quantity, etc.) determined through procedures for tender and bidding held by the Group or an independent third party which SCI Group 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.

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 for 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 date of this announcement, 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 terms:

The payment terms are determined based on the 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 the specific payment method according to the payment terms set out 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 a connected person or an independent third party. Normally, the contract letting party shall pay to the contractor progress payment within 28 days upon receiving 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 requirements under the listing rules of the Stock Exchange and the Shanghai Stock Exchange in relation to continuing connected transactions, which include but not limited to reporting, announcement and/or Independent Shareholders' approval requirements.

Annual Cap and Basis for Determining the Annual Cap

In determining the annual cap for the Construction Framework Agreement, 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 next one year; (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 SCI Group.

Although independent third parties and SCI Group have equal opportunities in the bidding, in order to ensure the 2018 annual cap remains sufficient, the Directors, when adding up the estimated annual transaction amounts for each of the constructions to be granted in the annual period from 1 January 2018 to 30 December 2018 to arrive at the estimated 2018 annual cap, prudently assumed a 100% success rate of SCI Group winning the tenders.

Having considered the above factors and aggregated the estimated annual transaction amounts for each of the constructions in progress and to be granted in the annual period from 1 January 2018 to 31 December 2018, the Directors propose that the annual cap for the Construction Framework Agreement from 1 January 2018 to 31 December 2018 shall be as follows:

	Annual Cap (‘000)
The year ending 31 December 2018	RMB5,150,000

Historical Transaction Amount

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

	RMB (‘000)
For the period from 1 January 2016 to 31 December 2016	551,895
For the six months ended 30 June 2017	91,161

REASONS FOR AND BENEFITS OF THE CONSTRUCTION FRAMEWORK AGREEMENT

Based on the need of its business development, the Group intends to select contractors for its construction works mainly through tender and bidding. SCI Group may participate in such biddings in accordance with laws. Pursuant to the relevant PRC laws and regulations, construction works are primarily conducted by way of tender and bidding, by which all bidders have to comply with the prescribed time. In order to enable SCI Group to grasp the opportunities of the tenders organized by the Group from time to time and to ensure the Company's compliance with the relevant requirements under the Listing Rules, SCI entered into the Construction Framework Agreement with the Company.

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 Agreement is entered into in the ordinary and usual course of business of the Group and the terms as contained in the Construction Framework Agreement are normal commercial terms, which are arrived at after arm's length negotiations between the parties, and the annual cap and the terms of the Construction 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 RELATING TO TRANSACTIONS TERMS SUCH AS PRICING POLICY AND PAYMENT METHOD OF THE CONTINUING CONNECTED TRANSACTION

The Directors believe that in respect of the Construction Framework Agreement, the Group has implemented complete internal control procedures and steps in practicing the transaction terms such as pricing policy and payment method of the continuing connected transaction. 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 Agreement. Details of the internal control procedures and steps and the measures adopted for safeguarding the interests of the Company and the Shareholders as a whole are set out below:

- (1) After the above continuing connected transaction was 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 the connected transaction and fairness of pricing, and considered that the terms of the connected transaction 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 transaction, and also reviewed and approved the above connected transaction.
- (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 transaction under the continuing connected transaction agreements on a regular basis, so as to (i) consider the effective implementation of the pricing policy and the payment method as well as the appraisal of the balance of the annual cap; (ii) identify management weakness, and make recommendations for improvement to ensure that the internal control measures in respect of the continuing connected transaction remain complete and effective and the Company will take measures to address the weakness identified, if any, 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 agreement remain complete and effective.

ABSTENTION FROM BOARD RESOLUTIONS

As Mr. Zhou Liming, Mr. Tang Yong, Mr. Huang Bin, Mr. Wang Shuanming and Mr. Luo Maoquan held positions in SCI Group, they are regarded as being interested in the Construction Framework Agreement and therefore have abstained from voting on the Board resolutions to approve the said agreement.

Saved and except for the aforesaid, none of the Directors has any material interest in the Construction Framework Agreement and was required to abstain from voting on the Board resolutions in relation to the said agreement.

INFORMATION OF THE COMPANY AND SCI

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.

SCI is a state-owned enterprise established in the PRC with limited liability. 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SCI is a Controlling Shareholder of the Company which holds approximately 33.87% of the issued share capital of the Company. Therefore, SCI is a connected person of the Company under Rule 14A.07(1) 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 Agreement are, on an annual basis, over 5%, the Construction Framework Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

An Independent Board Committee has been formed to consider whether the terms of the Construction Framework Agreement and the transactions contemplated thereunder, and the annual cap for the year from 1 January 2018 to 31 December 2018 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. Halcyon Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing (i) further details of the transactions contemplated under the Construction Framework Agreement; (ii) the recommendation of the Independent Board Committee in connection with the Construction Framework Agreement; (iii) the advice of Halcyon Capital in connection with the Construction Framework Agreement; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 20 November 2017.

DEFINITIONS

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

“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”	the construction framework agreement entered into between the Company and SCI on 30 October 2017 in respect of certain construction services to be contracted to SCI Group by the Group for the period from 1 January 2018 to 31 December 2018
“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, at which the Construction Framework Agreement will be proposed to be approved by the Shareholders or the Independent Shareholders
“Group”	the Company and its subsidiaries
“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 under the Securities and Futures Commission 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 Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting on relevant resolutions at the EGM due to their material interests in Construction Framework Agreement
“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 announcement, 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 27 October 2016, please refer to the Company’s announcement dated 27 October 2016 and the circular dated 2 December 2016 for details
“Previous Construction Framework Agreement B”	the construction framework agreement entered into between TCC and SCI on 27 October 2016, please refer to the Company’s announcement dated 27 October 2016 and the circular dated 2 December 2016 for details
“RMB”	Renminbi, the lawful currency of the PRC

“SCI”	Sichuan Communications Investment Group Company Limited* (四川省交通投資集團有限責任公司), the Controlling Shareholder of the Company
“SCI Group”	SCI and its subsidiaries (other than the Group)
“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
“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), which is owned as to 5% by the Company and 95% by SCI (directly and through its wholly-owned subsidiaries)
“%”	per cent

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

Chengdu, Sichuan, the PRC
30 October 2017

As at the date of this announcement, the Board comprises Mr. Zhou Liming (Chairman), Mr. Gan Yongyi (Vice Chairman) and Mr. Luo Maoquan as executive Directors, Mr. Zheng Haijun (Vice Chairman), Mr. Tang Yong, Mr. Huang Bin, Mr. Wang Shuanming and Mr. Ni Shilin as non-executive Directors, Mr. Sun Huibi, Mr. Guo Yuanxi, Mr. Yu Haizong and Madam Liu Lina as independent non-executive Directors.

* *For identification purposes only*