

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**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** (the “**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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

---



**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)

**(1) CONTINUING CONNECTED TRANSACTION;  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



---

Capitalised terms used in this cover shall have the same meanings as those defined in the circular.

A letter from the Board is set out on pages 1 to 16 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from Halcyon Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 35 of this circular.

A notice convening the EGM to be held at 3 p.m. on 25 January 2018 (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 41 to 42 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.

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	ii
<b>LETTER FROM THE BOARD</b> .....	1
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	17
<b>LETTER FROM HALCYON CAPITAL LIMITED</b> .....	19
<b>APPENDIX I — GENERAL INFORMATION</b> .....	36
<b>NOTICE OF EGM</b> .....	41

---

## DEFINITIONS

---

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

“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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve, among others, the Construction Framework Agreement and the transactions contemplated thereunder, the notice of which is set out on pages 41 to 42 of this circular
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of the Stock Exchange (stock code: 00107)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

---

## DEFINITIONS

---

“Independent Board Committee”	an independent committee of the Board comprising 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 Agreement 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 Agreement
“Latest Practicable Date”	5 December 2017, 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 Macau 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
“Previous Construction Framework Agreement B”	the construction framework agreement entered into between TCC and STI on 27 October 2016
“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)
“Share(s)”	A Shares and H Shares
“Shareholder(s)”	registered holder(s) of the Shares

---

## DEFINITIONS

---

“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

\* *For identification purposes only*



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

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

(Stock Code: 00107)

*Executive Directors:*

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

*Legal Address:*

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

*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

8 December 2017

*To the Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION;  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the Company's announcement dated 30 October 2017 in relation to the Construction Framework Agreement.

---

## LETTER FROM THE BOARD

---

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

### II. CONNECTED TRANSACTION – 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.

On 31 March 2017, the Company entered into the equity transfer agreement to transfer 46% of its equity interest in TCC to SCI. As at the Latest Practicable Date, the equity transfer has been completed and TCC is owned as to 95% by SCI (directly and through its wholly-owned subsidiaries). The on-going participation of TCC in the Group's construction and maintenance work will continue to be constituted as continuing connected transactions of the Group.

Given that TCC became a subsidiary of SCI and as both 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 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

---

## LETTER FROM THE BOARD

---

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 Policies: 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



---

## LETTER FROM THE BOARD

---

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 nonexclusivity 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.

---

## LETTER FROM THE BOARD

---

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 by the relevant business department of the responsible construction unit of the Company and its subsidiaries which should be the same as the most recent bidding price of similar type of construction work. The bidding price of the most recent similar type of construction work refer to the bidding price of the most recent similar type of construction work (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.

---

## LETTER FROM THE BOARD

---

In practice, due to the uniqueness of each piece of construction work, it may be difficult to find a recent project which is directly 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 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 Last 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.

---

## LETTER FROM THE BOARD

---

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.

### **III. 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.

Annual caps under the Construction Framework Agreement are 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.

---

## LETTER FROM THE BOARD

---

**(1) Basis of estimation**

- (a) When estimating the contract sum on expressway and ancillary facilities construction and municipal construction works to be entered into, 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 reference 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 SCI Group have equal opportunities in the bidding, in order to ensure the 2018 annual cap remains sufficient, the Directors prudently assumed a 100% success rate of SCI Group being awarded with the contracts for the year ending 31 December 2018.
- (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 SCI Group, the Directors are of the view that SCI Group 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 2018 which sets out (i) the nature of project; (ii) the transaction amount contemplated under the construction progress estimated by the Directors for each of the Group'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 progress of such projects. By summing up the schedules, the Directors obtained a quantitation estimation of the annual cap required, details as follow:

---

## LETTER FROM THE BOARD

---

- (a) The Directors estimated that the transaction amount for projects under signed contracts during 2018 pursuant to the construction plan and the latest construction progress would be RMB1,252.5 million, mainly including (i) the expansion construction project for Qinglongchang-Meishan trial section of Chengdu-Leshan Expressway; and (ii) municipal construction including among other things local roads remediation.
- (b) The Directors estimated that the amount of upcoming projects to be awarded would be RMB3,650 million, including (i) the expansion construction project for Chengdu-Leshan Expressway; 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.
- (c) The Directors estimated that the amount of expressway maintenance work to be carried out during 2017 would be RMB245 million.
- (d) The Directors estimated a general buffer of RMB2.5 million catering for any unexpected pricing adjustment or variation orders for the construction works.

Having considered the above factors and aggregated the estimated annual transaction amounts ending 31 December 2018 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 for the year ending 31 December 2018 shall be RMB5,150 million.

### ***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:

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

The Directors are aware that the proposed annual cap for the Construction Framework Agreement represented a significant increase to the Previous Construction Framework Agreement A historical transaction amount for the six months ended 30 June 2017.

---

## LETTER FROM THE BOARD

---

The Directors consider it necessary to increase such annual cap for the year ending 31 December 2018 for the Construction Framework Agreement because:

- (i) SCI Group shall have equal opportunities as other independent third parties in participating in and winning the tenders under the Construction Framework Agreement and thus for prudent purpose, the Directors estimated a 100% success rate for SCI Group. In case SCI Group is able to win each of the tenders which SCI Group participates, the annual caps for the year ending 31 December 2018 will still be sufficient.
- (ii) The annual cap for the Construction Framework Agreement amounted to RMB5,150 million, of which RMB3,650 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 our Group 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 the Construction Framework Agreement.
- (iii) There were construction projects postponed during the year ending 31 December 2017. After discussion with relevant government authorities, the Directors have taken the view that the relevant construction projects will possibly be subject to tender in 2018.
- (iv) The Group considered that the maintenance work to be carried out for the year ending 31 December 2018 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 material changes to be made on the current maintenance schedule.

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 2017 annual cap is relatively low, the Directors consider it prudent and favorable to the Group to take into account the above-mentioned assumptions and uncertainties when obtaining the 2018 annual cap. Taking into account the above factors, the Directors consider the annual cap under the Construction Framework Agreement fair and reasonable.

---

## LETTER FROM THE BOARD

---

### **IV. REASONS FOR AND BENEFITS OF 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 circular are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the above, the Directors (including all the independent non-executive Directors) are of the view that the terms of the Construction Framework Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **V. 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.

#### **(i) For transactions excluding emergency rescue construction works**

The final consideration of contracts for construction works contract 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, 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 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.

### **(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 Agreement need not be carried.

### *The Group as the tenderer and SCI Group as the bidder of emergency rescue construction works*

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 by the relevant business department of the responsible construction unit of the Company and its subsidiaries 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. 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,

---

## LETTER FROM THE BOARD

---

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.

**(iii) Payment terms**

The payment terms under the Construction 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.

**(iv) Internal Control**

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

---

## LETTER FROM THE BOARD

---

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.

### **VI. ABSTENTION IN BOARD RESOLUTIONS AND AT THE EGM**

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.

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

### **VII. INFORMATION ON THE PARTIES TO CONSTRUCTION FRAMEWORK AGREEMENT**

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.

### **VIII. LISTING RULES IMPLICATIONS**

As at the Last Practicable Date, 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.

---

## LETTER FROM THE BOARD

---

In view of SCI's interest in the Construction Framework Agreement, SCI and its associates will abstain from voting at the EGM on the resolution in relation to the Construction Framework Agreement.

### **IX. EGM**

The Company proposes to convene the EGM at 3 p.m. on 25 January 2018 (Thursday) at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the People's Republic of China (the PRC).

A notice convening the EGM is set out on pages 41 to 42 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For the H Shareholders, the proxy forms should be returned to Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof.

Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting 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 4 January 2018 (Thursday). The reply slip may be delivered to the Company by hand, by post or by fax (fax no.: (8628) 8553 0753).

### **X. CLOSURE OF REGISTER OF MEMBERS OF H SHARES**

The H Shares register of members of the Company will be closed from 23 December 2017 (Saturday) to 25 January 2018 (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 22 December 2017 (Friday).

---

## LETTER FROM THE BOARD

---

### XI. 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 Agreement. The letter of advice from Halcyon Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 35 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 Agreement. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Construction Framework Agreement, is set out on pages 17 to 18 of this circular.

The Directors considers that the Construction Framework Agreement, the respective transactions contemplated thereunder and the respective annual cap 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 resolution for approving the Construction Framework Agreement (and the respective proposed annual caps thereunder).

### XII. 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)

8 December 2017

*To the Independent Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTION**

We have been appointed as members of the Independent Board Committee to give our advice on the Construction Framework Agreement 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 8 December 2017 (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 Agreement and the transactions contemplated thereunder. The letter from Halcyon Capital is set out on pages 19 to 35 of the Circular.

Having considered the terms and conditions of the Construction Framework Agreement, 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 Agreement 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 Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

the Independent Shareholders to vote in favour of the ordinary resolution at the EGM to approve the Construction Framework Agreement, the transactions contemplated thereunder and the relevant annual cap.

Yours faithfully,

**Independent Board Committee**

**Mr. Sun Huibi**

**Mr. Guo Yuanxi**

**Mr. Yu Haizong**

**Madam Liu Lina**

*Independent*

*Independent*

*Independent*

*Independent*

*Non-executive Director*

*Non-executive Director*

*Non-executive Director*

*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

8 December 2017

*To: the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTION

#### 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 to the SCI Group (the “**Transactions**”). Details of the Construction Framework Agreement and the Annual Cap (the “**Annual Cap**”) of the Transactions are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 8 December 2017 (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.

SCI is the controlling shareholder of the Company which holds approximately 33.87% of the issued share capital 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. As SCI is a connected person of the Company the transactions contemplated under the Construction Framework Agreement constitutes 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 Construction Framework Agreement for the year ending 31 December 2018 are, on an annual basis, over 5%, the Construction Framework Agreement (including the Annual Cap), will be subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. SCI and its associates and any Shareholders who are materially interested in the Construction Framework Agreement shall abstain from voting in relation to the terms of the Construction Framework Agreement 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 Agreement (including the Annual Cap) 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 resolution(s) 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 letters from the independent financial adviser contained in the circulars of the Company dated 2 December 2016, 11 August 2017 and 27 September 2017), 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 or arrangement for our upcoming potential independent financial advisory appointment, 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 30 October 2017 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 Agreement 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 Agreement (including the Annual Cap), 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, SCI and each of their respective associates, and the parties involved in the transactions contemplated under Construction Framework Agreement.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### 1. Background to and reasons for the entering into of the Construction Framework Agreement

The Group is principally engaged in the investment, construction, operation and management of road infrastructure projects in Sichuan Province, the PRC as well as the operation of other businesses related to toll roads. 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 2016, the toll length of expressways of the Group has reached approximately 744 km in total.

SCI 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.

Pursuant to the relevant regulations, business of construction works is primarily conducted by way of public tender and bidding, by which all bidders have to comply with the relevant requirements at the prescribed time. As TCC has been one of the potential bidder of the Group's construction and maintenance work. In order to (i) meet the tendering and bidding timetable; (ii) prevent losing the opportunity to participate in the public tenders organized by the Group; and (iii) ensure the Company's compliance with the relevant Listing Rules, the Company entered into the construction framework agreements with TCC on an annual basis to agree on the annual cap for the Group's potential constructions and maintenance project intended to be participated by TCC.

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

On 31 March 2017, the Company entered into the equity transfer agreement to transfer 46% of its equity interest in TCC to SCI. As at the Latest Practicable Date, the equity transfer has been completed and TCC is owned as to 95% by SCI. The on-going participation of TCC in the Group's construction and maintenance work will continue to be constituted as continuing connected transactions of the Group. Given TCC has become a subsidiary of SCI, and the annual framework construction agreement which sets out the annual cap for the year ending 31 December 2017 entered into by TCC and the Company will expire by 31 December 2017, the Company and SCI entered into the Construction Framework Agreement on 30 October 2017 to govern the on-going participation of public tender and bidding by SCI Group (including TCC) for construction and maintenance projects to be awarded by the Group in 2018.

The Directors considered that the Construction Framework Agreement provide flexibility but not an obligation to the Group to engage SCI Group in their respective business operation whenever their respective directors consider appropriate.

Having considered that the transactions between the Group and SCI Group have been carried out in their respective ordinary and usual course of business and the continuing business relationship among the Group and SCI Group, we considered that the entering into of the Construction Framework Agreement is in the ordinary and usual course of business of the Group.

### 2. **Principal terms of the Construction Framework Agreement**

On 30 October 2017, the Company and SCI entered into the Construction Framework Agreement, pursuant to which the SCI Group (including TCC) shall contract the following construction works from the Group: (A) contracting and subcontracting the construction works of expressways (including roads, bridges, tunnels, etc.) and ancillary facilities, which include: (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; and (iv) emergency or rescue works of expressways and ancillary facilities; and (B) contracting and subcontracting of municipal construction works, which 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 is for a term commencing from 1 January 2018 (effective upon the fulfillment of all conditions precedents, whichever is later) to 31 December 2018.

---

## 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.

### ***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.

In relation to the Construction Framework Agreement, where the Group as the tenderer of the construction and member of SCI Group being the bidder, the business department of the Group and 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 could set out requirements on construction projects including bidders' experience, historical achievements and abilities and other information based on the principle

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

of non-exclusivity pursuant to the relevant regulations in the process of open tender and bidding procedure for all bidders' reference.

The Group will not proceed with the transaction if SCI or member of SCI (including 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 member of SCI Group (including 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 submitted by SCI or member of SCI Group (including 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, as such the Directors considered that the pricing mechanisms as mentioned above, will ensure that the price of the transactions under the Construction Framework Agreement 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 laws of the PRC.

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 Agreement need not be carried out by tender pursuant to the aforesaid regulations.

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

For emergency rescue construction work under the Construction Framework Agreement, where the Group is the contract letting party and SCI or member of SCI Group (including TCC) is the contractor of construction works, the consideration will be determined by the relevant business department of the responsible construction unit of the Company and its subsidiaries which should be the same as the most recent bidding prices of similar type of construction works. The bidding prices of most 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 SCI or member of SCI Group (including 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 directly 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.

If the bidding price of similar type of construction works is not available where the Group as the contract letting party and SCI or member of SCI Group (including 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.

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

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

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.

As of the Latest Practicable Date, none of the construction works transactions contracted by the Group or carried out by SCI or member of SCI Group (including TCC) are subject to the above government prescribed price or guidance price by the relevant 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 2016, the independent non-executive Directors of the Company have reviewed the continuing connected transactions for the year ended 31 December 2016 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 engaged 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

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

ended 31 December 2016, 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**

From our understanding with the management of the Group, during the period between 1 January 2017 and up to the Latest Practicable Date, the Group entered into one construction contract with TCC. We have compared the construction contract entered into between the Group with TCC against similar contract entered into between the Group 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 with TCC and (ii) between the Group 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, the Group did not engage SCI Group (including TCC) or independent third parties in relation to emergency rescue since 1 January 2017 up to the Latest Practicable Date, as such we are unable to compare the individual contracts entered into between the Group and SCI Group against similar contract entered into between the Group and other independent third party contractor. We have, however understand from the management of the Group that, should the Group require any emergency rescue service from SCI Group, 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 engaging SCI group for emergency rescue service. 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.



---

## LETTER FROM HALCYON CAPITAL LIMITED

---

### 5. Basis of the Annual Cap

The transactions contemplated under the Construction Framework Agreement 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 Cap as discussed below.

In assessing the reasonableness of the Annual Cap, 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 Agreement entered into between the Company and SCI Group for the purpose of determining the Annual Cap.

#### (i) *Review of the historical figures*

Set out below are the historical values of the Transactions entered into between the Group and TCC (which became subsidiary of SCI subsequent to the completion of the equity transfer) during the two years ended 31 December 2016 and for the six months ended 30 June 2016 and 2017 extracted from the financial records in the relevant financial periods:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>	<b>For the six months ended 30 June 2016</b>	<b>For the six months ended 30 June 2017</b>
	<i>RMB' in million</i>	<i>RMB' in million</i>	<i>RMB' in million</i>	<i>RMB' in million</i>
Transaction amount recorded by TCC for providing the relevant construction services to the Group	243.5	551.9	217.0	91.2
Annual Cap under Construction Framework Agreement A and Previous Construction Framework Agreement A	980	1,010	505 <i>(Note)</i>	3,050 <i>(Note)</i>
Utilization rate	<b>24.8%</b>	<b>54.6%</b>	<b>43.0%</b>	<b>2.99%</b>

*Note:* Six months pro-rata of the annual cap for the year ended 31 December 2016 and for the year ending 31 December 2017.

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

During the year ended 31 December 2016, the construction income recorded by TCC for providing the relevant construction service to the Group increased as compared to that of for the year ended 31 December 2015. Such increase was mainly contributed by an increase in construction work carried out by TCC for the Group (excluding TCC) as a result of the commencement of certain construction projects in 2016. During the first half of 2017, the construction income recorded by TCC for providing the relevant construction service to the Group decreased significantly, as the Group experienced delay in certain construction projects as a result of government change in investment plan.

The utilization rate of the annual cap for 2016 was 54.6%. The utilization rate was lower than expected due to (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 2017 was insignificant. The deviation of the actual transaction amount to the expected annual cap for the period was mainly due to (i) the delay in the expansion of Chengdu-Leshan Expressway to 2018 which was originally scheduled to commence construction in 2017; (ii) the change in business plan of the Company due to commercial reasons deciding eventually not to participate in a number of public tender in the first half of 2017; (iii) the postponement of certain construction projects as stipulated in the government development plan to the second half of 2017 or 2018; (iv) the tightening of maintenance plan by the Group and the continuous deferral of carrying out the relevant maintenance works to the second half of 2017 for cost saving purposes; and (v) delay in construction progress of 3 construction projects as a result of (a) extra time required for demolition of original construction structure on the construction site; (b) occurrence of landslide which resulted in suspension of construction; and (c) extra time was required to for government inspection in relation to the environment protection requirements.

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

*(ii) Assessment of the Annual Cap*

When assessing the reasonableness of the Annual Cap, we have discussed with the management the basis and assumptions underlying the projection of the Annual Cap. Set out below are the Annual Cap being proposed for the transactions contemplated under the Construction Framework Agreement for the year ending 31 December 2018:

**For the year ending  
31 December  
2018**

*RMB' in million*

Annual Cap in respect of the Construction Framework Agreement	5,150
---	-------

In considering the Annual Cap for the Construction Framework Agreement, the Directors have considered a number of factors including: (i) the historical transaction amounts under the construction framework agreement entered into with TCC on 27 October 2016; (ii) the construction and maintenance plans for each of the expressways of the Group for the year ending 31 December 2018; (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 SCI Group.

Annual Cap under the Construction Framework Agreement 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.

When estimating the contract sum on expressway and ancillary facilities construction and municipal construction works to be entered into, 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 SCI Group being awarded with the contracts for the year ending 31 December 2018 was estimated by the Directors, in case SCI Group successfully wins all bids, the Annual Cap will still be sufficient. Having considered the business development potential of SCI Group, the Directors are of the view that SCI Group would be capable of undertaking all the construction projects awarded to it should its success rate of tenders be 100%.

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

Furthermore, the Directors have taken into account the latest estimated construction progress of each project and the estimated amount to be recognized which members of SCI Group (including TCC) are currently participating in.

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 and scope of maintenance work 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 2018 in accordance with construction progress schedule in aggregate would amount to RMB5,150 million, which represented (a) estimated amount for projects under signed contracts of RMB1,252.5 million estimated to be recognized during 2018 pursuant to the construction plan and the latest construction progress, mainly including (i) the expansion construction project for Qinglongchang-Meishan trial section of Chengdu-Leshan Expressway; and (ii) municipal construction including among other things local roads remediation; and (b) for upcoming projects to be awarded of RMB3,650 million, including (i) the expansion construction project for Chengdu-Leshan Expressway; 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; (c) estimated expressway maintenance work to be carried out during 2018 of RMB245 million; and (d) a general buffer of RMB2.5 million catering for any unexpected pricing adjustment or variation orders for the construction works.

The Annual Cap for upcoming projects to be awarded was primarily contributed by the expansion construction project for Chengdu-Leshan Expressway (the “**Expansion Project**”). The Company will invest in and implement the Expansion Project which is expected to commence in 2018 and complete in 2020, with total estimated investment amounted to RMB23,133 million. For further details of the Expansion Project, please refer to the announcement of the Company dated 30 August 2017. Based on the currently development schedule of the Group, contract sum amounted to RMB3,550 million is estimated to be carried out and recognized in 2018.

In accessing the fair and reasonableness of the Annual Cap for the Construction Framework Agreement, we have reviewed the upcoming project participation schedules prepared by the Directors for the year ending 31 December 2018 which sets out (i) the nature of the projects; (ii) the progress revenue recognition estimated by the Directors for each of SCI Group’s on-going projects; 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 SCI Group. 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

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

government discussion and government tendering plan. In regarding the cost 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 members of SCI Group 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 members of SCI Group, in case members of SCI Group is able to win each of the tender which members of SCI Group participates in, the Annual Cap will still be sufficient. In respect of the maintenance work, we have discussed with the management of the Group regarding their maintenance, according to the management of the Group, based on the maintenance plan of the Group, the management of the Group expected that the maintenance level for the Group the coming year ending 31 December 2018 will increase as compared to current year, as a result of the expected additions to the scope of the maintenance work to be carried out with reference to the latest conditions of the relevant expressways and the maintenance schedule and the carrying out of maintenance work in 2018 which was supposed to be carried out in 2017, due to the delay in maintenance plan for reason as explained above.

Furthermore, in relation to the consideration of the Expansion Project when estimating the Annual Cap, we noted that such Expansion Plan has been delayed in commencement of construction from 2017 to 2018. In ascertaining if the Expansion Plan would be carried out in 2018, we noted from the announcement published by the Company that approval from the Ministry of Transport, and Development and Reform Commission of Sichuan Province in relation to the Expansion Project has also been obtained, and the Expansion Project has been included in the significant projects under the 13th Five-Year Plan for Highway Development issued by the Ministry of Transport and is recognized by the Sichuan Provincial Government as one of the key projects that needs to be accelerated during the 13th Five-Year Plan period. In view of the above, we concur with the Director's estimation that the construction of the Expansion Plan will be carried out in 2018 and the anticipated amount of construction work in relation to the Expansion Project to be included in the Annual Cap.

Due to the substantial deviation between the actual transaction amount for the period ended 30 June 2017 and the annual cap amount for the year ending 31 December 2017, 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 Cap for the year ended 31 December 2016 and for the six months ending 30 June 2017 had been taken into account when determining the proposed Annual Cap for the year ending 31 December 2018 under the Construction Framework Agreement. Despite the factors which contributed to the variance between the actual transaction amount and the Annual

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

Cap for the year ended 31 December 2016 and for the six months ending 30 June 2017 were unpredictable, the Directors have taken into account, among other things, the following to come up with the estimation on the Annual Cap for the year ending 31 December 2018 including among other things: (i) members of SCI Group 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 members of SCI Group, in case member of SCI Group is able to win each of the tender which SCI participates the Annual Cap for the year ending 31 December 2018 will still be sufficient; (ii) in respect of construction project postponed during the year ending 31 December 2017, 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 2018, as such the Annual Cap for the year ending 31 December 2018 have factored in such consideration; (iii) in respect of the postponement or cancellation of projects by the relevant government authorities during the first half 2017, 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 2018 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 material 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 Cap is considered fair and reasonable.

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

### 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) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
  - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company (currently, Ernst & Young) must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to the Board's attention that causes them to believe that the Transactions:
  - (i) have not been received the approval of the Board;
  - (ii) are not in accordance with the pricing policies of the Group (if applicable);
  - (iii) have not been entered into in accordance with the relevant agreements governing the Transactions; and
  - (iv) have exceeded the Annual Cap;
- (c) the Company shall allow, and shall procure the relevant counterparties to the Transactions to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

---

## LETTER FROM HALCYON CAPITAL LIMITED

---

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 Cap; 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 Cap 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 Agreement and the transactions contemplated thereunder 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 Cap 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 resolution in respect of the Construction Framework Agreement (including the Annual Cap) 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 17 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. DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

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

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors 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 2016, 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	Approximate	Capacity
				percentage in the total shares capital of the Company		
SCI	A Shares (state- owned shares)	Long position	975,060,078	31.88%	45.08%	Beneficial owner
	H Shares	Long position	<u>60,854,200</u>	<u>1.99%</u>	6.08%	Beneficial owner
	Total		1,035,914,278	33.87%	-	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 INTERESTS

As at the Latest Practicable Date, none of the Directors or the Supervisors nor any of their respective close associates (as defined under the Listing Rules) had any interest in other business which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules.

#### 5. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors or the Supervisors has entered into any service contract with any member of the Group which does not expire or is not determinable by the employer 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 27 April 2017, the interim results announcement dated 30 August 2017, the interim report dated 20 September 2017 and the third quarterly report dated 30 October 2017, 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 2016, 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:

<b>Name</b>	<b>Qualification</b>
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 2016, the date to which the latest published audited financial statement of the Group was made up.

**9. DOCUMENTS AVAILABLE 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 Monday to Friday from the date of this circular up to and including the date of the EGM:

- (a) the Construction Framework Agreement;
- (b) the Previous Construction Framework Agreement A;
- (c) the Previous Construction Framework Agreement B;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 17 to 18 of this circular;
- (e) the letter from Halcyon Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 35 of this circular; and
- (f) the letter of consent referred to under the paragraph headed “Expert and Consents” of this appendix.

---

## NOTICE OF EGM

---



# 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 p.m. on 25 January 2018 (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 resolution.

Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the announcement of the Company dated 30 October 2017 (the “**Announcement**”). As disclosed in the Announcement, a circular (the “**Circular**”) containing the details in relation to the resolution herein below will be despatched to the shareholders as soon as practicable.

### ORDINARY RESOLUTION

**“THAT:**

The signing, performance and implementation of the Construction Framework Agreement and the proposed annual cap for the year ending 31 December 2018 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; 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, negotiate, develop, execute, amend, supplement and perform any documents in connection with the Construction Framework Agreement (including but not limited to the actual agreement contemplated under the Construction Framework Agreement) with any member of SCI Group (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.”

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

Chengdu, Sichuan, the PRC  
8 December 2017

---

## NOTICE OF EGM

---

*Note:*

1. The register of members of H Shares will be closed from 23 December 2017 (Saturday) to 25 January 2018 (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 or before 4:30 p.m. on 22 December 2017 (Friday).
2. Any holder of H Shares who has registered on the register of members of H Shares before the close of business on 22 December 2017 (Friday) 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 or before 4:30 p.m. on 4 January 2018 (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.

*As at the date of this notice, 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*