
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.

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

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

(Stock Code: 00107)

DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS: (1) DISPOSAL OF THE SALE EQUITY AND THE SALE LOAN; AND (2) DISPOSAL OF THE SALE ASSETS ; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company



Lego Corporate
Finance Limited
力高企業融資有限公司

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



金融有限公司
OCTAL Capital Limited

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 14 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from Octal Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 43 of this circular.

A notice convening the EGM of the Company to be held at 3:00 p.m. on 28 September 2021 (Tuesday) 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 EGM-1 to EGM-4 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.

7 September 2021

* For identification purposes only

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DEFINITIONS

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

“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)
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Assets Transfer Agreement”	an assets transfer agreement dated 16 August 2021 entered into between Chengdu Shuhong and STIP in relation to the sale of the Sale Assets
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Chengdu Shuhong”	Chengdu Shuhong Property Company Limited* (成都蜀鴻置業有限公司), a direct wholly-owned subsidiary 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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposals”	the Renshou Disposal and the Shuhong Disposal
“Effective Date of the Assets Transfer Agreement”	the date on which the conditions precedent for the Assets Transfer Agreement are fulfilled
“Effective Date of the Equity and Corresponding Shareholder’s Loan Transfer Agreement”	the date on which the conditions precedent for the Equity and Corresponding Shareholder’s Loan Transfer Agreement are fulfilled

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve, the Equity and Corresponding Shareholder’s Loan Transfer Agreement and the Assets Transfer Agreement and the transactions contemplated thereunder, the notice of which is set out on pages EGM-1 to EGM-4 of this circular
“Equity and Corresponding Shareholder’s Loan Transfer Agreement”	an equity and corresponding shareholder’s loan transfer agreement dated 16 August 2021 entered into between the Company and STIP in relation to the sale of the Sale Equity and the Sale Loan
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the Main Board of the Stock Exchange (stock code: 00107)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Valuer”	Savills Valuation and Professional Services Limited (第一太平戴維斯估值及專業顧問有限公司), an independent property valuer
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, which has been formed to advise the Independent Shareholders on the Equity and Corresponding Shareholder’s Loan Transfer Agreement and the Assets Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity and Corresponding Shareholder’s Loan Transfer Agreement and the Assets Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholder(s) other than Shudao Investment and its associates (who will abstain from voting on the resolutions at the EGM)

DEFINITIONS

“Latest Practicable Date”	3 September 2021, 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 only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Valuer”	Sichuan Dayou Property Appraisal Company Limited* (四川大友房地產評估諮詢有限公司), an independent certified PRC valuer
“Relevant Land”	a parcel of land located at Xiangshui Village, Zhujia Township, Renshou County, Meishan City, Sichuan Province, China, as the land for the development of Hongrui International Plaza real estate project
“Renshou Debt Consideration”	consideration for the Sale Loan pursuant to the Equity and Corresponding Shareholder’s Loan Transfer Agreement, being the principal of the shareholder’s loan as outstanding and owed by Renshou Landmark to the Company on the Effective Date of the Equity and Corresponding Shareholder’s Loan Transfer Agreement and the total amount of interest accrued and unpaid thereon up to the relevant settlement date pursuant to the Equity and Corresponding Shareholder’s Loan Transfer Agreement, which the Company and STIP agreed to be not exceeding approximately RMB1,352.3 million
“Renshou Disposal”	the disposal of the Sale Equity and the Sale Loan to STIP by the Company pursuant to the Equity and Corresponding Shareholder’s Loan Transfer Agreement
“Renshou Disposal Completion”	completion of the Renshou Disposal pursuant to the Equity and Corresponding Shareholder’s Loan Transfer Agreement
“Renshou Disposal Completion Date”	the last day of the month when more than 50% of the equity consideration under the Equity and Corresponding Shareholder’s Loan Transfer Agreement has been paid or the last day of the month when the registration of the change of shareholder has been completed (whichever is earlier)

DEFINITIONS

“Renshou Equity Consideration”	consideration for the Sale Equity pursuant to the Equity and Corresponding Shareholder’s Loan Transfer Agreement, being approximately RMB502.5 million
“Renshou Landmark”	Renshou Trading Landmark Company Limited* (仁壽交投置地有限公司), a direct non-wholly owned subsidiary of the Company which is owned as to 91% and 9% by the Company and STIP respectively as at the Latest Practicable Date
“RMB”	renminbi, the lawful currency of the PRC
“Sale Assets”	a real estate project under construction named “Hongrui International Plaza” on the Relevant Land held by Chengdu Shuhong to be disposed pursuant to the Assets Transfer Agreement
“Sale Assets Consideration”	consideration of the Sale Assets under the Assets Transfer Agreement, being approximately RMB62.0 million
“Sale Equity”	91% equity interest in Renshou Landmark currently held by the Company
“Sale Loan”	the principal of the shareholder’s loan as outstanding and owed by Renshou Landmark to the Company on the Effective Date of the Equity and Corresponding Shareholder’s Loan Transfer Agreement and the total amount of interest accrued and unpaid thereon up to the relevant settlement date pursuant to the Equity and Corresponding Shareholder’s Loan Transfer Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	A Shares and H Shares
“Shareholder(s)”	registered holder(s) of the Shares
“Shudao Investment”	Shudao Investment Group Co., Ltd. (蜀道投資集團有限責任公司), the controlling shareholder of the Company, subject to Shudao Investment completing the procedures of share transfer as disclosed in the announcement of the Company dated 28 May 2021

DEFINITIONS

“Shudao Investment Group”	Shudao Investment and its subsidiaries (excluding the Group)
“Shuhong Disposal”	the disposal of the Sale Assets to STIP by Chengdu Shuhong pursuant to the Assets Transfer Agreement
“Shuhong Disposal Completion”	completion of the Shuhong Disposal pursuant to the Assets Transfer Agreement
“Shuhong Disposal Completion Date”	the last day of the month which the Effective Date of the Assets Transfer Agreement falls within
“Shuhong Transitional Period”	the period between the Valuation Benchmark Date and the Shuhong Disposal Completion Date (both dates exclusive)
“STIP”	Sichuan Transportation Investment Property Company Limited* (四川交投地產有限公司), which is wholly-owned by Shudao Investment and hence a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisors of the Company
“Valuation Benchmark Date”	30 June 2021
“%”	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. Gan Yongyi (Chairman)
Mr. Li Wenhui (Vice Chairman)
Madam Ma Yonghan
Mr. You Zhiming
Mr. He Zhuqing

Legal Address:

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

Non-executive Directors:

Mr. Yang Guofeng (Vice Chairman)
Mr. Li Chengyong

Independent Non-executive Directors:

Mr. Yu Haizong
Madam Liu Lina
Mr. Yan Qixiang
Madam Bu Danlu

7 September 2021

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS:
(1) DISPOSAL OF THE SALE EQUITY AND THE SALE LOAN; AND
(2) DISPOSAL OF THE SALE ASSETS;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the announcement of the Company dated 16 August 2021 in relation to the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement.

The purpose of this circular is to provide you with information regarding the resolutions to be proposed at the EGM in relation to (i) further details of the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement; (ii) a letter setting out the opinions and recommendations from the Independent Board Committee to the Independent Shareholders regarding the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement; (iii) the advice provided by Octal Capital to the Independent Board Committee and the Independent Shareholders regarding the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement; and (iv) a notice convening the EGM.

II. EQUITY AND CORRESPONDING SHAREHOLDER'S LOAN TRANSFER AGREEMENT

The principal terms of the Equity and Corresponding Shareholder's Loan Transfer Agreement are set out as follows:

Date: 6 August 2021 (after trading hours)

Parties: (i) the Company, as the vendor; and
(ii) STIP, as the purchaser

Subject Matter:

Subject to terms and conditions under the Equity and Corresponding Shareholder's Loan Transfer Agreement, the Company agreed to sell and STIP agreed to purchase (i) the Sale Equity, being 91% equity interest in the Renshou Landmark; and (ii) the Sale Loan.

Upon Renshou Disposal Completion, Renshou Landmark will cease to be a subsidiary of the Company and STIP will hold 100% equity interest in Renshou Landmark.

The aggregate of the principal of the Sale Loan and the total amount of interest accrued and unpaid thereon up to the Latest Practicable Date amounted to approximately RMB1,333.6 million. Out of the total amount of the principal of the Sale Loan of approximately RMB1,134.9 million, approximately RMB554.9 million will be due on 31 May 2022, and approximately RMB580.0 million will be due on 12 December 2023. The Sale Loan bears an interest rate of 6.8% per annum.

LETTER FROM THE BOARD

Consideration and Payment:

The aggregate consideration payable by STIP pursuant to the Equity and Corresponding Shareholder's Loan Transfer Agreement shall not exceed approximately RMB1,858.2 million in cash, which comprised (i) the Renshou Equity Consideration and the interest thereon to be paid; and (ii) the Renshou Debt Consideration. The Renshou Equity Consideration of approximately RMB502.5 million was determined by the parties after arm's length negotiation based on the appraised value of the Sale Equity as at the Valuation Benchmark Date as appraised by the PRC Valuer using the asset-based approach, being approximately RMB502.5 million. The Renshou Equity Consideration, together with the relevant interest, shall not exceed approximately RMB505.9 million. The Renshou Debt Consideration is the consideration for the Sale Loan pursuant to the Equity and Corresponding Shareholder's Loan Transfer Agreement, being the principal of shareholder's loan as outstanding and owed by Renshou Landmark to the Company on the Effective Date of the Equity and Corresponding Shareholder's Loan Transfer Agreement and the total amount of interest accrued and unpaid thereon up to the relevant settlement date pursuant to the Equity and Corresponding Shareholder's Loan Transfer Agreement, which the Company and STIP agreed to be not exceeding approximately RMB1,352.3 million.

The appraised value of the properties of Renshou Landmark based on the PRC Valuation Report is approximately RMB3,455 million while the market value of the properties of Renshou Landmark appraised by the Hong Kong Valuer is approximately RMB3,988 million. The appraised value in the PRC Valuation Report excluded the relevant tax of approximately RMB623 million to be borne by STIP after Renshou Disposal Completion while it included the land premium paid for the land of Lot No. 97 amounted to approximately RMB60 million. The land of Lot No. 97 is subject to outstanding land premium of approximately RMB55.8 million, therefore Renshou Landmark has yet to obtain the State-owned Land Use Certificate for that parcel of land. The Hong Kong Valuer has not assigned any commercial value to the land of Lot No. 97 as its State-owned Land Use Certificate has not been obtained. Taking into account of these two major differences, the adjusted value of the properties of Renshou Landmark appraised by the PRC Valuer is approximately RMB4,018 million which is closely comparable to the market value of the properties of Renshou Landmark appraised by the Hong Kong Valuer. The Directors consider that it is fair and reasonable to determine the Renshou Equity Consideration with reference to the appraised value of the Sale Equity as at the Valuation Benchmark Date appraised by the PRC Valuer.

In accordance with the Equity and Corresponding Shareholder's Loan Transfer Agreement, the aggregate consideration shall be paid by STIP to the Company in the following manner:

- (1) 30% of the Renshou Equity Consideration, being RMB150.7 million; 30% of the principal of the Sale Loan, being approximately RMB340.5 million; and 30% of the interest payable on the Sale Loan, up to the Effective Date of the Equity and Corresponding Shareholder's Loan Transfer Agreement, shall be payable by STIP to the designated account of the

LETTER FROM THE BOARD

Company, within five business days from the Effective Date of the Equity and Corresponding Shareholder's Loan Transfer Agreement; and

- (2) the remaining of the Renshou Equity Consideration and the principal of the Sale Loan and all the interest, shall be payable by STIP to the designated account of the Company, within 30 days from the date of completion of the transfer of the Sale Equity (being the date of completion of the registration of change of shareholders). All the interest includes: (a) the interest on the second installment of the Renshou Equity Consideration to be paid by STIP to the Company at an interest rate for bank loans with the same term in accordance with the provisions in relation to payment by installments under the Measures for the Supervision and Administration of Transactions of State-owned Assets of Enterprises of Sichuan Province (《四川省企業國有資產交易監督管理辦法》), for the period from the sixth business day from the Effective Date of the Equity and Corresponding Shareholder's Loan Transfer Agreement up to the date immediately prior to the payment date of the second installment; and (b) all the outstanding interest of the Sale Loan payable by STIP up to the date immediately prior to the payment date of the second installment, accrued at the original interest rate of the Sale Loan. The interest is accrued on a daily basis.

In any event, payment of the second installment shall be completed no later than 25 December 2021. Assuming that the second installment is paid by STIP on 25 December 2021, the Company and STIP have determined that the second installment of the Renshou Equity Consideration and the interest thereon to be paid shall not exceed approximately RMB355.1 million in aggregate, and the second installment of the principal of the Sale Loan shall not exceed approximately RMB794.4 million.

All interest to the Sale Loan to be paid pursuant to the Equity and Corresponding Shareholder's Loan Transfer Agreement shall not exceed approximately RMB217.4 million.

If STIP fails to pay the aforesaid consideration when due, liquidated damages for delayed payment shall be paid to the Company at an interest rate of 0.02% per day on the overdue amount. If payment still fails to be made after 180 days from the payment due date, liquidated damages for the delayed payment shall be paid to the Company at an interest rate of 0.03% per day on the overdue amount.

Conditions Precedent:

The Equity and Corresponding Shareholder's Loan Transfer Agreement shall come into effect upon the fulfillment of all of the following conditions:

- (1) the Equity and Corresponding Shareholder's Loan Transfer Agreement having been duly executed by the Company and STIP;

LETTER FROM THE BOARD

- (2) the transactions contemplated under the Equity and Corresponding Shareholder's Loan Transfer Agreement being approved by the relevant regulatory authorities (including but not limited to relevant government authorities and securities regulatory authorities in the PRC and Hong Kong) ; and
- (3) the Company having obtained approval at the EGM in respect of the transactions contemplated under the Equity and Corresponding Shareholder's Loan Transfer Agreement (which shall to comply with the listing rules requirements of both Hong Kong and the PRC).

None of the above conditions can be waived by the Company or STIP.

As at the Latest Practicable Date, condition numbered (1) has been fulfilled.

The Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement are not inter-conditional to each other.

INFORMATION OF RENSHOU LANDMARK

Renshou Landmark is a direct non-wholly owned subsidiary of the Company as at the Latest Practicable Date. Its business scope includes real estate development and management; housing demolition; greening projects; municipal projects; urban properties consolidation; property services; project investment and management; asset management; hotel management services; wholesale and retail of building materials and hardware; wholesale and retail of general merchandise and property leasing (exclusive of those as restricted and prohibited by the national laws, regulations and rules). The underlying assets held by Renshou Landmark principally include properties held for sale/under development/for future development in the PRC. The properties held for sale are the unsold portion of Phases 1 and 2A of Northern Dynasty, Chengbei New City, Wenlin Zhen, Renshou County, Meishan City, Sichuan Province, the PRC, with a total gross floor area of approximately 212,740.10 sq.m. mainly comprising retail units and car parking spaces. The properties held under development are Phases 2B-2C of Northern Dynasty, with a total gross floor area of approximately 538,834.18 sq.m., mainly comprising residential units, retail units and car parking spaces. The properties held for future development are Phase 3 of Northern Dynasty, with a total site area of approximately 200,192.83 sq.m.

LETTER FROM THE BOARD

The table below illustrates the unaudited financial information of Renshou Landmark for the two years ended 31 December 2020:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000
Revenue	31,780	462,788
(Loss)/profit before taxation	(66,929)	9,791
(Loss)/profit after taxation	(66,929)	9,791

As at 30 June 2021, the total assets and the net liabilities value of Renshou Landmark were approximately RMB2,795.9 million and RMB390.2 million, respectively.

Based on the valuation on the Sale Equity performed by the PRC Valuer, the appraised total assets and net assets value of Renshou Landmark as at the Valuation Benchmark Date were approximately RMB3,691.2 million and RMB552.2 million, respectively.

III. ASSETS TRANSFER AGREEMENT

The principal terms of the Assets Transfer Agreement are set out as follows:

Date: 16 August 2021 (after trading hours)

Parties: (i) Chengdu Shuhong, as the vendor; and
(ii) STIP, as the purchaser

Subject Matter:

Subject to terms and conditions under the Assets Transfer Agreement, Chengdu Shuhong agreed to sell and STIP agreed to purchase the Sale Assets.

The Sale Assets include a real estate project under construction named “Hongrui International Plaza” on the Relevant Land comprising an office buildings and parking spaces. The construction of Hongrui International Plaza project officially started in March 2020, with a total gross floor area of approximately 24,879.57 sq.m. As at the Latest Practicable Date, the main structure of buildings 1, 2 and 3 has been completed, and the completion date of the entire project is expected to be in November 2021.

LETTER FROM THE BOARD

Upon Shuhong Disposal Completion, the relevant titles and operation rights in association with the Sale Assets will be assigned to STIP.

Consideration and Payment:

The aggregate consideration payable by STIP pursuant to the Assets Transfer Agreement shall not exceed approximately RMB87.0 million in cash, which comprised (i) the Sale Assets Consideration of approximately RMB62.0 million; and (ii) the transitional adjustment (capped at approximately RMB25.0 million) in association with the Sale Assets during the Shuhong Transitional Period, if any. The Sale Assets Consideration was determined by the parties after arm's length negotiation based on the appraised value of the Sale Assets as at the Valuation Benchmark Date as appraised by the PRC Valuer using hypothetical development approach. The appraised value of the Sale Assets by the PRC Valuer as at the Valuation Benchmark Date was approximately RMB62.0 million. When arriving at such appraised value, the PRC Valuer has excluded the relevant tax in relation to construction in progress and land appreciation tax which amounted to approximately RMB4.9 million. Had the relevant tax in relation to construction in progress and land appreciation tax been added back, the appraised value of the Sale Assets by the PRC Valuer would be approximately RMB66.9 million, which would be comparable to the appraised value of the Sale Assets by the Hong Kong Valuer. As the relevant tax in relation to construction in progress and land appreciation tax were agreed to be borne by STIP, the Directors are of the opinion that it would be fair and reasonable to determine the Sale Assets Consideration based on the appraised value of the Sale Assets by the PRC Valuer.

In accordance with the Assets Transfer Agreement, STIP shall pay (i) the Sale Assets Consideration; and (ii) the transitional adjustment (capped at approximately RMB25.0 million) in association with the Sale Assets during the Shuhong Transitional Period (if any) in a total lump sum of not exceeding approximately RMB87.0 million to the designated account of Chengdu Shuhong on the Shuhong Disposal Completion Date.

If STIP fails to pay the aforesaid consideration in association with the Sale Assets when due, liquidated damages for delayed payment shall be paid to Chengdu Shuhong at an interest rate of 0.02% per day on the overdue amount. If payment still fails to be made after 180 days from the Shuhong Disposal Completion Date, liquidated damages for the delayed payment shall be paid to Chengdu Shuhong at an interest rate of 0.03% per day on the overdue amount.

Shuhong Transitional Period:

The transitional adjustment of the Sale Assets during the Shuhong Transitional Period shall be paid by STIP to Chengdu Shuhong, and consists of the following four parts:

- (1) Direct input to the Sale Assets: The direct costs of the Sale Assets (i.e. actual construction cost and supervision cost paid by Chengdu Shuhong to the construction parties and the supervisors, respectively) during the Shuhong Transitional Period are determined according to the management accounts of Chengdu Shuhong as at the last day of the month of the Shuhong Disposal Completion Date and the confirmation by the relevant parties.

LETTER FROM THE BOARD

- (2) Reasonable profit from the direct input to the Sale Assets: At a profit margin of 10% on the direct costs to the Sale Assets during the Shuhong Transitional Period.
- (3) Indirect input to the Sale Assets: The indirect costs of the Sale Assets (i.e. project management expenses, selling expenses, etc. of Chengdu Shuhong) during the Shuhong Transitional Period are determined according to the management accounts of Chengdu Shuhong as at the last day of the month of the Shuhong Disposal Completion Date.
- (4) Headquarters administrative expenses: It is determined by multiplying the administration expenses of Chengdu Shuhong of 2020 by the proportion of the output value of the actual construction work completed for the Sale Assets during the Shuhong Transitional Period to the target revenue of Chengdu Shuhong for 2021.

The transitional adjustment during the Shuhong Transitional Period shall not exceed RMB25.0 million and be paid by STIP to Chengdu Shuhong.

Conditions Precedent:

The Assets Transfer Agreement shall come into effect upon the fulfillment of all of the following conditions:

- (1) the Assets Transfer Agreement having been duly executed by Chengdu Shuhong and STIP;
- (2) the transactions contemplated under the Assets Transfer Agreement being approved by the relevant regulatory authorities (including but not limited to relevant government authorities and securities regulatory authorities in the PRC and Hong Kong); and
- (3) the Company having obtained approval at the EGM in respect of the transactions contemplated under the Assets Transfer Agreement (which shall to comply with the listing rules requirements of both Hong Kong and the PRC).

None of the above conditions can be waived by the Company, Chengdu Shuhong or STIP.

As at the Latest Practicable Date, condition numbered (1) has been fulfilled.

The Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement are not inter-conditional to each other.

LETTER FROM THE BOARD

IV. FINANCIAL EFFECTS OF THE DISPOSALS

Following the Renshou Disposal Completion, the Company will no longer hold any equity interest in Renshou Landmark, Renshou Landmark will cease to be a subsidiary of the Company and the financial results of Renshou Landmark will be deconsolidated from the Group.

Assuming Renshou Disposal Completion took place on 30 June 2021, it is expected that there will be a gain before tax of approximately RMB857 million (subject to audit) arising from the Renshou Disposal, being the estimated net proceeds of approximately RMB502 million (based on the Renshou Equity Consideration less professional fees and other related expenses) minus the unaudited net liabilities value of the Sale Equity of approximately RMB355 million as at 30 June 2021.

Assuming Shuhong Disposal Completion took place on 30 June 2021, it is expected that there will be a gain before tax of approximately RMB7 million (subject to audit) arising from the Shuhong Disposal, being the estimated net proceeds of approximately RMB62 million (based on the Sale Assets Consideration less professional fees and other related expenses) minus the unaudited net book value of the Sale Assets of approximately RMB55 million as at 30 June 2021.

The actual gain or loss in connection with the Disposals will be assessed after the completion of the Disposals.

V. REASONS FOR AND BENEFIT OF THE DISPOSALS

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects in Sichuan Province, the PRC, as well as the operation of other businesses relating to toll roads.

The Disposals will enable the Group to dispose of the real estate business which has relatively low profit margin, long investment cycle and requires relatively substantial investment amount, so as to allow the Group to optimise its asset structure, focus on its principal business and improve its resources utilisation efficiency. Following completion of the Disposals, the Group will no longer be engaged in any property development and investment business.

Based on the Group's strategic plan, it is an overall commercial arrangement for the Group to dispose of the Group's real estate business by disposing of the Sale Equity and the Sale Assets to STIP and focus on the principal business.

The real estate project "Hongrui International Plaza" is a commercial project which has a relatively long sales cycle. If Chengdu Shuhong is to complete such project and perform the relevant sales in the market, this may delay the Group's plan to dispose of the Group's real estate business. The completion date of the entire project is expected to be in November 2021. Chengdu Shuhong will continue to carry out the construction work during the Shuhong Transitional Period as Chengdu

LETTER FROM THE BOARD

Shuhong is obligated to fulfil its existing contractual obligations to continue to carry out the construction work and, in order to protect the interests of the Shareholders of the Company, Chengdu Shuhong and STIP has agreed that the aggregate consideration payable by STIP pursuant to the Assets Transfer Agreement shall include the transitional adjustment of the Sale Assets during the Shuhong Transitional Period which takes into account Chengdu Shuhong's input and expenses for the Sale Assets during the Shuhong Transitional Period. Please refer to the paragraph headed "III. Assets Transfer Agreement – Shuhong Transitional Period:" in this letter from the Board for more details.

The estimated proceeds from the Disposals in the total sum of not exceeding approximately RMB1,945.2 million will be used as follows:

- (1) not exceeding RMB900 million will be used for the Group's staff costs for operation of expressways and costs for maintenance work of expressways;
- (2) not exceeding RMB545 million will be used for the Group to pay its interest expenses; and
- (3) not exceeding RMB500 million will be used for the Group to pay the relevant taxes incurred from the Group's ordinary and usual course of business.

The terms of the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement were determined after arm's length negotiations between the parties thereto and the Directors (excluding the independent non-executive Directors whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) are of the view that the terms of the Equity and Corresponding Shareholder's Loan Transfer Agreement, the Assets Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

VI. ABSTENTION FROM VOTING ON BOARD RESOLUTIONS AND AT THE EGM

As Mr. Li Chengyong, a non-executive Director, is the deputy general manager of the finance management department in Shudao Investment, he is regarded as being interested in the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement and therefore has abstained from voting on the Board resolutions to approve the agreements. Save and except for the aforesaid, no other Directors is a director or employee of Shudao Investment, and none of the Directors has any material interest in the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement and was required to abstain from voting on the Board resolutions to approve the said agreements.

LETTER FROM THE BOARD

In view of Shudao Investment's interest in the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement, Shudao Investment, the controlling shareholder of the Company which holds 35.86% equity interest in the Company, and its associates will abstain from voting at the EGM on the resolutions in relation to the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement.

VII. INFORMATION ON THE PARTIES TO EQUITY AND CORRESPONDING SHAREHOLDER'S LOAN TRANSFER AGREEMENT AND THE ASSETS TRANSFER AGREEMENT

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects in Sichuan Province, the PRC, as well as the operation of other businesses relating to toll roads.

Chengdu Shuhong is a limited liability company established in the PRC and is a direct wholly-owned subsidiary of the Company. It is principally engaged in project investment, real estate development and operation, land consolidation and property management.

STIP is a state-owned enterprise established in the PRC with its business scope including real estate development and operation, construction of building decoration and renovation projects, property management, house leasing, wholesale and retail of building materials, tourism resource development, greening projects, municipal projects, land consolidation, hotel business management services, asset management, project investment and management, etc.

VIII. LISTING RULES IMPLICATIONS

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, the transactions contemplated under the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement should be aggregated. As the highest applicable percentage ratio (after aggregation) in respect of the Disposals exceeds 5% but less than 25%, the Disposals constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, STIP is a wholly-owned subsidiary of Shudao Investment, the controlling shareholder of the Company, and is therefore a connected person of the Company as defined under the Listing Rules. As one or more of the applicable percentage ratios of the Disposals is more than 5%, the Disposals constitute connected transactions of the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of Shudao Investment's interest in the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement, Shudao Investment and its associates will abstain from voting at the EGM on the resolutions in relation to the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement.

LETTER FROM THE BOARD

The consideration of the Sale Equity was determined based on the valuation results prepared by the PRC Valuer using the asset-based approach. However, as the PRC Valuer is required under “Risk Warning for Accounting Supervision No. 5 – Asset Appraisal of Listed Companies’ Equity Transactions” of the China Securities Regulatory Commission* (中國證券監督管理委員會《會計監管風險提示第5號－上市公司股權交易資產評估》) to conduct the valuation of the Sale Equity using at least two valuation approaches, the valuation report therefore covers the valuation based on the income approach. Notwithstanding, the Company considered that the income approach might not be an appropriate approach to evaluate the Sale Equity, as the Company received notice that the Renshou County government might have plan to repurchase certain portion of Phase 3 of Northern Dynasty, and yet there were no specific details available to the Company of how the repurchase would proceed, including but not limited to the method of repurchase, the size of the portion to be repurchased and the timeline of the repurchase. It is in the opinion of the Company that such repurchase plan would make it difficult for the Company to make detailed plans and forecasts on the future development and sales concerning Phase 3 of Northern Dynasty. Moreover, the management of the Company was aware that the use of the income approach was only to meet the regulatory requirements of the relevant PRC regulatory requirements and solely for reference purpose. Given the above, the Company was not involved in preparing assumptions on the valuation based on the income approach for the Sale Equity. The assumptions on the valuation based on the income approach for the Sale Equity were prepared by the PRC Valuer according to the applicable valuation standards and its professional judgment. The Company has applied for, and the Stock Exchange has granted, a waiver from the profit forecast requirements under Rules 14.60A, 14.62, 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules in respect of the Renshou Disposal.

LETTER FROM THE BOARD

IX. EGM

The Company proposes to convene the EGM at 3:00 p.m. on 28 September 2021 (Tuesday) 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 EGM-1 to EGM-4 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 the 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, but in such event the instrument appointing a proxy shall be deemed to be revoked.

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 23 September 2021 (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 September 2021 (Thursday) to 28 September 2021 (Tuesday), 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 transfer documents 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 21 September 2021 (Tuesday).

LETTER FROM THE BOARD

XI. RECOMMENDATION

The Company has appointed Octal Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement. The letter of advice from Octal Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 43 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 Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement, is set out on pages 17 to 43 of this circular.

The Directors consider that the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement and the respective transactions contemplated thereunder are in the best interests of the Company and the Shareholders. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions for approving the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement.

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 this circular or any statement herein misleading.

Yours faithfully,

By order of the Board

Sichuan Expressway Company Limited*

Gan Yongyi

Chairman



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)

7 September 2021

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS:
(1) DISPOSAL OF THE SALE EQUITY AND THE SALE LOAN; AND
(2) DISPOSAL OF THE SALE ASSETS**

We have been appointed as members of the Independent Board Committee to give our advice on the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer 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 7 September 2021 (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.

Octal Capital has been appointed as the Independent Financial Adviser to advise us on the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement and the transactions contemplated thereunder. The letter from Octal Capital is set out on pages 17 to 43 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement, the advice given by Octal 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 Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement are on normal commercial terms and fair and reasonable, and although the Disposals are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions at the EGM to approve the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Yu Haizong

*Independent Non-
executive Director*

Madam Liu Lina

*Independent Non-
executive Director*

Mr. Yan Qixiang

*Independent Non-
executive Director*

Madam Bu Danlu

*Independent Non-
executive Director*

* *For identification purposes only*

LETTER FROM OCTAL CAPITAL LIMITED

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



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

7 September 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS:
(1) DISPOSAL OF THE SALE EQUITY AND THE SALE LOAN; AND
(2) DISPOSAL OF THE SALE ASSETS**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Equity and Corresponding Shareholder’s Loan Transfer Agreement and the Assets Transfer Agreement, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 7 September 2021 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as those defined under the definitions section of the Circular.

On 16 August 2021, (i) the Company and STIP entered into the Equity and Corresponding Shareholder’s Loan Transfer Agreement, pursuant to which, the Company agreed to sell and STIP agreed to purchase the Sale Equity and the Sale Loan at an aggregate consideration of not exceeding approximately RMB1,858.2 million in cash; and (ii) Chengdu Shuhong and STIP entered into the Assets Transfer Agreement, pursuant to which, Chengdu Shuhong agreed to sell and STIP agreed to purchase the Sale Assets at an aggregate consideration of not exceeding approximately RMB87.0 million in cash. The Equity and Corresponding Shareholder’s Loan Transfer Agreement and the Assets Transfer Agreement are not inter-conditional to each other.

As at the Latest Practicable Date, STIP is a wholly-owned subsidiary of Shudao Investment, the controlling shareholder of the Company, and is therefore a connected person of the Company as defined under the Listing Rules. As one or more of the applicable percentage ratios of the Disposals is more than 5%, the Disposals constitute a connected transaction of the Company and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM OCTAL CAPITAL LIMITED

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Yu Haizong, Madam Liu Lina, Mr. Yan Qixiang and Madam Bu Danlu, has been formed to advise the Independent Shareholders on the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, we were not connected with the Company or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposals. In the last two years, there was no engagement between the Company and us. Apart from normal professional fees paid or payable to us in connection with the appointment as the independent financial adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the independent financial adviser in respect of the Disposals pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, STIP, and any of their respective subsidiaries and their respective associates, nor have we carried out any independent verification of the information supplied to us.

LETTER FROM OCTAL CAPITAL LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information of the Group

The Group's businesses cover five major segments, (i) the toll roads and bridges segment comprises the operation of seven expressways and a high-grade toll bridge in the PRC; (ii) the city operation segment comprises the provision of construction and upgrade services under the service concession arrangements and construction contracts, advertising, the rental of properties along expressways, investment and development of properties located in the PRC and trading of commodities; (iii) the financial investment segment comprises finance lease operation, factoring business and financial investment; (iv) the energy investment segment comprises the operation of gas stations along expressways, sale of petrochemicals and other oil products; and (v) the transportation, tourism, culture and education segment.

The table below summarizes the audited financial information of the Group for the years ended 31 December 2018, 2019 and 2020 ("FY2018", "FY2019" and "FY2020", respectively) as extracted from the annual reports of the Company for FY2019 and FY2020 (the "2019 Annual Report" and "2020 Annual Report", respectively) and the unaudited financial information of the Group for the six months ended 30 June 2020 and 2021 ("1H2020" and "1H2021" respectively) extracted from the interim result announcement of the Company for the six months ended 30 June 2021 (the "2021 Interim Result Announcement").

	FY2018	FY2019	FY2020	1H2020	1H2021
	<i>RMB million</i>				
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Toll roads and bridges	3,568	3,900	3,008	886	1,795
City operation ^(Note 1)	1,258	1,987	3,545	661	1,376
Financial investment	88	147	187	93	100
Energy investment	1,907	1,773	1,459	700	752
Total revenue	6,821	7,807	8,199	2,340	4,023
Profit before tax	1,206	1,464	992	(90)	911
Profit/(loss) for the year/period	902	1,133	734	(136)	732

Source: 2019 Annual Report, 2020 Annual Report and 2021 Interim Result Announcement.

Note 1: Revenue from city operation included the sale of properties in Northern Dynasty contributed by Renshou Landmark.

LETTER FROM OCTAL CAPITAL LIMITED

FY2019 compared to FY2018

The revenue of the Group increased from approximately RMB6,821 million for FY2018 to approximately RMB7,807 million for FY2019, mainly due to the revenue growth in the toll roads and bridges segment and the city operation segment. The revenue from toll roads and bridges segment for FY2019 amounted to approximately RMB3,900 million, representing an increase of approximately RMB332 million or 9.3% as compared to that for FY2018. The increase was mainly attributable to the cancellation of the preferential toll policy and the natural growth of traffic volume due to the development of the regions along the expressways.

The revenue from city operation segment for FY2019 amounted to approximately RMB1,987 million, representing an increase of approximately RMB729 million or 57.9% as compared to that for FY2018. The increase was mainly due to the increase in construction contract revenue in respect of service concession arrangements.

The net profit for FY2019 amounted to approximately RMB1,133 million, representing an increase of approximately RMB231 million or 25.6% as compared to that for FY2018, mainly due to the increase in revenue of the Group during FY2019.

FY2020 compared to FY2019

The revenue of the Group increased from approximately RMB7,807 million for FY2019 to approximately RMB8,199 million for FY2020, mainly due to the revenue growth in the city operation segment. The revenue from toll roads and bridges segment for FY2020 amounted to approximately RMB3,008 million, representing a decrease of approximately RMB892 million or 22.9% as compared to that for FY2019. The decrease was mainly due to several toll free policy imposed by the Government of the PRC resulting from COVID-19 pandemic during FY2020.

The revenue from city operation segment for FY2020 amounted to approximately RMB3,545 million, representing an increase of approximately RMB1,558 million or 78.4% as compared to that for FY2019. The increase was mainly attributable to (i) the increase in construction contract revenue in respect of service concession arrangements; and (ii) the increase in revenue from sale of properties in Northern Dynasty contributed by Renshou Landmark.

The net profit for FY2020 amounted to approximately RMB734 million, representing a decrease of approximately RMB399 million or 35.2% as compared to that for FY2019. The decrease in net profit was mainly due to the increase in cost of sale resulting from the sale of properties, leading to a reduction in gross profits of the Group from approximately RMB2,305 million for FY2019 to approximately RMB1,726 million for FY2020.

LETTER FROM OCTAL CAPITAL LIMITED

1H2021 compared to 1H2020

The revenue of the Group increased significantly from RMB2,340 million in 1H2020 to RMB4,023 million in 1H2021 by approximately 72%. The growth was driven by the improvement in the toll roads and bridges segment and the city operation segment. Since, the toll free arrangement was terminated in May 2020, the toll collection had resumed for toll roads. The revenue growth of the city operation segment was attributable to the construction contract revenue and the property sale revenue of Northern Dynasty. The Group recorded profit after tax of approximately RMB732 million as compared to the loss making performance of 1H2020 amounted to approximately RMB136 million. The improvement of profitability is attributable to the growth in revenue.

As set out in the table below, the unaudited consolidated financial position of the Group as at 30 June 2021 is summarized as below:

	As at 30 June 2021 RMB' million (unaudited)
Non-current assets	
Property, plant and equipment	723
Service concession arrangements	28,087
Other non-current assets	<u>2,819</u>
	31,629
Current assets	
Properties under development	1,714
Completed properties held for sale	706
Cash and cash equivalents	3,401
Other current assets	<u>3,636</u>
	9,457
Total assets	41,086
Non-current liabilities	
Interest-bearing bank and other borrowings	17,678
Other non-current liabilities	<u>1,102</u>
	18,780

LETTER FROM OCTAL CAPITAL LIMITED

As at
30 June 2021
RMB' million
(unaudited)

Current liabilities	
Trade and other payables	2,374
Interest-bearing bank and other borrowings	2,313
Other current liabilities	616
	<hr/>
	5,303
Total liabilities	24,083
Net current assets	4,154
Net assets	17,003
Gearing ratio (total bank and other borrowings/total assets)	48.7%

Source: 2021 Interim Result Announcement

As at 30 June 2021, the Group's total assets amounted to approximately RMB41,086 million in which properties under development and completed properties held for sale in aggregate amounted to approximately RMB2,420 million, representing 5.9% of the total assets. According to the management account of Chengdu Shuhong, the unaudited net book value of the Sales Assets as at 30 June 2021 was amounted to approximately RMB55 million.

The Group's liabilities mainly include the bank and other borrowings amounted to approximately RMB19,991 million as at 30 June 2021, representing approximately 83.0% of the total liabilities as at 30 June 2021. The Group's gearing ratio (as defined above) as at 30 June 2021 was approximately 48.7%.

2. Information of STIP

STIP is a state-owned enterprise established in the PRC with its business scope including real estate development and operation, construction of building decoration and renovation projects, property management, house leasing, wholesale and retail of building materials, tourism resource development, greening projects, municipal projects, land consolidation, hotel business management services, asset management, project investment and management, etc.

3. Information of Renshou Landmark

Renshou Landmark is a direct non-wholly owned subsidiary of the Company. It is principally engaged in real estate development and management. The underlying assets held by Renshou Landmark refer to a property development project, namely Northern Dynasty in Renshou County, Sichuan Province, the PRC.

As advised by the management of the Company, the total site area of Northern Dynasty covered approximately 430,000 sq.m. with three development phases. Phase 1 includes approximately 125,000 sq.m. of residential area, approximately 15,000 sq.m. of retail area and approximately 31,000 sq.m. car parking spaces and their constructions have been substantially completed. A majority of residential units in Phase 1 have been transferred to the property buyers and recognised as revenue in Renshou Landmark. The retail units and car parking space are currently launched for sale or for lease. Phase 2 comprises of three phases (“**Phase 2A**”, “**Phase 2B**” and “**Phase 2C**”). The gross floor area of Phase 2A includes approximately 71,000 sq.m. of residential area, approximately 20,000 sq.m. of retail area and approximately 76,000 sq.m. of car parking space. Certain residential units of Phase 2A have been sold and handed over to the property buyers in December 2020 and recognized as revenue in Renshou Landmark. Phase 2B includes gross floor area of approximately 213,000 sq.m. of residential area, approximately 37,000 sq.m. of retail area, approximately 96,000 sq.m. of car parking space and approximately 14,000 sq.m. of ancillary area. The residential properties of Phase 2B are expected to commence its pre-sale in the fourth quarter of 2021. Phase 2C consists of gross floor area of approximately 115,000 sq.m. of residential area, approximately 9,200 sq.m. of retail area, approximately 46,000 sq.m. of car parking space and approximately 10,000 sq.m. of ancillary area. Pre-sale of the residential properties of Phase 2C has been commenced. Phase 3 include four parcels of land with total site area of approximately 200,000 sq.m. and is in the process of finalizing the construction plan. As advised by the management of the Company, the future construction cost of Phase 2 is estimated to be around RMB1,655.4 million and the remaining unpaid land coast of Phase 3 is estimated to be around RMB55.8 million.

LETTER FROM OCTAL CAPITAL LIMITED

The table below summarizes the unaudited financial information of Renshou Landmark for the two years ended 31 December 2020 and for the six months ended 30 June 2021 extracted from the management accounts prepared in accordance with Hong Kong Financial Reporting Standards adopted in the 2020 Annual Report:

	FY2019	FY2020	1H2021
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	32	463	370
Finance cost	68	64	51
Net (loss)/profit after tax	(67)	10	19

During FY2019 and FY2020, the revenue of Renshou Landmark was derived from the sale of properties of Northern Dynasty. Renshou Landmark recorded revenue amounted to approximately RMB463 million in FY2020, representing an increase of approximately RMB431 million or 13.6 times as compared to that for FY2019. Such increase was mainly due to the hand over of certain residential units of Northern Dynasty to the property buyers. Due to the substantial growth in revenue, Renshou Landmark turnaround from net loss after tax of approximately RMB67 million in FY2019 to net profit after tax of approximately RMB10 million in FY2020.

During FY2019 and FY2020, Renshou Landmark incurred finance cost of approximately RMB68 million and RMB64 million, representing approximately two times and 13.8% of its total revenue, respectively.

During 1H2021, Renshou Landmark recorded revenue from the sale of properties of Northern Dynasty of approximately RMB370 million, thus Renshou Landmark recorded profit after tax of approximately RMB19 million. During 1H2021, Renshou Landmark incurred finance cost of approximately RMB51 million, representing approximately 13.8% of its revenue.

LETTER FROM OCTAL CAPITAL LIMITED

The table below summarizes the unaudited financial position of Renshou Landmark as at 30 June 2021 extracted from the management account prepared in accordance with Hong Kong Financial Reporting Standards adopted in the 2020 Annual Report:

	As at 30 June 2021 <i>RMB million</i> <i>(unaudited)</i>
Total non-current assets	68
Property under development	2,415
Prepayment of land cost and relevant tax	156
Cash and cash equivalents	106
Other current assets	51
	<hr/>
Total current assets	2,728
Total assets	2,796
Bank borrowings	40
Borrowings from a non-controlling shareholders	112
Contract liabilities	841
	<hr/>
Total non-current liabilities	993
Trade payables	277
Contract liabilities	447
Shareholder's loan	1,420
Other liabilities	49
	<hr/>
Total current liabilities	2,193
Total liabilities	3,186
Net current assets	535
Net liabilities	390
Gearing ratio (total bank borrowings, other borrowings and shareholder's loan/total assets)	56.2%

LETTER FROM OCTAL CAPITAL LIMITED

The total assets of Renshou Landmark mainly include property under development, which amounted to approximately RMB2,415 million as at 30 June 2021 and represented approximately 86.4% of total assets of Renshou Landmark.

As at 30 June 2021, the total liabilities of Renshou Landmark amounted to approximately RMB3,186 million in which approximately RMB1,420 million was shareholder's loan, approximately RMB112 million was borrowings from a non-controlling shareholder and approximately RMB40 million was bank borrowings, representing approximately 44.6%, 3.5% and 1.3% of the total liabilities, respectively. Renshou Landmark recorded net liabilities of approximately RMB390 million. As advised by the management of the Company, the net liability position of Renshou Landmark was mainly attributable to (i) high level of borrowings used to finance the construction and development cost of Northern Dynasty; and (ii) a large amount of contract liabilities recognised in accordance with the accounting standards, which will be subsequently recognised as revenue after the properties handed over to the property buyers.

4. Information of the Sale Assets

The Sale Assets are held by Chengdu Shuhong, which is a direct wholly-owned subsidiary of the Company and is principally engaged in project investment, real estate development and operation, land consolidation and property management. The Sale Assets consist of three blocks of buildings (“**Building 1**”, “**Building 2**” and “**Building 3**”) with parking space and ancillary area with total gross floor area of approximately 24,880 sq.m. located in Hongrui International Plaza (鴻瑞國際廣場). Building 1 is a two-floor financial office building with saleable area of approximately 1,696 sq.m. Building 2 and Building 3 in aggregate occupied gross floor area of approximately 15,995 sq.m. Building 1, Building 2 and Building 3 obtained the pre-sales permits in February 2021 and the construction of the Sale Assets are expected to be completed in late 2021.

5. Industry Overview – Property Market in Sichuan Province

Renshou Landmark and the Sale Assets are located in Renshou County, Meishan City, Sichuan Province, the PRC. Renshou County is in the southern-central area of Sichuan Province. Amongst approximately 109 counties in Sichuan Province, during 2020, Renshou County ranked second in term of real gross domestic product (“**GDP**”) and has the largest population. The major economic activities of Renshou County focus on production of food and industrial manufacturing.

LETTER FROM OCTAL CAPITAL LIMITED

The table below sets out (i) the annual growth rate of real GDP; (ii) the urbanization rate; and (iii) per capita disposable income of urban residents from 2016 to 2020 of the PRC, Sichuan Province, Chengdu City and Renshou County:

	2016	2017	2018	2019	2020
GDP Growth Rate					
– the PRC	6.7%	6.9%	6.6%	6.1%	2.3%
– Sichuan Province	7.7%	8.1%	8.0%	7.5%	3.8%
– Chengdu City	7.5%	8.1%	8.0%	7.8%	4.0%
– Renshou County	8.1%	5.1%	7.0%	7.3%	4.4%
Urbanization Rate					
– the PRC	58.8%	60.2%	61.5%	62.7%	63.9%
– Sichuan Province	49.3%	50.9%	52.4%	53.9%	56.7%
– Chengdu City	70.6%	71.9%	73.1%	74.4%	78.8%
– Renshou County	28.0%	28.5%	31.1%	32.3%	38.2%
Per Capita Disposable Income of Urban Resident (RMB per annum)					
– the PRC	33,616	36,396	39,251	42,359	43,834
– Sichuan Province	28,335	30,727	33,216	36,154	38,253
– Chengdu City	35,902	38,918	42,128	45,878	48,593
– Renshou County	27,910	30,272	32,758	35,687	37,757

Source: National Bureau of Statistics of China, Sichuan Provincial Bureau of Statistics and the People's Government of Renshou County

Note: Urbanisation rate represents the percentage of urban population to total population

According to the statistics from the National Bureau of Statistics of China, the real GDP growth rate was above 6% during the years 2016 to 2019, except for 2020. The growth rate of the real GDP is just 2.3% due to the outbreak of COVID-19. The Sichuan Provincial Bureau of Statistics disclosed that GDP of Sichuan Province maintained a stable growth trend during the years 2016 to 2019, except for 2020. The growth of real GDP in Sichuan Province slowed down to 3.8%, which outperformed the growth rate of the national real GDP. Amid all the provinces in the PRC, Sichuan Province ranked sixth in term of GDP in 2020. The economic growth of Sichuan Province is mainly boosted by the rapid development of agricultural production and industrial activities. Chengdu City, being the capital city of Sichuan Province, recorded similar GDP growing trend of Sichuan Province.

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The real GDP of Renshou County fluctuated during the years 2016 to 2020. The growth rate of real GDP of Renshou County was 8.1% and then slowed down to 7.3% in 2019, and further decreased to 4.4% in 2020. The urbanization rate of Renshou County has been much lower than that of Sichuan Province and Chengdu City from 2016 to 2020. The per capita disposal income of urban residents is much less than that of Sichuan Province and Chengdu City during the same period, indicating that Renshou County is far less developed as compared to Chengdu City and other major cities of Sichuan Province.

6. Reasons for and the benefits of the Disposals

As discussed in the previous sections, Renshou Landmark recorded net loss since 2013 and only recorded profits after the recognition of revenue from property sales of approximately RMB463 million in FY2020 and RMB370 million in 1H2021. The profitability of Renshou Landmark is heavily hinged on the sales performance of the properties and the property market in Renshou County. Renshou Landmark recorded net liabilities of approximately RMB390 million as at 30 June 2021 of which approximately RMB1,420 million was the shareholder's loan, RMB112 million was borrowings from a non-controlling shareholder and RMB40 million was bank borrowings. The gearing ratio of Renshou Landmark is approximately 56.2%. During FY2019 and FY2020, the finance cost incurred by Renshou Landmark was approximately RMB68 million and RMB64 million, representing approximately 215.4% and 13.8% of its total revenue, respectively, imposing a financial burden to Renshou Landmark. After the completion of Renshou Disposal, Renshou Landmark will cease to be a subsidiary of the Company and its financial results, assets and liabilities will no longer be consolidated into the financial statements of the Group. Since Renshou Landmark is highly leveraged, the disposal of Renshou Landmark will improve the profitability and the debt level of the Group. Upon the Renshou Disposal Completion, the Group is expected to record a one-off gain before tax of approximately RMB857 million and the principal and interests of the Sale Loan will be fully settled.

Regarding the Shuhong Disposal, the management of the Company advises that selling each individual unit of the Sale Assets to the general public will incur a large sum of marketing cost and is subject to a lengthy selling process to realize the investment costs of the Sale Assets. The marketing cost usually includes but not limited to promotion and advertisement cost, agency fee, sales commission and renovation cost of show flats. Besides, the whole selling process is less cost-efficient as the Company is required to arrange legal documents for each of the property buyers and extra time is required for each of the property buyers to obtain their mortgage loan for settling the consideration. By disposing the entire Sale Assets to STIP, no additional marketing cost will be incurred by the Company and the consideration is expected to be fully settled by the end of 2021. Therefore, Shuhong Disposal represents a valuable opportunity for the Group to realize the value of the Sales Asset in cash within a shorter period of time and the Group is expected to record a one-off gain before tax of approximately RMB7 million.

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During FY2020, the Group recorded net cash outflow from operating activities of approximately RMB564 million as compared to net cash inflow from operating activities of approximately RMB607 million in previous year. The net cash outflow from operating activities was mainly caused by (i) the decrease in net profit before tax; (ii) the new service concession arrangements of expressway projects resulted in an increase of approximately RMB1,583 million in cash outflows for the period as compared with the last year; and (iii) cash outflow of RMB812 million for the completed properties held for sale. The proceeds from the Disposal will be allocated on different areas including (i) not exceeding RMB900 million will be used for the Group's staff costs for operation of expressways and costs for maintenance work of expressways; (ii) not exceeding RMB545 million will be used to pay the Group's interest expenses; and (iii) not exceeding RMB500 million will be used to pay the relevant taxes incurred during the Group's ordinary and usual course of business. The Disposals will bring cash inflow of approximately RMB1,945.2 million to the Company before the end of 2021 and immediately enhance the working capital of the Company.

On 15 October 2018, China Securities Regulatory Commission (“**CSRC**”) published a guidance letter namely “Questions and Answers on Refinancing Review” 《再融資審核非財務知識問答》 (the “**Guidance Letter**”) in which CSRC indicated that CSRC will not review the refinancing application submitted by a listed company which is engaged in the real estate business. As the principal business of Renshou Landmark is engaged in property development, the Group is not qualified to submit refinancing application for CSRC's review and approval. Moreover, in October 2020, the central authorities and regulator of the PRC Government has indicated that three red lines policies for the real estate sector will be launched to force deleveraging among the China's real estate developer with an objective to improve financial health for the real estate sector. It is accepted that the introduction of such policies will put the real estate developers under pressure to readjust their debt portfolio and obtain new financing. In view of the potential long-term financing need of the Group and the tightening credit regulation, it is beneficial for the Group to carve out its real estate asset/business.

As stated in the 2020 Annual Report, the core business of the Group is the investment, construction, operation and management of expressway infrastructure projects which are mainly located in and around Chengdu. Compared to the economic development of Chengdu City, Renshou County is far behind Chengdu with relatively lower growth prospect. After completion of the Disposals, the Group can focus its financial resources and human resources on its core expressway infrastructure projects and the operation of other business related to expressways. The revenue contribution from Renshou Landmark in FY2020 and 1H202 are not material to the Group and the future economic development of Renshou County is comparatively slower in Sichuan Province, we therefore concur with the Directors that offloading these non-core businesses and assets shall not hinder the overall business development of the Group in the PRC.

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Having considered the above factors, especially, (i) the high indebtedness position and heavy finance cost burden of Renshou Landmark; (ii) the profitability of Renshou Landmark is hinged on the sales performance of properties which is mainly driven by the macro-economic conditions and the purchasing ability of the local residents in Renshou County; (iii) the Disposals realize the intrinsic values of Renshou Landmark and the Sales Assets in cash within a shorter period of time without incurring a large amount of marketing expenses and going through a lengthy selling process; and (iv) the proceeds from the Disposals of approximately RMB1,945.2 million immediately enhance the working capital of the Company, we concur with the Directors that the rationale behind the Disposals are in the interest of the Company and the Shareholders as a whole.

7. Principal terms of the Equity and Corresponding Shareholder's Loan Transfer Agreement

Major terms of the Equity and Corresponding Shareholder's Loan Transfer Agreement are summarized as below:

Date: 16 August 2021 (after trading hours)

Parties: (1) the Company, as the vendor; and (2) STIP, as the purchaser

Subject Matter:

The Company agreed to sell and STIP agreed to purchase (i) the Sale Equity, being 91% equity interest in Renshou Landmark; and (ii) the Sale Loan.

The aggregate of the principal of the Sale Loan and the total amount of interest accrued and unpaid thereon up to the Latest Practicable Date amounted to approximately RMB1,333.6 million. The Sale Loan bears an interest rate of 6.8% per annum.

Consideration and Payment:

The aggregate consideration payable by STIP is not exceed approximately RMB1,858.2 million, which comprised (i) Renshou Equity Consideration and the interest thereon to be paid of approximately RMB505.9 million in aggregate; and (ii) Renshou Debt Consideration of approximately RMB1,352.3 million. The Renshou Equity Consideration of approximately RMB502.5 million was determined by the parties after arm's length negotiation based on the appraised value of the Sale Equity appraised by the PRC Valuer using the asset-based approach. The Renshou Debt Consideration is the consideration for the Sale Loan, being the outstanding amount of the principal of approximately RMB1,134.9 million and the interest on the corresponding shareholder's loan payable by Renshou Landmark on the Effective Date of the Equity and Corresponding Shareholder's Loan Transfer Agreement, which the Company and STIP agreed to be not exceeding RMB1,352.3 million.

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The aggregate consideration shall be paid by STIP to the Company in cash in the following manner:

- (1) 30% of the Renshou Equity Consideration, being approximately RMB150.7 million; 30% of the principal of the Sale Loan, being approximately RMB340.5 million; and 30% of the interest payable on the Sale Loan up to the Effective Date of the Equity and Corresponding Shareholder's Loan Transfer Agreement, shall be payable by STIP to the designated account of the Company, within five working days from the Effective Date of the Equity and Corresponding Shareholder's Loan Transfer Agreement; and
- (2) the remaining of each of the Renshou Equity Consideration, the principal of and all the interest of the Sale Loan, shall be payable by STIP, to the designated account of the Company, within thirty days from the date of completion of the transfer of the Sale Equity (being the date of completion of the registration of change of shareholders). All the interests include: (a) the interest on the second installment of the Renshou Equity Consideration to be paid by STIP to the Company at an interest rate for bank loans with the same term in accordance with the provisions in relation to payment by installments under the Measures for the Supervision and Administration of Transactions of State-owned Assets of Enterprises of Sichuan Province (《四川省企業國有資產交易監督管理辦法》), for the period from with the sixth business day from the Effective Date of the Equity and Corresponding Shareholder's Loan Transfer Agreement up to the date immediately prior to the payment date of the second installment; and (b) all the outstanding interest of the Sale Loan payable by STIP up to the date immediately prior to the payment date of the second installment, accrued at the original interest rate of the Sale Loan. The interest is accrued on a daily basis.

In any event, payment of the second installment shall be completed no later than 25 December 2021.

For further details of the terms of the Equity and Corresponding Shareholder's Loan Transfer Agreement, please refer to the Letter from the Board.

8. Principal terms of the Assets Transfer Agreement

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

Date: 16 August 2021 (after trading hours)

Parties: (1) Chengdu Shuhong, as the vendor; and (2) STIP, as the purchaser

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Subject Matter:

Chengdu Shuhong agreed to sell and STIP agreed to purchase the Sale Assets.

Upon Shuhong Disposal Completion, the owning rights and operation rights in association with the Sale Assets will be transferred to STIP.

Consideration and Payment:

The aggregate consideration payable by STIP pursuant to the Assets Transfer Agreement is not more than shall not exceed approximately RMB87.0 million, which comprised (i) Sale Assets Consideration of approximately RMB62.0 million; and (ii) the transitional adjustment (capped at approximately RMB25.0 million) in association with the Sale Assets during the Shuhong Transitional Period, if any. The Sale Assets Consideration was determined by the parties after arm's length negotiation based on the appraised value of the Sale Assets as the Valuation Benchmark Date appraised by the PRC Valuer using hypothetical development approach. The appraised value of the Sale Assets as at the Valuation Benchmark Date was approximately RMB62.0 million. For the basis of determination of the transitional adjustment, please refer to the paragraph headed "Shuhong Transitional Period" in the Letter from the Board.

STIP shall pay (i) the Sale Assets Consideration; and (ii) the transitional adjustment (capped at approximately RMB25.0 million) in association with the Sale Assets during the Shuhong Transitional Period (if any) in a total lump sum not exceeding approximately RMB87.0 million in cash to the designated account of Chengdu Shuhong on the Shuhong Disposal Completion Date.

For further details of the terms of the Assets Transfer Agreement, please refer to the Letter from the Board.

9. Analysis of the Consideration

(i) Valuation of the Renshou Properties and the Sale Assets

We understand from the management of the Company that the properties owned by Renshou Landmark (the "**Renshou Properties**") and the Sale Assets have been appraised by the Hong Kong Valuer, for Independent Shareholders' reference purpose. According to the valuation reports prepared by the Hong Kong Valuer (the "**HK Valuation Reports**"), the appraised values of the Renshou Properties and the Sale Assets were approximately RMB3,988.0 million and RMB67.0 million as at Valuation Benchmark Date, respectively. The section below will further discuss our review on HK Valuation Reports.

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a. *Qualification of the Hong Kong Valuers*

In order to assess the expertise and independence of the Hong Kong Valuer, we have (i) reviewed the engagement letter between the Hong Kong Valuer and the Company; (ii) conducted interview with the core team members of the Hong Kong Valuer to understand their experience and relationship with the Company and the valuation methodology; and (iii) discussed with the Hong Kong Valuer about its previous experiences on valuation projects.

Based on our discussion with the Hong Kong Valuer, we understand that the HK Valuation Reports were prepared by Mr. Anthony C.K. Lau, who is the director of the HK Valuer. Mr. Anthony C.K. Lau is a corporate member of The Hong Kong Institute of Surveyors with over 28 years' experience in valuation of properties in the PRC. We also understand that the other team members of the Hong Kong Valuer have relevant education background and working experience in valuation projects in Hong Kong and the PRC. We were satisfied with their qualification and experience for the preparation of the HK Valuation Reports. The Hong Kong Valuer has confirmed that it is an independent third party of the Group, Shudao Investment Group, and their connected persons; and the scope of work of the engagements is appropriate and suitable for the preparation of the HK Valuation Reports. Based on our discussion with the Hong Kong Valuer and our review of their scope of work, we are not aware of any matters that could cause us to have doubts on the expertise and independence of the Hong Kong Valuer and the scope of valuation work in relation to the Renshou Properties and the Sale Assets.

b. *Methodologies and assumptions*

Valuation of the Renshou Properties

In assessing the fairness and reasonableness of the appraised value of the Renshou Properties, we have reviewed valuation report on the Renshou Properties prepared by the Hong Kong Valuer (the “**HK Renshou Properties Valuation Report**”) and interviewed the Hong Kong Valuer regarding, among other things, the basis and assumptions made and the methodology adopted by the Hong Kong Valuer in conducting the HK Renshou Properties Valuation Report. Details of the assumptions are set out in the HK Renshou Properties Valuation Report as contained in Appendix III to the Circular.

Based on our interview with the Hong Kong Valuer, we understand that the Hong Kong Valuer carried out a site inspection to the Renshou Properties in July 2021 to research for the necessary information to determine the market value of the Renshou Properties.

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Based on the review of the HK Renshou Properties Valuation Report and discussion with the Hong Kong Valuer, we note that the Hong Kong Valuer has considered different valuation methodologies for the valuation of the Renshou Properties. The Hong Kong Valuer selected the direct comparison approach to arrive at the HK Renshou Properties Valuation. As confirmed by the HK Valuer, the direct comparison approach is one of the commonly adopted approaches for valuation of companies and is also consistent with normal market practice.

As advised by the Hong Kong Valuer, the direct comparison approach was considered as an appropriate methodology in assessing the value of the Renshou Properties given the availability of the market information of comparable properties, which is considered to be an appropriate indicator of the fair value of the Renshou Properties. We understand that the Hong Kong Valuer also considered the cost approach. Under the cost approach, the value is established based on the land costs and the costs of construction in reproducing the property without considering the latest property market conditions and the future sale proceeds derived from the property. Thus, the Hong Kong Valuer is of the view that cost approach is less appropriate for valuing the Renshou Properties. Having considered the limitations of the cost approach, we concur with the Hong Kong Valuer in adopting the direct comparison approach for the purpose of the HK Renshou Properties Valuation.

The Hong Kong Valuer advised that it has primarily adopted the direct comparison approach for the HK Renshou Properties Valuation based on the principle of substitution, where comparison is made with reference to transacted or asking prices of comparable properties so as to arrive at a fair comparison of market value. In arriving the market values, the Hong Kong Valuer has identified and analysed various relevant sales evidences in the locality which have same usage, similar positioning and other characteristics as the Renshou Properties. As advised by the Hong Kong Valuer, the selection criteria of comparables take into account of (i) the nature and quality of the properties; (ii) the location of the properties which is Renshou County or the adjacent areas within Meishan City; (iii) the building age of properties is within 10 years; and (iv) the public price information published within one year. Appropriate adjustments were considered in relation to the differences in location, site area, floor level, remaining land use term and other characters between the comparables and the Renshou Properties to derive the market value of the Renshou Properties. Based on the available information and market research conducted by the Hong Kong Valuer, the selected comparables in the HK Renshou Properties Valuation had fulfilled such selection criteria, and the selected comparables are representative in the Renshou

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County and the adjacent areas. We, on our best effort basis, have also independently ascertained the relevant public websites regarding property transactions in Renshou County, Meishan City, Sichuan Province, the PRC where the Hong Kong Valuer obtained information of the selected comparables, and noted that such selected comparables were more closely comparable to the Renshou Properties. Therefore, we do not see any anomaly in the Hong Kong Valuer's selection of comparables.

We have obtained from the Hong Kong Valuer details of the comparable transactions that it has applied to evaluate the Renshou Properties. In particular, the Hong Kong Valuer has identified and analysed various relevant sales evidence of land and buildings in the locality which have similar characteristics as the Renshou Properties. We noted that the selected comparables are the transactions of residential properties, commercial properties and car parking spaces located in the area close to the Renshou Properties conducted within one year prior to the Valuation Benchmark Date. The unit price of these comparable properties is in the following range:

from approximately RMB8,000 to RMB8,400 per sq.m. for residential properties;

from approximately RMB19,400 to RMB24,800 per sq.m. for commercial properties;

from approximately RMB76,000 to RMB110,000 per car parking space; and

from approximately RMB3,100 to RMB3,600 per sq.m. for land in Phase 3.

We noted that some of the comparables are adjusted by the Hong Kong Valuer based on differences in several aspects including location and physical characteristics between the comparable sites and the Renshou Properties. The general basis of adjustment of physical characteristics like age, size, location and land use term in which if the comparable is better than the Renshou Properties, a downward adjustment is made and vice versa.

Based on the above, we consider that (i) the selection criteria of the selected comparables are reasonable; and (ii) the nature and particulars of the selected comparables are appropriate and relevant, thus the selected comparables provided a fair basis for the HK Renshou Properties Valuation.

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Valuation of the Sale Assets

In assessing the fairness and reasonableness of the appraised value of the Sale Assets, we have reviewed the valuation report on the Sale Assets prepared by the Hong Kong Valuer (the “**HK Sale Assets Valuation Report**”) and interviewed the Hong Kong Valuer regarding, among other things, the basis and assumptions made and the methodology adopted by the Hong Kong Valuer in conducting the HK Sale Assets Valuation Report. Details of the assumptions are set out in of the summary of the HK Sale Assets Valuation Report as contained in Appendix IV to the Circular.

Based on our interview with the Hong Kong Valuer, we understand that the Hong Kong Valuer carried out a site inspection to the Sale Assets in July 2021 to research for the necessary information to determine the market value of the Sale Assets.

Based on the review of the HK Sale Assets Valuation Report and discussion with the Hong Kong Valuer, we note that the Hong Kong Valuer has considered different valuation methodologies for the valuation of the Sale Assets (the “**HK Sale Assets Valuation**”). The Hong Kong Valuer selected the direct comparison approach to arrive at the HK Sale Assets Valuation. As confirmed by the Hong Kong Valuer, the direct comparison approach is one of the commonly adopted approaches for valuation of properties and is also consistent with normal market practice.

As advised by the Hong Kong Valuer, the direct comparison approach was considered as an appropriate methodology in assessing the value of the Sale Assets given the availability of the market information of comparable properties, which is considered to be the best indicator of the fair value of the Sale Assets. We understand the Hong Kong Valuer has also considered the cost approach. Under the cost approach, the value is established based on the land costs and the costs of construction in reproducing the property, without considering the latest property market conditions and the future sale proceeds derived from the property. Thus, the Hong Kong Valuer has considered that cost approach is less appropriate for valuing the Sale Assets. Having considered the limitations of the cost approach, we concur with the Hong Kong Valuer in adopting the direct comparison approach for the purpose of the HK Sale Assets Valuation.

The Hong Kong Valuer has further advised that appropriate adjustments and analysis were considered to the differences in location, site area, floor level, land use term and other characters between the comparables and the Sale Assets to arrive at an assumed unit rate for the Sale Assets. As advised by the Hong Kong Valuer, the selection criteria of comparables take into account of (i) the nature and quality of the properties; (ii) the location of the properties which is in Renshou County or the adjacent areas

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within Meishan City; (iii) the building age of properties is within 10 years; and (iv) the public price information published within one year. Based on the available information and market research and analysis conducted by the Hong Kong Valuer, the selected comparables in the HK Sale Assets Valuation had fulfilled such selection criteria, and the direct comparables are representative in the Renshou County and the adjacent areas. We, on our best effort basis, have also independently ascertained the relevant public websites regarding property transactions in Renshou County, Meishan City, Sichuan Province, the PRC where the selected comparables were researched by the Hong Kong Valuer, and noted that such selected comparables were more closely comparable to the Sale Assets. Therefore, we do not see any anomaly in the Hong Kong Valuer's selection of comparables.

We have obtained from the Hong Kong Valuer details of the comparable transactions that it has applied to evaluate the Sale Assets. In particular, the Hong Kong Valuer has identified and analysed various relevant sales evidence of land and buildings in the locality which have similar characteristics as the Sale Assets such as usage, site area, layout and location. We noted that the selected comparables are transactions of office, financial office and car parking spaces located in the area close to the Sale Assets conducted within one year prior to the Valuation Benchmark Date. The unit price of these comparable properties is in the following range:

from approximately RMB6,000 to RMB7,400 per sq.m. for office;

from approximately RMB9,000 to RMB9,900 per sq.m. for financial office; and

from approximately RMB70,000 to RMB120,000 per car parking space.

We noted that some of the comparable transactions are adjusted based on differences in several aspects including location and physical characteristics between the comparable and the Sale Assets. The general basis of adjustment of physical characteristics like age, size, location and land user term in which if the comparable is better than the Sale Assets, a downward adjustment is made and vice versa.

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Based on the above, we consider that (i) the selection criteria of the selected comparables are reasonable; and (ii) the nature and particulars of the selected comparables are appropriate and relevant, thus the selected comparables provided a fair basis for the HK Sale Assets Valuation.

During the course of our interview with the Hong Kong Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the HK Renshou Properties Valuation and the HK Sale Assets Valuation. We also concur with the HK Valuer that the valuation methodology adopted by the Hong Kong Valuer is a common approach and normal market practice in the Hong Kong Valuer's profession for determining the market value of properties in the PRC given the availability of the market comparables.

Having considered (i) the Hong Kong Valuer is independent from the Company and STIP and have relevant experiences in conducting the valuation similar to the Renshou Properties and the Sale Assets; (ii) the methodologies and the key assumptions adopted by the Hong Kong Valuer for the HK Renshou Properties Valuation and the HK Sale Assets Valuation are commonly adopted in the market; and (iii) the management of the Group have discussed and reviewed the assumptions adopted in the HK Valuation Reports, we consider that the valuation methodologies of the Renshou Properties and the Sale Assets are fair and reasonable.

(ii) Basis of consideration

The Renshou Equity Consideration is approximately RMB502.5 million, which was arrived at after arm's length negotiations between the Company and STIP with reference to the appraised value of the Sale Equity of approximately RMB502.5 million determined by the PRC Valuer as at the Valuation Benchmark Date.

We have analysed the net asset value of Renshou Landmark by considering the amount of the HK Renshou Properties Valuation of approximately RMB3,988 million in order to fairly reflect the net assets value of Renshou Landmark as at 30 June 2021. Based on the relevant financial information, the net liability value of Renshou Landmark as at 30 June 2021 was approximately RMB390 million, after taking into account (i) the HK Renshou Properties Valuation of approximately RMB3,988 million and then resulting in an associated surplus on fair value change of the Renshou Properties of approximately RMB1,553 million; and (ii) the tax-related adjustments of approximately RMB623 million, the adjusted net asset value would be approximately RMB540 million (the "**Adjusted NAV**"). The calculation is set out as below:

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RMB million

Valuation of the Renshou Properties based on the HK Renshou Properties Valuation Report:	
Phase 1 and Phase 2A	1,107
Phase 2B and Phase 2C	1,441
Phase 3	1,440
 Total	 3,988
Less: Net book value attributable to the Renshou Properties as at 30 June 2021	(2,435)
 Surplus on the HK Renshou Properties Valuation	 1,553
 Net liabilities as at 30 June 2021	 (390)
Less: tax-related adjustments	(623)
 Adjusted NAV	 540
91% share of the Adjusted NAV	491
Renshou Equity Consideration together with relevant interests	505.9
Renshou Equity Consideration represents a premium to the Adjusted NAV	3.0%

The Renshou Equity Consideration together with relevant interests of approximately RMB505.9 million to be paid for the Sale Equity would represent a premium of approximately 3.0% to the Adjusted NAV.

According to the valuation report of the Sale Equity prepared by the PRC Valuer (the “**PRC Sale Equity Valuation Report**”), the appraised value of the Sale Equity of approximately RMB502.5 million, representing a premium of approximately 2.3% to the Adjusted NAV. On this basis, the PRC Sale Equity Valuation Report represents an appropriate benchmark for assessing the fair and reasonableness of the consideration of the Sale Equity.

Since Renshou Landmark is principally engaged in the property development and a majority of the assets of Renshou Landmark are relating to the Renshou Properties; whilst the subject matter of the Renshou Disposal, in substance, is the Renshou Properties themselves and their future development potential. Furthermore, Renshou Landmark’s historical operating performance has been fluctuating significantly in terms of the revenue and profitability during FY2019, FY2020 and 1H2021, we accordingly consider that direct comparison in terms of price-to-earnings ratio and/or price-to-book ratio with other property development companies listed on the Stock Exchange with much larger operating scale and property portfolio would not be meaningful, or even misleading, on the ground that Renshou Landmark’s scale of operation is very limited with the Renshou Properties located in one single location at Renshou County, Sichuan Province, the PRC, which is not directly comparable with other sizeable listed property development companies with recurring development projects as well as widespread property portfolio in the PRC.

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For the Renshou Debt Consideration, we understand that the consideration of the Sale Loan has been determined with reference to (i) the outstanding principal and interest of the Sale Loan as at 30 June 2021 amounted to approximately RMB1,419.9 million; (ii) the subsequent repayment of approximately RMB100 million by Renshou Landmark to the Company in August 2021; and (iii) the interest to be incurred during the period from 1 July 2021 to the Effective Date of the Equity and Corresponding Shareholder's Loan Transfer Agreement. Since the Renshou Debt Consideration is determined on a dollar-to-dollar basis, we consider that the basis of determining the Renshou Debt Consideration is fair and reasonable.

The Sale Assets Consideration is approximately RMB62.0 million which was arrived at after arm's length negotiation between Chengdu Shuhong and STIP with reference to the appraised value of the Sale Assets of approximately RMB62.0 million determined by the PRC Valuer as at the Valuation Benchmark Date. With reference to the HK Sale Assets Valuation Report, the appraised value of the Sale Assets as at Valuation Benchmark Date was approximately RMB67.0 million. We noted that the appraised value of the Sale Assets determined by the Hong Kong Valuer include certain tax expenses which will be borne by STIP. In order to fairly reflect the value of the Sale Assets, we have adjusted the tax effect on the appraised value of the Sale Assets. Based on the estimated taxation expenses in relation to the Sale Assets of approximately RMB4.9 million (which will be borne by the purchaser pursuant to the Assets Transfer Agreement), the adjusted value of the Sale Assets excluding the relevant tax will be approximately RMB62.1 million (the "**Adjusted Property Value**"). As at the Valuation Benchmark Date, the Sale Assets Consideration is comparable to the Adjusted Property Value and represents a premium of approximately 12.3% over the net book value of the Sale Assets of approximately RMB55.2 million as at 30 June 2021.

In relation to the transitional adjustment of the Sale Assets (capped at approximately RMB25.0 million), we understand that such adjustment is necessary as the construction of the Sale Assets is still undergoing and the relevant construction costs and expenses will be incurred and paid by Chengdu Shuhong to the suppliers and contractors during the Shuhong Transitional Period. Since the Sale Assets Consideration are determined based on the appraised value as at the Valuation Benchmark Date, it had not considered the additional costs to be paid by Chengdu Shuhong before the Shuhong Disposal Completion Date. According to the said adjustment mechanism, the transitional adjustment will reimburse the payment of construction costs to be made by Chengdu Shuhong to its suppliers and contractors and cover certain administrative expenses to be incurred by Chengdu Shuhong in relation to the Sale Assets during the Shuhong Transitional Period. In assessing the maximum amount of the transitional adjustment, we have obtained and reviewed the calculation in relation thereto and understand that the maximum amount of the transitional adjustment is calculated with reference to the construction completion plan, the payment schedule of the construction fee and the historical expenses incurred during the year ended 31 December 2020. Based on our review, we consider that the Company's bases and assumptions in calculating the maximum amount of the transitional adjustment are fair and reasonable.

LETTER FROM OCTAL CAPITAL LIMITED

(iii) Payment method

Pursuant to the Equity and Corresponding Shareholder's Loan Transfer Agreement, the maximum consideration will be settled in cash by two instalments in which (i) 30% of the maximum consideration of approximately RMB557 million should be settled within five working days from the Effective Date of the Equity and Corresponding Shareholder's Loan Transfer Agreement; and (ii) the remaining balance of approximately RMB1,301 million will be settled within thirty days from the date of completion of the transfer of the Sale Equity. The second instalment is required to be settled on or before 25 December 2021. To compensate for the opportunity cost of the second installment, STIP is required to pay an interest for the second installment at an interest rate of bank loans with the same term to the Company which is around 4.35% per annum.

Pursuant to the Assets Transfer Agreement, the Sale Assets Consideration and the transitional adjustment shall be settled in cash on the Shuhong Disposal Completion Date.

It is common for the purchaser of merger and acquisition activities to pay a certain percentage of the total consideration to the vendor for demonstrating the purchaser's commitment to the transaction so as to allowing the purchaser to conduct due diligence on the transaction target prior to the completion.

We noted that the Company and STIP have a common controlling shareholder, Shudao Investment. The ultimate actual controller of Shudao Investment is the State-owned Assets Supervision and Administration Commission of the Sichuan Province (四川省政府國有資產監督管理委員會). STIP is principally engaged in real estate development in Sichuan. With reference to the audited financial statement of STIP, its register capital and net assets value are approximately RMB2,500 million and approximately RMB2,012 million as at 31 December 2020, respectively. Having considered the state-owned enterprise background of STIP, we are of the view that the possibility of default in payment is relatively low.

Having considered the above analysis, we concur with the Directors that the payment terms and the determination of consideration under the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement, in an overall perspective, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

8. Financial effect of the Disposals

Earnings

Upon completion of disposal of the Sale Equity

Upon Renshou Disposal Completion Date, Renshou Landmark will cease to be a subsidiary of the Company. Assuming Renshou Disposal Completion took place on 30 June 2021, the Group is expected to recognize a gain before tax of approximately RMB857 million (subject to audit), being the estimated net proceeds of approximately RMB502 million (based on the Renshou Equity Consideration less professional fees and other related expenses) minus the unaudited net liabilities value of Renshou Landmark of approximately RMB355 million as at 30 June 2021.

Upon completion of disposal of the Sale Assets

Upon Shuhong Disposal Completion Date, the Sale Assets will cease to be held by the Group. Assuming Shuhong Disposal Completion took place on 30 June 2021, the Group is expected to recognise a gain before tax of approximately RMB7 million (subject to audit), being the estimated net proceeds of approximately RMB62 million (based on the Sale Assets Consideration less professional fees and other related expenses) minus the unaudited net book value of the Sale Assets of approximately RMB55 million as at 30 June 2021.

The actual amount of the gain to be recognised by the Group can only be determined when the carrying value of the Sale Equity and the Sale Assets as at their respective completion date and the relevant fees and expenses directly attributable to the Disposals are ascertained.

Net asset value

Upon the Renshou Disposal Completion Date, the net assets of the Group attributable to the Shareholders will be increased by the estimated gain from the Renshou Disposal of approximately RMB857 million.

Upon Shuhong Disposal Completion Date, the net assets of the Group attributable to the Shareholders will be increased by the estimated gain from the Shuhong Disposal of approximately RMB7 million.

LETTER FROM OCTAL CAPITAL LIMITED

Working capital

Upon completion of the Disposals, the Group's working capital will be increased by the amount of proceeds of not exceeding approximately RMB1,945.2 million.

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

Recommendations

Having considered the above principal factors and reasons, we consider that entering into the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement is not in the ordinary and usual course of business of the Group because of its "one-off" nature. Nevertheless, the Disposals are on normal commercial terms and the terms of the abovementioned agreements are fair and reasonable so far as the Independent Shareholders are concerned; and are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Equity and Corresponding Shareholder's Loan Transfer Agreement and the Assets Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Wong Wai Leung
Executive Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer Type 9 (asset management) regulated activities. Mr. Wong has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

The following is the English translation of the summary of the equity valuation report prepared for the purpose of incorporation in this circular received from Sichuan Dayou Property Appraisal Company Limited (四川大友房地產評估諮詢有限公司), an independent certified PRC valuer, in connection with its valuation of the Sale Equity as at 30 June 2021.*

**SUMMARY OF ASSET VALUATION REPORT
ON THE VALUE OF 91% SHAREHOLDERS' EQUITY INTERESTS OF
RENSHOU TRADING LANDMARK COMPANY LIMITED INVOLVED IN THE
PROPOSED TRANSFER OF EQUITY INTERESTS OF SICHUAN EXPRESSWAY
COMPANY LIMITED***

Chuan You Ping Bao Zi (2021) No. 0188

Sichuan Dayou Property Appraisal Company Limited* (四川大友房地產評估諮詢有限公司) has accepted the entrustment of Sichuan Expressway Company Limited to evaluate the market value of 91% equity interests of Renshou Trading Landmark Company Limited* (仁壽交投置地有限公司), on the Valuation Benchmark Date in accordance with the relevant laws, regulations and asset valuation standards, following the principles of independence, objectivity and impartiality, and in accordance with necessary valuation procedures. The summary of asset valuation report is as follows:

Purpose of valuation: According to the “Reply of Sichuan Transportation Investment Group Corporation Limited on the Project Approval of Real Estate Disposal Project (Chuan Jiao Tou Ban [2020] No. 204)”, the “Minutes of Special Meeting of Sichuan Expressway Company (Issue No. 10)” and the “Minutes of Meeting of Party Committee of Sichuan Expressway Company (Issue No. 8)”, Sichuan Expressway Company Limited proposes to transfer equity interests, and it is necessary to evaluate the value of 91% shareholders' equity interests of Renshou Trading Landmark Company Limited held by it, so as to provide value reference for the above economic behavior.

Valuation target: value of 91% shareholders' equity interests of Renshou Trading Landmark Company Limited.

Scope of valuation: all assets and liabilities of Renshou Trading Landmark Company Limited, including current assets, non-current assets and corresponding liabilities.

Type of value: market value

Valuation Benchmark Date: 30 June 2021

Valuation approaches: asset-based approach and income approach

Selection of valuation approaches

The basic approaches for valuation of enterprise value mainly include income approach, market approach and asset-based approach.

The income approach in valuation of enterprise value refers to the valuation approach that the expected income of the enterprise evaluated will be capitalized or discounted to determine the value of the valuation target. The two specific measures commonly used in income approach include dividend discount and cash flow discount.

The market approach in valuation of enterprise value refers to the valuation approach which compares the valuation target with comparable listed companies or comparable transaction cases so as to determine the value of the valuation target. The two specific measures commonly used in market approach include comparison with listed companies and comparison with transaction cases.

The asset-based approach in valuation of enterprise value is also known as cost approach, which refers to the valuation approach to determine the value of the valuation target by reasonably assessing the value of the on-balance sheet and off-balance sheet assets and liabilities of an enterprise based on the balance sheet of the enterprise evaluated as at the valuation benchmark date.

In accordance with the “Practicing Standards for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No.38)”, the valuer engaged in the business of enterprise value appraisal shall analyse the applicability of the three basic approaches, namely, income approach, market approach and cost approach (asset-based approach) according to the relevant conditions such as the purpose of valuation, valuation target, type of value and information collection and select a valuation approach.

The purpose of the valuation is to transfer the equity interest. As the equity transaction cases and reference enterprises similar to those of the entity evaluated cannot be obtained and the relevant comparative information required by the market approach cannot be acquired, objective conditions for adopting market approach are not met in the valuation.

Based on the investigation on the entity evaluated, it is in stable operation and its expected income in the future is predictable and measurable in currency. The risks to be borne by the asset owner for obtaining the expected income can also be predicted and quantified, and the expected profit period of the appraised assets can be predicted. Therefore, the income approach is adopted for the valuation.

As the entity evaluated operates on an ongoing basis and it has the expected earnings capability and available historical data, while the income approach is used for the valuation, the asset-based approach is also adopted for the valuation after taking full consideration of the physical, functional and economic depreciation of the assets.

Based on the above, the income approach and the asset-based approach are adopted for the valuation.

Valuation assumptions:

(i) Basic assumptions

1. *Transaction assumption*

It is assumed that all assets to be evaluated are in the process of transaction, and the valuer will conduct the valuation with reference to a simulated market based on the transaction conditions of the assets to be evaluated.

2. *Open market assumption*

Open market is a market where there are fully-developed and sound market conditions, and also refers to a competitive market where there are voluntary buyers and sellers, and buyers and sellers are offered with equal status in terms of the opportunity and time to have access to sufficient market information, in which the transactions between both the buyers and the sellers are conducted voluntarily and rationally without compulsion or without restricted conditions.

3. *Continuous use assumption*

The continuous use assumption refers to the continuous use of the assets under certain market conditions, working environment and utilization methods, including the continuous use for the current purpose or for a new purpose, and the continuous use in situ or in a new place.

4. *Going concern assumption*

It is assumed that the entity evaluated, whose operators assume responsibilities and are capable of fulfilling their responsibilities, will not cease operation for whatever reason in the foreseeable future but instead will be operated legally and continuously based on the current assets and resource conditions.

(ii) Special assumptions

1. The accounting policies to be adopted by the entity evaluated after the Valuation Benchmark Date shall be consistent with those adopted in preparing the valuation report in important respects;
2. The external economic environment of the entity evaluated shall remain unchanged, and there shall be no material changes in relevant macroeconomic, industrial and regional development policies of the country after the Valuation Benchmark Date;
3. There shall be no material changes in loan rates, exchange rates, tax bases, tax rates and policy charges;
4. There shall be no other force majeure and unforeseeable factors which have material adverse impact on the entity evaluated;
5. The entity evaluated shall fully comply with all relevant laws and regulations, and its management is responsible, stable and capable of performing their duties;
6. The basic information and financial information provided by the client and the entity evaluated are true, accurate and complete;
7. It is assumed that the net cash flow is evenly obtained by the entity evaluated during the year;
8. It is assumed that the qualifications and certificates related to project development can be obtained as scheduled;
9. It is assumed that the development plan and sales plan for each year of the project can be completed as scheduled in the future, and the cost, expense control and expected revenue from sales can be realized in accordance with the relevant plan; and
10. It is assumed that the products or services of the entity evaluated maintain the current market competitiveness after the Valuation Benchmark Date.

Appraised value of the assets and liabilities of Renshou Landmark:

Current assets

1. *Cash and bank balances*

Based on the stocktaking outcome of cash and cash inflow and outflow records, the valuer has inferred and confirmed the accuracy of book value as at the benchmark date. The verified amounts are taken as the appraisal value.

As to bank deposits and other cash and bank balances, based on the checking among the balances in bank statements, bank reconciliation statements and replies regarding bank accounts, the verified amounts are taken as the appraisal value.

2. *Prepayments and other receivables*

By verifying the original vouchers, comprehending the content and the occurrence date of receivables and prepayments, the valuer verified balances in the book value, carried out ageing analysis and made feasibility judgment of realization. Based on the results of the classification of receivables and the aging analysis, and comprehending the repayment of debts, financial conditions and credit of the opposing enterprise, the accountant made bad debt provisions through the specific identification method in accordance with the provisions of Chinese Accounting Standards and taking into account specific circumstances. The valuer, through external confirmations and discussing with relevant persons of the enterprise, opined that the bad debt provisions made by the accountant reasonably reflects the actual accounts receivable of the enterprise. Therefore, the bad debt provisions made by the audit are deducted from the accounts receivable as the amount of bad debt losses, and the deducted balance are taken as the appraisal value of the accounts receivable.

3. *Inventories*

Inventories include commodity inventories, finished goods (products developed) and products in progress (development costs). The specific valuation methods are as follows:

(1) *Finished goods (commodity inventories)*

Commodity inventories are marketing materials and pandemic prevention materials, which are not sold externally. The appraisal value is determined by multiplying the actual quantity on the benchmark date by the market unit price (tax exclusive).

(2) *Finished goods (products developed)*

- A. For Northern Dynasty Phase 1, as the construction and acceptance of the project have been completed, and the remaining commercial and parking spaces are still unsold, the market approach is adopted for the valuation. At first, determining the total price (tax exclusive) of the pre-sold portion as at the benchmark date, then adding the total sales price of the unsold portion of the products developed, and deducting the appropriate selling and administrative expenses, land appreciation tax, sales tax and surcharges and corporate income tax, and the appraisal value was finally arrived at after due consideration of the depreciation of net profit based on the sales of products.

The calculation formula is as follows:

Appraisal value = total sales price – selling and administrative expenses of the unsold portion – taxes and surcharges of the unsold portion – land appreciation tax – income tax – appropriate depreciation of profit of the unsold portion

- B. For Northern Dynasty Phase 2 Parcel A, it is a project under construction (based on that the final comprehensive checks and acceptance had not been completed, and that the construction costs had not been settled in full) under real estate development, including land use rights and construction in progress. As a whole, the hypothetical development approach (residual approach) is adopted for the valuation to best reflect the market value of the valuation target. Therefore, the hypothetical development approach (residual approach) is adopted for the valuation of the development costs.

The calculation formula is as follows:

Value of real estate to be developed = value of real estate after completion of development (present value) – subsequent development costs (present value) – administrative expenses (present value) – sales expenses and taxes (present value) – land appreciation tax (present value) – income tax (present value)

(3) *Products in progress (development costs)*

According to the characteristics and specific conditions of the valuation target as well as the actual conditions of the project, in combination with the relevant provisions of the Code for Real Estate Appraisal, Regulations on Urban Land Valuation and other documents as well as the relevant information collected by the valuer, the appropriate valuation approach for the valuation target is selected accordingly.

For Northern Dynasty Phase 2 Parcel B and Parcel C, they are projects under construction under real estate development. The valuation approach is the same as that of Northern Dynasty Phase 2 Parcel A.

Since Northern Dynasty Phase 3 is the construction land to be developed, the calculation formula is as follows:

Value of the parcel to be developed = market value of the parcel – unpaid land premium – land appreciation tax – enterprise income tax + land transaction and taxes

The valuation methods for land price of the parcel include: market comparison approach, income capitalization approach, residual approach, cost approach method and coefficient-revising of public land price method. The valuation determines the appropriate valuation method based on the specific situations such as location of the parcel to be estimated, the nature of land use and the degree of land development. The valuation target is the land under construction to be developed and has no real income, and it is difficult to determine the expected income of the consultation subject, therefore it is inappropriate to adopt the income capitalization approach and other more practical methods shall be adopted; although Renshou County has established a relatively perfect benchmark land price system, as the valuation target is wholesale and retail land and urban residential land and its benchmark land price cannot objectively reflect the market value, the land price is closely related to the future development value and income, and the results calculated by the cost approach method cannot truly reflect the land price level of the consultation subject, so coefficient-revising of benchmark land price method and cost approach method are not suitable for this time. Although there are many similar real estate development projects in the valuation target area, the detailed planning and application for construction of Northern Dynasty Phase 3 has not yet been carried out, and there are undemolished buildings on the parcel 97 #. Northern Dynasty Phase 3 is subject to many uncertain factors for its development value. Therefore, it is inappropriate to adopt the residual approach. As there are many transactions of land use rights of the same type in the region where the valuation target is located and the market basis is sufficient, the market comparison approach can be adopted.

The formula of market comparison approach is:

Price of parcel to be estimated = price of reference properties × correction coefficient for the transaction × correction coefficient for Valuation Benchmark date × correction coefficient for regional factor × correction coefficient for individual factor × correction coefficient for useful life

Other current assets

The valuer first carried out the reconciliation between the consolidated and itemized accounts, accounting statements and appraisal checklist to verify the authenticity and reasonableness of the basis for the accounts. The verified book value is taken as the appraisal value.

Non-current assets

1. *Housing assets*

The housing buildings within the scope of valuation is the sales center of the entity evaluated and are not planned to be held by itself in the future. The valuation has been carried out in Northern Dynasty Phase 2 Parcel A.

2. *Equipment*

The equipment within the scope of valuation are mainly vehicles and electronic equipment.

(1) *Vehicles*

As the second-hand vehicle trading is active, and relatively open and transparent, the market approach is adopted for vehicle valuation in the valuation, that is, under the premise of continuous use and open market, comparing the evaluated vehicles with similar vehicles involving in the recent market transactions on the Valuation Benchmark Date and making appropriate adjustments to the known prices of these similar vehicles so as to estimate the objective and reasonable price of the evaluated vehicles.

The formula is:

Appraisal value of vehicles = selling price of reference subject × correction coefficient for individual factor × correction coefficient for market factor × correction coefficient for time factor × correction coefficient for regional factor

(2) *Electronic equipment*

The replacement cost method is adopted in the valuation of electronic equipment.

① Determination of full replacement price of electronic equipment

Electronic equipment mainly includes office equipment and office furniture, which are generally not required to be installed and delivered by suppliers, and the full replacement price is the purchase price excluding tax.

Full replacement price of electronic equipment = purchase price of equipment (tax exclusive)

The purchase price of small equipment is mainly determined by inquiring the market quotation information on the Valuation Benchmark Date.

② Comprehensive newness rate of electronic equipment

The comprehensive newness rate is mainly determined by the service life-determined newness rate.

Service life-determined newness rate = (1- serviced life/economic service life) × 100%

3. *Intangible assets – other intangible assets*

Selecting the appropriate valuation method based on the acquisition method, application situation and relevant information collected for other intangible assets. For the purchased office software in use, the verified book value is taken as the appraisal value due to the short interval between the purchase date and the Valuation Benchmark Date, and the small degree of price change.

4. *Long-term deferred expenses*

The long-term deferred expenses within the scope of valuation are the decoration and renovation costs of the sunroom and canteens of Northern Dynasty sales center. On the basis of understanding the reasons and reviewing relevant contracts and payment records item by item, the valuer does not plan to hold such part of the business on their own in the future. It has been reflected in the appraisal value of Northern Dynasty Phase 1 and Phase 2 Parcel A as products developed, and will not be considered separately.

5. *Other non-current assets*

The valuer first carried out the reconciliation between the consolidated and itemized accounts, accounting statements and appraisal checklist to verify the authenticity and reasonableness of the basis for the accounts. The verified book value is taken as the appraisal value.

Current liabilities and non-current liabilities

1. *Current liabilities*

Current liabilities include accounts payables, contract liabilities, payroll payables, tax payables, other payables, non-current liabilities due within one year and other current liabilities. Based on audited amounts, the valuer verified each liability and determine whether each debt is actually assumed by the entity evaluated on the benchmark date and whether there is any creditor, and determine the appraisal value based on the liabilities actually required to be paid on the benchmark date. For the financing cost adjusted by the audit of the contract liabilities, it has been verified that the entity evaluated is not required to pay such financing cost in the future, and the appraisal value of such financing cost is zero in the valuation.

2. *Non-current liabilities*

Non-current liabilities include long-term borrowings, long-term payables, other non-current liabilities. Based on audited amounts, the valuer verified long-term liabilities and determine whether each debt is actually assumed by the entity evaluated on the benchmark date and whether there is any creditor, and determine the appraisal value based on the liabilities actually required to be paid on the benchmark date. For the financing cost adjusted by the audit of other non-current liabilities, it has been verified that the entity evaluated is not required to pay such financing cost in the future, and the appraisal value of such financing cost is zero in the valuation.

Valuation conclusion: the valuation result under the asset-based approach is selected as the final valuation conclusion in this valuation report. The specific valuation conclusions are as follows:

1. The valuation result under the income approach is RMB550,074,800, and the book value of all shareholders' equity is RMB(390,188,400), up by RMB940,263,200 or 240.98%.
2. Before valuation under asset-based approach, the total assets amounted to RMB2,827,736,200, total liabilities amounted to RMB3,217,924,600, and net assets amounted to RMB(390,188,400). After valuation, the value of total assets amounted to RMB3,691,156,300, total liabilities amounted to RMB3,138,996,700, and net assets amounted to RMB552,159,600, up by RMB942,348,000 or 241.51%. Details are as follows:

Unit: RMB0'000

Item	Book value	Appraised value	Growth/ (reduction)	Growth rate %
Current assets	278,622.87	366,998.34	88,375.47	31.72
Including: Cash and bank balances	13,336.26	13,336.26	-	-
Prepayments	15,872.50	242.16	(15,630.34)	(98.47)
Other receivables	1,150.02	1,150.02	-	-
Inventories				
–Commodity inventories	63.99	59.72	(4.27)	(6.67)
–Finished goods (products developed)	75,431.04	91,771.64	16,340.60	21.66
–Products in progress (development costs)	170,943.51	253,682.36	82,738.85	48.40
–Impairment provision	(4,930.63)	-	4,930.63	(100.00)
Other current assets	6,756.18	6,756.18	-	-
Non-current assets	4,150.75	2,117.29	(2,033.46)	(48.99)
Including: Fixed assets	2,126.78	143.67	(1,983.11)	(93.24)
Intangible assets	27.09	27.09	-	-
Long-term deferred expenses	50.35	-	(50.35)	(100.00)
Other non-current assets	1,946.53	1,946.53	-	-
Total assets	282,773.62	369,115.63	86,342.01	30.53
Current liabilities	164,468.87	162,846.60	(1,622.27)	(0.99)
Non-current liabilities	157,323.59	151,053.07	(6,270.52)	(3.99)
Total liabilities	321,792.46	313,899.67	(7,892.79)	(2.45)
Net assets (Owners' equity)	(39,018.84)	55,215.96	94,234.80	241.51

Comparison between and analysis of the results obtained by the above two approaches: the difference between the valuation results under the asset-based approach and the income approach is RMB2,084,800 or 0.38%. Since Renshou Trading Landmark Company Limited is a real estate development company, the asset-based valuation approach has also adopted the dynamic hypothetical development method used in the income approach to value the subject's major asset, being inventory. There is relatively small difference between the appraisal results of the asset-based approach and the income approach of the valuation. Considering the asset valuation subject, valuation purpose, and applicable value types, we believe that the result of the asset-based approach is more applicable after making comparison and analysis. Therefore, the appraisal result of the asset-based approach is taken as the final valuation conclusion of the report, namely:

After valuation, the value of total equity interests of shareholders of Renshou Trading Landmark Company Limited is RMB552,159,600 on the Valuation Benchmark Date. The appraisal value of the 91% of equity interests of Renshou Trading Landmark Company Limited involved in the proposed transfer of equity interests by Sichuan Expressway Company Limited is RMB502,465,200.

The validity period of the conclusion of the asset valuation report is one year from the Valuation Benchmark Date (30 June 2021 to 29 June 2022).

The users of this asset valuation report include the client, other users of the asset valuation report as agreed in the asset valuation engagement contract and other users of the asset valuation report as stipulated by national laws and regulations. Save for the above, any other agencies or individuals shall not use this asset valuation report by virtue of being provided with the asset valuation report.

The asset valuation report can only be used after it is signed by the asset valuer, sealed by the valuation agency and filed with the state-owned assets supervision and administration authority or the funded enterprise.

Important Notice

The above content is extracted from the text of the asset valuation report. Details of the valuation and a reasonable understanding of the valuation conclusions are contained in the full text of the asset valuation report.

The following is the English translation of the summary of the asset valuation report prepared for the purpose of incorporation in this circular received from Sichuan Dayou Property Appraisal Company Limited (四川大友房地產評估諮詢有限公司), an independent certified PRC valuer, in connection with its valuation of the Sale Assets as at 30 June 2021.*

**SUMMARY OF ASSET VALUATION REPORT
ON THE REAL ESTATE UNDER CONSTRUCTION OF “HONGRUI
INTERNATIONAL PLAZA” COMPRISING OFFICES AND PARKING
SPACES INVOLVED IN THE PROPOSED TRANSFER OF ASSETS OF
SICHUAN EXPRESSWAY COMPANY LIMITED***

Chuan You Ping Bao Zi (2021) No. 0189

Sichuan Dayou Property Appraisal Company Limited* (四川大友房地產評估諮詢有限公司) has accepted the entrustment of Sichuan Expressway Company Limited to evaluate the market value of the involved real estate under construction of “Hongrui International Plaza” comprising offices and parking spaces held by Chengdu Shuhong Property Company Limited* (成都蜀鴻置業有限公司) on the Valuation Benchmark Date in accordance with relevant laws, regulations and asset valuation standards, following the principles of independence, objectivity and impartiality, and in accordance with necessary valuation procedures. The summary of asset valuation report is as follows:

Purpose of valuation: According to the “Decision of Shareholders’ Meeting of Chengdu Shuhong Property Company Limited”, the “Minutes of Special Meeting of Sichuan Expressway Company (Issue No. 10)” and the “Minutes of Meeting of Party Committee of Sichuan Expressway Company (Issue No. 8)”, Sichuan Expressway Company Limited proposes to transfer assets, and it is necessary to evaluate the market value of the involved real estate under construction of “Hongrui International Plaza” comprising offices and parking spaces held by Chengdu Shuhong Property Company Limited*, so as to provide value reference for the above economic behavior.

Valuation target: the real estate under construction of “Hongrui International Plaza” comprising offices and parking spaces of Chengdu Shuhong Property Company Limited located at No. 5002 Renshou Avenue, Mumen Community, Puning Street, Renshou County.

Scope of valuation: the real estate under construction of “Hongrui International Plaza” comprising offices and parking spaces of Chengdu Shuhong Property Company Limited located at No. 5002 Renshou Avenue, Mumen Community, Puning Street, Renshou County, with a total gross floor area of 24,879.57 sq.m. (including the gross floor area of offices of 17,690.77 sq.m., the gross floor area of parking spaces of 5,370.14 sq.m., and the area of multi-functional public rooms such as the property management office, sky garden, fire control room, room for management and supporting rooms of 1,818.66 sq.m.), and the area of the land use rights is 9,304.60 sq.m., and the land use rights are granted for commercial and financial use with the book value of RMB55,213,073.13.

Type of value: market value

Valuation Benchmark Date: 30 June 2021

Valuation approach: hypothetical development approach

Selection of valuation approaches

The commonly used methods for appraisal of real estate under construction include comparison approach, income approach, cost approach, hypothetical development approach and benchmark land premium correction approach.

Comparison approach: a method of selecting a certain number of comparable instances, comparing them with the valuation target, and obtaining the value or price of the valuation target after processing the transaction prices of the comparable instances according to the differences between them.

Income approach: a method of predicting the future income of the valuation target, and obtaining the value or price of the valuation target by converting the future income into the value with a return rate or capitalisation rate and an income multiplier.

Cost approach: a method of calculating the replacement cost or reconstruction cost and depreciation of the valuation target as at the benchmark date, and obtaining the value or price of the valuation target by subtracting depreciation from the replacement cost or reconstruction cost.

Hypothetical development approach: a method of obtaining necessary expenditures for subsequent development of the valuation target and a discount rate or the necessary expenditures for subsequent development and due profits and the value after completion of the development, and obtaining the value or price of the valuation target by subtracting the necessary expenditures for subsequent development from the value after completion of the development, both being discounted to the benchmark date, or subtracting the necessary expenditures for subsequent development and due profits from the value after completion of the development.

Benchmark land premium correction method: a method of obtaining the value or price of land parcels of the valuation target by adjusting the benchmark land premium in the place where the lands parcels of the valuation target are located with relevant adjustment factors in the area where benchmark land premium has been published by the government or its relevant departments.

In accordance with the requirements of the Valuation Criterion for Real Estate (GB/T50291-2015), appropriate valuation approaches are selected based on the development status of the local real estate market, the specific characteristics of the valuation target and the purpose of the valuation.

The valuation target is real estate under construction. The project has not been completed and comprehensive completion acceptance has not been conducted yet. There is a lack of cases of market transactions of real estate under construction with the same or similar use and physical conditions as the valuation target in the region; therefore, it is not appropriate to adopt the comparison approach for the valuation.

The valuation target is real estate under construction and has not yet been put into actual use, and no actual revenue has been generated; therefore, it is not appropriate to adopt the income approach for the valuation.

The cost approach is applicable where there is no or insufficient market basis and thus it is not appropriate to adopt the market comparison approach, the income approach or the hypothetical development approach to appraise the real estate. The valuation target is financial offices and parking spaces with a high degree of completion, the market value of which cannot be objectively reflected by the results calculated by the accumulated cost, so the cost approach is not adopted.

Within the same supply and demand circle (meaning an appropriate range determined by the valuer based on its knowledge and prevailing market conditions which includes comparable projects with replaceable relationship with, and are price sensitive to the valuation target) of the valuation target, there are many commercial and office real estate projects similar to the valuation target after completion of its expected development. The value of the valuation target upon the development and the necessary expenditures (various costs, expenses and taxes) for subsequent development and the profits to be made are easy to determine and assess. Therefore, the hypothetical development approach can be adopted in the valuation.

Based on the above, through comprehensive analysis, the hypothetical development approach is adopted in the valuation to obtain the market value of the real estate under construction comprising commercial and financial offices as the valuation target.

Valuation assumptions:

(i) Basic assumptions

1. *Transaction assumption*

It is assumed that all assets to be evaluated are in the process of transaction, and the valuer will conduct the valuation with reference to a simulated market based on the transaction conditions of the assets to be evaluated.

2. *Open market assumption*

Open market is a market where there are fully-developed and sound market conditions, and also refers to a competitive market where there are voluntary buyers and sellers, and buyers and sellers are offered with equal status in terms of the opportunity and time to have access to sufficient market information, in which the transactions between both the buyers and the sellers are conducted voluntarily and rationally without compulsion or without restricted conditions.

3. *Continuous use assumption*

The continuous use assumption refers to the continuous use of the assets under certain market conditions, working environment and utilization methods, including the continuous use for the current purpose or for a new purpose, and the continuous use in situ or in a new place.

(ii) Special assumptions

1. The Valuation Benchmark Date of the valuation is not consistent with the date of the on-site survey. The Valuation Benchmark Date of the report is 30 June 2021 and the date of completion of the on-site survey of the valuation target by the valuer is 6 July 2021, and the degree of completion of the construction work in progress as inspected by the valuer on site is already higher than the degree of completion as at the Valuation Benchmark Date provided by the property right owner. With reference to the construction progress under normal circumstances, the backward of the degree of completion at the time of the on-site survey is in line with the progress of completion as described in the “Description of Completed Image Progress of Hongrui International Plaza” as at the Valuation Benchmark Date provided by the property right owner. Therefore, for the purpose of the valuation, it is assumed that the physical condition of the valuation target as at the Valuation Benchmark Date is consistent with the condition described in the “Description of Completed Image Progress of Hongrui International Plaza” provided by the property right owner;
2. The actual construction costs already invested and the construction costs to be incurred in the later period of the valuation target are based on the Cost Schedule Analysis Form and relevant contracts, invoices and the contents and data as set out in other information provided by the property right owner. It is assumed that the aforesaid information provided by the property right holder is legal, true, accurate and complete in the case that there is no reason to doubt its legality, truthfulness, accuracy and completeness;

3. On the Valuation Benchmark Date, the valuation target has complete and lawful construction procedures and documents proving the source of ownership, and the valuation target can continue the development and construction in accordance with the planned use and approved planning indicators under the premise of meeting the principle of lawfulness, and the valuation target can complete the construction works in accordance with the construction plan and put into use in accordance with the planned design requirements upon completion of the works. The valuation is conducted on the basis of such assumptions;
4. The location, boundary and scope of the subject are defined and confirmed by the property right owner. The purpose, building area and degree of completion of the valuation target are based on the contents and data as set out in the State-owned Land Use Certificate, Cost Schedule Analysis Form, Description of Completed Image Progress of Hongrui International Plaza, Survey Report of Floor Area Measurement (Forecasted Area), the master plan, Assessment and Declaration Form for Projects under Construction and other information provided by the property right owner as reference for valuation. It is assumed that the aforesaid information provided by the property right holder is legal, true, accurate and complete in the case that there is no reason to doubt its legality, truthfulness, accuracy and completeness;
5. According to the Survey Report of Floor Area Measurement provided by the property right owner, the construction address of the valuation target is: No. 5002, Renshou Avenue, Mumen Community, Puning Street, Renshou County, and the address of the valuation target is: Renshou Avenue, Renshou County, as confirmed by the property right owner through on-site boundary pointing and on-site inspection by the valuer, and no house number or building number of the valuation target is seen. The premise of the valuation is that the subject upon on-site inspection by the valuer is the same as the object recorded in the Survey Report of Floor Area Measurement provided by the property right owner;
6. According to the on-site inspection by the valuer and the introduction by the property right owner, as at the Valuation Benchmark Date, the valuation target was still under construction and no completion and acceptance had been conducted. Based on the normal construction period of similar construction projects in Meishan City, combined with on-site inspection by the valuer, according to the Description of Completed Image Progress of Hongrui International Plaza provided by the property owner and confirmed by the property right owner, the valuation target expects the completion date of the project to be 10 November 2021, which is taken as the calculation basis and presumptions in the valuation. The actual completion date of the valuation target is based on the date on which the contractor submits the completion acceptance report;

7. Due to professional restrictions, the valuer has not conducted professional measurement on the construction area under construction and the land use rights area occupied by the valuation target. It is assumed that the construction area and the land use right area occupied by the valuation target are consistent with the areas recorded in the Survey Report of Floor Area Measurement (Forecasted Area) and the State-owned Land Use Certificate, etc. confirmed and provided by the property right owner in the valuation;
8. It is assumed that there will be no material changes in the political, economic and social environment in the country or region after the Valuation Benchmark Date;
9. It is assumed that there shall be no major changes in relevant macroeconomic, industrial and regional development policies of the country after the Valuation Benchmark Date;
10. It is assumed that there will be no material adverse impact arising from force majeure after the Valuation Benchmark Date;
11. It is assumed that the information provided by the client is true, complete and valid and that there are no other material matters that would affect the valuation conclusion of the client;
12. It is assumed that there will be no material and significant changes in the relevant price standards and market prices of the material assets during the validity period of the asset valuation results; and
13. All taxes and fees payable by the valuation target have been paid in accordance with national, provincial and municipal laws, regulations and rules, and there is no default in payment of taxes and fees.

Appraised value of the Sale Assets:

The hypothetical development approach was adopted in the valuation. According to the purpose of the valuation, the valuation is conducted on the premise of voluntary transfer of the development, and the necessary expenditure for the subsequent development included the taxes and fees to be borne by the buyer for the purchase of the construction in progress.

The valuation steps involved:

- ① To obtain the real estate value upon the development of the valuation target under comparison approach;
- ② To obtain the necessary expenditure for the subsequent development of the valuation target (including various costs, expenses and taxes that must be paid for the completion of the development) and profits to be made; and
- ③ To obtain the development value of the real estate under construction as the valuation target.

The calculation formula is as below:

Development value of the real estate under construction = value of the real estate upon completion of development – taxes on construction-in-progress acquisition – costs of continuing construction – continuing management expenses – sales expenses – investment interests on continuing construction – profits for continuing construction – sales taxes – land value added tax

Valuation conclusion: the book value of the real estate under construction of “Hongrui International Plaza” comprising offices and parking spaces of Chengdu Shuhong Property Company Limited located at No. 5002 Renshou Avenue, Mumen Community, Puning Street, Renshou County is RMB55,213,073.13, and the appraisal value is RMB62,009,100.00, up by RMB6,796,026.87 or 12.31%.

Special note: Users of the report are advised to pay attention to the fact that the value-added tax and surcharges payable after the development is completed and the land value-added tax paid in advance during the sales progress after the development is completed have been deducted from the valuation results.

The validity period of the conclusion of the asset valuation report is one year from the Valuation Benchmark Date (30 June 2021 to 29 June 2022).

The users of this valuation report include the client, other users of the asset valuation report as agreed in the asset valuation engagement contract and other users of the asset valuation report as stipulated by national laws and regulations. Save for the above, any other agencies or individuals shall not use this asset valuation report by virtue of being provided with the asset valuation report.

The asset valuation report can only be used after it is signed by the asset valuer, sealed by the valuation agency and filed with the state-owned assets supervision and administration authority or the funded enterprise.

Important Notice

The above content is extracted from the text of the asset valuation report. Details of the valuation and a reasonable understanding of the valuation conclusions are contained in the text of the asset valuation report.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with its opinion of values of the Properties of Renshou Landmark as at 30 June 2021.

The Directors
Sichuan Expressway Company Limited
252 Wuhouci Da Jie
Chengdu
Sichuan Province
The People's Republic of China

7 September 2021



Savills Valuation and
Professional Services Limited
Room 1208
1111 King's Road
Taikoo Shing, Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

Dear Sirs,

INSTRUCTION

In accordance with the instructions from Sichuan Expressway Company Limited (the “**Company**”) for us to value the properties (the “**Properties**”) situated in the People’s Republic of China (the “**PRC**”), and held by Renshou Trading Landmark Company Limited (仁壽交投置地有限公司) (“**Renshou Landmark**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the Properties as at 30 June 2021 (“**valuation date**”) for inclusion in the Company’s circular dated 7 September 2021.

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property concerned which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2020 of The Hong Kong Institute of Surveyors (“**HKIS**”), which incorporates the International Valuation Standards (“**IVS**”), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr Anthony C.K. Lau, who is a Director of Savills Valuation and Professional Services Limited (“**SVPSL**”) and a corporate member of HKIS with over 28 years’ experience in valuation of properties in the PRC and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Properties, SVPSL did not involve in valuation of the Properties in the past 12 months.

We are independent of the Company and Renshou Landmark. We are not aware of any instances which would give rise to potential conflict of interest from SVPSL or Mr Lau in the subject exercise. We confirm SVPSL and Mr Lau are in the position to provide objective and unbiased valuation for the Properties.

VALUATION METHODOLOGY

In valuing the properties in Groups I and III, which are held for sale or for future development in the PRC by Renshou Landmark, we have valued such properties by the direct comparison method by making reference to sale of comparable properties assuming sale with the benefit of vacant possession.

In valuing the properties in Group II, which are held by Renshou Landmark under development in the PRC, we have valued such properties on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Company. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at our opinion of values, we have adopted the direct comparison method by making reference to sale of comparable properties as available in the market and also taken into account the costs that will be expended to complete the developments.

TITLE INVESTIGATIONS

We have been provided with copies of title documents relating to the Properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies provided to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and the legal opinion issued by the Company's PRC legal adviser, Zhong Yin (Chengdu) Law Firm, regarding the titles to the Properties in the PRC.

SOURCES OF INFORMATION

In the course of our valuation, we have relied to a considerable extent on information from the Company and also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, development proposals, construction costs paid and to be paid, estimated completion dates, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We are also advised by the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

VALUATION ASSUMPTIONS

In valuing the Properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the Properties for their specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. Unless otherwise stated, we have also assumed that the owners of the Properties have good legal titles to the Properties and have free and uninterrupted rights to occupy, use, transfer or lease the Properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

SITE INSPECTION

We have inspected the exterior and where possible, the interior of the Properties. The site inspection was carried out on 6 July 2021 by our Ms. Jenny Chen, who is a China registered real estate appraiser and has over 8 years' experience in the valuation of properties in the PRC. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot, infestation or any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi (“**RMB**”).

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C.K. Lau
MHKIS MRICS RPS(GP)
Director

Note: Mr. Anthony C.K. Lau is a professional surveyor who has over 28 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

No.	Property	Market value in existing state as at 30 June 2021 (RMB)	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 June 2021 (RMB)
Group I – Property held by Renshou Landmark for sale in the PRC				
1.	Unsold Portion on Phase 1 and Phase 2A of Northern Dynasty, Chengbei New City, Wenlin Zhen, Renshou County, Meishan City, Sichuan Province, the PRC	1,107,000,000	91%	1,007,370,000
	Group I Sub-total:	1,107,000,000		1,007,370,000
Group II – Property held by Renshou Landmark under development in the PRC				
2.	Phases 2B-2C of Northern Dynasty, Chengbei New City, Wenlin Zhen, Renshou County, Meishan City, Sichuan Province, the PRC	1,441,000,000	91%	1,311,310,000
	Group II Sub-total:	1,441,000,000		1,311,310,000
Group III – Property held by Renshou Landmark for future development in the PRC				
3.	Phase 3 of Northern Dynasty, Chengbei New City, Wenlin Zhen, Renshou County, Meishan City, Sichuan Province, the PRC	1,440,000,000	91%	1,310,400,000
	Group III Sub-total:	1,440,000,000		1,310,400,000
	Grand Total:	3,988,000,000		3,629,080,000

VALUATION REPORT

Group I – Property held by Renshou Landmark for sale in the PRC

No	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2021								
1.	Unsold portion on Phase 1 and Phase 2A of Northern Dynasty, Chengbei New City, Wenlin Zhen, Renshou County, Meishan City, Sichuan Province, PRC	<p>Northern Dynasty (the “Development”) comprises a mixture of residential and commercial development. The Development will be developed under several phases and has a total site area of approximately 430,368.62 sq.m.</p> <p>The Development is located on the eastern side of Central Business Road within the junction between Xincheng Road and Bolin Road in Renshou County of Meishan City. It takes about a 60-minutes’ drive from the Development to the city centre of Meishan.</p> <p>Developments in the vicinity are dominated by various types of residential buildings with several community facilities.</p> <p>According to the information provided by the Company, the property comprises the unsold portion of residential units, retail units and car parking spaces of Phase 1 and Phase 2A of the Development with a total gross floor area of approximately 212,740.10 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows:</p>	As at the valuation date, of the property was vacant.	<p>RMB1,107,000,000 (Renminbi One Billion One Hundred and Seven Million)</p> <p>(91% interest attributable to the Group: RMB1,007,370,000 (Renminbi One Billion Seven Million Three Hundred and Seventy Thousand))</p>								
		<p>Phase 1</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>15,357.35</td> </tr> <tr> <td>Car parking space (Non-civil Defence)</td> <td>31,353.36</td> </tr> <tr> <td>Total:</td> <td>46,710.71</td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq m)	Retail	15,357.35	Car parking space (Non-civil Defence)	31,353.36	Total:	46,710.71		
Use	Approximate Gross Floor Area (sq m)											
Retail	15,357.35											
Car parking space (Non-civil Defence)	31,353.36											
Total:	46,710.71											

Phase 1 was completed in 2017.

No	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2021
		Phase 2A		
			Approximate Gross Floor Area	
		Use	(sq m)	
		Residential	70,553.06	
		Retail	19,618.26	
		Car parking space (Non-civil Defence)	<u>75,858.07</u>	
		Total:	<u>166,029.39</u>	

As advised by Renzhou Landmark, Phase 2A had actually been completed in June 2021 and portion of the property of Phase 2A had been delivered. The Completion Report is pending for application. Renzhou Landmark estimated that the Completion Report would be received in the near future.

The land use rights of Phases 1 and 2A of the Development have been granted for two concurrent terms expiring on 28 February 2053 and 28 February 2083 for wholesale and retail, and residential uses respectively.

Notes:

- (1) Pursuant to two State-owned Land Use Rights Grant Contracts – Nos. 511201–2013-P-004 and 511201–2013-P-005 both dated 22 February 2013, the land use rights of a parcel of land with a site area of approximately 159,937.00 sq.m. have been granted to Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司), for a term of 70 years for residential use and 40 years for commercial use at a land grant fee of RMB699,660,000.

As advised by the Company, the property only comprises portion of the land as stated in the above-mentioned contract.

- (2) Pursuant to a Construction Land Planning Permit No. Di Zi Di 511421201306060006 and 511421201706050001 dated 6 June 2013 and 5 June 2017 respectively, Renshou Landmark, a 91%-owned subsidiary of the Company, was permitted to use a parcel of land of the Development with a site area of 114,856.71 sq.m. for residential uses.
- (3) Pursuant to a State-owned Land Use Certificate No. Ren Guo Yong (2013) Di 8086 Hao and 9698, the land use rights of the property with a site area of approximately 159,937.00 sq.m. have been granted to Renshou Landmark for two concurrent terms expiring on 28 February 2053 and 28 February 2083 for wholesale and retail, and residential uses respectively.

As advised by the Company, the property only comprises portion of the land as stated in the above-mentioned certificate.

- (4) Pursuant to various Construction Works Planning Permits – Nos. Jian Zi Di 51142120412240002, 51142120412240003 and 511421201706050001–511421201706050003 dated on 24 December 2014 and 5 June 2017, the total approved construction scale of various buildings of Phases 1 and 2A of the Development is 487,745.70 sq.m.
- (5) Pursuant to various Construction Works Commencement Permits – 511421201407290101, 511421201407030401, 511421201407290201, 511421201407310101, 511421201604130501, 511421201604130601, 511421201407300101, 511421201805140101, 51142120180514020 and 511421201805140301 dated between 31 October 2014 and 14 May 2018, the construction works of various buildings of Phases 1 and 2A of the Development with a total construction scale of 483,321.00 sq.m. was permitted for commencement.
- (6) Pursuant to various Pre-sale Permits for Commodity Housing – Nos. (Ren) Fang Yu Shou Zheng Di 20141205, 20141206, 2016012, 20160710, 20161009, 20181202, 20180918, 20180919 and 20190119–20190124 dated between 19 December 2014 and 22 January 2019, various buildings of Phases 1 and 2A of the Development with a total gross floor area of 379,484.93 sq.m. were permitted for pre-sale.
- (7) Pursuant to various Completion Reports dated between 22 May 2017 and 22 December 2017, the construction works of various buildings on Phase 1 with a total gross floor area of 195,883.36 sq.m. have been examined. According to the information provided by the Company, the Completion Report of Phase 2A was expected to be obtained in October 2021.
- (8) As advised by the Company, portion of Phases 1 and 2A with a total gross floor area of 722.00 sq.m. and 53,908.54 sq.m. respectively has been pre-sold/subscribed at a total consideration of approximately RMB420,800,000 as at the valuation date. We have taken into account the aforesaid amount in our valuation.
- (9) As advised by the Company, Phase 2A is subject to an outstanding cost of RMB71,250,000. In the course of our valuation, we had not taken into account such outstanding cost in arriving at our opinion of value.
- (10) We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:
- i. Renshou Landmark has legally obtained the land use rights of the property and is entitled to occupy, use or by other means to dispose of the land use rights of the property;
 - ii. Renshou Landmark has obtained requisite construction permits for the construction of the property; and
 - iii. Renshou Landmark is entitled to pre-sell such portions of the property as stated in the Pre-sale Permits for Commodity Housing.
- (11) In undertaking our valuation of the property, we have made reference to various market comparables of similar developments which have characteristics comparable to the property. The unit rates of these comparables are in a range between RMB8,000/sq.m. and RMB8,400/sq.m. for residential units, RMB19,400/sq.m. and RMB24,800/sq.m. for commercial units (Level 1) and RMB76,000 and RMB110,000 per car parking space. Appropriate adjustments have been made to reflect the differences in factors between the property and comparable properties such as time, location, size, floor level, building age and quality in arriving our key assumption.

VALUATION REPORT

Group II – Property held by Renshou Landmark under development in the PRC

No	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2021												
2.	Phases 2B-2C of Northern Dynasty, Chengbei New City, Wenlin Zhen, Renshou County, Meishan City, Sichuan Province, PRC	<p>Northern Dynasty (the “Development”) comprises a mixture of residential and commercial development. The Development will be developed under several phases and has a total site area of approximately 430,368.62 sq.m.</p> <p>The Development is located on the eastern side of Central Business Road within the junction between Xincheng Road and Bolin Road in Renshou County of Meishan City. It takes about a 60-minutes’ drive from the Development to the city centre of Meishan.</p> <p>Developments in the vicinity are dominated by various types of residential buildings with several community facilities.</p> <p>According to the information provided by the Company, the property comprises the whole of Phases 2B and 2C of the Development with a total gross floor area of approximately 538,834.18 sq.m. Details of the uses and approximate gross floor areas of the property are as follows:</p>	As at the valuation date, the property was under construction.	<p>RMB1,441,000,000 (Renminbi One Billion Four Hundred and Forty One Million)</p> <p>(91% interest attributable to the Group: RMB1,311,310,000 (Renminbi One Billion Three Hundred Eleven Million Three Hundred and Ten Thousand))</p>												
		<p>Phase 2B</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area (sq m)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>212,738.99</td> </tr> <tr> <td>Retail</td> <td>36,585.24</td> </tr> <tr> <td>Car parking space (Non-civil Defence)</td> <td>96,086.97</td> </tr> <tr> <td>Ancillary</td> <td>13,871.22</td> </tr> <tr> <td>Total:</td> <td>359,282.42</td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area (sq m)	Residential	212,738.99	Retail	36,585.24	Car parking space (Non-civil Defence)	96,086.97	Ancillary	13,871.22	Total:	359,282.42		
Use	Approximate Gross Floor Area (sq m)															
Residential	212,738.99															
Retail	36,585.24															
Car parking space (Non-civil Defence)	96,086.97															
Ancillary	13,871.22															
Total:	359,282.42															
		As advised by the Company, the construction of Phase 2B of the Development is scheduled for completion in October 2023.														

No	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2021
		Phase 2C		
			Approximate Gross Floor Area (sq m)	
		Use		
		Residential	114,614.55	
		Retail	9,193.29	
		Car parking space (Non-civil Defence)	45,782.71	
		Ancillary	9,961.21	
		Total:	179,551.76	

As advised by the Company, the construction of Phase 2C of the Development is scheduled for completion in December 2021.

The land use rights of Phases 2B and 2C of the Development have been granted for two concurrent terms expiring on 25 December 2053 and 25 December 2083 for wholesale and retail, and residential uses respectively.

Notes:

- (1) Pursuant to three State-owned Land Use Rights Grant Contracts, the land use rights of three parcels of land with a total site area of approximately 131,126.26 sq.m. have been granted to Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司), Details of the said contracts are as follows:

	Contract No.	Issuance Date	Site Area (sq m)	Land Grant Fee
Phases 2B & 2C	511201-2013-P-0041	15 May 2014	35,947.11	RMB195,500,000
	511201-2013-P-0042	15 May 2014	36,547.72	RMB152,000,000
	511201-2013-P-0045	15 May 2014	58,631.43	RMB151,600,000

- (2) Pursuant to three State-owned Land Use Certificates, the land use rights of three parcels of land with a total site area of approximately 131,126.26 sq.m. have been granted to Renshou Landmark, a 91%-owned subsidiary of the Company. Details of the said certificates are as follows:

	Certificate No.	Site Area (sq m)	Land Use Right Expiry Date
Phases 2B & 2C	Chuan (2018) Renshou Xian Bu Dong Chan Quan Di 0001044 Hao	36,547.72	Residential: 25 December 2083 Wholesale and Retail: 25 December 2053
	Chuan (2018) Renshou Xian Bu Dong Chan Quan Di 0001045 Hao	58,631.43	Residential: 25 December 2083 Wholesale and Retail: 25 December 2053
	Chuan (2018) Renshou Xian Bu Dong Chan Quan Di 0001046 Hao	35,947.11	Residential: 25 December 2083 Wholesale and Retail: 25 December 2053

- (3) Pursuant to three Construction Land Planning Permits, Renshou Landmark was permitted to use various parcels of land with a total site area of 131,126.26 sq.m. for residential and commercial uses. Details of the said permits are as follows:

	Permit No.	Issuance Date	Site Area (sq m)
Phases 2B & 2C	Di Zi Di 511421201711200001	20 November 2017	58,631.43
	Di Zi Di 511421201711200002	20 November 2017	35,947.11
	Di Zi Di 511421201711200003	20 November 2017	36,547.72

- (4) Pursuant to various Construction Works Planning Permits, the total approved construction scale of various buildings of the Development is 493,333.08 sq.m. Details of the said permits are as follows:

	Permit No.	Issuance Date	Construction Scale (sq m)
Phases 2B & 2C	Jian Zi Di 511421201711160001	16 November 2017	21,477.96
	Jian Zi Di 511421201711160002	16 November 2017	135,934.14
	Jian Zi Di 511421201711160003	16 November 2017	98,878.42
	Jian Zi Di 511421201711160004	16 November 2017	130,995.83
	Jian Zi Di 511421201711160005	16 November 2017	106,046.73
	Jian Zi Di 511421201711160006	16 November 2017	500,29.33

- (5) Pursuant to four Construction Works Commencement Permits, the construction works of various buildings of Phases 2B & 2C with a total construction scale of 292,636.58 sq.m. were permitted for commencement. Details of the said permits are as follows:

	Permit No.	Issuance Date	Construction Scale (sq m)
Phases 2B & 2C	511421201907120101	12 July 2019	49,932.910
	511421201907120201	12 July 2019	130,847.410
	511421202009220101	22 September 2020	111,856.26
	511421202106010101	1 June 2021	250,725.830

- (6) Pursuant to five Pre-sale Permits for Commodity Housing – Nos. Ren Fang Yu Shou Yi Zi Di 20200512, 20200413, 20191005, 20191137 and 20200111 dated between 18 October 2019 and 17 October 2020, a gross floor area of 123,807.84 sq.m. were permitted for pre-sale.
- (7) As advised by the Company, the total construction cost paid as at the valuation date was approximately RMB490,000,000 and the estimated outstanding construction cost for completion of the property will be approximately RMB1,466,000,000. We have taken into account the aforesaid amounts in our valuation.
- (8) As advised by the Company, portion of the property with a total gross floor area of approximately 112,679.64 sq.m. has been pre-sold at a total consideration of approximately RMB870,000,000 as at the valuation date. We have taken into account the aforesaid amount in our valuation.
- (9) The capital value of the property as if completed as at the valuation date is estimated to be RMB3,374,000,000.
- (10) We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:
- i. Renshou Landmark has legally obtained the land use rights of the property and is entitled to occupy, use or by other means to dispose of the land use rights of the property;
 - ii. Phases 2B and 2C were mortgaged in favour of Bank of Chengdu, Meishan Branch (成都银行股份有限公司眉山分行);
 - iii. Renshou Landmark has obtained requisite construction permits for the construction of the property; and
 - iv. Renshou Landmark is entitled to pre-sell such portions of the property as stated in the Pre-sale Permits.
- (11) In undertaking our valuation of the property, we have made reference to various market comparables of similar developments which have characteristics comparable to the property. The unit rates of these comparables are in a range between RMB8,000/sq.m. and RMB8,400/sq.m. for residential units, RMB19,400/sq.m. and RMB24,800/sq.m. for commercial units (Level 1) and RMB76,000 and RMB110,000 per car parking space. Appropriate adjustments have been made to reflect the differences in factors between the property and comparable properties such as time, location, size, floor level, building age and quality in arriving our key assumptions.

VALUATION REPORT

Group III – Property held by Renshou Landmark for future development in the PRC

No	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2021
3.	Phase 3 of Northern Dynasty, Chengbei New City, Wenlin Zhen, Renshou County, Meishan City, Sichuan Province, the PRC	<p>Northern Dynasty (the “Development”) comprises a mixture of residential and commercial development. The Development will be developed under several phases and has a total site area of approximately 430,368.62 sq.m.</p> <p>The Development is located on the eastern side of Central Business Road within the junction between Xincheng Road and Bolin Road in Renshou County of Meishan City. It takes about a 60-minutes’ drive from the Development to the city centre of Meishan.</p> <p>Developments in the vicinity are dominated by various types of residential buildings with several community facilities.</p> <p>According to the information provided by the Company, the property comprises Phase 3 of the Development and occupies four parcels of land, namely Lot Nos. 97, 98, 131 and 132. The total site area of Phase 3 is approximately 200,192.83 sq.m. The total permissible gross floor area of Lot Nos. 98, 131 and 132 is approximately 618,635.52 sq.m. whilst that of Lot No. 97 is approximately 139,159.34 sq.m. (inclusive 41,040 sq.m. for resettlement housing).</p> <p>The land use rights of the property have been granted for four concurrent terms expiring on 28 February 2053 and 25 December 2053 for wholesale and retail uses, and 28 February 2083 and 25 December 2083 for residential use.</p>	<p>As at the valuation date, the property was pending for future development.</p>	<p>RMB1,440,000,000 (Renminbi One Billion Four Hundred and Forty Million)</p> <p>(91% interest attributable to the Group: RMB1,310,400,000 (Renminbi One Billion Three Hundred One Million and Four Hundred Thousand))</p> <p>(see Notes 3 and 4)</p>

Notes:

- (1) Pursuant to four State-owned Land Use Rights Grant Contracts, the land use rights of four parcels of land with a total site area of 180,234.95 sq.m. have been granted to Sichuan Expressway Company Limited (“**Sichuan Expressway**”) (四川成渝高速公路股份有限公司) and Renshou Landmark, a 91%-owned subsidiary of the Company. Details of the contracts are as follows:

No.	Issuance Date	Site Area (sq m)	Site Area	Land Grant Fee
511201-2013-P-003	22 February 2013	75,621.10	Sichuan Expressway	RMB220,500,000
511201-2013-P-004	22 February 2013	80,689.40		RMB360,500,000
511201-2013-P-0044	15 May 2014	23,924.45	Renshou Landmark	RMB86,000,000
511201-2013-P-0043	15 May 2014	39,759.81		RMB202,000,000

As advised by the Company, the property only comprises portion of the land as stated in the above-mentioned contracts.

- (2) Pursuant to three State-owned Land Use Certificates, the land use rights of three parcels of land with a total site area of approximately 180,234.95 sq.m. have been granted to Renshou Landmark. Details of the said certificates are as follows:

Certificate No.	Issuance Date	Site Area (sq m)	Land Use Rights Expiry Date
Ren Guo Yong (2013) 0408	11 September 2013	75,621.10	Residential: 28 February 2083 Wholesale and Retail: 28 February 2053
Ren Guo Yong (2013) 9698	18 September 2013	80,689.40	Residential: 28 February 2083 Wholesale and Retail: 28 February 2053
Ren Guo Yong (2013) 2293	7 April 2016	23,924.45	Residential: 25 December 2083 Wholesale and Retail: 25 December 2053

As advised by the Company, the property only comprises portion of the land as stated in the above-mentioned certificate.

- (3) As advised by the Company, Lot No. 97 is subject to an outstanding land premium of RMB55,767,550. Therefore, Renshou Landmark has not obtained the State-owned Land Use Certificate of Lot No. 97 with a site area of approximately 39,759.81 sq.m.
- (4) We have assigned no commercial value to Lot No. 97 of the property as no State-owned Land Use Certificate has been obtained. For reference purpose, if Renshou Landmark obtain the State-owned Land Use Certificate, the market value of Lot No. 97 on bare land basis was in the sum of RMB116,000,000 as at the valuation date.
- (5) Pursuant to a Construction Land Planning Permit – Di Zi Di 511421201706050001 Hao dated 6 May 2017, Renshou Landmark was permitted to use a parcel of land of the Development with a site area of 80,689.40 sq.m. for residential use.

- (6) We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:
- i. Renshou Landmark has legally obtained the land use rights of the property except for Lot No. 97 and is entitled to occupy, use or by other means to dispose of the land use rights of the property.
- (7) In undertaking our valuation of the property, we have made reference to various land sale transactions which have characteristics comparable to the property. The accommodation values of these comparables are in a range between RMB3,100/sq.m. and RMB3,600/sq.m. Appropriate adjustments have been made to reflect the differences in factors between the property and the comparables such as time, plot ratio, location, site area, and accessibility in arriving our key assumption.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with its opinion of value of the Property of Chengdu Shuhong as at 30 June 2021.

The Directors
Sichuan Expressway Company Limited
252 Wuhouci Da Jie
Chengdu
Sichuan Province
The People's Republic of China

7 September 2021



Savills Valuation and
Professional Services Limited
Room 1208
1111 King's Road
Taikoo Shing, Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

Dear Sirs,

RE: HONGRUI INTERNATIONAL PLAZA, NO.5002 RENSHOU AVENUE, MUMEN COMMUNITY, PUNING STREET, RENSHOU COUNTY, MEISHAN CITY, SICHUAN PROVINCE, THE PRC (THE "PROPERTY")

INTRODUCTION

In accordance with the instructions from Sichuan Expressway Company Limited (the "**Company**") for us to value the Property situated in the People's Republic of China (the "**PRC**"), and held by Chengdu Shuhong Property Company Limited (成都蜀鴻置業有限公司) ("**Chengdu Shuhong**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the Property as at 30 June 2021 ("**valuation date**") for inclusion in the Company's circular dated 7 September 2021.

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property concerned which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2020 of The Hong Kong Institute of Surveyors (“**HKIS**”), which incorporates the International Valuation Standards (“**IVS**”), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr. Anthony C.K. Lau, who is a Director of Savills Valuation and Professional Services Limited (“**SVPSL**”) and a corporate member of HKIS with over 28 years’ experience in valuation of properties in the PRC and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Property, SVPSL did not involve in valuation of the Property in the past 12 months.

We are independent of the Company and Chengdu Shuhong. We are not aware of any instances which would give rise to potential conflict of interest from SVPSL or Mr. Lau in the subject exercise. We confirm SVPSL and Mr. Lau are in the position to provide objective and unbiased valuation for the Property.

VALUATION METHODOLOGY

In valuing the property, which is held by Chengdu Shuhong under development in the PRC, we have valued such properties on the basis that they will be developed and completed in accordance with the latest development proposals provided to us by the Company. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at our opinion of values we have adopted the direct comparison method by making reference to sale of comparable properties as available in the market and also taken into account the costs that will be expended to complete the development.

TITLE INVESTIGATIONS

We have been provided with copies of title documents relating to the Property. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies provided to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and the legal opinion issued by the Company’s PRC legal adviser, Zhong Yin (Chengdu) Law Firm, regarding the titles to the Property in the PRC.

SOURCES OF INFORMATION

In the course of our valuation, we have relied to a considerable extent on information from the Company and also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, development proposals, construction costs paid and to be paid, estimated completion date, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We are also advised by the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

VALUATION ASSUMPTIONS

In valuing the Property in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the Property for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. Unless otherwise stated, we have also assumed that the owner of the Property has a good legal title to the Property and has free and uninterrupted rights to occupy, use, transfer or lease the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

SITE INSPECTION

We have inspected the exterior and where possible, the interior of the Property. The site inspection was carried out on 6 July 2021 by our Ms. Jenny Chen, who is a China registered real estate appraiser and has over 8 years' experience in the valuation of properties in the PRC. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot, infestation or any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi (“**RMB**”).

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C.K. Lau
MHKIS MRICS RPS(GP)
Director

Note: Mr. Anthony C.K. Lau is a professional surveyor who has over 28 years' experience in the valuation of properties in the PRC.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2021
Hongrui International Plaza, No.5002 Renshou Avenue, Mumen Community, Puning Street, Renshou County, Meishan City, Sichuan Province, the PRC	<p>Hongrui International Plaza (the “Development”) occupies a site with an area of approximately 9,304.60 sq.m., which is being developed into a commercial development.</p> <p>The property is located on the northern side of Renshuo Road in Renshou County of Meishan City. It takes about a 60-minutes’ drive from the Development to the city centre of Meishan.</p>	As at the valuation date, the property was under construction.	RMB67,000,000 (Renminbi Sixty Seven Million)

Developments in the vicinity are dominated by various types of commercial and residential buildings with several community facilities.

According to the information provided by the Company, upon completion, the property will comprise office and car parking spaces with a total gross floor area of approximately 24,879.57 sq.m. Details of the uses and approximate gross floor areas of the property are as follows:

Use	Approximate Gross Floor Area (sq m)
Office	15,994.80
Financial Office	1,695.97
Car parking space (Non-civil Defence)	5,370.14
Ancillary	1,818.66
Total:	24,879.57

As advised by the Company, the construction of the property is scheduled for completion in November 2021.

The land use rights of the property have been granted a term expiring on 12 September 2053 for business finance uses.

Notes:

- (1) Pursuant to the State-owned Land Use Certificate No. Ren Guo Yong (2013) Di 10336 dated 16 October 2013, the land use rights of a parcel of land with a site area of approximately 9,304.60 sq.m. have been granted to Chengdu Shuhong, a wholly-owned subsidiary of the Company, for a term expiring on 12 September 2053 for business finance use.
- (2) Pursuant to Construction Land Planning Permit No. Di Zi Di 511421201710240011 dated 14 October 2017, Chengdu Shuhong was permitted to use a parcel of land with a site area of 9,304.60 sq.m. for composite uses.
- (3) Pursuant to Construction Works Planning Permit No. Jian Zi Di 511421201906110006 issued on 11 June 2019, the total approved construction scale of the property is 25,191.30 sq.m.
- (4) Pursuant to two Construction Works Commencement Permit No. 511421201407290101 dated 6 March 2020, the construction works of the property with construction scale of 25,191.30 sq.m. were permitted for commencement.
- (5) Pursuant to two Pre-sale Permit for Commodity Housing – Nos. 20141205 and 20210206 both dated 1 February 2021, various buildings of the property with a total gross floor area of 17,690.77 were permitted for pre-sale.
- (6) As advised by the Company, the total construction cost paid as at the valuation date was approximately RMB36,000,000 and the estimated outstanding construction cost for completion of the property will be approximately RMB46,000,000. We have taken into account the aforesaid amounts in our valuation.
- (7) The capital value of the property as if completed as at the valuation date is estimated to be RMB123,000,000.
- (8) We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:
 - i. Chengdu Shuhong has legally obtained the land use rights of the property and is entitled to occupy, use or by other means to dispose of the land use rights of the property;
 - ii. Chengdu Shuhong has obtained requisite construction permits for the construction of the property; and
 - iii. Chengdu Shuhong is entitled to pre-sell such portions of the property as stated in the Pre-sale Permits for Commodity Housing.
- (9) In undertaking our valuation of the property, we have made reference to various market comparables of similar developments which have characteristics comparable to the property. The unit rates of these comparables are in a range between RMB6,000/sq.m. and RMB7,400/sq.m. for office units, RMB9,000/sq.m. and RMB9,900/sq.m. for financial office units and RMB70,000 and RMB120,000 per car parking space. Appropriate adjustments have been made to reflect the difference in factors between the property and comparable properties such as time, location, size, floor level, building age and quality in arriving our key assumption.

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. Gan Yongyi	Director	A Shares	Beneficial owner	50,000	0.0016%
Mr. Luo Maoquan	Director	A Shares	Beneficial owner	10,000	0.0003%

Save 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 2020, the date to which the latest published audited financial statement of the Group was made up;
- (ii) except that Mr. Li Chengyong, a non-executive Director, is the deputy general manager of the finance management department in Shudao Investment, no other Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO; and
- (iii) 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.

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 of capital of the Company		
Shudao Investment	A Shares (state-owned shares)	Long position	1,035,915,462	33.875%	47.898%	Beneficial owner
	H Shares	Long position	<u>60,854,200</u>	<u>1.990%</u>	6.797%	Beneficial owner
Total			<u>1,096,769,662</u>	<u>35.865%</u>		
China Merchants Expressway Network & Technology Holdings Co., Ltd.	A Shares (legal person shares)	Long position	664,487,376	21.729%	30.724%	Beneficial owner
	H Shares	Long Position	<u>96,458,000</u>	<u>3.154%</u>	10.774%	Interest in controlled corporation ⁽¹⁾
Total			<u>760,945,376</u>	<u>24.883%</u>		

Note:

- (1) Equity interest held by Cornerstone Holdings Limited, a wholly-owned subsidiary of China Merchants Expressway. Therefore, China Merchants Expressway Company is deemed to be interested in the H shares held by Cornerstone Holdings Limited under the SFO.

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

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 2020, the date to which the latest published audited financial statement of the Company were made up.

8. EXPERTS AND CONSENTS

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

Name	Qualification
Octal Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Sichuan Dayou Property Appraisal Company Limited*	an independent certified PRC Valuer
Savills Valuation and Professional Services Limited	an independent property valuer

As at the Latest Practicable Date, each of the above experts 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. Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its names in the form and context in which they appear.

The letter and recommendation given by each of the above experts is given as at the date of this circular for incorporation herein. As at the Latest Practicable Date, each of the above experts 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 2020, 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 any weekday (except public holidays) for a period of 14 days from the date hereof:

- (a) the Equity and Corresponding Shareholder's Loan Transfer Agreement;
- (b) the Assets Transfer Agreement;
- (c) the valuation report on Renshou Landmark dated 2 August 2021 by the PRC Valuer, the summary of which is set out in Appendix I to this circular;
- (d) the valuation report on Chengdu Shuhong dated 2 August 2021 by the PRC Valuer, the summary of which is set out in Appendix II to this circular;
- (e) the valuation report on Renshou Landmark dated 7 September 2021 by the Hong Kong Valuer, the report of which is set out in Appendix III to this circular;
- (f) the valuation report on Chengdu Shuhong dated 7 September 2021 by the Hong Kong Valuer, the report of which is set out in Appendix IV to this circular;
- (g) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 15 to 16 of this circular;
- (h) the letter from Octal Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 43 of this circular;
- (i) the letter of consent referred to under the paragraph headed "Expert and Consents" of this appendix; and
- (j) this circular.

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 3:00 p.m. on 28 September 2021 (Tuesday) at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan, the PRC for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions.

Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the circular (the “**Circular**”) of the Company dated 7 September 2021 containing the details in relation to the resolutions herein below.

ORDINARY RESOLUTIONS

1. **THAT:**

the Equity and Corresponding Shareholder’s Loan Transfer Agreement dated 16 August 2021 entered into between the Company and STIP and the transactions contemplated thereunder be and are hereby considered and approved, and the management of the Company be and are hereby authorized to deal with, at their sole and absolute discretion, all the relevant matters in relation to the Renshou Disposal, including but not limited to:

- (1) To develop and implement the specific scheme and transaction details of the Renshou Disposal, including but not limited to adjusting relevant transaction prices as permitted under the requirements, pursuant to the provisions of laws, administrative regulations and normative documents, resolutions of the general meeting of the Company, and the requirements of regulatory authorities, taking into consideration the Company’s actual situation;

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- (2) To make corresponding adjustment to the scheme of the Renshou Disposal in accordance with the requirements or feedback of the approval agencies and regulatory authorities; to authorize the management of the Company to make adjustment to the scheme of the Renshou Disposal and proceed with the Renshou Disposal in the event of new provisions and requirements for the Renshou Disposal by laws, regulations and normative documents of the state or relevant regulatory authorities, except for matters that require to be re-voted on at the general meeting as per relevant laws and regulations and the Articles of Association;
- (3) To amend, supplement, sign, submit, present and execute all agreements and documents relating to the Renshou Disposal and to deal with relevant reporting matters in relation to the Renshou Disposal;
- (4) To deal with such subsequent matters in relation to the review, approval, filing, registration of transfer of the Sale Equity, and to designate the state-owned assets transfer transactions institution and make announcement;
- (5) To decide on and deal with any other matters in relation to the Renshou Disposal to the extent permitted by laws, administrative regulations, normative documents and the Articles of Association.

2. **THAT:**

the Assets Transfer Agreement dated 16 August 2021 entered into between Chengdu Shuhong and STIP and the transactions contemplated thereunder be and are hereby considered and approved, and the management of the Company/Chengdu Shuhong be and are hereby authorized to deal with, at their sole and absolute discretion, all the relevant matters in relation to the Shuhong Disposal, including but not limited to:

- (1) To develop and implement the specific scheme and transaction details of the Shuhong Disposal, including but not limited to adjusting relevant transaction prices as permitted under the requirements, pursuant to the provisions of laws, administrative regulations and normative documents, resolutions of the general meeting/shareholder's resolutions of the Company/Chengdu Shuhong, and the requirements of regulatory authorities, taking into consideration the Company/Chengdu Shuhong's actual situation;

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- (2) To make corresponding adjustment to the scheme of the Shuhong Disposal in accordance with the requirements or feedback of the approval agencies and regulatory authorities; to authorize the management of the Company/Chengdu Shuhong to make adjustment to the scheme of the Shuhong Disposal and proceed with the Shuhong Disposal in the event of new provisions and requirements for the Shuhong Disposal by laws, regulations and normative documents of the state or relevant regulatory authorities, except for matters that require to be re-voted on at the general meeting as per relevant laws and regulations and the Articles of Association;
- (3) To amend, supplement, sign, submit, present and execute all agreements and documents relating to the Shuhong Disposal and to deal with relevant reporting matters in relation to the Shuhong Disposal;
- (4) To deal with such subsequent matters in relation to the completion of the registration procedures for the changes in the ownership of real estate for Sale Assets in respect to the Shuhong Disposal and to designate the state-owned assets transfer transactions institution and make announcement;
- (5) To decide on and deal with any other matters in relation to the Shuhong Disposal to the extent permitted by laws, administrative regulations, normative documents and the Articles of Association.

By order of the Board
Sichuan Expressway Company Limited*
Gan Yongyi
Chairman

Chengdu, Sichuan Province, the PRC

7 September 2021

Note:

1. The register of members of H Shares of the Company will be closed from 23 September 2021 (Thursday) to 28 September 2021 (Tuesday), 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 transfer documents 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 21 September 2021 (Tuesday).
2. Any holder of H Shares who has registered on the register of members of H Shares before the close of business on 21 September 2021 (Tuesday) 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.

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3. In order to be valid, the form of proxy of holders of H Shares and, if such form of proxy is signed by a person under a power of attorney or other authority on behalf of the principal, a notarially certified copy of that power of attorney or authority shall be deposited at the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the EGM (or any adjournment thereof) or 24 hours before the time appointed for the passing of the resolution(s).
4. Shareholders or their proxies should produce their identity documents when attending the EGM. Should a proxy be appointed, the proxy shall also present the form of proxy.
5. Pursuant to the Articles of Association of the Company and the Listing Rules, the Chairman of the EGM will demand a poll in relation to all the resolution(s) proposed at the EGM.
6. Shareholders who intend to attend the EGM shall complete and lodge the reply slip for attending the EGM at the Company's legal address at 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC not later than 4:30 p.m. on 23 September 2021 (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. Gan Yongyi (Chairman), Mr. Li Wenhui (Vice Chairman), Madam Ma Yonghan, Mr. You Zhiming and Mr. He Zhuqing as executive Directors, Mr. Yang Guofeng (Vice Chairman) and Mr. Li Chengyong as non-executive Directors, Mr. Yu Haizong, Madam Liu Lina, Mr. Yan Qixiang and Madam Bu Danlu as independent non-executive Directors.

** For identification purposes only*