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

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

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

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

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

(Stock Code: 00107)

**I. CONTINUING CONNECTED TRANSACTION – FRAMEWORK AGREEMENT FOR  
CONSTRUCTION WORKS AND RELATED SERVICES;**  
**II. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION,  
WORKING RULES FOR INDEPENDENT DIRECTORS AND RULES OF PROCEDURE  
FOR THE BOARD MEETINGS;**  
**III. PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR;  
AND**  
**IV. NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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

A letter from the Board is set out on pages 1 to 28 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 29 to 30 of this circular. A letter from Halcyon Capital Limited, the Independent Financial Advisor, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 55 of this circular.

A notice convening the EGM of the Company to be held at 3:00 p.m. on Thursday, 1 February 2024 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, Computershare Hong Kong Investor Services 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.

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## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company, as amended from time to time
“A Share(s)”	RMB 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 SSE
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Sichuan Expressway Company Limited* (四川成渝高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00107) and the A Shares of which are listed on the SSE (stock code: 601107)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Works and Related Services”	the construction works and related services contracted by Shudao Investment Group from the Group under the Framework Agreement for Construction Works and Related Services, details of which are set out in the section of major terms of the Framework Agreement for Construction Works and Related Services – Content of Transaction of this circular
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Detailed Implementation Rules for the Audit Committee”	the Detailed Implementation Rules for the Audit Committee of the Company, as amended from time to time
“Detailed Implementation Rules for the Nomination Committee”	the Detailed Implementation Rules for the Nomination Committee of the Company, as amended from time to time

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## DEFINITIONS

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“Detailed Implementation Rules for the Remuneration and Appraisal Committee”	the Detailed Implementation Rules for the Remuneration and Appraisal Committee of the Company, as amended from time to time
“Detailed Implementation Rules for the Strategic Committee”	the Detailed Implementation Rules for the Strategic Committee of the Company, as amended from time to time
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve the Framework Agreement for Construction Works and Related Services and the transactions contemplated thereunder, the notice of which is set out on pages EGM-1 to EGM-4 of this circular
“Expansion Construction Project”	the expansion construction project for Chengdu to Leshan Expressway
“Framework Agreement for Construction Works and Related Services”	the framework agreement for construction works and related services entered into between the Company and Shudao Investment on 12 December 2023
“Group”	the Company and its subsidiaries
“H Share(s)”	the 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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Independent Financial Advisor” or “Halcyon Capital”	Halcyon Capital Limited, a licensed corporation under the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial advisor to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement for Construction Works and Related Services and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Shareholders”	the Shareholders who are not required to abstain from voting on relevant resolutions at the EGM due to their material interests in the Framework Agreement for Construction Works and Related Services
“Latest Practicable Date”	10 January 2024, being the latest practicable date for ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Stocks on the SSE, as the case may be
“PRC” or “China”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Construction Framework Agreement”	the construction framework agreement entered into between the Company and Shudao Investment on 18 November 2022 in respect of contracting certain construction services from the Group
“Procedures for the Election of Directors”	the Procedures for the Election of Directors of the Company, as amended from time to time
“Rules of Procedure for the Board Meetings”	the Rules of Procedure for the Board Meetings of the Company, as amended from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	A Shares and/or H Shares (as the case may be)
“Shareholder(s)”	the registered holder(s) of the Shares
“Shudao Investment”	Shudao Investment Group Company Limited* (蜀道投資集團有限責任公司), the controlling shareholder of the Company
“Shudao Investment Group”	Shudao Investment and its subsidiaries (other than the Group)
“SSE”	the Shanghai Stock Exchange

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisors of the Company
“Working Rules for Independent Directors”	the Working Rules for Independent Directors of the Company, as amended from time to time
“%”	per cent

\* *For identification purposes only*

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LETTER FROM THE BOARD

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

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

(Stock Code: 00107)

*Executive Directors:*

Mr. Li Wenhui (*Vice Chairman*)

Madam Ma Yonghan

Mr. You Zhiming

*Non-executive Directors:*

Mr. Wu Xinhua (*Vice Chairman*)

Mr. Li Chengyong

Mr. Chen Chaoxiong

*Independent Non-executive Directors:*

Mr. Yu Haizong

Mr. Yan Qixiang

Madam Bu Danlu

Mr. Zhang Qinghua

*Legal Address:*

252 Wuhouci Da Jie

Chengdu

Sichuan Province

the PRC

Postal code: 610041

*Principal Place of Business in Hong Kong:*

Room 2201-2203, 22/F

World-wide House

19 Des Voeux Road Central

Central

Hong Kong

12 January 2024

*To the Shareholders*

Dear Sir or Madam,

- I. CONTINUING CONNECTED TRANSACTION – FRAMEWORK AGREEMENT FOR  
CONSTRUCTION WORKS AND RELATED SERVICES;  
II. PROPOSED AMENDMENTS TO THE ARTICLES OF  
ASSOCIATION, WORKING RULES FOR INDEPENDENT DIRECTORS  
AND RULES OF PROCEDURE FOR THE BOARD MEETINGS;  
III. PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR;  
AND  
IV. NOTICE OF EXTRAORDINARY GENERAL MEETING**

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## LETTER FROM THE BOARD

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### I. INTRODUCTION

References are made to (1) the continuing connected transaction announcement of the Company dated 12 December 2023 in relation to the Framework Agreement for Construction Works and Related Services; and (2) the announcement of the Company dated 28 December 2023 in relation to proposed amendments to the Articles of Association, the Working Rules for Independent Directors and the Rules of Procedure for the Board Meetings, and proposed appointment of Mr. Zhou Hua as an independent non-executive Director of the eighth session of the Board of the Company.

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 Framework Agreement for Construction Works and Related Services; (ii) a letter setting out the opinions and recommendations from the Independent Board Committee to the Independent Shareholders regarding the Framework Agreement for Construction Works and Related Services; (iii) the advice provided by Halcyon Capital to the Independent Board Committee and the Independent Shareholders regarding the Framework Agreement for Construction Works and Related Services; (iv) further details of the proposed amendments to the Articles of Association; (v) further details of the proposed amendments to the Working Rules for Independent Directors; (vi) further details of the proposed amendments to the Rules of Procedure for the Board Meetings; (vii) further details of the proposed appointment of Mr. Zhou Hua as an independent non-executive Director of the eighth session of the Board of the Company and his proposed Director's remuneration; and (viii) a notice convening the EGM.

### II. CONTINUING CONNECTED TRANSACTION – FRAMEWORK AGREEMENT FOR CONSTRUCTION WORKS AND RELATED SERVICES

The major terms of the Framework Agreement for Construction Works and Related Services are set out as follows:

Date:	12 December 2023
Term:	1 January 2024 to 31 December 2024
Parties:	the Company; and  Shudao Investment



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## LETTER FROM THE BOARD

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Content of transaction: Shudao Investment Group shall contract the Construction Works and Related Services from the Group, including the following:

1. Contracting and subcontracting of construction works of expressways (including roads, bridges, tunnels, etc.) and ancillary facilities (including auxiliary and supporting water supply and drainage, mechanical and electrical (including charging piles and other facilities), greening, transportation security, terrace and other facilities for buildings including management offices, toll stations, service areas and gas stations)
  - (1) construction works of expressways and ancillary facilities (including restructuring and construction extension), mainly including:
    - A. civil works: temporary works, roadbed works, road surface works, bridge culvert works, tunnel works, crossing works and housing construction works;
    - B. mechanical and electrical works: special mechanical and electrical projects, software and hardware system construction and mechanical and electrical upgrading, expressway operation and management informatisation construction and services;
    - C. traffic engineering works: traffic safety facilities (including signs, markings, escutcheons, guardrails, etc.) and ancillary works;
    - D. other works: roadside facilities, greening works, environmental protection works, and other works.

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## LETTER FROM THE BOARD

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- (2) daily maintenance works of expressways and ancillary facilities refer to daily maintenance such as cleaning and maintenance, as well as daily repair operations for localised general damages such as minor damages or defects, so as to ensure the quality and level of service of the expressways and their ancillary facilities.
  
- (3) maintenance works of expressways and ancillary facilities refer to expressways maintenance operations that are carried out centralizedly and managed on a project basis over a period of time, mainly including:
  - A. special maintenance, referring to the improvement and addition, reinforcement and reconstruction, demolition and rebuilding, and post-disaster recovery works that are carried out centralizedly for the purpose of restoring and maintaining or upgrading the function of the services of expressways;
  
  - B. preventive maintenance, referring to the proactive protection works taken in advance to slow down the too fast decay of the performance and extend the service life of the expressways when the overall performance of the expressways is good but there is a slight damage;
  
  - C. restoring maintenance, referring to functional and structural repairs or periodic replacements, including major repairs, medium repairs and minor repairs, carried out to restore the technical condition of the expressways when they have been significantly damaged or have partially lost their service function;

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## LETTER FROM THE BOARD

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D. emergency maintenance, referring to the emergency rescue, preservation and repair that can be carried out to restore the safe traffic capacity of the expressways relatively quickly in case of unexpected circumstances that have caused damage, interruption or major safety hazards to the expressways.

2. Contracting and subcontracting of municipal construction works, which include construction works such as urban roads, squares, parks, land consolidation and ancillary facilities (including facilities for buildings, water supply and drainage, mechanical and electrical, greening, transportation security and terrace) and others.
3. Construction related services: other auxiliary works for the completion of the above construction works, including services related to survey, design, supervision, inspection, scientific research and other services.

Pricing policy:

1. For transactions excluding emergency rescue construction works

Determined by way of tender, comparative selection, price enquiries or other means (subject to the relevant laws, rules and regulations on tender and bidding in the PRC, and any matters not mandated by the laws, rules and regulations shall be determined in accordance with the Group's tendering management related system).

Pursuant to the Regulations on Construction Projects Required to be Tendered (National Development and Reform Commission Order No. 16) (《必須招標的工程項目規定》(國家發展和改革委員會令第16號)), tendering is mandatory if one of the following thresholds is met:

- (1) estimated contract sum of over RMB4 million (inclusive) in respect of a single contract under a construction project;

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## LETTER FROM THE BOARD

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- (2) procurement of commodities such as key machineries and materials with an estimated consideration of over RMB2 million (inclusive) for a single contract;
- (3) procurement of services such as survey, design, and supervision with an estimated consideration of over RMB1 million (inclusive) for a single contract.

For the survey, design, construction, supervision, and the procurement of key machineries and materials pertinent to the construction works that may be aggregated in the same project, if the total estimated contract sum satisfies the standards specified in the preceding paragraph, the execution of tender shall be requisite.

The procedures for tender and bidding refer to the processes of invitation for tender, bid submission, bid opening, bid evaluation and bid granting implemented by the tenderee and bidder pursuant to the relevant rules and regulations of the PRC, which is subject to the inspection of relevant government departments of the PRC. In relation to the Framework Agreement for Construction Works and Related Services, the Group shall act as the tenderee via the relevant business department of the responsible construction unit of the Company and its subsidiaries, and the bid evaluation panel (comprised of bid evaluation experts and subject to the supervision of the government administration authorities of the PRC) will select the contractor for the construction works by conducting a comparison of the prices and service terms offered by all bidders so as to grant the Construction Works and Related Services to the bidder who offers the best price and/or the service terms pursuant to the bid evaluation methods publicly published in the tender documents.

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## LETTER FROM THE BOARD

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If special requirements are made by the tenderee, the tenderee could set out requirements on construction projects, bidders' experience, historical achievements and abilities and other information based on the principle of non-exclusivity pursuant to the relevant regulations in the process of tender and bidding for all bidders' reference. With reference to the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), if there are less than three bidders, the tenderee shall invite bids again. As such, there shall be three or more units applying for bidding and submitting bidding documents during the process of tender and bidding. Pursuant to the Provisions on Tender and Bidding of Construction Projects (Order 30 of Seven Ministries) (《工程建設項目施工招標投標辦法(七部委30號令)》), if there are still less than three bidders in the rebidding, (i) for construction projects that are subject to examination and approval by the original examination and approval department of the PRC, the tenderee may not need to proceed with tender procedure after obtaining approval; or (ii) for construction projects other than those classified in (i), the tenderee may decide not to proceed with tender procedure at its own discretion.

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

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## LETTER FROM THE BOARD

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For construction contracts that do not satisfy the thresholds for mandatory tendering as stipulated in the Regulations on Construction Projects Required to be Tendered (National Development and Reform Commission Order No. 16) (《必須招標的工程項目規定》(國家發展和改革委員會令第16號)), the Company shall, pursuant to relevant systems relating to tender and bidding management, determine the prices of the procurement of commodities such as key machineries and materials, and the procurement of services such as survey, design, and supervision by way of comparative selection and price enquiries, etc. to ensure that three or more units participate in the quotation. The Company shall comprehensively consider the qualifications, quotation, terms of service and other factors of the participants and determine the prices and select the final service providers in compliance with the following principles:

- (1) market-oriented, fair and reasonable principles;
- (2) normal commercial terms or better.

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

2. For transactions in relation to emergency rescue construction works

Reference is made to the bidding price of the most recent similar type of construction works. If the bidding price of similar type of construction works is not available, the price shall be determined by a pricing consultation intermediary agency (primarily a public institution or state-owned enterprise, being an independent third party under supervision and administration from the government administrative authorities of the PRC and with relevant professional qualification) in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC, and in combination with the market price. However, parties to the agreement shall execute the government prescribed price or make reference to the guidance price in priority if any future prescribed price from the government authority is mandatorily implemented by the government.

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## LETTER FROM THE BOARD

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Tender may not be carried out pursuant to relevant regulations in the PRC under special circumstances involving national security, emergency rescue and disaster relief, and for projects which are not applicable to tender in accordance with the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Regulations on the Implementation of the Tender and Bidding Law of the People's Republic of China (Order of the State Council No. 613) (《中華人民共和國招標投標法實施條例》(國務院令第613號)) and other rules and regulations. Hence, emergency rescue construction works under the Framework Agreement for Construction Works and Related Services need not be carried out by tender pursuant to the aforesaid regulations.

For emergency rescue construction works under the Framework Agreement for Construction Works and Related Services, where the Group is the contract letting party and Shudao Investment Group is the contractor of construction works and related services, the consideration is determined by the relevant business department of the responsible construction unit of the Company and its subsidiaries which should be the same as the most recent bidding prices of similar type of construction works. The bidding prices of the most recent similar type of construction works and related services refer to the bidding prices of the most recent similar type of construction works and related services (including but not limited to general condition of construction works, technical standard adopted in the construction, anticipated construction period and engineering quantity, etc.) determined through procedures for tender and bidding held by the Group which Shudao Investment Group or an independent third party participated in.

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## LETTER FROM THE BOARD

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In practice, due to the uniqueness of each piece of the Construction Works and Related Services, it may be difficult to find a recent project which is directly comparable. If the bidding price of similar type of construction works and related services is not available, the price shall be determined by a pricing consultation intermediary agency (primarily a public institution or state-owned enterprise, being an independent third party under supervision and administration from the government administrative authorities of PRC and with relevant professional qualification) in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC, and in combination with the market price.

### 3. Government prescribed price or guidance price

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

If there is mandatory government prescribed price or guidance price for the target subject of the Construction Works and Related Services transaction (such government prescribed price or guidance price will be provided under stipulation of relevant laws and regulations of the PRC or notice from relevant government administrative authorities as published from time to time), the Company will execute government prescribed price or guidance price in priority.

As of the Latest Practicable Date, none of the construction works and related services transactions signed or executed by the Company was subject to the above relevant prescribed price or guidance price by government administrative authorities. However, parties to the agreement shall execute the government prescribed price or make reference to the guidance price in priority if any future prescribed price of the government authority is mandatorily implemented by the government.



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## LETTER FROM THE BOARD

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

For transactions which are priced through the way of tender and bidding, after the winner of the tender is determined, both parties will then determine the specific payment method according to the payment terms set out in the tender documents. Payment terms are determined on normal commercial terms and in a fair and reasonable manner, and shall be the same regardless of whether the winner of the tender is a connected person or an independent third party.

Conditions precedent: The Framework Agreement for Construction Works and Related Services will come into effect upon the following conditions being satisfied:

1. each of the Company and Shudao Investment has fulfilled the necessary internal decision-making procedures and affixed its seal to the Framework Agreement for Construction Works and Related Services; and
2. the Company has complied with the relevant requirements under the Listing Rules in relation to the Framework Agreement for Construction Works and Related Services and the transactions contemplated thereunder, including but not limited to making a report to the Stock Exchange and the SSE, publication of the announcement and obtaining the approval from its Independent Shareholders in respect of the Framework Agreement for Construction Works and Related Services.

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## LETTER FROM THE BOARD

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### III. ANNUAL CAP

Having considered the following factors and aggregated the estimated transaction amounts for the year ending 31 December 2024 for each of the construction works and related services in progress and to be granted over the next year, the Directors propose that the annual cap for the Framework Agreement for Construction Works and Related Services for the year ending 31 December 2024 shall be as follows:

	<b>Annual Cap</b> <i>(RMB'000)</i>
For the year ending 31 December 2024	<u>3,856,000</u>

#### ***BASIS FOR DETERMINING THE ANNUAL CAP***

In determining the annual cap for the aforesaid Framework Agreement for Construction Works and Related Services, the Directors have considered a number of factors including: (i) the historical transaction amounts under the Previous Construction Framework Agreement; (ii) the construction and maintenance plans for each of the expressways of the Group for the next year; (iii) the business development plan of the Group, including the projects proposed under the strategic cooperation intentions reached between the Group and government authorities at different levels and other potential projects the Group observed in the market in which it can participate; and (iv) the potential business development of Shudao Investment Group (to the best knowledge of the Board, Shudao Investment Group's business capabilities are developing rapidly, including expanding its qualifications for contracting various engineering projects and enhancing its corresponding contracting capabilities. The Company considers that the business development of Shudao Investment Group will make it more capable of participating in more relevant businesses of the Company in various aspects).

Pursuant to the relevant tendering rules and regulations of the PRC, the interval between the announcement of the bidding results and the entering into of the relevant construction agreement shall not exceed 30 days. Thus, should the annual cap not be based on a 100% success rate of Shudao Investment Group being awarded the contracts, if the annual cap has been fully utilized, Shudao Investment Group will not be able to participate in the remaining tenders announced during the year as it takes time to renew the annual cap. The procedures required for renewing the annual cap, including but not limited to obtaining Shareholders' approval (of which the notice period to convene the EGM would require 10 business days or 15 days (whichever is longer)) and other necessary steps to ensure compliance with the Listing Rules, are very likely to take more than 30 days to accomplish. As such, the Directors consider the above 100% success rate assumption is prudent and reasonable.

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## LETTER FROM THE BOARD

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### 1. Basis of estimation

- (1) In estimating the contract sum of expressway and ancillary facilities construction and municipal construction works to be entered into, the Directors have taken into account the contracts on expressways and ancillary facilities and municipal construction works and related services expected to be awarded in the coming year by the Group.
- (2) In estimating the timing and contract sum for upcoming construction contracts to be awarded, the Directors have made reference to the relevant government's development plan for municipal works, the Group's development plan for expressway and ancillary facilities and municipal construction works.
- (3) The Directors have taken into account the latest construction progress of each project and the estimated amount to be recognized.
- (4) In estimating the maintenance work to take place during the relevant periods, the Directors have made reference to the historical amounts of maintenance work taking place in the prior year and to the daily maintenance schedule of each of the expressways operated by the Group.

### 2. Quantitative estimation

The Directors have made reference to the historical amounts of the relevant construction works for the year ended 31 December 2022 and the for the six months ended 30 June 2023. And the Directors were concerned about the low utilization rates and noted this was due to the slow progress of construction and that of the safety and production hazard investigation. The Directors have also prepared upcoming project participation schedules for the year ending 31 December 2024 which set out (i) the nature of the projects; (ii) the progress revenue recognition estimated by the Directors for each of Group's ongoing projects; and (iii) the expected total contract sum with estimated progress revenue recognition estimated by the Directors for each of the project expected to be participated by Shudao Investment Group. By summing up the schedules, the Directors obtained a quantitative estimation of the annual cap required, details of which are as follow:

- (1) The Directors estimated that the transaction amount to be recognized in 2024 pursuant to the construction plan and the latest construction progress would be RMB3,516 million, mainly involving (i) the Expansion Construction Project (with an amount of approximately RMB2,869.9 million); (ii) the mechanical and electrical engineering projects for expressways and ancillary facilities; and (iii) other relevant auxiliary services.
- (2) The Directors estimated that approximately RMB75 million would be received and confirmed in 2024 pursuant to the construction plan and estimated construction progress, mainly involving municipal construction works.

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## LETTER FROM THE BOARD

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- (3) The Directors estimated that the transaction amount of expressway maintenance works (especially (i) the maintenance and upgrading of highway guardrails according to the plan of the Department of Transportation of Sichuan Province; (ii) the maintenance work of the Second Ring (Western Part) Expressway which was acquired by the Company in March 2023) and other relevant auxiliary services to be carried out during 2024 would be RMB262 million.
- (4) The Directors estimated a general buffer of RMB3 million catering for any unexpected pricing adjustment or variation orders for the construction works.

#### IV. HISTORICAL TRANSACTION AMOUNT

For the relevant construction works, the total service fees paid by the Company were as follows:

	<i>RMB('000)</i>
For the period from 1 January 2022 to 31 December 2022	1,325,508
For the six months ended 30 June 2023	<u>567,862</u>

The annual cap for the construction framework agreement dated 16 November 2021 for the year ended 31 December 2022 was RMB3,843,000,000. The utilization rate of the annual cap for the year ended 31 December 2022 was approximately 34.49%.

The annual cap for the Previous Construction Framework Agreement for the year ended 31 December 2023 was RMB2,769,000,000. The utilization rate of the annual cap for the first half of 2023 was 41.02%. As at the Latest Practicable Date, the annual cap for the year ended 31 December 2023 had not been exceeded.

The low utilization rates were mainly due to (i) the slow construction progress of certain sections of the Expansion Construction Project due to the delay delivery of the project sites and other reasons; and (ii) the safety and production hazard investigation conducted throughout the municipal construction project due to safety and environmental protection work requirements and other reasons, resulting in the progress falling short of expectations. As at the Latest Practicable Date, the delivery of the project sites and the safety and production investigation were proceeding on track in an orderly manner. The Company considers that the works that could not be carried out as scheduled due to the delivery of the project sites and the safety and production hazard investigation are expected to be implemented smoothly and orderly in the year of 2024.

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## LETTER FROM THE BOARD

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In addition, since 1 January 2024 and up to the Latest Practicable Date, the Company had not yet entered into any underlying agreement in respect of the Framework Agreement for Construction Works and Related Services. And the Company will comply with the applicable reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules if the amount of the service under the Framework Agreement for Construction Works and Related Services exceeds the de minimis threshold stipulated under Rule 14A.76 of the Listing Rules.

### **V. REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT FOR CONSTRUCTION WORKS AND RELATED SERVICES**

Based on the need of its business development, the Group intends to select contractors for its construction works and related services through tender and bidding, comparative selection and price enquiries. Shudao Investment Group may participate in construction works and related services in accordance with laws. Pursuant to the relevant laws and regulations of the PRC, construction works and related services are primarily conducted by way of tender and bidding, comparative selection, price enquiries and other means (subject to the relevant laws, rules and regulations on tender and bidding in the PRC, and any matters not mandated by the laws, rules and regulations shall be determined in accordance with the Group's tendering management related system). In relation to the construction works and related services that adopt tendering procedure, considering its' tight timeframe for the compliance by the Company, in order to enable the relevant members of Shudao Investment Group to have the opportunity to become providers for the Group's construction works and related services and to ensure the Company's compliance with the relevant requirements under the Listing Rules, Shudao Investment entered into the Framework Agreement for Construction Works and Related Services with the Company. In relation to the construction works and related services that do not adopt tendering procedure, the Company shall determine the business partners by comparative selection, price enquiries and other means. Among them, the Company may receive service and price offers from Shudao Investment Group, and if the relevant terms are no less favorable than those offered by independent third parties, the Board will also select Shudao Investment Group as the service provider.

Having considered the above, the Directors (including all the independent non-executive Directors whose opinions are set out in the letter from the Independent Board Committee contained in this circular) consider that the Framework Agreement for Construction Works and Related Services is entered into in the ordinary and usual course of business of the Group and the terms as contained in the Framework Agreement for Construction Works and Related Services are normal commercial terms, which are arrived at after arm's length negotiations between the parties, and that the annual cap and the terms of the Framework Agreement for Construction Works and Related Services stated in this circular are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### VI. DIRECTORS' OPINION ON INTERNAL CONTROL PROCEDURES RELATING TO TRANSACTIONS TERMS SUCH AS PRICING POLICY AND PAYMENT METHOD OF THE CONTINUING CONNECTED TRANSACTION

The Directors believe that, in respect of the Framework Agreement for Construction Works and Related Services, the Group has implemented complete internal control procedures and steps in practicing the transaction terms such as pricing policy and payment method of the continuing connected transaction. Particulars are set out as follows:

#### 1. Internal control measures in relation to pricing policy <sup>Note 1</sup>

##### (1) For transactions excluding emergency rescue construction works

Determined by way of tender, comparative selection, price enquiries or other means (subject to the relevant laws, rules and regulations on tender and bidding in the PRC, and any matters not mandated by the laws, rules and regulations shall be determined in accordance with the Group's tendering management related system).

Pursuant to the Regulations on Construction Projects Required to be Tendered (National Development and Reform Commission Order No. 16) (《必須招標的工程項目規定》(國家發展和改革委員會令第16號)), tendering is mandatory if one of the following thresholds is met:

- (1) estimated contract sum of over RMB4 million (inclusive) in respect of a single contract under a construction project;
- (2) procurement of commodities such as key machineries and materials with an estimated consideration of over RMB2 million (inclusive) for a single contract;
- (3) procurement of services such as survey, design, and supervision with an estimated consideration of over RMB1 million (inclusive) for a single contract.

For the survey, design, construction, supervision, and the procurement of key machineries and materials pertinent to the construction works that may be aggregated in the same project, if the total estimated contract sum satisfies the standards specified in the preceding paragraph, the execution of tender shall be requisite.

*Note 1:* The Board explained the pricing policy in detail in "II. CONTINUING CONNECTED TRANSACTION – FRAMEWORK AGREEMENT FOR CONSTRUCTION WORKS AND RELATED SERVICES – Pricing policy" and the above-mentioned explanation is also a part of the internal control measures.

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## LETTER FROM THE BOARD

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The procedures for tender and bidding refer to the processes of invitation for tender, bid submission, bid opening, bid evaluation and bid granting implemented by the tenderee and bidder pursuant to the relevant rules and regulations of the PRC, which is subject to the inspection of relevant government departments of the PRC. In relation to the Framework Agreement for Construction Works and Related Services, the Group shall act as the tenderee via the relevant business department of the responsible construction unit of the Company and its subsidiaries, and the bid evaluation panel (comprised of bid evaluation experts and subject to the supervision of the government administration authorities of the PRC) will select the contractor for the construction works by conducting a comparison of the prices and service terms offered by all bidders so as to grant the Construction Works and Related Services to the bidder who offers the best price and/or the service terms pursuant to the bid evaluation methods publicly published in the tender documents.

If special requirements are made by the tenderee, the tenderee could set out requirements on construction projects, bidders' experience, historical achievements and abilities and other information based on the principle of non-exclusivity pursuant to the relevant regulations in the process of tender and bidding for all bidders' reference. With reference to the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), if there are less than three bidders, the tenderee shall invite bids again. As such, there shall be three or more units applying for bidding and submitting bidding documents during the process of tender and bidding. Pursuant to the Provisions on Tender and Bidding of Construction Projects (Order 30 of Seven Ministries) (《工程建設項目施工招標投標辦法(七部委30號令)》), if there are still less than three bidders in the rebidding, (i) for construction projects that are subject to examination and approval by the original examination and approval department of the PRC, the tenderee may not need to proceed with tender procedure after obtaining approval; or (ii) for construction projects other than those classified in (i), the tenderee may decide not to proceed with tender procedure at its own discretion.

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

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## LETTER FROM THE BOARD

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For construction contracts that do not satisfy the thresholds for mandatory tendering as stipulated in the Regulations on Construction Projects Required to be Tendered (National Development and Reform Commission Order No. 16) (《必須招標的工程項目規定》(國家發展和改革委員會令第16號)), the Company shall, pursuant to relevant systems relating to tender and bidding management, determine the prices of the procurement of commodities such as key machineries and materials, and the procurement of services such as survey, design, and supervision by way of comparative selection and price enquiries, etc. to ensure that three or more units participate in the quotation. The Company shall comprehensively consider the qualifications, quotation, terms of service and other factors of the participants and determine the prices and select the final service providers in compliance with the following principles:

- (1) market-oriented, fair and reasonable principles;
- (2) normal commercial terms or better.

**(2) *For transactions in relation to emergency rescue construction works***

Reference is made to the bidding price of the most recent similar type of construction works. If the bidding price of similar type of construction works is not available, the price shall be determined by a pricing consultation intermediary agency (primarily a public institution or state-owned enterprise, being an independent third party under supervision and administration from the government administrative authorities of the PRC and with relevant professional qualification) in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC, and in combination with the market price. However, parties to the agreement shall execute the government prescribed price or guidance price in priority if any prescribed price or guidance price from the government authority is applicable to the relevant transaction in the future.

Tender may not be carried out pursuant to relevant regulations in the PRC under special circumstances involving national security, emergency rescue and disaster relief, and for projects which are not applicable to tender in accordance with the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Regulations on the Implementation of the Tender and Bidding Law of the People's Republic of China (Order of the State Council No. 613) (《中華人民共和國招標投標法實施條例》(國務院令第613號)) and other rules and regulations. Hence, emergency rescue construction works under the Framework Agreement for Construction Works and Related Services need not be carried out by tender pursuant to the aforesaid regulations.



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## LETTER FROM THE BOARD

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For emergency rescue construction works under the Framework Agreement for Construction Works and Related Services, where the Group is the contract letting party and Shudao Investment Group is the contractor of construction works and related services, the consideration is determined by the relevant business department of the responsible construction unit of the Company and its subsidiaries which should be the same as the most recent bidding prices of similar type of construction works. The bidding prices of the most recent similar type of construction works and related services refer to the bidding prices of the most recent similar type of construction works and related services (including but not limited to general condition of construction works, technical standard adopted in the construction, anticipated construction period and engineering quantity, etc.) determined through procedures for tender and bidding held by the Group or an independent third party which Shudao Investment Group participated in.

In practice, due to the uniqueness of each piece of the Construction Works and Related Services, it may be difficult to find a recent project which is directly comparable. If the bidding price of similar type of construction works and related services is not available, the price shall be determined by a pricing consultation intermediary agency (primarily a public institution or state-owned enterprise, being an independent third party under supervision and administration from the government administrative authorities of PRC and with relevant professional qualification) in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC, and in combination with the market price.

**(3) *Government prescribed price or guidance price***

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

If there is mandatory government prescribed price or guidance price for the target subject of the Construction Works and Related Services transaction (such government prescribed price or guidance price will be provided under stipulation of relevant laws and regulations of the PRC or notice from relevant government administrative authorities as published from time to time), the Company will execute government prescribed price or guidance price in priority.

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## LETTER FROM THE BOARD

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### 2. Internal control measures in relation to the payment terms <sup>Note 2</sup>

The payment terms of the Framework Agreement for Construction Works and Related Services are determined based on the general condition of the construction site, the progress of the construction service and level of construction technical services, which are disclosed to all potential bidders (including connected persons and independent third parties) under the specific agreements (including tender documents). For transactions which are priced through the way of tender and bidding, after the winner of the tender is decided, the relevant business department in charge of construction works of the Company and/or its subsidiaries will make sure that both parties will determine the specific payment method according to the payment terms set out in the tender documents. Payment terms are determined on normal commercial terms and in a fair and reasonable manner, and shall be the same regardless the winner of the tender is a connected person or an independent third party.

### 3. Other internal control measures

At the same time, in order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures to monitor the transactions under the Framework Agreement for Construction Works and Related Services:

- (1) After the Framework Agreement for Construction Works and Related Services was proposed and reported by the department responsible for connected transactions, the Directors of the Company (including independent non-executive Directors) conducted investigation on the necessity and reasonableness of the connected transactions and fairness of pricing, and considered that the transaction terms are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Meanwhile, the Directors recognize the importance of good corporate governance in protection of the Shareholders' interests as well as resolving actual and/or potential conflict of interests between the Company, and its controlling shareholder and Directors. As such, though the Directors (including Directors who are holding directorship and/or under the employment of Shudao Investment Group ("**Interested Directors**")) participate in the above-mentioned investigation and would monitor the implementation and execution of the transactions under the Framework Agreement for Construction Works and Related Services, the Interested Directors have abstained from voting on the Board resolutions approving the Framework Agreement for Construction Works and Related Services. The Interested Directors holding Shares of the Company would also abstain from voting at the EGM. Further, it has been the usual practice of the Company to require Interested Directors to abstain from voting on relevant resolutions in relation to transactions with Shudao Investment in Board meetings and general meetings.

*Note 2:* The Board explained the payment terms in detail in "II. CONTINUING CONNECTED TRANSACTION – FRAMEWORK AGREEMENT FOR CONSTRUCTION WORKS AND RELATED SERVICES – Payment terms" and the above-mentioned explanation is also a part of the internal control measures.

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## LETTER FROM THE BOARD

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- (2) The Supervisory Committee of the Company has effectively supervised the consideration and voting of the Framework Agreement for Construction Works and Related Services, and also reviewed and approved the entering into of the Framework Agreement for Construction Works and Related Services.
- (3) The Board Office (董事會辦公室) and the Internal Control and Audit Supervisory Department (內控審計監事部) of the Company will review the transactions under the Framework Agreement for Construction Works and Related Services on a regular basis (i.e. at least twice a year), so as to (i) consider the effective implementation of the pricing policy and the payment method as well as the appraisal of the balance of the annual cap; (ii) identify management weakness, and make recommendations for improvement to ensure that the internal control measures in respect of the transactions under the Framework Agreement for Construction Works and Related Services remain complete and effective and the Company will take measures to address the weakness identified, if any, as soon as practicable.
- (4) The Internal Control and Audit Supervisory Department of the Company will conduct internal checks at least twice a year to ensure that internal control measures in respect of the transactions under the Framework Agreement for Construction Works and Related Services remain complete and effective.
- (5) The Company will engage the auditor to carry out annual review on the continuing connected transactions (including but not limited to the relevant pricing policies and annual caps) every year in accordance with the requirement of Rule 14A.56 of the Listing Rules.

### VII. ABSTENTION IN BOARD RESOLUTIONS AND AT THE EGM

As Mr. Li Chengyong and Mr. Chen Chaoxiong, non-executive Directors, held positions in Shudao Investment Group, they are deemed to have material interest in the Framework Agreement for Construction Works and Related Services and therefore have abstained from voting on the Board resolutions in respect of the approval of the Framework Agreement for Construction Works and Related Services. Save as disclosed above, none of the Directors of the Company has any material interest in the Framework Agreement for Construction Works and Related Services and was required to abstain from voting on the Board resolutions.

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## LETTER FROM THE BOARD

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In view of Shudao Investment's interest in the Framework Agreement for Construction Works and Related Services, Shudao Investment, the controlling shareholder held 1,035,915,462 A shares and 183,064,200 H shares, which in aggregate amounts to 1,218,979,662 Shares and represents approximately 39.861% of the total issued share capital of the Company, and its associates will abstain from voting at the EGM on the resolutions in relation to the Framework Agreement for Construction Works and Related Services.

### **VIII. INFORMATION ON THE PARTIES TO FRAMEWORK AGREEMENT FOR CONSTRUCTION WORKS AND RELATED SERVICES**

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

Shudao Investment is a state-owned enterprise established in the PRC. Its business covers four major sectors including road and railway investment, construction, operation, related diversified industries (transportation engineering construction, transportation logistics, transportation services, new urbanization construction along transportation line, engineering design consulting, etc.), smart transportation and industry-finance integration. Shudao Investment is a wholly-owned subsidiary of Sichuan Development Holding Co., Ltd., and Sichuan Development Holding Co., Ltd. is wholly-owned by the People's Government of Sichuan Province.

### **IX. LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Shudao Investment was the controlling shareholder of the Company which held approximately 39.861% of the issued Shares of the Company. Therefore, Shudao Investment was a connected person of the Company under Rule 14A.07(1) of the Listing Rules. As one or more of the applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the Framework Agreement for Construction Works and Related Services exceeded, on an annual basis, 5%, the Framework Agreement for Construction Works and Related Services was subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, there is no information which is disclosable nor is Mr. Zhou involved in any of the matters required to be disclosed pursuant to the requirements under Rule 13.51(2) (h) and Rule 13.51(2) (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

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## LETTER FROM THE BOARD

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### **X. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION, WORKING RULES FOR INDEPENDENT DIRECTORS AND RULES OF PROCEDURE FOR THE BOARD MEETINGS**

In order to implement the Administrative Measures for Independent Directors of Listed Companies (Zheng Jian Hui Ling No. 220) (《上市公司獨立董事管理辦法》(證監會令220號)) issued by the China Securities Regulatory Commission (effective from 4 September 2023), further optimize the relevant rules of the independent Directors of the Company, make full use of the role of the independent Directors in the governance of the Company and promote the improvement of the quality of the Company, in accordance with the specific requirements of the Notice on the Implementation of the Administrative Measures for Independent Directors of Listed Companies (Chuan Zheng Jian [2023] No. 228) (《關於貫徹落實<上市公司獨立董事管理辦法>有關工作的通知》(川證監[2023]228號)) of the Sichuan Regulatory Bureau of the China Securities Regulatory Commission, and after taking into consideration the actual situation, the Board of the Company proposed to amend the existing Articles of Association, the Working Rules for Independent Directors, the Rules of Meeting Procedure for the Board Meetings, the Detailed Implementation Rules for the Audit Committee, the Detailed Implementation Rules for the Nomination Committee, the Detailed Implementation Rules for the Remuneration and Appraisal Committee, the Detailed Implementation Rules for the Strategic Committee, and the Procedures for the Election of Directors. For details of the Detailed Implementation Rules for the Audit Committee, the Detailed Implementation Rules for the Nomination Committee, the Detailed Implementation Rules for the Remuneration and Appraisal Committee, the Detailed Implementation Rules for the Strategic Committee and the Procedures for the Election of Directors, please refer to other announcements of the Company dated 28 December 2023.

The proposed amendments to the Articles of Association are subject to the consideration and approval by the shareholders at the General Meeting of the Company by way of special resolution; and the proposed amendments to the Working Rules for Independent Directors and the Rules of Procedure for the Board Meetings are subject to the consideration and approval by the shareholders at the General Meeting of the Company by way of ordinary resolution.

For details of the amendments to the Articles of Association, please refer to Appendix II of this circular.

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## LETTER FROM THE BOARD

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For the full text of the Working Rules for Independent Directors, please refer to Appendix III of this circular.

For the full text of the Rules of Procedure for the Board Meetings, please refer to Appendix IV of this circular.

### **XI. PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

Further details of the Board's proposed appointment of Mr. Zhou Hua ("Mr. Zhou") as an independent non-executive Director of the eighth session of the Board of the Company and his proposed Director's remuneration are as follows:

The biography of Mr. Zhou is set out below:

Mr. Zhou Hua, aged 56, successively graduated from Sichuan Polytechnic Institute and Xihua University\* (西華大學) with a bachelor's degree in automobile application engineering and a master's degree in vehicle engineering, respectively. He served as an assistant economist and the vice principal staff member of the human resources office of Sichuan Polytechnic Institute; the vice principal staff member of Logistics Service Corporation of Sichuan Polytechnic Institute\* (四川工業學院後勤服務總公司); the principal staff member, the office director and an assistant research fellow of Sichuan Clean Automobile Engineering and Technology Research Center\* (四川省清潔汽車工程技術研究中心); the assistant dean of the School of Applied Technology of Xihua University; the deputy secretary of the Party Committee, the assistant dean and an associate research fellow of the School of Transportation and Automobile Engineering of Xihua University; and the secretary of the Party Committee, the assistant dean and an associate research fellow of the School of Automobile and Transportation of Xihua University. He currently serves as the secretary of the Party Committee and an associate research fellow of the School of Automobile and Transportation of Xihua University.

With many years of experience in automobile engineering and teaching, the addition of Mr. Zhou is able to promote the diversity of the Board and will bring more sophisticated expertise in automobile engineering to the Board. Mr. Zhou is also qualified to practice as a judicial authenticator in the PRC and was awarded the secondary Prize for Scientific and Technological Progress in Sichuan Province in 2008 and 2012, respectively. In addition, Mr. Zhou has published a number of articles. When determining the nomination of independent non-executive Director of the Company, the Company considered the diversity of Board members in several aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The determination of Board members is based on the value of the candidate and the contribution that the candidate can make to the Board. The benefits from the diversity of the Board are also taken into full consideration according from the objective perspective. The selection of Board members is conducted in accordance with laws, regulations and relevant requirements of regulatory authorities.

Mr. Zhou Li has confirmed that he meets the independence guidelines set out in Rule 3.13 of the Listing Rules.

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## LETTER FROM THE BOARD

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Subject to the approval of his appointment at the General Meeting of the Company, the Company will enter into a service contract (not being a service contract expiring within one year or terminable by the Company without payment of any compensation (other than statutory compensation) within one year) with Mr. Zhou. His term of office shall commence from the date of consideration and approval at the General Meeting of the Company until the expiration of the term of office of the eighth session of the Board of the Company. In accordance with the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and/or the Articles of Association, the newly appointed Director shall be eligible for re-election upon the expiration of his term of office, but the term of office shall not exceed six years consecutively.

The following, among other things, resolution will be considered at the General Meeting to be held by the Company:

- The proposed remuneration package for Mr. Zhou is: Fixed remuneration of RMB80,000 per annum (tax inclusive).

The above-mentioned remuneration will be disclosed by the Company after confirmation. For details, please refer to the Annual Report released by the Company in due course.

Save as disclosed above, Mr. Zhou has confirmed that (i) he did not hold any position within the Group or any directorship of other listed companies in the last three years; (ii) he does not have any relationship with any Director, supervisor, senior management, substantial or controlling shareholder of the Company; and (iii) he does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

Save as disclosed above, there is no information which is disclosable nor is Mr. Zhou involved in any of the matters required to be disclosed pursuant to the requirements under Rule 13.51(2)(h) and Rule 13.51(2)(v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the shareholders.

## **XII. VOTING BY POLL**

According to the Listing Rules, each of the resolutions to be proposed at the EGM will be voted on by poll. Results of the poll voting will be published on the Company's website at [www.cygs.com](http://www.cygs.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) after the EGM.

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## LETTER FROM THE BOARD

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### **XIII. CUMULATIVE VOTING MECHANISM**

According to the Articles of Association, the Directors of the Company are elected by means of cumulative voting mechanism. At the election of Directors, the number of votes held by each Shareholder shall equal the number of his/her Shares held multiplied by the number of Directors he/she is entitled to elect; each Shareholder has the right to cast all his/her votes to one candidate for Directors, or to allocate his/her votes to all candidates at his/her discretion, or to cast all his/her votes to two or more of the candidates. Voting for non-independent Directors and independent non-executive Directors shall be held separately.

### **XIV. EGM**

The Company proposes to convene the EGM at 3:00 p.m. on Thursday, 1 February 2024 at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan Province, 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 form of proxy in accordance with the instructions printed thereon. For the holders of H Shares, the form of proxy should be returned to the Company's H Share Registrar, Computershare Hong Kong Investor Services 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 form of proxy 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.

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

The H Shares register of members of the Company will be closed from Tuesday, 30 January 2024 to Thursday, 1 February 2024, 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, Computershare Hong Kong Investor Services 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 Monday, 29 January 2024.



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## LETTER FROM THE BOARD

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### XVI. RECOMMENDATION

The Company has appointed Halcyon Capital as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement for Construction Works and Related Services. The letter of advice from Halcyon Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 55 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 Framework Agreement for Construction Works and Related Services. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Framework Agreement for Construction Works and Related Services, is set out on pages 29 to 30 of this circular.

The Directors consider (including all the independent non-executive Directors, whose views in relation to the Framework Agreement for Construction Works and Related Services and the transactions contemplated thereunder as well as the annual cap are set out in the letter from the Independent Board Committee contained in this circular) that: the resolutions in relation to (1) the Framework Agreement for Construction Works and Related Services and the transactions contemplated thereunder as well as the annual cap; (2) the proposed amendments to the Articles of Association; (3) the proposed amendments to the Working Rules for Independent Directors; (4) the proposed amendments to the Rules of Procedure for the Board Meetings; and (5) the proposed appointment of Mr. Zhou Hua as an independent non-executive Director of the eighth session of the Board of the Company and his proposed Director's remuneration, are in the best interest of the Company and its Shareholders.

Accordingly, the Board recommends that (1) the Independent Shareholders vote in favour of the ordinary resolution for approving the Framework Agreement for Construction Works and Related Services (and each of the proposed annual caps thereunder); (2) the Shareholders vote in favour of the special resolution for approving the amendments to the Articles of Association; (3) the Shareholders vote in favour of the ordinary resolution for approving the amendments to the Working Rules for Independent Directors; (4) the Shareholders vote in favour of the ordinary resolution for approving the Rules of Procedure for the Board Meetings; and (5) the Shareholders vote in favour of the ordinary resolutions for approving the appointment of Mr. Zhou Hua as an independent non-executive Director of the eighth session of the Board of the Company and his proposed Director's remuneration.

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## LETTER FROM THE BOARD

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### XVII. 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\***

**Yao Jiancheng**

*Joint Company Secretary*

\* *For identification purposes only*



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

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

(Stock Code: 00107)

12 January 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION**

We have been appointed as members of the Independent Board Committee to give our advice on the Framework Agreement for Construction Works and Related Services 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 12 January 2024 (the “**Circular**”), of which this letter forms a part. Terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Halcyon Capital has been appointed as the Independent Financial Advisor to advise us on the Framework Agreement for Construction Works and Related Services and the transactions contemplated thereunder. The letter from Halcyon Capital is set out on pages 31 to 55 of the Circular.

Having considered the terms and conditions of the Framework Agreement for Construction Works and Related Services, the advice given by Halcyon Capital and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the view that the terms of the Framework Agreement for Construction Works and Related Services and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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interests of the Company and the Shareholders as a whole; and the basis for determining the annual cap for Framework Agreement for Construction Works and Related Services is fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution at the EGM to approve the Framework Agreement for Construction Works and Related Services, the transactions contemplated thereunder and the annual cap.

Yours faithfully,

**Independent Board Committee**

**Mr. Yu Haizong**

*Independent Non-  
executive Director*

**Mr. Yan Qixiang**

*Independent Non-  
executive Director*

**Madam Bu Danlu**

*Independent Non-  
executive Director*

**Mr. Zhang Qinghua**

*Independent Non-  
executive Director*

\* *For identification purposes only*

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## LETTER FROM HALCYON CAPITAL LIMITED

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

11/F, 8 Wyndham Street  
Central  
Hong Kong

12 January 2024

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

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTION ENTERING INTO OF FRAMEWORK AGREEMENT FOR CONSTRUCTION WORKS AND RELATED SERVICES**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to Shudao Investment Group contracting certain construction works and related services from the Group (the “**Transactions**”). Details of the Framework Agreement for Construction Works and Related Services and the annual cap (the “**Annual Cap**”) of the Transactions are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 12 January 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meaning as those defined in the Circular.

As at the Latest Practicable Date, Shudao Investment was the controlling Shareholder which held approximately 39.861% of the issued share capital of the Company and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules. As Shudao Investment was a connected person of the Company, the transactions contemplated under the Framework Agreement for Construction Works and Related Services constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM HALCYON CAPITAL LIMITED

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As one or more applicable percentage ratios (other than the profit ratio) in respect of the Framework Agreement for Construction Works and Related Services exceeded, on an annual basis, 5%, the Framework Agreement for Construction Works and Related Services (including the Annual Cap), would be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Shudao Investment and its associates and any Shareholders who are materially interested in the Framework Agreement for Construction Works and Related Services shall abstain from voting in relation to the terms of the Framework Agreement for Construction Works and Related Services and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yu Haizong, Mr. Yan Qixiang, Madam Bu Danlu and Mr. Zhang Qinghua has been established to advise the Independent Shareholders as to whether the terms of the Framework Agreement for Construction Works and Related Services (including the Annual Cap) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolution in the EGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In the last two years from the date of our appointment, except for (i) being appointed as the independent financial adviser to the then independent board committees and independent Shareholders of the Company (details of which have been set out in the letters from the independent financial adviser contained in the circulars of the Company dated 9 December 2021, 10 August 2022, 15 December 2022); and (ii) the engagement in or potential engagement in the provision of independent financial advisory services in certain upcoming transactions, we have no other relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees paid/payable to us in connection with our appointment or arrangement for our upcoming potential independent financial advisory appointments, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence. We are therefore independent under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Transactions.

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## LETTER FROM HALCYON CAPITAL LIMITED

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### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us or referred to in the announcement of the Company dated 12 December 2023 and the Circular, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and made after due and careful inquiry by the Directors and/or management of the Company. We have been advised by the Directors and/or the management of the Company that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company including the Framework Agreement for Construction Works and Related Services and certain published information from the public domain. We have also discussed with the Directors and/or the management of the Company with respect to the terms of and reasons for the transaction contemplated under the Framework Agreement for Construction Works and Related Services (including the Annual Cap), and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, legal position, financial position or prospects of the Group, Shudao Investment Group and each of their respective associates, and the parties involved in the transactions contemplated under the Framework Agreement for Construction Works and Related Services.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### **1. Background to and reasons for the entering into of the Framework Agreement for Construction Works and Related Services**

The Group is principally engaged in the investment, construction, operation and management of expressway and the expansion of traditional core businesses of derivative economy along the expressway, as well as the incubation and development of the green energy industry with a focus on “charging, battery bank + power replacement and hydrogen energy”. Currently, the Group mainly owns all or substantial interests in a number of expressways in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengren Expressway, Chengbei Exit Expressway, Suiguang Expressway, Suixi Expressway and Tianqiong Expressway under construction. As at 30 June 2023, the expressways mileage of the Group has reached approximately 858km in total. The length of Tianqiong Expressways under construction is approximately 42km, the length of expansion of Chengle Expressway, including the 86.4km of the original Chengle Expressway, is approximately 136.1km.

Shudao Investment is a state-owned enterprise established in the PRC. Its businesses cover four major sectors including (i) road and railway investment; (ii) construction; (iii) operation related diversified industries (transportation engineering construction, transportation logistics, transportation services, new urbanization construction along transportation line, engineering design consulting, etc.); and (iv) smart transportation and industry-finance integration. Shudao Investment is a wholly-owned subsidiary of Sichuan Development Holding Co., Ltd., and Sichuan Development Holding Co., Ltd. is wholly-owned by the People’s Government of Sichuan Province.

Given subsidiaries of Shudao Investment had been principally engaged in construction and construction related services, and had from time to time participated in public tender, comparative selection, provisions of price enquiries and participated in construction and maintenance project of the Group as well as providing ancillary construction related services to the Group, to govern the on-going participation of public tenders, comparative selection and provisions of price enquiries by members of Shudao Investment Group for construction and maintenance projects as well as other construction related services to be awarded by the Group, Shudao Investment and the Company had entered into an annual framework construction agreement from time to time and with the latest annual framework agreement expiring on 31 December 2023.



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## LETTER FROM HALCYON CAPITAL LIMITED

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As the Previous Construction Framework Agreement will expire on 31 December 2023, the Company and Shudao Investment entered into the Framework Agreement for Construction Works and Related Services on 12 December 2023 to govern (i) the provision of construction of expressway and municipal construction work; (ii) the provision of construction related services, and (iii) the provision of maintenance work by Shudao Investment Group and the on-going participation of tenders and bidding, comparative selection, provisions of price enquiries and other competitions by Shudao Investment Group for construction and maintenance projects to be awarded by the Group in 2024.

Pursuant to the relevant regulations, business of construction works is primarily conducted by way of public tender and bidding, by which all bidders have to comply with the relevant requirements at the prescribed time. Shudao Investment Group has been one of the potential bidders of the Group's construction and maintenance work. In order to (i) meet the tendering and bidding timetable; (ii) enable the relevant members of Shudao Investment Group not to lose the opportunity to become providers for the Group's construction works, maintenance work and related services; and (iii) ensure the Company's compliance with the relevant Listing Rules, the Company entered into the framework agreement on an annual basis to agree on the annual cap for the Group's potential constructions and maintenance project intended to be participated by Shudao Investment Group.

The Directors considered that the Framework Agreement for Construction Works and Related Services provides flexibility but not an obligation to the Group to engage Shudao Investment Group in their respective business operation whenever their respective directors consider appropriate.

Having considered that the transactions between the Group and Shudao Investment Group have been carried out in their respective daily operation and the continuing business relationship among the Group and Shudao Investment Group, we considered that the entering into of the Framework Agreement for Construction Works and Related Services is in the ordinary and usual course of business of the Group.

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## LETTER FROM HALCYON CAPITAL LIMITED

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### 2. Principal terms of the Framework Agreement for Construction Works and Related Services

On 12 December 2023, the Company and Shudao Investment entered into the Framework Agreement for Construction Works and Related Services, pursuant to which the Shudao Investment Group shall contract the following construction works from the Group from 1 January 2024 to 31 December 2024:

- Contracting and subcontracting of construction works of expressways (including roads, bridges, tunnels, etc.) and ancillary facilities (including auxiliary and supporting water supply and drainage, mechanical and electrical (including charging piles and other facilities), greening, transportation security, terrace and other facilities for buildings including management offices, toll stations, service areas and gas stations), which includes:
  - (i) construction works of expressways and ancillary facilities (including restructuring and construction extension);
  - (ii) daily maintenance works of expressways and ancillary facilities refer to daily maintenance such as cleaning and maintenance, as well as daily repair operations for localised general damages such as minor damages or defects; so as to ensure the quality and level of service of the expressway and their ancillary facilities; and
  - (iii) maintenance works of expressways and ancillary facilities refer to expressways maintenance operations that are carried out centralizedly and managed on a project basis over a period of time (including emergency and rescue works of expressways and ancillary facilities);
- Contracting and subcontracting of municipal construction works, which include construction works such as urban roads, squares, parks, land consolidation and ancillary facilities (including facilities for buildings, water supply and drainage, mechanical and electrical, greening, transportation security and terrace) and others;
- Construction related services: other auxiliary works for the completion of the above construction works, including services related to survey, design, supervision, inspection, scientific research and other services.

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

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## LETTER FROM HALCYON CAPITAL LIMITED

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### ***Duration***

The Framework Agreement for Construction Works and Related Services is for a term commencing from 1 January 2024 (effective upon the fulfilment of all conditions precedents, whichever is later) to 31 December 2024.

### ***Conditions precedent***

The Framework Agreement for Construction Works and Related Services will come into effect upon the following conditions being satisfied:

- (i) each of the Company and Shudao Investment has fulfilled the necessary internal decision-making procedures and affixed its seal to the Framework Agreement for Construction Works and Related Services; and
- (ii) the Company has complied with the relevant requirements under the Listing Rules in relation to the Framework Agreement for Construction Works and Related Services and the transactions contemplated thereunder, including but not limited to making a report to the Stock Exchange and the SSE, publication of the announcement and obtaining the approval from its Independent Shareholders in respect of the Framework Agreement for Construction Works and Related Services.

### ***Payment terms***

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

For transactions which are priced through the way of tender and bidding, after the winner of the tender is determined, both parties will then determine the specific payment method according to the payment terms set out in the tender documents. Payment terms are determined on normal commercial terms and in a fair and reasonable manner, and shall be the same regardless of whether the winner of the tender is a connected person or an independent third party.

**3. Pricing policies and relevant internal control**

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

Determined by way of tender, comparative selection, price enquiries or other means (subject to the relevant laws, rules and regulations on tender and bidding in the PRC, and any matters not mandated by the laws, rules and regulations shall be determined in accordance with the Group's tendering management related system).

Pursuant to the Regulations on Construction Projects Required to be Tendered (National Development and Reform Commission Order No. 16) (《必須招標的工程項目規定》(國家發展和改革委員會令第16號)), tendering is mandatory if one of the following thresholds is met:

- (i) estimated contract sum of over RMB4 million (inclusive) in respect of a single contract under a construction project;
- (ii) procurement of commodities such as key machineries and materials with an estimated consideration of over RMB2 million (inclusive) for a single contract;
- (iii) procurement of services such as survey, design, and supervision with an estimated consideration of over RMB1 million (inclusive) for a single contract.

For the survey, design, construction, supervision, and the procurement of key machineries and materials pertinent to the construction works that may be aggregated in the same project, if the total estimated contract sum satisfies the standards specified in the preceding paragraph, the execution of tender shall be requisite.

The procedures for tender and bidding refer to the processes of invitation for tender, bid submission, bid opening, bid evaluation and bid granting implemented by the tenderee and bidder pursuant to the relevant rules and regulations of the PRC, which is subject to the inspection of relevant government departments of the PRC. In relation to the Framework Agreement for Construction Works and Related Services, the Group shall act as the tenderee via the relevant business department of the responsible construction unit of the Company and its subsidiaries, and the bid evaluation panel (comprised of bid evaluation experts and subject to the supervision of the government administration authorities of the PRC) will select the contractor for the construction works by conducting a comparison of the prices and service terms offered by all bidders so as to grant the Construction Works and Related Services to the bidder who offers the best price and/or the service terms pursuant to the bid evaluation methods publicly published in the tender documents.

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## LETTER FROM HALCYON CAPITAL LIMITED

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If special requirements are made by the tenderee, the tenderee could set out requirements on construction projects, bidders' experience, historical achievements and abilities and other information based on the principle of non-exclusivity pursuant to the relevant regulations in the process of tender and bidding for all bidders' reference. With reference to the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), if there are less than three bidders, the tenderee shall invite bids again. As such, there shall be three or more units applying for bidding and submitting bidding documents during the process of tender and bidding. Pursuant to the Provisions on Tender and Bidding of Construction Projects (Order 30 of Seven Ministries) (《工程建設項目施工招標投標辦法七部委30號令》), if there are still less than three bidders in the rebidding, (i) for construction projects that are subject to examination and approval by the original examination and approval department of the PRC, the tenderee may not need to proceed with tender procedure after obtaining approval; or (ii) for construction projects other than those classified in (i), the tenderee may decide not to proceed with tender procedure at its own discretion.

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

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## LETTER FROM HALCYON CAPITAL LIMITED

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For construction contracts that do not satisfy the thresholds for mandatory tendering as stipulated in the Regulations on Construction Projects Required to be Tendered (National Development and Reform Commission Order No. 16) (《必須招標的工程項目規定》(國家發展和改革委員會令第16號)), the Company shall, pursuant to relevant systems relating to tender and bidding management, determine the prices of the procurement of commodities such as key machineries and materials, and the procurement of services such as survey, design, and supervision by way of comparative selection and price enquiries, etc. to ensure that three or more units participate in the quotation. The Company shall comprehensively consider the qualifications, quotation, terms of service and other factors of the participants and determine the prices and select the final service providers in compliance with the following principles:

- (i) market-oriented, fair and reasonable principles;
- (ii) normal commercial terms or better.

In view of the above, as the Company may receive service and price offers from Shudao Investment Group, and if the relevant terms are no less favorable than those offered by independent third parties, the Board will also select Shudao Investment Group as the service provider.

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

***(ii) For transactions in relation to emergency rescue construction works***

Reference is made to the bidding price of the most recent similar type of construction works. If the bidding price of similar type of construction works is not available, the price shall be determined by a pricing consultation intermediary agency (primarily a public institution or state-owned enterprise, being an independent third party under supervision and administration from the government administrative authorities of the PRC and with relevant professional qualification) in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC, and in combination with the market price. However, parties to the agreement shall execute the government prescribed price or make reference to the guidance price in priority if any future prescribed price from the government authority is mandatorily implemented by the government.

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## LETTER FROM HALCYON CAPITAL LIMITED

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Tender may not be carried out pursuant to relevant regulations in the PRC under special circumstances involving national security, emergency rescue and disaster relief, and for projects which are not applicable to tender in accordance with the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Regulations on the Implementation of the Tender and Bidding Law of the People's Republic of China (Order of the State Council No. 613) (《中華人民共和國招標投標法實施條例》(國務院令 第613號)) and other rules and regulations. Hence, emergency rescue construction works under the Framework Agreement for Construction Works and Related Services need not be carried out by tender pursuant to the aforesaid regulations.

For emergency rescue construction works under the Framework Agreement for Construction Works and Related Services, where the Group is the contract letting party and Shudao Investment Group is the contractor of construction works and related services, the consideration is determined by the relevant business department of the responsible construction unit of the Company and its subsidiaries which should be the same as the most recent bidding prices of similar type of construction works. The bidding prices of the most recent similar type of construction works and related services refer to the bidding prices of the most recent similar type of construction works and related services (including but not limited to general condition of construction works, technical standard adopted in the construction, anticipated construction period and engineering quantity, etc.) determined through procedures for tender and bidding held by the Group which Shudao Investment Group or an independent third party participated in.

In practice, due to the uniqueness of each piece of the Construction Works and Related Services, it may be difficult to find a recent project which is directly comparable. If the bidding price of similar type of construction works and related services is not available, the price shall be determined by a pricing consultation intermediary agency. (primarily a public institution or state-owned enterprise, being an independent third party under supervision and administration from the government administrative authorities of PRC and with relevant professional qualification) in accordance with the pricing basis and methods issued by the national or provincial authorities of the PRC, and in combination with the market price.

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## LETTER FROM HALCYON CAPITAL LIMITED

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*(iii) Government prescribed price or the guidance price*

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

If there is mandatory government prescribed price or guidance price for the target subject of the Construction Works and Related Services transaction (such government prescribed price or guidance price will be provided under stipulation of relevant laws and regulations of the PRC or notice from relevant government administrative authorities as published from time to time), the Company will execute government prescribed price or guidance price in priority.

As of the Latest Practicable Date, none of the construction works and related services transactions signed or executed by the Company was subject to the above relevant prescribed price or guidance price by government administrative authorities. However, parties to the agreement shall execute the government prescribed price or make reference to the guidance price in priority if any future prescribed price of the government authority is mandatorily implemented by the government.



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## LETTER FROM HALCYON CAPITAL LIMITED

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*(iv) Other internal control measures*

In order to safeguard the interests of the Company and the Shareholders as a whole, the Company has also adopted the following measures to monitor the transactions under the Framework Agreement for Construction Works and Related Services:

- (1) After the Framework Agreement for Construction Works and Related Services was proposed and reported by the department responsible for connected transactions, the Directors of the Company (including independent non-executive Directors) conducted investigation on the necessity and reasonableness of the connected transactions and fairness of pricing, and considered that the transaction terms are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Meanwhile, the Directors recognize the importance of good corporate governance in protection of the Shareholders' interests as well as resolving actual and/or potential conflict of interests between the Company, and its controlling shareholder and Directors. As such, though the Directors (including Directors who are holding directorship and/or under the employment of Shudao Investment Group ("**Interested Directors**")) participate in the above-mentioned investigation and would monitor the implementation and execution of the transactions under the Framework Agreement for Construction Works and Related Services, the Interested Directors have abstained from voting on the Board resolutions approving the Framework Agreement for Construction Works and Related Services. The Interested Directors holding Shares of the Company would also abstain from voting at the EGM. Further, it has been the usual practice of the Company to require Interested Directors to abstain from voting on relevant resolutions in relation to transactions with Shudao Investment in Board meetings and general meetings.
- (2) The Supervisory Committee of the Company has effectively supervised the consideration and voting of the Framework Agreement for Construction Works and Related Services, and also reviewed and approved the entering into of the Framework Agreement for Construction Works and Related Services.

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## LETTER FROM HALCYON CAPITAL LIMITED

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- (3) The Board Office (董事會辦公室) and the Internal Control and Audit Supervisory Department (內控審計監事部) of the Company will review the transactions under the Framework Agreement for Construction Works and Related Services on a regular basis (i.e. at least twice a year), so as to (i) consider the effective implementation of the pricing policy and the payment method as well as the appraisal of the balance of the annual cap; and (ii) identify management weakness, and make recommendations for improvement to ensure that the internal control measures in respect of the transactions under the Framework Agreement for Construction Works and Related Services remain complete and effective and the Company will take measures to address the weakness identified, if any, as soon as practicable.
- (4) The Internal Control and Audit Supervisory Department of the Company will conduct internal checks at least twice a year to ensure that internal control measures in respect of the transactions under the Framework Agreement for Construction Works and Related Services remain complete and effective.
- (5) The Company will engage the auditor to carry out annual review on the continuing connected transactions (including but not limited to the relevant pricing policies and annual caps) every year in accordance with the requirement of Rule 14A.56 of the Listing Rules.

As stated in the 2022 Annual Report of the Company for the year ended 31 December 2022, the independent non-executive Directors of the Company have reviewed the continuing connected transactions and have confirmed that the continuing connected transactions were entered into (i) in the ordinary and usual course of businesses of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Furthermore, Ernst & Young, the Company's auditor, has been engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to "Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

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## LETTER FROM HALCYON CAPITAL LIMITED

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

#### **4. Comparison of terms with independent third parties**

From our understanding with the management of the Group, during the period between 1 January 2023 and up to the Latest Practicable Date, the Group entered into 14 construction related contracts with Shudao Investment Group and did not enter into any construction related contracts with independent third parties. As such, no comparison of the individual contracts entered into between the Group and Shudao Investment Group against similar contract entered into between the Group and other independent third-party contractor has been carried out.

However, we understand from the management of the Group and noted from the relevant documents in association with the 14 construction related contracts that the contracts were determined by way of tender of which members of Shudao Investment Group were the respective winning bids. As such, we concur with the Directors that, the pricing mechanism and the relevant internal control as discussed in the section headed “Pricing policies and relevant internal control” above have been consistently applied (i.e. by way of public tender).

During the period between 1 January 2023 and up to the Latest Practicable Date, the Group entered into 8 maintenance contracts with member of Shudao Investment Group. In addition, the Group also entered into 5 maintenance contracts with independent third parties.

We have compared the maintenance contracts entered into between the Group with Shudao Investment Group against the contracts entered into between the Group and other independent third party during corresponding period. We noted that the maintenance contracts entered into between the Group and Shudao Investment Group or other independent third parties were awarded by way of tender, which was consistent with the relevant pricing mechanism of the Group.

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## LETTER FROM HALCYON CAPITAL LIMITED

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In respect of emergency rescue construction works, from our understanding with the management of the Group, the Group did not engage independent third parties to carry out any emergency rescue construction works since 1 January 2023 up to the Latest Practicable Date, as such no direct comparison could be carried out. We further understood from the management of the Group that, whenever the Group engages Shudao Investment Group for emergency rescue construction services, the pricing mechanism and the relevant internal control as discussed in the section headed “Pricing policies and relevant internal control” above will be consistently applied.

According to the management of the Group, since 1 January 2023 up to the Latest Practicable Date, certain emergency rescue construction works have been carried by members of Shudao Investment Group. We have compared the final accounts of such emergency rescue construction works with the unit price of each item of construction work from latest successful winning tender price or noted that the price was determined by a pricing consultation intermediary agency in accordance to the pricing basis and methods issued by the national and provincial authorities of the PRC government and is consistent with the relevant pricing policies as described above.

In view of the pricing policies and relevant internal control as discussed above being in place, we consider that, the services provided will be under normal commercial terms.

### **5. Basis of the Annual Cap**

The transactions contemplated under the Framework Agreement for Construction Works and Related Services are subject to the Listing Rules’ requirements and conditions as further discussed under the section headed “Reporting requirements and conditions of the Transactions” below. In particular, the Transactions are also subject to the Annual Cap as discussed below.

In assessing the reasonableness of the Annual Cap, we have discussed with the management of the Group the basis and assumptions underlying the projections for contracting and sub-contracting of the relevant works pursuant to the Framework Agreement for Construction Works and Related Services entered into between the Company and Shudao Investment for the purpose of determining the Annual Cap.

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## LETTER FROM HALCYON CAPITAL LIMITED

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

Set out below are the historical values of the Transactions entered into between the Group and Shudao Investment Group from 1 January 2021 to 30 June 2023 as the extracted from the financial records in the relevant financial periods:

	For the year ended 31 December 2021 <i>RMB' in million</i>	For the year ended 31 December 2022 <i>RMB' in million</i>	For the six months ended 30 June 2022 <i>RMB' in million</i>	For the six months ended 30 June 2023 <i>RMB' in million</i>
Actual transaction amount recorded by member of Shudao Investment Group for providing the relevant construction services to the Group	1,441.8	1,325.6	683.1	567.9
Annual Cap under Framework Agreement for Construction Work and Related Services and Previous Construction Framework Agreement	2,985.0	3,843.0	1,921.5 <i>(Note)</i>	1,384.5 <i>(Note)</i>
Utilization rate	48.30%	34.49%	35.55%	41.02%

*Note:* Six months pro-rata of the annual cap for the year ended 31 December 2022 and for the year ending 31 December 2023.

***Historical transaction value***

During the year ended 31 December 2022, the transaction amount recorded by Shudao Investment Group for providing the relevant construction services to the Group recorded a slight decrease as compared to that for the year ended 31 December 2021. Such decrease was mainly due to more construction progress had been achieved in 2021 for the construction of the Expansion Construction Project as compared to that of in 2022.

In first half of 2023, transaction value continued to record a slight decrease as compared to 1st half of 2022 as the construction of Expansion Construction Project continued to record slower than expected progress mainly due to the pending of the handover of the respective land for construction.

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## LETTER FROM HALCYON CAPITAL LIMITED

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### *Utilization rate*

The utilization rate of the annual cap for the year ended 31 December 2022 was 34.49%. The low utilization rate as compared to the year ended 31 December 2021 was mainly due to (i) the slow construction progress of certain sections of the Expansion Construction Project due to, among other things, the adjustments to the construction design plan; (ii) irregular impact brought by power restrictions during 2022's high temperature season, on the Company's maintenance work and Expansion Construction Project; and (iii) the non-participation in the infrastructure investment and construction project in Lushan County due to the Company's adjustments to its own plan.

The annual cap for the year ending 31 December 2023 was RMB2,769 million. The utilization rate of the annual cap on a pro-rata basis for the first half of 2023 was approximately 41.02%. The improvement in utilization rate was mainly due to the cut back on proposed annual cap for the year ending 31 December 2023. Despite the Group shown improvement in the utilization rate in the first half of 2023, the utilization rate and actual transaction amount of the first half of 2023 continued to be relatively low, which was mainly attributable to, among other things, (i) the slow construction progress of certain sections of the Expansion Construction Project due to the delay in construction site handover; and (ii) the safety and production hazard investigation conducted throughout the municipal construction project due to safety and environmental protection work requirements, resulting in the progress falling short of expectations. As at the Latest Practicable Date, the delivery of the project sites and the safety and production investigation were proceeding on track in an orderly manner, and the Company considers the construction progress and the safety and production hazard investigation is expected to be implemented smoothly and orderly in the year of 2024.

### *Assessment of the Annual Cap*

When assessing the reasonableness of the Annual Cap, we have discussed with the management the basis and assumptions underlying the projection of the Annual Cap. Set out below is the Annual Cap being proposed for the transactions contemplated under the Framework Agreement for Construction Works and Related Services for the year ending 31 December 2024:

	<b>For the year ending 31 December 2024</b> <i>RMB' in million</i>
Annual Cap in respect of the Framework Agreement for Construction Works and Related Services	3,856

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## LETTER FROM HALCYON CAPITAL LIMITED

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In determining the annual cap for the Framework Agreement for Construction Works and Related Services, the Directors have considered a number of factors including: (i) the historical transaction amounts under the Previous Construction Framework Agreement; (ii) the construction and maintenance plans for each of the expressways of the Group for the next year; and (iii) the projects proposed to be carried out in 2024 by the Group pursuant to the expressway development and enhancement plan of the Group.

Annual Cap under the Framework Agreement for Construction Works and Related Services comprised of estimated transaction value for (i) expressway and ancillary facilities construction and development; (ii) expressway maintenance work; and (iii) municipal construction works, for both executed contracts and contracts proposed to be executed in 2024.

In estimating the contract sum of expressway and ancillary facilities construction and municipal construction works to be entered into, the Directors will take into account the contracts on expressways and ancillary facilities and municipal construction works expected to be awarded in the coming year by the Group. In estimating the timing and contract sum for upcoming construction contracts to be awarded, the Directors have made reference to the relevant government's development plan for municipal works, the Group's development plan for expressway and ancillary facilities and municipal construction works.

Should new projects will be subject to tender, bidding or quotation during the upcoming year, a 100% success rate of Shudao Investment Group being awarded with the contracts will also be estimated by the Directors. In case Shudao Investment Group successfully being awarded with all the projects, the annual cap for the relevant year will still be sufficient. Having considered the business development potential of Shudao Investment Group (to the best knowledge of the Board, Shudao Investment Group's business capabilities are developing rapidly, including expanding its qualifications for contracting various engineering projects and enhancing its corresponding contracting capabilities. The Company considers that the business development of Shudao Investment Group will make it more capable of participating in more relevant businesses of the Company in various aspects), the Directors are of the view that Shudao Investment Group would be capable of undertaking all the construction projects awarded to it should its success rate of tenders be 100%.

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

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## LETTER FROM HALCYON CAPITAL LIMITED

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According to the Directors, pursuant to the latest development schedule, the Directors anticipated that no substantial construction work for expressway would be subject to tender or in any event if any work awarded to contractor(s) is expected to have substantial progress in 2024 and only around 14.94% of the Annual Cap was estimated to be catered for new projects. Hence we have discussed with the management that, should any expressway project(s) will be newly awarded in 2024 to Shudao Investment Group and subject to substantial work, the Group will discuss with Shudao Investment Group on the overall progress of other construction projects which were awarded to Shudao Investment Group in previous years in ensuring the Annual Cap would not be exceeded should unexpected work is required to be carried out in 2024 for new projects. Should the Group anticipate that the Annual Cap would be exceeded, the Group will re-comply with the relevant Listing Rules to revise the Annual Cap.

In estimating the maintenance work to be taken place during the relevant periods, the Directors have made reference to the historical amounts of maintenance work taken place in the prior year and to the daily maintenance schedule of each of the expressway operated by the Group.

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

According to the Directors, with reference to the development plans and the historical amounts of the relevant construction works for the year ended 31 December 2022 and for the six months ended 30 June 2023 as mentioned above, as at the Latest Practicable Date the Annual Cap for the year ending 31 December 2024 in accordance with construction progress schedule in aggregate would amount to RMB3,856 million, which represents:

- (a) estimated transaction amount of RMB3,136.5 million for contracted construction related projects or services to be recognized in 2024 pursuant to the construction plan and the latest construction progress, mainly involving (i) Expansion Construction Project (amounting to RMB2,869.9 million) and related services; (ii) electrical engineering projects for expressways and ancillary facilities as well as for other ancillary services; and (iii) municipal construction;
- (b) upcoming construction related projects or services estimated to be carried out in 2024 pursuant to the construction plan and the estimated construction progress amounted to RMB454.2 million which will mainly involve expressway construction, electrical engineering projects for expressways and other ancillary system and services;
- (c) the amount of RMB262 million of expressway maintenance works (especially (i) the maintenance and upgrading of highway guardrails according to the plan of the Department of Transportation of Sichuan Province; (ii) the maintenance work of the Second Ring (Western Part) Expressway which was acquired by the Company in March 2023)) as well as other ancillary projects and services to be carried out during 2024; and
- (d) a general buffer of around RMB3.0 million catering for any unexpected pricing adjustment or variation orders for the construction work.



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## LETTER FROM HALCYON CAPITAL LIMITED

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In accessing the fair and reasonableness of the Annual Cap for the Framework Agreement for Construction Works and Related Services, we have reviewed the upcoming project schedules prepared by the Directors for the year ending 31 December 2024 which sets out (i) the nature of the projects; (ii) the progress revenue recognition estimated by the Directors for each of Group's ongoing projects; and (iii) the expected total contract sum with estimated progress revenue recognition estimated by the Directors for each of the project expected to be participated by the Shudao Investment Group. As discussed with the management of the Group, we noted that the expected total contract sum for upcoming project of the Group estimated by the Directors were referenced to the government tendering plan and the Group's construction and development plan for ancillary facilities as well as for other ancillary services. In regarding the cost to be recognized according the progress of completion, the Directors have made reference to the progress of past experience in similar construction projects and the estimated completion time for each of the potential and/or on-going projects.

We have also discussed with the management of the Group regarding the assumed 100% success rate on winning all the contracts to be awarded in the coming year. According to the Directors, given both independent third parties and members of Shudao Investment Group shall have the similar opportunity to participate in and winning the tender, for prudent purpose, the Directors estimated a 100% success rate for awarding the contract to members of Shudao Investment Group, in case members of Shudao Investment Group is able to win the tender which members of Shudao Investment Group participates in, the Annual Cap will still be sufficient.

In respect of the maintenance work, we have discussed with the management of the Group regarding their maintenance plan. According to the management of the Group, it is expected that the maintenance level for the Group for the coming year ending 31 December 2024 will increase as compared to the current year, as maintenance works will be carried out to upgrade guardrails on expressways pursuant to a program rolled out by the Department of Transportation of Sichuan Province. Furthermore, as less maintenance work was carried out in previous years, more maintenance work is expected to be carried out in 2024 with reference to the latest conditions of the relevant expressway and the maintenance schedule to maintain the standard of the expressways.

We noted that substantial amount of the Annual Cap was catered for estimated transaction amount for projects which had been contracted in previous periods. Such estimated amount is based on the construction plan and the latest construction progress of each contracted project. Due to, among other things, the slow construction progress of certain sections of the Expansion Construction Project due to the waiting for land delivery, such relevant work would be estimated to be carried out in 2024.

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## LETTER FROM HALCYON CAPITAL LIMITED

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For estimating the Annual Cap for contract estimated to be tendered and awarded in 2024, we understand from the management of the Company that, pursuant to the relevant tendering rules and regulations in the PRC, the processing time between publication of tender result and entering into relevant construction agreement shall be within 30 days. Thus should the Annual Cap not factor in a 100% success rate of projects estimated to be participated by Shudao Investment Group and if the Annual Cap have been fully utilized, Shudao Investment Group will not be able to participate in the tender thereafter, due to the timing required for refreshing the annual cap will exceed 30 days as the procedures required for refreshing the annual cap, including but not limited to obtaining Shareholder's approval (of which the notice period to convene an extraordinary shareholders' meeting would require 10 business days or 15 days (whichever is longer) and other necessary steps to ensure compliance with the Listing Rules, will take more than 30 days to accomplish. As such, the Directors consider, and we concur the above 100% success rate assumption is prudent, reasonable and necessary.

Regarding the remaining construction works pursuant to the contract which is expected to be carried out subsequent to 2023, as it is not feasible and prudent for the Company to predict the estimated transactions amounts as the progress of the construction works is subject to numerous factors, which include but not limited to potential change in government policies and regulations, adjustments regarding the planning of the projects, climate and environmental factors etc. The implementation of the contract(s) may also be adjusted taking into consideration the aforementioned factors. As such, regarding the remaining construction works, if necessary, the Company will incorporate the remaining estimated transaction amount into the annual cap for upcoming years in respect of the then framework agreements to be entered into between the Group and Shudao Investment in order to govern the on-going construction related transactions between the parties. The Company will also comply with relevant Listing Rules requirements, which include but not limited to the reporting and announcement requirements, and obtaining independent Shareholders' approval in relation to the obtaining of relevant annual cap. In case the resolution(s) regarding the Framework Agreement for Construction Works and Related Services (including the Annual Cap) and/or the any of the subsequent construction framework agreements (and their respective corresponding annual caps) to be entered into between the Company and Shudao Investment are not approved by the Shareholders at the general meetings of the Company, the current intention of the Company is to seek feasible alternative including but not limited to engaging other construction company(ies) to continue the construction.

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## LETTER FROM HALCYON CAPITAL LIMITED

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Due to the deviation between the actual transaction amount and the annual cap, we have discussed with the management of the Group regarding the reasons for such deviation, details of which please refer to the section headed “Review of the historical figures” above. According to the management of the Group, the factors leading towards the low utilization rate of the respective Annual Cap for prior year had been taken into consideration in determining the proposed Annual Cap for the year ending 31 December 2024 under the Framework Agreement for Construction Works and Related Services. Despite the factors which contributed to the variance between the actual transaction amount and the annual cap for the prior periods were unpredictable, the Directors have taken into account, among other things, the following to come up with the estimation on the Annual Cap for the year ending 31 December 2024 including among other things: (i) for new projects estimated to be carried out by the Group, the estimation that Shudao Investment Group will win the relevant project subject to tender/bidding/quotation process (as the case maybe) as members of Shudao Investment Group shall have the similar chance to participate in and winning, for prudent purpose, the Directors estimated a 100% success rate for awarding the contract to members of Shudao Investment Group, in case member of Shudao Investment Group is able to win which members of Shudao Investment participates the Annual Cap for the year ending 31 December 2024 will still be sufficient; (ii) in respect of construction project awarded prior to 2023, in particular the delay of the Expansion Construction Project, the Directors have factored in such delay in recognition of transaction amount of the relevant construction work to be recognized in 2024 in estimating the Annual Cap; and (iii) in respect of maintenance work, as at the date of the Announcement, as discussed with the management of the Group, the Group considered that the maintenance work to be carried out for the year ending 31 December 2024 will be in accordance to the latest maintenance schedule (subject to the then weather condition) and up to the Latest Practicable Date, the Group is not aware of any information which would result in any material changes to be made on the current maintenance schedule.

We concur with the Directors’ view that, the circumstances mentioned above were considered to be inevitable which construction company will encounter during its daily operation and hence taking into account the above factors, we also concur with the Directors that, by making reference to the relevant the latest construction and maintenance plans for each of the expressways of the Group for the year ending 31 December 2024 as well as the latest construction progress in estimating the Annual Cap, is considered fair and reasonable.

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## LETTER FROM HALCYON CAPITAL LIMITED

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### 6. Reporting requirements and conditions of the Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Transactions and confirm in the annual report and accounts that Transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company (currently, Ernst & Young) must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to the Board's attention that causes them to believe that the Transactions:
  - (i) have not been received the approval of the Board;
  - (ii) are not in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
  - (iii) have not been entered into in accordance with the relevant agreements governing the Transactions; and
  - (iv) have exceeded the Annual Cap;
- (c) the Company must allow, and ensure that counterparties to the Transactions to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (b); and

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## LETTER FROM HALCYON CAPITAL LIMITED

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- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

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

### RECOMMENDATION

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

Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in respect of the Framework Agreement for Construction Works and Related Services (including the Annual Cap) and the transactions contemplated thereunder at the EGM.

Yours faithfully,  
For and on behalf of  
**Halcyon Capital Limited**

**Terry Chu**  
*Managing Director*

Mr. Terry Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 23 years of experience in corporate finance industry.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES**

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

**(a) Long position in the Company**

Name	Capacity	Class of Shares	Nature of interest	Number of Shares held	Percentage of issued share capital of the Company
Mr. Luo Maoquan	Supervisor	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 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.

**(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 had been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2022, the date to which the latest published audited financial statement of the Group was made up;
- (ii) further details of the Directors and Supervisors who serve as a director, supervisor or employee of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:
  - Mr. Li Chengyong, a non-executive Director, is the deputy head of the finance management department in Shudao Investment;
  - Mr. Chen Chaoxiong, a non-executive Director, is a Class II Director (i.e. a director of a subsidiary nominated and appointed by Shudao Investment from its subsidiaries (including the Company)) in Shudao Investment;
  - Mr. Ling Xiyun, a Supervisor, is the deputy chief accountant of Shudao Investment; and
  - Mr. Wang Yao, a Supervisor, is the head of internal control legal affair department of Shudao Investment.
- (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 was 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 was, 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 other members of the Group.

Name	Type of Shares	Long position/ Short position	Number of the Company's Shares held	Approximate	Approximate	
				percentage in the total share capital of the Company	percentage in A/H Shares	Capacity
Shudao Investment	A Shares (state-owned shares)	Long position	1,035,915,462	33.875%	47.898%	Beneficial owner
	H Shares	Long position	183,064,200	5.986%	20.447%	Beneficial owner
		Total	<u>1,218,979,662</u>	<u>39.861%</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	96,458,000 <sup>(2)</sup>	3.154%	10.774%	Interest in controlled corporation
		Total	<u>760,945,376</u>	<u>24.883%</u>		

*Notes:*

- (1) According to the disclosure of interests forms submitted by Shudao Investment as at the Latest Practicable Date, the number of H Shares held by Shudao Investment in long position in the Company was 179,450,200 (the last notice filed on 19 September 2023), representing approximately 5.87% of the total issued share capital of the Company and approximately 20.04% of the H Shares. In the event that the shareholding of Shudao Investment in the Company changes, Shudao Investment is not required to notify the Company and the Stock Exchange unless certain conditions are fulfilled, and therefore the latest shareholding of Shudao Investment in the Company as at the Latest Practicable Date may be different from the shareholding disclosed on the Stock Exchange. The shareholding of Shudao Investment set out in this circular was as at the Latest Practicable Date and, to the best of the knowledge of the Directors of the Company who have made reasonable inquiries, was provided by Shudao Investment.
- (2) Cornerstone Holding Limited, a wholly-owned subsidiary of China Merchants Expressway Company, was interested in the H Shares of the Company. By virtue of the SFO, China Merchants Expressway Company is therefore deemed to be interested in the H Shares held by Cornerstone Holding Limited.

#### 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 was 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 had 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 2022, the date to which the latest published audited financial statement of the Company was made up.

**8. EXPERTS AND CONSENTS**

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

<b>Name</b>	<b>Qualification</b>
Halcyon Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Halcyon Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Halcyon Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its names in the form and context in which they appear.

The letter and recommendation given by Halcyon Capital were given as at the date of this circular for incorporation herein. As at the Latest Practicable Date, Halcyon Capital had not, or had not had, direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2022, the date to which the latest published audited financial statement of the Group was made up.

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cygs.com>) for a period of 14 days from the date hereof:

- (a) the Framework Agreement for Construction Works and Related Services; and
- (b) the Previous Construction Framework Agreement.

**APPENDIX II                      PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Details of the proposed amendments to the Articles of Association are as follows (Note: The serial numbers of relevant chapters and articles and those involved in cross references are amended accordingly):

<b>No.</b>	<b>Before Amendments</b>	<b>After Amendments</b>
1	<p><b>Article 163</b> The Board of Directors shall establish four committees, namely the Strategic Committee, Nomination Committee, Remuneration and Appraisal Committee and Audit Committee, and shall specify their respective detailed working procedures.</p>	<p><b>Article 163</b> The Board of Directors shall establish four committees, namely the Strategic Committee, Nomination Committee, Remuneration and Appraisal Committee and Audit Committee, and shall specify their respective detailed working procedures.</p> <p><u><b>The Strategic Committee is responsible for conducting research and providing recommendations on the Company’s long-term development strategies and major investment decisions. The Strategic Committee shall consist of three to seven Directors, including at least one independent non-executive Director.</b></u></p> <p><u><b>The Nomination Committee is responsible for formulating criteria and procedures for the selection of Directors and senior management, and selecting and reviewing the candidates for Directors and senior management and their qualifications. The Nomination Committee shall consist of three to seven Directors, and the majority of them shall be independent non-executive Directors. The Nomination Committee shall have one chairman, who shall be an independent non-executive Director and be in charge of the works of the Nomination Committee and acting as the convenor.</b></u></p>

No.	Before Amendments	After Amendments
		<p><u>The Remuneration and Appraisal Committee is responsible for formulating the evaluation criteria for Directors and senior management and conducting the evaluation, and formulating and reviewing the remuneration policies and plans for Directors and senior management. The Remuneration and Appraisal Committee shall consist of three to seven Directors, and the majority of them shall be independent non-executive Directors. The Remuneration and Appraisal Committee shall have one chairman who shall be an independent non-executive Director and be in charge of the works of the Remuneration and Appraisal Committee and acting as the convenor.</u></p> <p><u>The Audit Committee is responsible for auditing and disclosing the financial information of the Company, and supervising and evaluating the internal and external auditing work and internal control. The Audit Committee is composed of at least three non-executive Directors, among whom independent non-executive Directors constitute the majority, and at least one shall be an independent non-executive Director with appropriate professional qualifications or appropriate accounting or related financial management expertise as required under the Listing Rules. The Audit Committee shall have one chairman who shall be an accounting professional and an independent non-executive Director taking charge of the works of the Audit Committee and acting as the convenor.</u></p>

No.	Before Amendments	After Amendments
2	<p><b>Article 168</b> The Company shall appoint independent Directors. Independent directors are <u>Directors holding no position other than that of being Directors in the Company, and having no relationship with the Company and major shareholders of the Company as to hinder his/her</u> independent and objective judgement.</p> <p>There shall be at least one professional <u>accountant with senior position or certified public accountant qualification</u> among the independent Directors <u>of the Company.</u></p>	<p><b>Article 168</b> The Company shall appoint independent Directors. Independent Directors are <u>those who assume no other office except as a Director in the Listed Company, do not have any direct or indirect relationship of interest with the Listed Company in which they are employed, its substantial shareholders or de facto controller, or other relationships that may affect their ability to make</u> independent and objective judgements.</p> <p>There shall be at least one <u>accounting</u> professional <u>who shall have rich expertise and experience in accounting</u> among the independent Directors <u>and satisfy at least one of the following conditions:</u></p> <ul style="list-style-type: none"> <li>(1) <u>possessing qualification for certified public accountant;</u></li> <li>(2) <u>a senior title in accounting, auditing or financial management, an associate professor or above, or holding a doctoral degree;</u></li> <li>(3) <u>possessing a senior title in economic management and having more than five years of full-time work experience in accounting, auditing or financial management and other professional positions.</u></li> </ul>

No.	Before Amendments	After Amendments
3	<p><b>Article 169</b> The qualifications for independent Directors of the Company shall be as follows:</p> <p>(1) to be qualified for Directors of the Company as provided in laws, administrative regulations and other relevant regulations;</p> <p>(2) to be independent as required by <b>the Articles of Association and</b> the Securities Supervisory and Regulatory Authority of the State Council;</p> <p>(3) to be in command of the basic knowledge of the operations of listed companies, and be familiar with relevant laws, <b>administrative</b> regulations, and rules <b>and regulations;</b></p> <p>(4) having at least five (5) years of work experiences in legal <b>field</b>, economic <b>field</b> or other experiences indispensable for performing the duties of independent Directors;</p> <p>(5) other <b>criteria</b> as <b>may be</b> provided in the Articles of Association.</p>	<p><b>Article 169</b> The qualifications for independent Directors of the Company shall be as follows:</p> <p>(1) to be qualified for Directors of the Company as provided in laws, administrative regulations and other relevant regulations;</p> <p>(2) to be independent as required by <b>the laws, administrative regulations,</b> the Securities Supervisory and Regulatory Authority of the State Council, <b>business rules of stock exchanges and the Articles of Association;</b></p> <p>(3) to be in command of the basic knowledge of the operations of listed companies, and be familiar with relevant laws, <b>regulations and rules;</b></p> <p>(4) having at least five (5) years of work experiences in legal, <b>accounting,</b> economic <b>areas</b> or other experiences indispensable for performing the duties as independent Directors;</p> <p>(5) <b>having good personal morality, without material breach of integrity and other bad conduct records;</b></p> <p>(6) other <b>conditions</b> as provided <b>by laws, administrative regulations, provisions of the Securities Supervisory and Regulatory Authority of the State Council, business rules of stock exchanges and</b> the Articles of Association.</p>

No.	Before Amendments	After Amendments
4	<p><b>Article 170</b> The following person shall not be appointed as independent Directors of the Company:</p> <p>(1) the employees of the Company or employees of its subsidiary enterprises, and their <b><u>lineal relatives and major social connections (the former refer to spouses, parents and children, and the latter refer to brothers and sisters, parents-in-law, daughters-in-law, sons-in-law, spouses of brothers and sisters, and brothers and sisters of spouses)</u></b>;</p> <p>(2) the natural person shareholders directly or indirectly holding more than 1% of shares of the Company or of any of the ten largest shareholders of the Company and their <b><u>lineal relatives</u></b>;</p> <p>(3) persons employed by the shareholders directly or indirectly holding more than 5% of shares of the Company or by any of the five largest shareholders of the Company and their <b><u>lineal relatives</u></b>;</p> <p>(4) <b><u>persons who meet the abovementioned three conditions in the recent one year</u></b>;</p>	<p><b>Article 170</b> <b><u>Independent Directors shall be independent.</u></b> The following person shall not be appointed as independent Directors of the Company:</p> <p>(1) the employees of the Company or employees of its subsidiary enterprises, and their <b><u>respective spouses, parents, children and major social connections (major social connections refer to brothers and sisters, spouses of brothers and sisters, parents of spouses, brothers and sisters of spouses, spouses of children, and parents of spouses of children)</u></b>;</p> <p>(2) the natural person shareholders directly or indirectly holding more than 1% of shares of the Company or of any of the ten largest shareholders of the Company and their <b><u>spouses, parents, children</u></b>;</p> <p>(3) persons employed by the shareholders directly or indirectly holding more than 5% of shares of the Company or by any of the five largest shareholders of the Company and their <b><u>spouses, parents, children</u></b>;</p> <p>(4) <b><u>a person who holds a position in a subsidiary of the controlling shareholder or de facto controller of the Company and his/her spouse, parents, children</u></b>;</p>

**APPENDIX II                      PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

No.	Before Amendments	After Amendments
	<p>(5) <u>the persons already appointed as independent directors in five (inclusive) listed companies;</u></p> <p>(6) persons providing financial, legal and consulting services to the Company <u>or its subsidiary enterprises;</u></p> <p>(7) <u>other persons as may be provided in the Articles of Association;</u></p> <p>(8) other persons <b>designated by</b> the Securities Supervisory and Regulatory Authority of the State Council <u>or the</u> stock exchange <u>where shares of the Company are listed.</u></p>	<p>(5) <u>a person who has significant business dealings with the Company and its controlling shareholder, de facto controller or their respective subsidiaries, or who holds a position in a unit with which the Company has major business dealings and its controlling shareholder or de facto controller;</u></p> <p>(6) a person providing financial, legal, consulting <b>and sponsoring</b> services to the Company, <u>its controlling shareholder, de facto controller or their respective subsidiaries, including, but not limited to, all members of the project team, reviewers at all levels, persons signing on the report, partners, Directors, senior management and key persons in charge of the intermediary institution providing the services;</u></p> <p>(7) <u>a person who has had any of the circumstances as set forth in the preceding six paragraphs within the most recent 12 months;</u></p> <p>(8) <u>the persons already appointed as independent Directors in three (inclusive) domestic listed companies;</u></p>



No.	Before Amendments	After Amendments
		<p>(9) <u>other persons who are not independent as stipulated under the laws, administrative regulations, provisions of the Securities Supervisory and Regulatory Authority of the State Council, business rules of stock exchanges and the Articles of Association.</u></p> <p><u>The subsidiaries of the controlling shareholder and de facto controller of the Company mentioned in Paragraphs 4 to 6 of the preceding article do not include those enterprises which are controlled by the same state-owned assets administrative authority as the Company and do not constitute a related party relationship with the Company under the relevant provisions.</u></p> <p><u>The independent Directors shall conduct an annual self-examination of their independence and submit the findings of their self-examination to the Board of Directors each year. The Board of Directors shall annually assess the independence of the incumbent independent Directors and issue a special opinion, which shall be disclosed at the same time as the annual report.</u></p>

No.	Before Amendments	After Amendments
5	<p><b>Article 172</b> The Board of Directors, Supervisory Committee, or shareholders individually or jointly holding more than 1% of shares of the Company are entitled to nominate independent Directors to be elected at the general meetings.</p>	<p><b>Article 172</b> The Board of Directors, Supervisory Committee, or shareholders individually or jointly holding more than 1% of shares of the Company are entitled to nominate independent Directors to be elected at the general meetings.</p> <p><b><u>An investor protection agency established in accordance with law may openly request shareholders to entrust it to exercise the right to nominate independent Directors on their behalf.</u></b></p> <p><b><u>The nominator provided for in Article 1 shall not nominate any person with whom he/she has relationship of interest or any other closely related person who has a circumstance that may influence the independent performance of his/her duties, as a candidate for independent Director.</u></b></p>
6	<p><b>Article 173</b> Nominator(s) of independent Directors shall secure the consent of the nominee prior to raising any nomination. The nominator shall acquire all the personal particulars of his/her nominee as to his/her profession, education, position held, specifics of work experiences, and all part-time jobs, and <b><u>comment</u></b> on his/her <b><u>qualifications and independence for the post of independent Directors; and the</u></b> nominee shall make <b><u>a statement</u></b> that he/she has <b><u>no relationship with the Company as to hinder his/her independent and objective judgement.</u></b></p>	<p><b>Article 173</b> Nominator(s) of independent Directors shall secure the consent of the nominee prior to raising any nomination. The nominator shall acquire all the personal particulars of his/her nominee as to his/her profession, education, position held, specifics of work experiences, all part-time jobs, and <b><u>whether having any bad conduct records such as material breach of integrity, and express opinions</u></b> on his/her independence <b><u>and other conditions for acting as an independent Director.</u></b> A nominee shall make <b><u>announcement</u></b> that he/she <b><u>satisfies the independence and other conditions for him/her to act as an independent Director.</u></b></p>

No.	Before Amendments	After Amendments
7	<p><u>Article 175 Should an independent Director not attend the board meeting in person for three (3) consecutive times, he/she shall be removed from the office as proposed by the Board of Directors at the general meeting.</u></p> <p><u>Except for the circumstances set out above and the situations prohibited by the Company Law for being a director, before expiry of their terms of office, independent Directors shall not be dismissed without proper reasons.</u></p>	<p><u>Article 175 Independent Directors shall attend the Board of Directors meetings in person. If an independent Director is unable to attend the meeting in person due to whatever reasons, he/she shall review meeting materials in advance to form a clear opinion, and authorize another independent Director in writing to attend on his/her behalf.</u></p> <p><u>If an independent Director fails to attend two consecutive Board of Directors meetings in person, nor delegate another independent Director to attend on his/her behalf, the Board of Directors shall, within thirty days from the date of occurrence of such fact, propose to convene a general meeting of shareholders to dismiss such independent Director.</u></p> <p><u>Unless in the above circumstances and in circumstances as specified in Company Law where a person is prohibited from acting as a Director, no independent Director shall be removed from office without reason before the expiry of his/her term of office.</u></p>

No.	Before Amendments	After Amendments
8	<p><b>Article 177</b> The independent Directors shall be vested with the following special powers in addition to the powers conferred by the Company Law and other relevant laws and regulations:</p> <p>(1) <u>material connected transactions (referring to connected transactions to be conducted between the Company and related parties whose amounts are more than RMB3 million or more than 5% of the Company's latest audited net assets value) shall be subject to recognition by the independent Directors before being submitted for discussion by the Board of Directors; prior to any judgement made, the independent Directors may engage intermediaries to prepare independent financial reports as the basis for their judgement;</u></p> <p>(2) <u>to propose to the Board of Directors for the appointment or dismissal of accountant firm(s) of the Company;</u></p> <p>(3) <u>to propose</u> to the Board of Directors to convene extraordinary general meetings;</p> <p>(4) <u>to propose</u> to convene board meetings;</p> <p>(5) <u>to independently hire external auditors and consultants;</u></p> <p>(6) <u>to publicly solicit the rights to vote from the shareholders prior to the general meetings.</u></p> <p>To exercise the <b>abovementioned</b> powers, the independent Director(s) shall <b>secure</b> the consent of <b>more than half of the</b> independent Directors.</p>	<p><b>Article 177</b> The independent Directors shall be vested with the following special powers in addition to the powers conferred by the Company Law and other relevant laws and regulations:</p> <p>(1) <u>independently engaging</u> intermediaries <u>to conduct audit, consultation or verification on specific matters of the Company;</u></p> <p>(2) <u>proposing</u> to the Board of Directors to convene an extraordinary general meeting;</p> <p>(3) <u>proposing</u> to convene a meeting of the Board of Directors;</p> <p>(4) <u>openly soliciting shareholders' rights from shareholders in accordance with the law;</u></p> <p>(5) <u>expressing independent opinions on matters that may harm the interests of the Company or minority shareholders;</u></p> <p>(6) <u>other functions and powers as stipulated by laws, administrative regulations, the provisions of the Securities Supervisory and Regulatory Authority of the State Council and the Articles of Association.</u></p> <p>To exercise the <b>functions and</b> powers as set forth in <b>the preceding paragraphs 1 to 3,</b> the independent Director(s) shall <b>obtain</b> the consent of <b>a majority of all independent Directors.</b></p>

No.	Before Amendments	After Amendments
		<p><u>Regarding the exercises of the functions and powers as set forth in Paragraph 1 by independent Directors, the Company shall disclose that in a timely manner. In the event that the above functions and powers fail to function normally, the Company shall disclose the specific details and reasons therefor.</u></p> <p><u>The following matters shall be submitted to the Board of Directors for consideration after being approved by more than half of all independent Directors of the Company:</u></p> <p>(1) <u>related party transactions that shall be disclosed;</u></p> <p>(2) <u>the proposal for change or waiver of commitments by the Company and related parties;</u></p> <p>(3) <u>decisions made and measures taken by the Board of Directors of the acquired company in response to the acquisition;</u></p> <p>(4) <u>other matters specified by laws, administrative regulations, the provisions of the Securities Supervisory and Regulatory Authority of the State Council and the Articles of Association.</u></p>

No.	Before Amendments	After Amendments
9	<p><b>Article 178</b> Apart from the above duties, the independent Directors are also responsible for <u>making independent opinions to the Board of Directors or at the general meetings on the following matters:</u></p> <p>(1) <u>nomination, appointment and dismissal of Directors;</u></p> <p>(2) <u>appointment or dismissal of senior management members;</u></p> <p>(3) <u>remuneration of Directors and senior management members;</u></p> <p>(4) <u>borrowings or other fund transfers, existing or newly occurred, made between the Company and the shareholders, de facto controllers of the Company and their related enterprises involving the amounts more than RMB3 million or 5% of the Company's latest audited net assets value, and whether the Company has adopted any effective measures to recover the arrears;</u></p> <p>(5) <u>matters deemed by the independent Directors as possibly infringing the rights of medium and small shareholders;</u></p> <p>(6) <u>other matters provided in the Articles of Association.</u></p> <p><u>Independent Directors shall make any of the following opinions in respect of the abovementioned matters: consent; qualified opinion and the reasons hereto; adverse opinion and the reasons hereto; unable to present opinions and the obstacles hereto.</u></p>	<p><b>Article 178</b> Apart from the above duties, the independent Directors are also responsible for <u>expressing independent opinions on relevant matters in accordance with the requirements of the laws and regulations, the Listing Rules and the Articles of Association.</u></p>

No.	Before Amendments	After Amendments
10	<p><b>Article 179</b> For the purpose of effective execution of the duties of the independent Directors, the Company shall facilitate the independent Directors with the following <u>necessary conditions</u>:</p> <p>(1) The Company shall undertake that independent Directors will enjoy the same right to information as other Directors. <u>For the matters subject to decisions by the Board of Directors, the Company shall notify the independent Directors in advance within statutory timeframe and provide them with adequate information; and if the said information is deemed as inadequate, the independent Directors are entitled to request supplement information. When two or more independent Directors hold that the information is inadequate or the demonstrations are indefinite, they may jointly propose in writing to the Board of Directors to postpone the pending board meeting or the discussion of the matter in question, and the Board of Directors shall accept such proposal. The information provided by the Company to the independent Directors shall be kept by the Company and the independent Directors for a period no less than five (5) years.</u></p>	<p><b>Article 179</b> For the purpose of effective execution of the duties of the independent Directors, the Company shall facilitate the independent Directors with the following <u>safeguards for the performance of their duties</u>:</p> <p>(1) <u>The Company shall provide the independent Directors with the necessary working conditions and personnel support to perform their duties, and designate the office of the Board of Directors, the secretary to the Board of Directors and other special departments and special personnel to assist the independent Directors in the performance of their duties.</u></p> <p><u>The secretary to the Board of Directors shall ensure the unimpeded access to information between the independent Directors and other Directors, senior management and other relevant persons, and ensure that the independent Directors are able to obtain adequate resources and necessary professional opinions when performing their duties.</u></p>

No.	Before Amendments	After Amendments
	<p>(2) <u>The Company shall be obliged to provide the independent Directors with the means and measures to perform their duties. The secretary to the Board of Directors shall assist the independent Directors by providing briefing and materials.</u></p>	<p>(2) The Company shall undertake that independent Directors will enjoy the same right to information as other Directors. <u>For the purpose of effective execution of the duties of the independent Directors, the Company shall regularly inform the independent Directors of the operation of the Company, provide them with information, and organize or cooperate with them to carry out on-site inspections and other work.</u></p> <p><u>The Company may organize the independent Directors to participate in research and demonstrations and other links, fully listen to the opinions of independent Directors, and provide timely feedback to independent Directors on the adoption of their opinions before the Board of Directors considers major and complex matters.</u></p>



No.	Before Amendments	After Amendments
	<p>(3) When the independent Directors are performing their duties, <b><u>employees of the Company</u></b> shall assist by all means and shall not refuse, obstruct, or conceal or interfere with their performance of duties independently.</p>	<p>(3) <b><u>The Company shall timely issue the notice of Board of Directors meetings to independent Directors, provide relevant meeting information no later than the notice period of Board of Directors meetings stipulated by laws, administrative regulations, the provisions of the Securities Supervisory and Regulatory Authority of the State Council or the Articles of Association, and provide the effective communication channels for independent Directors; where the special committee of the Board of Directors convenes a meeting, the Company shall provide the relevant materials and information no later than three days prior to the convening of the meeting of the special committee in principle. The Company shall keep the above meeting information for at least ten years.</u></b></p> <p><b><u>Where two or more independent Directors are of the view that the meeting materials are incomplete, the demonstrations are insufficient or not provided in a timely manner, they may propose in writing to the Board of Directors to postpone the meeting or the discussion of the matter in question, and the Board of Directors is obliged to accept such proposal.</u></b></p>

No.	Before Amendments	After Amendments
	<p>(4) <u>The expenditures of hiring intermediaries by the independent Directors or the expenditures incurred in performing their duties shall be borne by the Company.</u></p>	<p><u>The meetings of the Board of Directors and the special committee shall be convened on site in principle. On the premise of ensuring that all participating Directors are able to fully communicate and express their opinions, the meetings may be held by video, telephone or by other means in accordance with the procedures when necessary.</u></p> <p>(4) When the independent Directors are performing their duties, <b>the Company’s Directors, senior management and other relevant personnel</b> shall assist by all means and shall not refuse, obstruct, or conceal <b>relevant information</b> or interfere with their performance of duties independently.</p> <p><u>If independent Directors encounter impediments in their lawful exercise of functions and powers, they may explain the circumstances to the Board of Directors, request the Directors, senior management and other relevant persons to cooperate with them, and record the specific circumstances of the impediments and the solution in the work records; If the impediments remain unsolved, they may report the situation to the Securities Supervisory and Regulatory Authority of the State Council and the stock exchanges.</u></p>

No.	Before Amendments	After Amendments
	<p>(5) The Company shall pay the independent Directors subsidies of appropriate sums. The standards of the said subsidies shall be proposed by the Board of Directors and approved by the general meeting. Apart from the abovementioned subsidies, the independent Directors <b>shall</b> acquire no other <b>additional and undisclosed</b> interests from the Company, its major shareholders or <b>institutions</b> and personnel of common interests with the Company.</p> <p>(6) <b><u>The Company shall establish and maintain the appropriate insurance mechanism for independent Directors to minimize risks possibly incurred by normal performance of the duties of the independent Directors.</u></b></p> <p>The independent Directors shall assume confidentiality obligations to the Company and the shareholders, and shall provide no information acquired to any person. In the performance of their duties, the independent Directors shall give priority to the interests of the Company and shareholders of the Company, <b>and shall not acquire or intend to acquire any benefits by means of the information they may acquire.</b></p>	<p><b><u>Where matters relating to the performance of duties by independents Director involve information that should be disclosed, the Company shall disclose the information in a timely manner; where the Company does not disclose such information, the independent Directors may directly apply for disclosure or report the same to the Securities Supervisory and Regulatory Authority of the State Council and the stock exchanges.</u></b></p> <p>(5) <b><u>The Company shall bear the expenses regarding engaging professional institutions by the independent Directors or other expenses necessary for exercise of their powers.</u></b></p> <p>(6) <b><u>The Company shall establish the insurance mechanism for independent Directors to minimize risks possibly incurred by normal performance of the duties of the independent Directors.</u></b></p> <p>(7) The Company shall pay the independent Directors allowances <b><u>commensurate with their duties.</u></b> The standards of the said allowances shall be proposed by the Board of Directors and approved by the general meeting <b><u>and shall be disclosed in the annual report of the Company.</u></b></p> <p>Apart from the abovementioned <b>allowances</b>, the independent Directors shall not acquire other interests from the Company <b>and its substantial</b> shareholders, <b>de facto controller</b> or institutions and <b>officers</b> of common interests with the Company.</p>

**APPENDIX II                      PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

<b>No.</b>	<b>Before Amendments</b>	<b>After Amendments</b>
		<p><u>(8)</u>    The independent Directors shall assume confidentiality obligations to the Company and the shareholders, and shall provide no information acquired to any person. In the performance of their duties, the independent Directors shall give priority to the interests of the Company and shareholders of the Company.</p>

\* *For identification purposes only*

**Sichuan Expressway Company Limited\***

**Working Rules for Independent Directors**

December 2023

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**CHAPTER 1            GENERAL PROVISIONS**

The Working Rules for Independent Directors (“**the Rules**”) of Sichuan Expressway Company Limited (the “**Company**”) are made in accordance with the Company Law of the People’s Republic of China (the “**Company Law**”), the Administrative Measures for Independent Directors of Listed Companies (the “**Administrative Measures for Independent Directors of Listed Companies**”) issued by the China Securities Regulatory Commission, the Code on the Corporate Governance for Listed Companies, the Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 1 – Standardised Operation, the Articles of Association of Sichuan Expressway Company Limited (the “**Articles of Association**”), the relevant rules governing the listing of securities or shares on stock exchanges (including but not limited to The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange) where the shares of the Company are listed (collectively, the “**Listing Rules**”) and with reference to other relevant laws and regulations to further improve corporate governance structure and promote the standard operations of the Company.

**CHAPTER 2            INDEPENDENT DIRECTORS**

- (I) The Company has established the system for independent directors under laws, with the number of independent directors representing one-third or more of that of the board of directors, including, among other things, one accounting professional, who shall have rich expertise and experience in accounting and satisfy at least one of the following conditions: possessing qualification for certified public accountant; or a senior title in accounting, auditing or financial management, an associate professor or above, or holding a doctoral degree; or possessing a senior title in economic management and having more than five years of full-time work experience in accounting, auditing or financial management and other professional positions.
  
- (II) Independent directors are those who assume no other office except as a director in the listed company, do not have any direct or indirect relationship of interest with the listed company in which they are employed, its substantial shareholders or de facto controller, or other relationships that may affect their ability to make independent and objective judgements.

- (III) The independent directors have the duty to act in good faith and due diligence towards the Company and all the shareholders. An independent director shall perform his/her duties seriously, participating in decision-making, oversight and checks and balances, and playing professional advisory roles on the board of directors, to protect the interests of the Company especially the legitimate interests of minority shareholders from being damaged in accordance with the requirements of the relevant laws and regulations, the Administrative Measures for Independent Directors of Listed Companies and the Articles of Association. An independent director shall perform his/her duties independently and not be affected by the Company's substantial shareholders, de facto controller or other entities or individuals that are interested in the Company.
- (IV) In principle, independent directors shall act as independent directors of not more than three (3) domestic listed companies concurrently, and they shall ensure that they have enough time and energy to perform their duties as independent directors of the Company.
- (V) The Company shall improve the mechanism of communication between the independent directors and the minority shareholders, and the independent directors may verify with the Company in a timely manner on the issues raised by the investors.

**CHAPTER 3****QUALIFICATIONS OF INDEPENDENT DIRECTORS**

- (I) Independent directors shall have relevant qualifications to perform their duties. Independent directors appointed shall satisfy the following fundamental requirements:
1. being qualified for directors of the Company as provided in the laws, administrative regulations and other relevant regulations;
  2. being independent as required by the laws, administrative regulations, provisions of the China Securities Regulatory Commission, business rules of stock exchanges and the Articles of Association;
  3. being in command of the basic knowledge on the operations of listed companies, and being familiar with relevant laws, administrative regulations, and rules and regulations;

4. having at least five (5) years of work experiences in legal, accounting, economic areas or other experiences indispensable for performing the duties as independent directors;
  5. having good personal morality, without material breach of integrity and other bad conduct records;
  6. other conditions as provided by laws, administrative regulations, provisions of the China Securities Regulatory Commission, business rules of stock exchanges and the Articles of Association.
- (II) Independent directors shall be independent. The following persons shall not act as independent directors:
1. the employees of the Company or employees of its subsidiary enterprises, and their respective spouses, parents, children and major social connections;
  2. the natural person shareholders directly or indirectly holding more than 1% of issued shares of the Company or any of the ten largest shareholders of the Company and their spouses, parents, children;
  3. a person employed by shareholders directly or indirectly holding more than 5% of issued shares of the Company or any of the five largest shareholders of the Company and their spouses, parents, children;
  4. a person who holds a position in a subsidiary of the controlling shareholder or de facto controller of the Company and his/her spouse, parents, children;
  5. a person who has significant business dealings with the Company and its controlling shareholder, de facto controller or their respective subsidiaries, or who holds a position in a unit with which the Company has major business dealings and its controlling shareholder or de facto controller;



6. a person providing financial, legal, consulting and sponsoring services to the Company, its controlling shareholder, de facto controller or their respective subsidiaries, including, but not limited to, all members of the project team, reviewers at all levels, persons signing on the report, partners, directors, senior management and key persons in charge of the intermediary institution providing the services;
7. a person who has had any of the circumstances as set forth in the preceding six paragraphs within the most recent year;
8. other persons who are not allowed to act as independent directors as stipulated under the laws, administrative regulations, provisions of the China Securities Regulatory Commission, business rules of the stock exchanges and the Articles of Association.

The subsidiaries of the controlling shareholder and de facto controller of the Company mentioned in Paragraphs 4 to 6 of the preceding article do not include those enterprises which are controlled by the same state-owned assets administrative authority as the Company and do not constitute a related party relationship with the Company under the relevant provisions.

The independent directors shall conduct an annual self-examination of their independence and submit the findings of their self-examination to the board of directors each year. The board of directors shall annually assess the independence of the incumbent independent directors and issue a special opinion, which shall be disclosed at the same time as the annual report.

## CHAPTER 4

**NOMINATION, ELECTION AND CHANGE OF INDEPENDENT DIRECTORS**

- (I) The board of directors, supervisory committee, or shareholders individually or jointly holding more than 1% of issued shares of the Company are entitled to nominate independent directors to be elected at the general meetings, but shall not nominate a person who is interested in the nominator, or a person who is closely related to the nominator and has other circumstances that may affect the independent performance of his/her duties as a candidate for independent director.

An investor protection agency established in accordance with law may openly request shareholders to entrust it to exercise the right to nominate independent directors on their behalf.

The nominator provided for in Article 1 of this chapter shall not nominate any person with whom he/she has relationship of interest or any other closely related person who has a circumstance that may influence the independent performance of his/her duties, as a candidate for independent director.

- (II) Nominator(s) of independent directors shall secure the consent of the nominee prior to raising any nomination. The nominator shall acquire all the personal particulars of his/her nominee as to his/her profession, education, position held, specifics of work experiences, all part-time jobs, and whether having any bad conduct records such as material breach of integrity, and express opinions on his/her independence and other conditions for acting as an independent director. A nominee shall make announcement that he/she satisfies the independence and other conditions for him/her to act as an independent director. Prior to the general meeting for independent directors' election, the board of directors of the Company shall make announcement regarding the above and other relevant matters pursuant to the regulations and the Administrative Measures for Independent Directors of Listed Companies.
- (III) The nomination committee of the Company shall examine the qualifications of the nominee for the position and form a clear opinion on the examination.

- (IV) Prior to the general meeting for election of independent directors, the Company shall submit the relevant information on all nominees to the stock exchanges on which the shares of the Company are listed and such information submitted shall be true, correct and complete. In the case that the board of directors has objection to the relevant information on the nominees, a written opinion of the board of directors shall be submitted.

If the stock exchange raises an objection, the Company shall not submit the same to the shareholders meeting for election.

Where two or more independent directors are to be elected at the shareholders meeting of the Company, a cumulative voting system shall be adopted.

The votes of minority shareholders shall be counted and disclosed separately.

- (V) The term of office of the independent directors shall be the same as that of other directors for each session, and they are subject to re-election and re-appointment consecutively on expiry of the term of office. However, they shall not be serve on the position for more than six years consecutively.
- (VI) If an independent director fails to attend two consecutive board of directors meetings in person, nor delegate another independent director to attend on his/her behalf, the board of directors shall, within thirty days from the date of occurrence of such fact, propose to convene a general meeting of shareholders to dismiss such independent director. Before the expiry of the term of office of an independent director, the Company may terminate his/her office in accordance with the statutory procedures. If an independent director is dismissed earlier, the Company shall disclose the specific reasons and grounds therefor in a timely manner. If the independent director has any objections, the Company shall disclose them in a timely manner.

(VII) Independent directors may resign before expiry of their term of office. Independent directors shall submit to the board of directors a written resignation stating any situation relating to their resignation or that they consider as necessary to draw to the attention of the shareholders and creditors of the Company. The Company shall disclose the reasons and matters of concern for the resignation of the independent directors. If the proportion of independent directors in the board of directors falls below the minimum requirement as stipulated in the Administrative Measures for Independent Directors of Listed Companies or the Article of Association due to the resignation of the independent directors, or if there is a lack of accounting professionals among the independent directors, the independent director who intends to resign shall continue to perform his/her duties until the date when a new independent director is appointed. The Company shall complete the election for replacement of independent directors within sixty (60) days from the date of his/her resignation.

(VIII) Where an independent director fails to comply with the provisions of Paragraph 1 or 2 under Article (I) of Chapter 3 of these Rules, he/she shall immediately cease to perform his/her duties and resign from his/her office. If he/she does not resign, the board of directors shall immediately remove him/her from office in accordance with the provisions after it knows or should have known of the occurrence of such fact.

Where an independent director resigns or is relieved of his/her duties as a result of circumstances being in breach of the provisions of the preceding paragraph, resulting in the proportion of independent directors on the board of directors or its special committees not complying with the provisions of these Rules or the Articles of Association, or where there is a lack of accounting professionals among the independent directors, the Company shall complete the election for replacement within sixty days from the date of the occurrence of the foregoing facts.

(IX) The Company may recruit or select independent directors from the database of information of independent directors maintained by the China Association for Public Companies.

## CHAPTER 5

## DUTIES OF INDEPENDENT DIRECTORS AND DUTIES OF SPECIAL COMMITTEE

- (I) In order to give full play to the role of independent directors, independent directors, in addition to, performing the following duties:
1. participating in the decision-making of the board of directors and expressing clear opinions on the matters under deliberation;
  2. supervising the potential material conflict of interest matters between the Company and its controlling shareholder, de facto controller, directors and senior management as set forth in Article (III), (IV), (V) of Chapter V and Article (I) of Chapter VI of these Rules, and promoting the decision-making by the board of directors to be in line with the interests of the Company as a whole, and protecting the lawful rights and interests of minority shareholders;
  3. providing professional and objective advice on the operation and development of the Company, and promoting the enhancement of the level of decision-making by the board of directors;
  4. other duties as stipulated by laws, administrative regulations, the provisions of the China Securities Regulatory Commission and the Articles of Association.

The independent directors shall also be vested with the following special functions and powers from the Company:

- (1) independently engaging intermediaries to conduct audit, consultation or verification on specific matters of the Company;
- (2) proposing to the board of directors to convene an extraordinary general meeting;
- (3) proposing to convene a meeting of the board of directors;
- (4) openly soliciting shareholders' rights from shareholders in accordance with the law;

- (5) expressing independent opinions on matters that may harm the interests of the Company or minority shareholders;
- (6) other functions and powers as stipulated by laws, administrative regulations, the provisions of the China Securities Regulatory Commission and the Articles of Association.

To exercise the functions and powers as set forth in Subparagraphs 1 to 3, Paragraph 2 of this article, the independent director(s) shall obtain the consent of a majority of all independent directors.

Regarding the exercises of the functions and powers as set forth in Paragraph 2 of this article by independent directors, the Company shall disclose that in a timely manner. In the event that the above functions and powers fail to function normally, the Company shall disclose the specific details and reasons therefor.

- (II) Independent directors shall comprise more than one half of the members of each of the Remuneration and Appraisal Committee, the Audit Committee and the Nomination Committee, and shall serve as the convenors. Among them, the members of the Audit Committee shall be directors who do not serve as senior management of the Company, of which the accounting professionals among the independent directors shall serve as the convenors.
- (III) The Company shall establish an Audit Committee under the board of directors.

The Audit Committee under the board of directors of the Company is responsible for auditing and disclosing the financial information of the Company, supervising and evaluating the internal and external auditing work and internal control, and the following matters shall be submitted to the board of directors for deliberation after obtaining the consent by a majority of all members of the Audit Committee:

- 1. disclosure of the financial information in the financial accounting reports and regular reports, as well as internal control evaluation reports;
- 2. appointment or removal of the accounting firms undertaking audits of the Company;

3. appointment or removal of financial officers of the Company;
4. change of accounting policies and accounting estimates or correction of significant accounting errors resulting from reasons other than changes in accounting standards;
5. other matters specified by laws, administrative regulations, the provisions of the China Securities Regulatory Commission and the Articles of Association.

The Audit Committee shall hold at least one meeting each quarter, and an extraordinary meeting may be held when proposed by two or more members, or when deemed necessary by the convenor. A meeting of the Audit Committee shall be held only if more than two-thirds of the members are present.

- (IV) The Company shall establish a Nomination Committee under the board of directors.

The Nomination Committee of the board of directors of the Company is responsible for formulating criteria and procedures for the selection of directors and senior management, selecting and reviewing candidates for directors and senior management and their qualifications, and making recommendations to the board of directors on the following matters:

1. nomination or appointment or dismissal of directors;
2. appointment or dismissal of senior management;
3. other matters as stipulated by laws, administrative regulations, the provisions of the China Securities Regulatory Commission and the Articles of Association.

If the board of directors does not adopt or does not fully adopt the recommendations of the Nomination Committee, it shall record the opinions of the Nomination Committee and the specific reasons for non-adoption in the resolution of the board of directors and disclose the same.

- (V) The Company shall establish a Remuneration and Appraisal Committee under the board of directors.

The Remuneration and Appraisal Committee under the board of directors of the Company is responsible for formulating the evaluation criteria for directors and senior management and conducting the evaluation, formulating and reviewing the remuneration policies and plans for directors and senior management, and making recommendations to the board of directors on the following matters:

1. remuneration of directors and senior management;
2. the formulation or modification of the share incentive scheme, employee share ownership plan, as well as the fulfillment of the conditions for the grant of entitlement to incentive participants and the exercise of such entitlement;
3. arrangement for share ownership plan in proposed spin-off subsidiaries by directors and senior management;
4. other matters as stipulated by laws, administrative regulations, the provisions of the China Securities Regulatory Commission and the Articles of Association.

If the board of directors does not adopt or does not fully adopt the recommendations of the Remuneration and Appraisal Committee, it shall record the opinions of the Remuneration and Appraisal Committee and the specific reasons for non-adoption in the resolution of the board of directors and disclose the same.

- (VI) The Company shall convene meetings attended by all independent directors (hereinafter referred to as special meetings of independent directors) on a regular or irregular basis. Matters as set forth in Subparagraphs 1 to 3, Paragraph 2 under Article (I) of this chapter and Article (I) of Chapter VI shall be considered at a special meeting of independent directors.

The special meeting of independent directors may study and discuss other matters of the Company as required.



The special meeting of independent directors shall be convened and presided over by an independent director jointly elected by a majority of the independent directors; if the convenor does not perform his/her duties or is unable to perform his/her duties, two or more independent directors may convene and elect a representative to preside over the meeting.

The Company shall provide facilities and support for the convening of special meetings of independent directors.

- (VII) Independent Directors shall perform their duties in the special committees under the board of directors of the Company in accordance with the laws, administrative regulations, the provisions of the China Securities Regulatory Commission, the business rules of the stock exchanges and the Articles of Association. Independent directors shall attend meetings of special committees in person, and if an independent director is unable to attend the meeting in person due to whatever reasons, he/she shall review meeting materials in advance to form a clear opinion, and authorize another independent director in writing to attend on his/her behalf. An independent director may, in the course of fulfilling his/her duties, bring significant matters of the Company within the scope of the duties and responsibilities of special committees to the attention of the special committees for discussion and deliberation in a timely manner in accordance with the procedures when becoming aware of such matters.

The Company shall, in accordance with the provisions of these measures, make provisions in the Articles of Association regarding the composition and duties of the special committees and formulate the working procedures of the special committees, specifying the composition, term of office, scope of duties, rules of procedure, preservation of files and other relevant matters of the special committees. Where the relevant competent departments of the State Council have other provisions on the convenor of the special committees, such provisions shall prevail.

## CHAPTER 6

## ISSUE OF INDEPENDENT OPINIONS

- (I) The following matters shall be submitted to the board of directors for consideration after being approved by more than half of all independent directors of the Company:
1. related party transactions that shall be disclosed;
  2. the proposal for change or waiver of commitments by the Company and related parties;
  3. decisions made and measures taken by the board of directors of the acquired company in response to the acquisition;
  4. other matters specified by laws, administrative regulations, the provisions of the China Securities Regulatory Commission and the Articles of Association.
- (II) Independent opinions issued by the independent directors on significant matters shall at least include the following:
1. basic information on the significant matters;
  2. the basis of opinions, including the procedures performed, the documents reviewed, the details of on-site inspection, etc.;
  3. the legality and compliance of the significant matters;
  4. the impact on the interests of the Company and minority shareholders, the potential risks and the effectiveness of the measures adopted by the Company;
  5. conclusive opinions expressed. To express a qualified opinion, adverse opinion or disclaimer of opinion on a significant matter, relevant independent directors shall clearly explain the reasons therefor and obstacles for the disclaimer of opinion.

The independent directors shall sign and confirm their independent opinions issued, and report the said opinions to the board of directors in a timely manner and disclose the same together with relevant announcements of the Company.

- (III) If voting against or abstaining from voting on a resolution of the board of directors, the independent directors shall state the specific reasons and basis, the legality and compliance of the matters involved in the resolution, the potential risks and the impact on the interests of the Company and minority shareholders. When the Company discloses the resolutions of the board of directors, the Company shall also disclose the dissenting opinions of the independent directors, and record the same in the resolutions of the board of directors and minutes of meetings.

**CHAPTER 7****RIGHTS OF INDEPENDENT DIRECTORS**

- (I) The Company shall provide the necessary safeguards for independent directors to perform their duties in accordance with the law. The Company shall undertake that independent directors will enjoy the same right to information as other directors. For the purpose of effective execution of the duties of the independent directors, the Company shall regularly inform the independent directors of the operation of the Company, provide them with information, and organize or cooperate with them to carry out on-site inspections and other work.

The Company may organize the independent directors to participate in research and demonstrations and other links, fully listen to the opinions of independent directors, and provide timely feedback to independent directors on the adoption of their opinions before the board of directors considers major and complex matters.

The Company shall issue the notice of board of directors meetings to independent directors in a timely manner, provide relevant meeting information no later than the notice period of board of directors meetings stipulated by laws, administrative regulations, the provisions of the China Securities Regulatory Commission or the Articles of Association, and provide the effective communication channels for independent directors; where the special committee of the board of directors convenes a meeting, the Company shall provide the relevant materials and information no later than three days prior to the convening of the meeting of the special committee in principle. The Company shall keep the above meeting information for at least ten years.

Where two or more independent directors are of the view that the meeting materials are incomplete, the demonstrations are insufficient or not provided in a timely manner, they may propose in writing to the board of directors to postpone the meeting or the discussion of the matter in question, and the board of directors is obliged to accept such proposal.

The meetings of the board of directors and the special committee shall be convened on site in principle. On the premise of ensuring that all participating directors are able to fully communicate and express their opinions, the meetings may be held by video, telephone or other means in accordance with the procedures when necessary.

- (II) The Company shall provide the independent directors with the necessary working conditions and personnel support to perform their duties. The general office of the board of directors, the secretary to the board of directors of the Company and other special departments and special personnel shall assist the independent directors in the performance of their duties. The secretary to the board of directors shall ensure the unimpeded access to information between the independent directors and other directors, senior management and other relevant persons, and ensure that the independent directors are able to obtain adequate resources and necessary professional opinions when performing their duties. The secretary to the board of directors shall undergo relevant procedures in respect of the announcement at the stock exchange in due course in relation to the independent opinion, proposals and written statement issued from the independent directors required to be announced.
- (III) When the independent directors are performing their duties, relevant officers of the Company shall cooperate with them proactively and shall not refuse, obstruct, or conceal or interfere with their performance of duties independently.

If independent directors encounter impediments in their lawful exercise of functions and powers, they may explain the circumstances to the board of directors, request the directors, senior management and other relevant persons to cooperate with them, and record the specific circumstances of the impediments and the solution in the work records; If the impediments remain unsolved, they may report the situation to the China Securities Regulatory Commission and the stock exchanges.

Where matters relating to the performance of duties by independent directors involve information that should be disclosed, the Company shall disclose the information in a timely manner; where the Company does not disclose such information, the independent directors may directly apply for disclosure or report the same to the China Securities Regulatory Commission and the stock exchanges.

- (IV) The Company shall bear the expenses regarding engaging professional institutions by the independent directors or other expenses necessary for exercise of their powers.
- (V) The Company shall pay the independent directors allowances commensurate with their duties. The standards of the said allowances shall be proposed by the board of directors and approved by the general meeting and shall be disclosed in the annual report of the Company.

Apart from the above-mentioned allowances, the independent directors shall not acquire other interests from the Company and its substantial shareholders, de facto controller or institutions and officers of common interests with the Company.

- (VI) Upon the approval at the general meeting, the Company shall establish the insurance mechanism for independent directors to minimize risks possibly incurred by normal performance of the duties of the independent directors.
- (VII) Before the convening of a board of directors meeting, independent directors can communicate with the secretary to the board of directors to inquire about the matters to be considered, request for additional materials, and provide opinions and advices. The board of directors and relevant personnel shall carefully study the questions, requests and opinions put forward by the independent directors, and provide timely feedback to the independent directors on the implementation of the proposals for amendments and other matters.

## CHAPTER 8

## OBLIGATIONS OF INDEPENDENT DIRECTORS

- (I) Independent directors shall continuously enhance their learning of securities laws, regulations and rules, and continuously improve their ability to perform their duties. The China Securities Regulatory Commission, stock exchanges and the China Association for Public Companies may provide relevant training services.
- (II) Independent directors shall submit an annual work report to the annual general meeting of the Company to explain their performance of duties. The annual work report shall include the following contents:
1. number and manner of attendance and voting at the board of directors, and number of general meetings attended;
  2. participation in the work of special committees of the board of directors and special meetings of independent directors;
  3. consideration of the matters as set forth in Articles (III), (IV) and (V) of Chapter 5 and Article (I) of Chapter 6 of the Rules and exercise of the special powers of the independent directors as set forth in Paragraph 1 of Article 18 of the Measures;
  4. significant matters, methods and results of communication with the internal audit institutions and accounting firms undertaking audit matters of the Company in respect of the Company's financial and business conditions;
  5. communication with minority shareholders;
  6. time and content of the on-site work in the Company;
  7. other circumstances in the performance of duties.

The annual work report of the independent directors shall be disclosed no later than the time when the Company issues the notice of the annual general meeting.

- (III) Minutes of meeting shall be prepared for the meetings of the board of directors of the Company and its special committees and the special meetings of independent directors, and the opinions of the independent directors shall be recorded in the minutes of meeting. The minutes of meeting shall be signed and confirmed by the independent directors.

Independent directors shall prepare work records to record in detail the performance of their duties. Information obtained by the independent directors in the course of performing their duties, relevant minutes of meetings, records of communications with staff of the Company and intermediaries, etc., constitute an integral part of the work records. For important contents in the work records, the independent directors may request the secretary to the board of directors and other relevant personnel to sign and confirm, and the Company and relevant personnel shall cooperate with them.

The work records of the independent directors and information provided by the Company to the independent directors shall be kept for at least ten years.

- (IV) The annual on-site working time of the independent directors in the Company shall not be less than 15 days.

In addition to attending the general meetings, the meetings of the board of directors and its special committees, and the special meetings of independent directors in accordance with the regulations, independent directors may perform their duties in a variety of ways, including obtaining information on the operation of the Company on a regular basis, listening to reports from the management, communicating with intermediaries such as the head of the internal audit institutions and accounting firms which undertake the audit matters of the Company, conducting on-site inspections, and communicating with minority shareholders.

- (V) Independent directors shall attend the board of directors meetings in person. If an independent director is unable to attend the meeting in person due to whatever reasons, he/she shall review meeting materials in advance to form a clear opinion, and authorize another independent director in writing to attend on his/her behalf.

- (VI) Independent directors shall pay continuous attention to the implementation of the resolutions of the board of directors relating to the matters as set forth in Articles (III), (IV) and (V) of Chapter 5 and Article (I) of Chapter 6 of the Rules, and shall report it to the board of directors in a timely manner if there is any violation of laws, administrative regulations, the provisions of the China Securities Regulatory Commission, business rules of the stock exchanges and the Articles of Association or any breach of the resolutions of the general meetings and the board of directors, and they may also request the Company to make a written explanation. Where disclosure matters are involved, the Company shall disclose them in a timely manner.

If the Company fails to give an explanation or make timely disclosure in accordance with the preceding paragraph, the independent directors may report it to the China Securities Regulatory Commission and the stock exchanges.

**CHAPTER 9****SUPPLEMENTARY PROVISIONS**

- (I) Other matters not contained in the Rules shall be implemented in accordance with provisions of the Company Law of the People's Republic of China, the Administrative Measure for Independent Directors of Listed Companies and the Articles of Association and other relevant laws and regulations.
- (II) The Rules shall come into effect upon approval by the general meeting of the Company. It shall be interpreted and amended by the board of directors of the Company.

**Sichuan Expressway Company Limited\***

28 December 2023

\* *For identification purposes only*



**Sichuan Expressway Company Limited\*****Rules of Procedure for the Board Meetings****Article 1** Principles

These rules are formulated in accordance with the relevant provisions of Company Law, the Securities Law, the Standards for Corporate Governance of Listed Companies and the listing rules of the stock exchanges where the Company's shares are listed to further standardise the discussion methods and decision-making procedures of the board of directors of the Company, to procure effective performance of the duties of the directors and the board of directors of the Company, and to enhance the regulated operation and scientific decision-making of the board of directors of the Company.

**Article 2** The General Office of the Board of Directors of the Company

The general office of the board of directors of the Company handles the daily affairs of the board of directors of the Company.

**Article 3** Regular Meetings

The board meetings are classified as regular meetings and extraordinary meetings. The board of directors of the Company shall hold at least two board meetings annually.

**Article 4** Proposals for Regular Meetings

Before despatching the notice on holding the regular board meetings, the general office of the board of directors shall thoroughly seek all directors' opinions and preliminarily reach the meeting proposals for the chairman's decision.

The chairman shall seek the general manager and other senior management's opinions (where necessary) before determining the proposals.

**Article 5** Extraordinary Meetings

The board of directors shall convene extraordinary meetings in any of the following circumstances:

- (1) when proposed by the shareholders representing more than one tenth of voting rights;
- (2) when proposed jointly by more than one third of the directors;
- (3) when proposed by the supervisory committee;
- (4) whenever the chairman deems necessary;
- (5) when proposed by an independent director and agreed by more than a half of the independent directors;
- (6) when proposed by the general manager;
- (7) whenever the securities regulatory authorities so requests;
- (8) other circumstances provided by the Articles of Association of the Company.

If an independent director proposes to convene a board meeting, the Company shall disclose in a timely manner.

**Article 6** Proposal Procedures for Extraordinary Meetings

If an extraordinary meeting of the board of directors is proposed for holding in accordance with the preceding article, a written proposal signed (affixed with seal) by the proponent shall be submitted through the general office of the board of directors or directly submitted to the chairman of the board of directors. The written proposal shall include:

- (1) name or designation of the proponent;
- (2) reasons for or objective facts on which the proposal is based on;
- (3) proposed time, place and mode of the meeting;
- (4) a clear and specific proposal;

(5) the mode of proponent's contact and date of proposal.

The content of the proposal shall fall within the power of the board of directors as required by the Articles of Association of the Company, and shall be submitted together with relevant materials of the proposal.

The general office of the board of directors shall pass the written proposal and relevant materials above to the chairman on the same date after receiving them. The chairman may require the proponent to revise or supplement if the content of the proposal is considered as not clear or specific or relevant materials are not adequate.

The chairman shall convene and preside over the board meeting within ten days after receiving the proposal or the request of the securities regulatory authorities.

**Article 7** Convening and Presiding of the Meeting

The board meeting shall be convened and presided over by the chairman. In event that the chairman is unable or fails to perform his/her duties, a vice-chairman shall convene and preside over the meeting. If the vice-chairman is unable or fails to perform his/her duties, the meeting shall be convened and presided over by a director elected by more than one half of the directors.

**Article 8** Notice of Meeting

To hold the regular meetings and extraordinary meetings of the board of directors of the Company, the general office of the board of directors of the Company shall deliver the written notice of the meeting and relevant meeting materials to all the directors, supervisors, general manager and the secretary to the board of directors of the Company by fax, express email, registered post, personal service or other modes within ten days and five days in advance respectively. The notice shall be confirmed by phone and relevant records shall be made if it is not delivered by hand. The Company shall keep the abovementioned meeting materials for at least ten years.

The meeting may be notified by phone or other verbal methods at any time but the convener shall explain it at the meeting if it is necessary to hold an extraordinary meeting of the board of directors as soon as practicable due to emergencies.

**Article 9** Content of the of Meeting Notice

The written meeting notice shall at least include the following contents:

- (1) the time and place of the meeting;
- (2) mode through which the meeting is held;
- (3) matters (resolutions for the meeting) to be considered;
- (4) convener and chairman of the meeting, the proponent of the extraordinary meeting and his/her written proposal;
- (5) meeting materials necessary for the directors' voting;
- (6) the requirement that a director shall attend the meeting in person or shall appoint other directors to attend the meeting on his/her behalf;
- (7) the contact person and contact method.

The verbal notice of the meeting shall, at least, include content of the above (1), (2), (3) and (5) and the explanation for holding the extraordinary meeting of the board of directors of the Company as soon as practicable in case of emergencies.

**Article 10** Change in the Notice of Meeting

If it is necessary to change the time and place or add, change and cancel the resolutions for the meeting after despatching the written notice of the regular meeting of the board of directors of the Company, the written notice for the change shall be despatched three days before the original date of the meeting to explain the situation and relevant content and relevant materials of the new proposals. If the written notice is despatched less than three days before the original date of the meeting, the meeting shall be postponed accordingly, or held as scheduled after obtaining the approval of all the directors present at the meeting.

If it is necessary to change the time and place of the extraordinary meeting or add, change and cancel the resolutions for the meeting after despatching the written notice of the extraordinary meeting of the board of directors of the Company, the approval of all the directors present at the meeting shall be obtained beforehand and relevant records shall be made.

**Article 11**                   The Convening of the Meeting

The board meeting shall be convened with attendance of over one half of directors. If the said directors refuse to attend the meeting or ignore the participation, which results in the number of participating directors falling below the quorum, the chairman and secretary to the board of directors of the Company shall report it to the regulatory authorities in a timely manner.

Supervisors have the right to attend the board meeting as non-voting participants. The general manager and secretary to the board of directors of the Company who do not act as directors concurrently shall attend the board meeting as non-voting participants. The convener can notify other relevant persons to attend the board meeting as non-voting participants as he/she thinks necessary.

Prior to the convening of the board meetings, independent directors may communicate with the secretary to the board of directors of the Company to enquire, request for supplementary materials and offer opinions and suggestions about matters to be considered. The board of directors of the Company and relevant personnel shall carefully study the questions, requests and opinions raised by the independent directors and provide feedback to the independent directors on the implementation of the amendments to resolutions and other matters in a timely manner.

**Article 12**                   Attendance in Person and Attendance through Appointment

In principle, the directors shall attend the board meeting in person. If a director is unable to attend the meeting for any reason, he/she shall review the meeting materials in advance and make clear opinions and appoint other directors in writing to attend the meeting on his/her behalf.

The power of attorney shall set out:

- (1) name of the appointer and the proxy;
- (2) brief opinions on every proposal made by the appointer;
- (3) scope of authorisation and directions for voting intent on the proposals of the appointer;
- (4) signature of the appointer and date.

The director who appoints other directors to sign the written confirmation opinions for regular reports on his/her behalf shall make a special authorisation in the power of attorney.

The director on behalf of others shall submit the power of attorney in writing to the convener and explain the attendance on behalf of others on the attendance list of the meeting.

**Article 13****Restrictions on the Appointed Attendance**

Appointment for attending the board meeting shall comply with the following principles:

- (1) directors who is not connected to the transaction shall not appoint connected directors to attend the meeting when considering connected transactions. Connected directors shall not accept the appointment by the non-connected directors;
- (2) Any independent director shall not appoint other non-independent directors to attend the meeting on his/her behalf and a non-independent director shall not accept the appointment of the independent directors;
- (3) Directors shall not grant an appointment of full power without giving his/her personal opinion and voting intent for the proposals, and relevant directors shall not accept the appointment of full power and the appointment without clear authorization;
- (4) Any director shall not accept over two directors' appointment, and shall not appoint any director that has accepted the other two directors' appointment either.

**Article 14** Modes of Convening Meetings

In principle, the board meeting shall be convened by ways of on-site meetings. When necessary, the meeting is allowed to be convened through video, phone, fax or email after agreement of the convener and the proponent on the premise of ensuring the directors may fully give their opinions. The board meeting may be also convened by ways of on-site meetings and by other means at the same time.

For a meeting other than on-site meetings, the number of the directors present is calculated according to the number of valid votes cast by the directors present in the video, the directors expressing opinions in the teleconference, etc., or the written confirmations submitted by the directors after the meetings.

**Article 15** Consideration Procedures for the Meeting

The chairman of the meeting shall request the directors present at the board meeting to give clear opinions for all proposals.

As to the proposal necessary for the independent directors' prior consent as required, the chairman of the meeting shall designate an independent director to announce the written confirmation opinions given by the independent directors.

The chairman of the meeting shall timely stop any directors that impede the normal progress of the meeting or affect other directors' speeches.

Except the unanimous consent of all the directors present at the meeting, any proposal not set out in the meeting notice shall not be voted at the board meeting. Directors who accept other directors' appointment to attend the meeting on their behalf shall not vote on the proposals not set out in the meeting notice on the behalf of other directors.

The listed company may organize independent directors to participate in research and argumentation before the board of directors' consideration of major and complex matters, to fully listen to the opinions of independent directors, and provide timely feedback to independent directors on the adoption of their opinions.

**Article 16**                      Expressing Opinions

The chairman of the meeting shall propose to the directors present at the meeting to vote after thorough discussion of every proposal, where appropriate.

Each director has one vote to vote at the meeting which shall be conducted in name-marked written form. Resolutions of extraordinary meeting may be made by means of communication signed by present directors on the basis of ensuring each director fully expressing his/her opinions.

The directors' voting intent includes voting in favour of, against or abstaining. The directors present at the meeting shall select one from the intents above and the chairman of the meeting shall ask those who fail to select or simultaneously select two or more intents to re-select and those who refuse to select shall be deemed as abstaining; those who leaves the meeting before making any selection and does not return to the meeting shall be deemed as abstaining.

Where an independent director votes against or abstains from voting on a resolution of the board of directors of the Company, he or she shall state the specific reasons and basis thereof, the legality and compliance of the matters involved in the resolution, the potential risks and the impact on the rights and interests of the listed company and the minority shareholders. When disclosing a resolution of the board of directors of the Company, the listed company shall also disclose the dissenting opinions of the independent directors, which shall be set out in the resolution of the board of directors of the Company and minutes of meeting.

**Article 17**                      Voting at the Meeting

The chairman of the meeting shall propose to the directors present at the meeting to vote after thorough discussion of every proposal, where appropriate.

Each director has one vote to vote at the meeting which shall be conducted in name-marked written form. Resolutions of extraordinary meeting may be made by means of communication signed by present directors on the basis of ensuring each director fully expressing his/her opinions.



The directors' voting intent includes voting in favour of, against or abstaining. The directors present at the meeting shall select one from the intents above and the chairman of the meeting shall ask those who fail to select or simultaneously select two or more intents to re-select and those who refuse to select shall be deemed as abstaining; those who leaves the meeting before making any selection and does not return to the meeting shall be deemed as abstaining.

**Article 18**

## Calculation of Voting Results

After the voting of the directors present at the meeting, the securities representative and relevant personnel of the general office of the board of directors shall timely collect the Directors' votes, and pass them to the secretary to the board for calculation under the supervision of one supervisor or independent director.

If the meeting is convened on site, the chairman of the meeting shall announce the voting results forthwith. In other cases, the chairman of the meeting shall require the secretary to the board of directors to notify the directors of the voting results before the next business day after conclusion of the specified voting time.

If the directors vote after the chairman of the meeting announces the voting results or after conclusion of the specified voting time, their votes shall not be counted.

**Article 19**

## Resolutions at the Meeting

Except for matters provided in Article 20 herein, a resolution on a proposal considered and passed at the board meeting shall be voted for by more than half of all the directors. If the approval of more directors shall be obtained, the resolutions passed by the board of directors of the Company shall follow such provision as required by laws, administrative regulations and the Articles of Association of the Company.

In accordance with requirements of the Articles of Association of the Company, the board of directors of the Company shall make a resolution on the guarantees within its scope of power and shall obtain the approval of more than two-thirds of the directors present at the meeting, in addition to the approval of over half of all the directors.

If the content and meanings of resolutions conflicts from one and the other, the resolution passed later shall prevail.

If the board of directors does not adopt or does not fully adopt the recommendations of the Nomination Committee and Remuneration and Appraisal Committee, the opinions of the Nomination Committee and the specific reasons for non-adoption shall be recorded in the resolutions of the board of directors and disclosed.

**Article 20**

## Abstinence from Voting

The directors shall abstain from voting on relevant proposals in any of the following circumstances:

- (1) where the directors shall abstain from voting as required by the listing rules on the stock exchange where the Company is listed;
- (2) where the director himself/herself considers he/she should abstain from voting;
- (3) other circumstances in which any director is associated with the enterprises that are involved in proposals of the meetings as required by the Articles of Association of the Company.

In case the directors abstain from voting, relevant board meetings may be convened with attendance of more than half of non-connected directors, and resolutions shall be passed by more than half of non-connected directors. If the number of non-connected directors attending the board meetings is less than three, relevant proposals shall not be voted, and such matters shall be submitted to the general meeting for consideration.

**Article 21**

## No Ultra Vires

The board of directors shall act in strict accordance with the authorisation of the general meeting and the Articles of Association of the Company and shall not act ultra vires in passing resolutions.

**Article 22** Special Provisions on Profit Distribution

Where a matter of profit distribution is to be resolved at the board meeting, the Company may notify certified public accountants of the distribution plan to be put forward at the board meeting for consideration first, and engage them to prepare a draft audited report (where other financial data except those concerning distribution have been determined). The board of directors shall require the certified public accountants to provide the official audited report after making the distribution resolution, and then make a resolution on other relevant matters of regular reports in accordance with the official audited report provided by the certified public accountants.

**Article 23** Treatment on Unapproved Proposals

If a proposal is unapproved, any other proposal with the same content as it shall not be considered at the board meeting within one month in case relevant conditions and factors are not materially changed.

**Article 24** Postponement of Voting

The chairman of the meeting shall require the subject matter to be postponed for voting at the meeting if more than half of the directors present at the meeting or more than two independent directors consider the proposal to be indefinite or non-specific, or where an informed judgement cannot be made due to other reasons such as the meeting materials are not adequate, specific, complete, sufficiently argued or provided in a timely manner.

Directors who propose for postpone voting shall make clear requirements for re-consideration of the subject proposal.

**Article 25** Audio Recordings of the Meeting

The whole process of the board meetings which are convened by ways of on-site meetings, video or phone may be recorded as necessary.

**Article 26**

## Minutes of Meeting

The secretary to the board of directors of the Company shall arrange the personnel of the general office of the board of directors of the Company to make records for the board meeting. The minutes of the meeting shall include the following:

- (1) the date, place and name of the person to convene the meeting;
- (2) the names of the directors present at the meeting and names of the directors (proxies) present at the meeting on behalf of other director(s);
- (3) agenda of the meeting;
- (4) gist of the directors' speech;
- (5) the voting manner and results on each resolution (the voting result shall state the number of affirmative votes, dissenting votes, and abstention votes);
- (6) other matters required to be recorded in the Articles of Association.

**Article 27**

## Minutes of Meeting and Record of Resolutions

In addition to meeting records, the secretary to the board of the directors of the Company may arrange the personnel in the general office of the board of directors of the Company to prepare a summary of the minutes of meeting, and to prepare separate resolution records for resolutions reached in accordance with the voting poll results.

**Article 28**                      Signature of the Directors

The directors present at the meeting shall sign on the meeting records and resolution records for confirmation of themselves and other directors who appoint them to attend the meeting on their behalf. The director may make written comments for this signature in case of any different opinions on the meeting records or resolution records. When necessary, the directors shall report to the regulatory authorities and may also make public statements.

Any director that neither signs for confirmation in accordance with the previous articles nor makes written comments for his/her different opinions or reports to the regulatory authorities and makes public statements shall be deemed to fully agree to the content of the meeting record and the resolution records.

**Article 29**                      Announcement of Resolutions

Announcements of the resolutions of the board meetings shall be handled by the secretary to the board of directors of the Company in accordance with the relevant requirements of the stock exchange where the Company's shares are listed. The participating directors, personnel present as non-voting participants, clerks and servants shall have the obligation to keep the content of resolutions confidential before disclosure of the announcement of the resolutions.

**Article 30**                      Implementation of Resolutions

The chairman of the board of directors of the Company shall urge relevant personnel to implement the resolutions of the board meeting, check the fulfilment of the resolutions, and declare the execution of the passed resolutions at the later board meetings.

The independent directors shall, in accordance with the relevant provisions of the Administrative Measures for Independent Directors of Listed Companies, pay continuous attention to the implementation of the board resolutions relating to the relevant matters, and shall promptly report to the board of directors if they find that there is any violation of the laws, administrative regulations, the provisions of the China Securities Regulatory Commission, the rules of the stock exchanges and the Articles of Association or any violation of the resolutions of the general meeting and the board of directors and may also require the listed company to make written explanations. Where disclosure matters are involved, the listed company shall make timely disclosure.

If the listed company fails to make an explanation or timely disclosure in accordance with the provisions of the preceding paragraph, the independent directors may report to the China Securities Regulatory Commission and the stock exchange.

**Article 31** Maintenance of Archive Records

The archive records of the board meeting including notices of meeting and meeting materials, attendance book of the meeting, power of attorney for the directors' appointment for attendance at the meeting, information of the meeting recording, voting paper, meeting records, minutes of meeting, summary of minutes of meeting, announcement of resolutions endorsed by the directors of the Company, shall be kept by the secretary to the board of directors of the Company.

Such archive records of the meetings of the board of directors of the Company shall be maintained for over 10 years.

**Article 32** Supplementary Provisions

The expression "above" referred to in these rules includes the figure itself.

These rules shall be formulated by the board of directors and come into effect upon approval at the general meeting of the Company. The amendments shall take effect upon approval by the general meeting.

These rules shall be interpreted by the board of directors.

**Sichuan Expressway Company Limited\***

28 December 2023

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## NOTICE OF EGM

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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)

## 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 Thursday, 1 February 2024 at Room 420, 4th Floor, 252 Wuhouci Da Jie, Chengdu, Sichuan, the PRC for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolution.

Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the circular (the “**Circular**”) of the Company dated 12 January 2024 containing the details in relation to the resolution herein below.

### SPECIAL RESOLUTION

To consider and approve the following resolution by way of open ballot and non-cumulative voting at on-site meeting:

1. To consider and approve the proposed amendments to the Articles of Association of the Company set out in the circular of the Company dated 12 January 2024; and to authorize the Board and/or any one of the Directors to deal with, on behalf of the Company, all the relevant applications, approvals, registrations, filings and other relevant procedures and issues arising from the amendments to the Articles of Association of the Company and to make further amendments (if necessary) according to the requirements of relevant government or regulatory authorities.

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## NOTICE OF EGM

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### ORDINARY RESOLUTIONS

To consider and approve the following resolutions by way of open ballot and non-cumulative voting at on-site meeting:

2. To consider and approve the proposed amendments to the Working Rules for Independent Directors of the Company set out in the circular of the Company dated 12 January 2024; and to authorize the Board and/or any one of the Directors to deal with, on behalf of the Company, all the relevant applications, approvals, registrations, filings and other relevant procedures and issues arising from the amendments to the Working Rules for Independent Directors of the Company and to make further amendments (if necessary) according to the requirements of relevant government or regulatory authorities.
3. To consider and approve the proposed amendments to the Rules of Procedure for the Board Meetings of the Company set out in the circular of the Company dated 12 January 2024; and to authorize the Board and/or any one of the Directors to deal with, on behalf of the Company, all the relevant applications, approvals, registrations, filings and other relevant procedures and issues arising from the amendments to the Rules of Procedure for the Board Meetings of the Company and to make further amendments (if necessary) according to the requirements of relevant government or regulatory authorities.
4. THAT: The signing, performance and implementation of the Framework Agreement for Construction Works and Related Services and the proposed annual cap for the year ending 31 December 2024 as set out in the circular be and are hereby considered, recognized, confirmed and approved; and any one of the Directors of the Company be and are hereby authorized to execute for and on behalf of the Company all such other documents, instruments and agreements and to take all steps necessary or expedient to implement and/or give effect to the Framework Agreement for Construction Works and Related Services; any member of the Group (including those newly established or invested through equity acquisition or other organizations) be and are hereby approved to, in its absolute discretion deemed appropriate or expedient and in the interests of the Company and the Shareholders as a whole and based on the actual work needs, to negotiate, develop, execute, amend, Supplement and perform all documents in connection with the Framework Agreement for Construction Works and Related Services (including but not limited to the specific



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## NOTICE OF EGM

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agreement contemplated under the Framework Agreement for Construction Works and Related Services) with any member of Shudao Investment Group (including those newly established or invested through equity acquisition or other organizations) and proceed with all things and actions necessary for executing and implementing the Framework Agreement for Construction Works and Related Services.

5. To consider and approve the proposed Director's remuneration of Mr. Zhou Hua.

To consider and approve the following resolution by way of open ballot and cumulative voting at on-site meeting:

6. To elect and appoint Mr. Zhou Hua as an independent non-executive Director of the eighth session of the Board for a term commencing from the date of the consideration and approval at the EGM until the date of expiry of the term of office of the eighth session of the Board.

By order of the Board  
**Sichuan Expressway Company Limited\***  
**Yao Jiancheng**  
*Joint Company Secretary*

Chengdu, Sichuan Province, the PRC  
12 January 2024

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## NOTICE OF EGM

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*Notes:*

1. The register of members of H Shares of the Company will be closed from Tuesday, 30 January 2024 to Thursday, 1 February 2024, 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, Computershare Hong Kong Investor Services 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 Monday, 29 January 2024.
2. Any holder of H Shares who has registered on the register of members of H Shares before the close of business on Monday, 29 January 2024 is entitled to attend the EGM after registration for the meeting. He/she is also entitled to appoint one or more proxies to attend and vote at the EGM on his/her behalf in accordance with the articles of association of the Company. A proxy need not be a Shareholder of the Company.
3. In order to be valid, the form of proxy of holders of H Shares and, if such form of proxy is signed by a person under a power of attorney or other authority on behalf of the principal, a notarially certified copy of that power of attorney or authority shall be deposited at the Company's H Share Registrar, Computershare Hong Kong Investor Services 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.
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 the resolution proposed at the EGM.
6. 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. Li Wenhua (Vice Chairman), Madam Ma Yonghan and Mr. You Zhiming as executive Directors, Mr. Wu Xinhua (Vice Chairman), Mr. Li Chengyong and Mr. Chen Chaoxiong as non-executive Directors, Mr. Yu Haizong, Mr. Yan Qixiang, Madam Bu Danlu and Mr. Zhang Qinghua as independent non-executive Directors.*

\* *For identification purposes only*