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Shenzhen International Holdings Limited
深圳國際控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00152)



深圳高速公路股份有限公司
SHENZHEN EXPRESSWAY COMPANY LIMITED
(a joint stock limited company incorporated in the People's
Republic of China with limited liability)
(Stock Code: 00548)

MAJOR TRANSACTION

VERY SUBSTANTIAL DISPOSAL

**JOINT ANNOUNCEMENT
IN RELATION TO**

**(1) THE TOLL ADJUSTMENT AND COMPENSATION
ARRANGEMENTS REGARDING
NANGUANG EXPRESSWAY, YANPAI EXPRESSWAY AND
YANBA EXPRESSWAY FOR SHENZHEN EXPRESSWAY;
(2) THE TOLL ADJUSTMENT AND COMPENSATION
ARRANGEMENTS REGARDING LONGDA EXPRESSWAY,
NANGUANG EXPRESSWAY, YANPAI EXPRESSWAY AND
YANBA EXPRESSWAY FOR SHENZHEN INTERNATIONAL
AND
RESUMPTION OF TRADING**

**THE TOLL ADJUSTMENT AND COMPENSATION ARRANGEMENTS
REGARDING THE THREE EXPRESSWAYS AND LONGDA SHENZHEN SECTION**

The respective boards of directors of SZ International and SZ Expressway (a 50.889%-owned subsidiary of SZ International) are pleased to announce that on 30 November 2015, (i) SZ Expressway and the Transport Commission entered into the Three Expressways Adjustment Agreement; and (ii) Longda Company (a non-wholly owned subsidiary of SZ International) and the Transport Commission entered into the Longda Adjustment Agreement. The parties have agreed to implement toll-free for the Three Expressways (which consists of Nanguang Expressway, Yanpai Expressway and Yanba Expressway) and the Longda Shenzhen Section (namely, the 23.8 km section of the Longda Expressway from the starting point of the Longda Expressway to the Nanguang ramp) from 00:00 on 7 February 2016 in two phases, in consideration for the payment of cash compensation by the Transport Commission.

The Adjustment Agreements (which consists of the Three Expressways Adjustment Agreement and the Longda Adjustment Agreement) will be implemented in two phases. During Phase 1, each of SZ Expressway and Longda Company will retain its Fee Entitlement Right and be responsible for the maintenance and repair of the Three Expressways and the Longda Shenzhen Section, and will implement toll-free for the Three Expressways and the Longda Shenzhen Section in exchange for cash compensation from the Transport Commission. During Phase 2, the Transport Commission may elect to adopt either Option 1 or Option 2 to be effective from 00:00 on 1 January 2019. Under Option 1, the parties will continue to implement toll-free in the same manner in Phase 1. Under Option 2,

the Fee Entitlement Right of the Three Expressways and the Longda Shenzhen Section will be returned to the Transport Commission in exchange for cash compensation and the Transport Commission will implement toll-free for the Three Expressways and the Longda Shenzhen Section.

The tentative amount of total compensation under Three Expressways Adjustment Agreement based on the option adopted in Phase 2 are RMB9,688,000,000 (approximately HK\$11,815,000,000) (consists of compensation for Phase 1 and Phase 2, if Option 1 is adopted in Phase 2) and RMB7,652,000,000 (approximately HK\$9,332,000,000) (consists of compensation for Phase 1 and Phase 2, if Option 2 is adopted in Phase 2). The tentative amount of total compensation under Longda Adjustment Agreement based on the option adopted in Phase 2 are RMB4,259,000,000 (approximately HK\$5,194,000,000) (consists of compensation for Phase 1 and Phase 2, if Option 1 is adopted in Phase 2) and RMB3,840,000,000 (approximately HK\$4,683,000,000) (consists of compensation for Phase 1 and Phase 2, if Option 2 is adopted in Phase 2). The amounts set out above are tentative amounts and subject to adjustment and settlement in accordance with the terms of the respective Adjustment Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ADJUSTMENT AGREEMENTS

The Three Expressways Adjustment and compensation arrangement would enable SZ Expressway to improve its financial position and enhance its ability and room for future sustainable development through the cashflow to be generated by future revenue and/or income and the relatively large amount of first payment to be received at a reasonable cost.

As SZ Expressway is a subsidiary of SZ International, SZ International will benefit from the reduction in the debt level of SZ Expressway and the improvement in its ability for future sustainable development pursuant to the Three Expressways Adjustment and the transactions contemplated thereunder.

The Longda Adjustment and compensation arrangement would enable SZ International to further strengthen its financial position and enhance its ability to further develop its logistics business (including the development of its “China Urban Integrated Logistics Hub” projects) through the cashflow to be generated by future revenue and/or income and the relatively large amount of first payment to be received at a reasonable cost. This effectively creates a favourable condition for SZ International to implement its strategy of further developing its logistics business.

IMPLICATIONS UNDER THE LISTING RULES

For SZ International, as one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Adjustment Agreements and the transactions contemplated thereunder is more than 25% but less than 75%, the Adjustment Agreements and the transactions contemplated thereunder constitute a major transaction of SZ International under the Listing Rules, and are therefore subject to the reporting, announcement and shareholders’ approval requirements pursuant to Chapter 14 of the Listing Rules.

For SZ Expressway, as one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Three Expressways Adjustment Agreement and the transactions contemplated thereunder is more than 75%, the Three Expressways Adjustment Agreement and the transactions contemplated thereunder constitute a very substantial disposal of SZ Expressway under the Listing Rules, and are therefore subject to the reporting, announcement and shareholders’ approval requirements pursuant to Chapter 14 of the Listing Rules.

EGM OF SZ EXPRESSWAY

SZ Expressway will convene an EGM, at which resolution(s) will be proposed to consider and, if thought fit, approve the Three Expressways Adjustment Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Three Expressways Adjustment Agreement and the transactions contemplated thereunder; (ii) the notice convening the EGM of SZ Expressway; and (iii) other information required under the Listing Rules will be despatched by SZ Expressway to its shareholders on or before 31 December 2015. As additional time is required to collate the relevant information to be included in the circular, the expected date of despatch of the circular is more than 15 business days after the publication of this announcement.

SGM OF SZ INTERNATIONAL

SZ International will convene a SGM, at which resolution(s) will be proposed to consider and, if thought fit, approve the Adjustment Agreements and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Adjustment Agreements and the transactions contemplated thereunder; (ii) the notice convening the SGM of SZ International; and (iii) other information required under the Listing Rules will be despatched by SZ International to its shareholders on or before 31 December 2015. As additional time is required to collate the relevant information to be included in the circular, the expected date of despatch of the circular is more than 15 business days after the publication of this announcement.

GENERAL

Trading in the shares and the related securities of SZ International (stock code: 04542) and the H shares of SZ Expressway were halted on the Stock Exchange from 9:00 a.m. on 30 November 2015 at the request of SZ International and SZ Expressway, respectively, pending the release of this announcement. SZ International and SZ Expressway have made applications to the Stock Exchange to resume trading of their shares and the related securities of SZ International (stock code: 04542) on the Stock Exchange from 9:00 a.m. on 3 December 2015, respectively.

INTRODUCTION

The respective boards of directors of SZ International and SZ Expressway (a 50.889%-owned subsidiary of SZ International) are pleased to announce that on 30 November 2015, (i) SZ Expressway and the Transport Commission entered into the Three Expressways Adjustment Agreement; and (ii) Longda Company (a non-wholly owned subsidiary of SZ International) and the Transport Commission entered into the Longda Adjustment Agreement. The parties have agreed to implement toll-free for the Three Expressways (which consists of Nanguang Expressway, Yanpai Expressway and Yanba Expressway) and the Longda Shenzhen Section (namely, the 23.8 km section of the Longda Expressway from the starting point of the Longda Expressway to the Nanguang ramp) from 00:00 on 7 February 2016 in two phases, in exchange for cash compensation calculated based on adjustment mechanism by the Transport Commission.

The Adjustment Agreements (which consists of the Three Expressways Adjustment Agreement and the Longda Adjustment Agreement) will be implemented in two phases. During Phase 1, each of SZ Expressway and Longda Company will retain its Fee Entitlement Right and be responsible for the maintenance and repair of the Three Expressways and the Longda Shenzhen Section. The Transport Commission will engage the services of SZ Expressway and Longda Company and implement toll-free for the Three Expressways and the Longda Shenzhen Section in exchange for an amount of cash compensation. During Phase 2, the Transport Commission may, within 10 months before the end of Phase 1, elect to adopt either Option 1 or Option 2 to be effective from 00:00 on 1 January 2019. Under Option 1, the parties will continue to implement toll-free in the same manner in Phase 1. Under Option 2, the Fee Entitlement Right of the Three Expressways and the Longda Shenzhen Section will be returned to the Transport Commission in exchange for cash compensation and the Transport Commission will implement toll-free for the Three Expressways and the Longda Shenzhen Section. SZ Expressway and Longda Company will no longer retain its Fee Entitlement Right and be responsible for the maintenance and repair of the Three Expressways and the Longda Shenzhen Section.

THE THREE EXPRESSWAYS ADJUSTMENT AGREEMENT

The principal terms of the Three Expressways Adjustment Agreement are as follows:

Date: 30 November 2015

Parties: SZ Expressway
the Transport Commission

To the best of the knowledge, information and belief of the directors of SZ International and SZ Expressway, having made all reasonable enquiries, the Transport Commission is a government body and an Independent Third Party.

The Three Expressways Adjustment

Pursuant to the Three Expressways Adjustment Agreement, SZ Expressway has agreed to implement toll-free for the Three Expressways (which consists of Nanguang Expressway, Yanpai Expressway and Yanba Expressway) from 00:00 on 7 February 2016 in two phases in exchange for cash compensation by the Transport Commission based on the adjustment mechanism set out below. Details of the implementation are as follows:

Phase 1 (from 00:00 on 7 February 2016 to 24:00 on 31 December 2018):

During Phase 1, SZ Expressway will implement toll-free for the Three Expressways in exchange for cash compensation from the Transport Commission. During this period, SZ Expressway will be responsible for the maintenance and repair of the Three Expressways. Before the Three Expressways New Toll Stations commence operation, the Three Expressways will be operated by card access and the toll of the Three Expressways will be exempted.

Phase 2 (from 00:00 on 1 January 2019):

Within 10 months before the end of Phase 1 (i.e. 31 December 2018), the Transport Commission will elect to adopt one of the following options to be effective from 00:00 on 1 January 2019:

Option 1 – SZ Expressway will continue to implement toll-free for the Three Expressways until the end of their respective operation periods in exchange for cash compensation from the Transport Commission. Under this option, SZ Expressway will continue to be responsible for the maintenance and repair of the Three Expressways.

Option 2 – The Fee Entitlement Right of the Three Expressways will be returned to the Transport Commission and the Transport Commission will implement toll-free for the Three Expressways. The Transport Commission will pay a one-off cash compensation (including the relevant taxes) to SZ Expressway. Under this option, the Transport Commission will be responsible for the maintenance and repair of the Three Expressways.

Compensation

If Option 1 is adopted by the Transport Commission in Phase 2, the tentative amount of total compensation is RMB9,688,000,000 (approximately HK\$11,815,000,000) which consists of: (1) tentative compensation amount for Phase 1: RMB1,975,000,000 (approximately HK\$2,409,000,000); and (2) tentative compensation amount for Phase 2: RMB7,713,000,000 (approximately HK\$9,406,000,000).

If Option 2 is adopted by the Transport Commission in Phase 2, the tentative amount of total compensation is RMB7,652,000,000 (approximately HK\$9,332,000,000) which consists of: (1) tentative compensation amount for Phase 1: RMB1,975,000,000 (approximately HK\$2,409,000,000); (2) compensation for Phase 2: RMB4,673,000,000 (approximately HK\$5,699,000,000); and (3) relevant tentative taxes: RMB1,004,000,000 (approximately HK\$1,224,000,000) (subject to adjustments based on the actual amount to be collected by the relevant tax authorities). (Note: Phase 2 compensation amount consists of compensation of RMB4,460,000,000 (approximately HK\$5,439,000,000) for the return of the Fee Entitlement Right to the Transport Commission and compensation of RMB213,000,000 (approximately HK\$260,000,000) for the increased operating cost due to the Three Expressways New Toll Stations).

The above compensation amounts are tentative figures only and the final amount is subject to adjustments as set out in the paragraph headed “*Adjustments to the compensation*” under the section headed “*The Three Expressways Adjustment Agreement*”.

All compensation (not including compensation for the relevant taxes) payable by the Transport Commission to SZ Expressway are subject to interest. Such interest shall start to accrue from 1 December 2015 calculated based on the loan interest rate with the corresponding tenor published by the People’s Bank of China.

The compensation arrangement and other terms regarding the Three Expressways Adjustment are arrived at after arm's length negotiations between SZ Expressway and the Transport Commission. SZ Expressway and the Transport Commission have taken into consideration a number of factors including, without limitation, valuation conducted by DZX, purpose and necessity for this adjustment and the reasons for and benefits of entering into the Three Expressways Adjustment Agreement as set out below, the impact on SZ Expressway, etc. SZ Expressway has appointed DZX to carry out the valuation of the Three Expressways. DZX has conducted a valuation of the income (including toll revenue for Phase 1 and toll revenue or net free cash flow generated for Phase 2) of the Three Expressways as at 30 November 2015 by adopting the income approach. The key assumptions of such valuation are set out in the section headed "*Valuation*".

Adjustments to the compensation

The parties will engage Shenzhen City Transport Planning Study Centre Co., Ltd. to audit the actual amount of toll revenue in each of the financial years during Phase 1 according to the agreed approach under the Three Expressways Adjustment Agreement. Based on actual number of vehicle passage each year, the relevant auditor will take into account factors such as economic growth, changes in road network and transferred or induced traffic volume due to toll free arrangement, etc. in the comprehensive consideration. If the actual toll revenue deviates equal or less than 3% from the estimated figure stipulated under the Three Expressways Adjustment Agreement, the amount of compensation payable by the Transport Commission will not be adjusted. If the actual toll revenue deviates more than 3% from the estimated figure stipulated under the Three Expressways Adjustment Agreement, the amount of compensation payable by the Transport Commission will be adjusted upward or downward (as the case may be) by the amount in excess of 3%. Such adjustment will be settled between the parties in the following manner:

- For each of the financial years ending 31 December 2016 and 31 December 2017, any toll revenue adjustment will be calculated and paid by 31 January in the following year after the end of the respective financial year; and
- For the financial year ending 31 December 2018, any toll revenue adjustment will be added to or deducted from the unpaid balance of the compensation.

If Option 1 is adopted in Phase 2, SZ Expressway and the Transport Commission will negotiate again on the amount of compensation for Phase 2 with reference to the implementation in Phase 1 and factors such as economic growth, changes in road network and transferred or induced traffic volume due to toll free arrangement, etc. Detailed formula of such adjustment will be provided in the circulars to be despatched by SZ International and SZ Expressway to their shareholders.

In addition, any additional operational expenses incurred by SZ Expressway due to the delay in the actual operation date of the Three Expressways New Toll Stations shall be calculated in accordance with the Three Expressways Adjustment Agreement and such amount shall be payable by the Transport Commission to SZ Expressway. According to the current working schedule, the Three Expressways New Toll Stations are expected to commence operation on 1 January 2018.

Although the final amount of the compensation is subject to adjustments in Phase 1 and Phase 2 as described above, SZ International and SZ Expressway estimated that it will not be materially different from the tentative figures stipulated under the Three Expressways Adjustment Agreement. If the actual final amount of the compensation in Phase 2 (assuming Option 1 is adopted) exceeds or falls below 3% of the tentative figures stipulated under the Three Expressways Adjustment Agreement, SZ International and SZ Expressway will comply with the requirements as appropriate under the Listing Rules.

Payment of the compensation

The Transport Commission shall make a first payment of RMB6,588,000,000 (approximately HK\$8,034,000,000) to SZ Expressway in cash within 30 days after the date of the Three Expressways Adjustment Agreement.

The Transport Commission will determine whether to adopt Option 1 or Option 2, and the balance of the compensation will be calculated and confirmed by the parties within 10 months before the end of Phase 1 (i.e. 31 December 2018). The balance of the compensation, any settlement balance and all interests accrued shall be paid by the Transport Commission to SZ Expressway in cash within 30 working days after the amount is confirmed by the parties. Relevant taxes will be paid within 30 working days after the date of payment of the relevant taxes.

Transfer of assets

Upon the Three Expressways Adjustment Agreement becoming effective, the parties have agreed that starting from 00:00 on 7 February 2016, (i) the Three Expressways Land Use Rights will be transferred to the Transport Commission; and (ii) SZ Expressway will be entitled to use the land on which the expressway infrastructure and ancillary facilities are located for no consideration until either the end of the respective operation periods of the Three Expressways or the return of its Fee Entitlement Right to the Transport Commission.

After the commencement of operation of the Three Expressways New Toll Stations, SZ Expressway shall be responsible for demolishing all the attachments of the existing toll stations and transferring any ancillary facilities of the existing toll stations to the Transport Commission within three months after the demolition.

In case the Transport Commission elects to adopt Option 2 in Phase 2, SZ Expressway shall, within three months before the end of Phase 1, start to transfer to the Transport Commission any data and information of the Three Expressways, and, at the end of Phase 1, transfer to the Transport Commission assets of the Three Expressways.

Tax liability

During Phase 1, any relevant tax arising from the Three Expressways Adjustment Agreement shall be borne by SZ Expressway.

During Phase 2, any relevant tax shall also be borne by SZ Expressway if Option 1 is adopted. If Option 2 is adopted, SZ Expressway shall be responsible for paying any tax to the relevant tax authorities and be compensated as set out in the paragraph headed “*Compensation*” under the section headed “*The Three Expressways Adjustment Agreement*”. The actual tax amount in excess of the estimated compensation figure will be further paid up to SZ Expressway whereas the actual tax amount falling short of the estimated tax figure will be refunded to the Transport Commission.

Conditions Precedent

The Three Expressways Adjustment Agreement shall become effective after the parties have signed the Three Expressways Adjustment Agreement and the following conditions have been satisfied: (i) the Three Expressways Adjustment Agreement was approved by the Shenzhen government, and the Transport Commission having obtained the approval documents from the Shenzhen government authorizing it to sign the Three Expressways Adjustment Agreement; (ii) SZ Expressway having obtained all necessary approvals, authorization, consent and permit (including but not limited to the approval of the controlling shareholders of SZ Expressway in respect of the Three Expressways Adjustment Agreement) and performed relevant procedures as required under the applicable laws, rules and regulations of the jurisdiction where its securities are listed and the Listing Rules.

As at the date of this announcement, the shareholders' approval of each of SZ International and SZ Expressway is yet to be obtained for the effectiveness of the Three Expressways Adjustment Agreement. If any of the conditions above is not satisfied on time, the Three Expressways Adjustment Agreement shall lapse and SZ Expressway and the Transport Commission shall resolve by amicable negotiation. If no consensus can be reached, SZ Expressway shall be entitled to receive toll revenue for the Three Expressways. SZ Expressway shall return to the Transport Commission all compensation paid by the Transport Commission (including all interests accrued based on bank lending rate based on the same period up to the day of repayment), and receive any loss in toll revenue due to the implementation of toll free in respect of the Three Expressways.

Liability for Breach

Any failure to perform the obligations of the Three Expressways Adjustment Agreement by any party would constitute a breach of contract. If SZ Expressway fails to transfer assets of the Three Expressways in accordance with the Three Expressways Adjustment Agreement due to its own default, the defaults charges shall be paid to the Transport Commission calculated at RMB100,000 per day subject to a maximum amount of RMB5,000,000. If the Transport Commission delays the payment of the compensation and interests, the defaults charges shall be paid to SZ Expressway calculated at RMB100,000 per day subject to a maximum amount of RMB5,000,000. If the abovementioned delay is 60 days or more, the defaulting party shall make compensation for the loss of the other party and the other party is entitled to terminate the Three Expressways Adjustment Agreement.

Others

In order to maintain the integrity of expressway toll networks of Guangdong province, the Shenzhen government will set up the Three Expressways New Toll Stations. The Transport Commission will be responsible for the construction and related costs of the Three Expressways New Toll Stations, and the ownership of the Three Expressways New Toll Stations vests with the Transport Commission. SZ Expressway will be entitled to use the Three Expressways New Toll Stations for no consideration until either the end of the operation periods of the Three Expressways or the return of their Fee Entitlement Rights to the Transport Commission.

THE LONGDA ADJUSTMENT AGREEMENT

The principal terms of the Longda Adjustment Agreement are as follows:

Date: 30 November 2015

Parties: Longda Company
the Transport Commission

To the best of the knowledge, information and belief of the directors of SZ International, having made all reasonable enquiries, the Transport Commission is a government body and an Independent Third Party.

The Longda Adjustment

Pursuant to the Longda Adjustment Agreement, Longda Company has agreed to implement toll-free for the Longda Shenzhen Section (namely, the 23.8 km section of the Longda Expressway from the starting point of the Longda Expressway to the Nanguang ramp) from 00:00 on 7 February 2016 in two phases in exchange for cash compensation by the Transport Commission based on the adjustment mechanism set out below. The toll of the remaining section of the Longda Expressway with a mileage of 4.4 km will remain unchanged. Details of the implementation are as follows:

Phase 1 (from 00:00 on 7 February 2016 to 24:00 on 31 December 2018):

During Phase 1, Longda Company will implement toll-free for the Longda Shenzhen Section in exchange for cash compensation from the Transport Commission. During this period, Longda Company will be responsible for the maintenance and repair of the Longda Shenzhen Section. Before the Longda New Toll Stations commence operation, the Longda Shenzhen Section will be operated by card access and the toll of the Longda Shenzhen Section will be exempted.

Phase 2 (from 00:00 on 1 January 2019):

Within 10 months before the end of Phase 1 (i.e. 31 December 2018), the Transport Commission will elect to adopt one of the following options to be effective from 00:00 on 1 January 2019:

Option 1 – Longda Company will continue to implement toll-free for the Longda Shenzhen Section until the end of the operation period in exchange for cash compensation from the Transport Commission. Under this option, Longda Company will continue to be responsible for the maintenance and repair of the Longda Shenzhen Section.

Option 2 – The Fee Entitlement Right of the Longda Shenzhen Section will be returned to the Transport Commission and the Transport Commission will implement toll-free for the Longda Shenzhen Section. The Transport Commission will pay a one-off cash compensation (including the relevant taxes) to Longda Company. Under this option, the Transport Commission will be responsible for the maintenance and repair of the Longda Shenzhen Section.

Compensation

If Option 1 is adopted by the Transport Commission in Phase 2, the tentative amount of total compensation is RMB4,259,000,000 (approximately HK\$5,194,000,000) which consists of: (1) tentative compensation amount for Phase 1: RMB1,178,000,000 (approximately HK\$1,437,000,000); and (2) tentative compensation amount for Phase 2: RMB3,081,000,000 (approximately HK\$3,757,000,000).

If Option 2 is adopted by the Transport Commission in Phase 2, the tentative amount of total compensation is RMB3,840,000,000 (approximately HK\$4,683,000,000) which consists of: (1) tentative compensation amount for Phase 1: RMB1,178,000,000 (approximately HK\$1,437,000,000); (2) compensation for Phase 2: RMB1,977,000,000 (approximately HK\$2,411,000,000); and (3) relevant tentative taxes: RMB685,000,000 (approximately HK\$835,000,000) (subject to adjustments based on the actual amount to be collected by the relevant tax authorities). (Note: Phase 2 compensation amount consists of compensation of RMB1,819,000,000 (approximately HK\$2,218,000,000) for the return of the Fee Entitlement Right to the Transport Commission and compensation of RMB158,000,000 (approximately HK\$193,000,000) for the increased operating cost due to the Longda New Toll Stations).

The above compensation amounts are tentative figures only and the final amount is subject to adjustments as set out in the paragraph headed “*Adjustments to the compensation*” under the section headed “*The Longda Adjustment Agreement*”.

All compensation (not including compensation for the relevant taxes) payable by the Transport Commission to Longda Company are subject to interest. Such interest shall start to accrue from 1 December 2015 calculated based on the loan interest rate with the corresponding tenor published by the People’s Bank of China.

The compensation arrangement and other terms regarding the Longda Adjustment are arrived at after arm’s length negotiations between SZ International and the Transport Commission. SZ International and the Transport Commission have taken into consideration a number of factors including, without limitation, valuation conducted by DZX, purpose and necessity for this adjustment and the reasons for and benefits of entering into the Longda Adjustment Agreement as set out below, the impact on Longda Company and SZ International, etc. Longda Company has appointed DZX to carry out the valuation of the Longda Shenzhen Section. DZX has conducted a valuation of the income (including toll revenue for Phase 1 and toll revenue or net free cash flow generated for Phase 2) of the Longda Shenzhen Section on 30 November 2015 by adopting the income approach. The key assumptions of such valuation are set out in the section headed “*Valuation*”.

Adjustments to the compensation

The parties will engage Shenzhen City Transport Planning Study Centre Co., Ltd. to audit the actual amount of toll revenue in each of the financial years during Phase 1 according to the agreed approach under the Longda Adjustment Agreement. Based on actual number of vehicle passage each year, the relevant auditor will take into account factors such as economic growth, changes in road network and transferred or induced traffic volume due to toll free arrangement, etc. in the comprehensive consideration. If the actual toll revenue deviates equal or less than 3% from the estimated figure stipulated under the Longda Adjustment Agreement, the amount of compensation payable by the Transport Commission will not be adjusted. If the actual toll revenue deviates more than 3% from the estimated figure stipulated under the Longda Adjustment Agreement, the amount of compensation payable by the Transport Commission will be adjusted upward or downward (as the case may be) by the amount in excess of 3%. Such adjustment will be settled between the parties in the following manner:

- For each of the financial years ending 31 December 2016 and 31 December 2017, any toll revenue adjustment will be calculated and paid by 31 January in the following year after the end of the respective financial year; and
- For the financial year ending 31 December 2018, any toll revenue adjustment will be added to or deducted from the unpaid balance of the compensation.

If Option 1 is adopted in Phase 2, Longda Company and the Transport Commission will negotiate again on the amount of compensation for Phase 2 with reference to the implementation in Phase 1 and factors such as economic growth, changes in road network and transferred or induced traffic volume due to toll free arrangement, etc. Detailed formula of such adjustment will be provided in the circular to be despatched by SZ International to its shareholders.

In addition, any additional operational expenses incurred by Longda Company due to the delay in the actual operation date of the Longda New Toll Stations shall be calculated in accordance with the Longda Adjustment Agreement and such amount shall be payable by the Transport Commission to Longda Company. According to the current working schedule, the Longda New Toll Stations are expected to commence operation on 1 January 2018.

Although the final amount of the compensation is subject to adjustments in Phase 1 and Phase 2 as described above, SZ International estimated that it will not be materially different from the tentative figures stipulated under the Longda Adjustment Agreement. If the actual final amount of the compensation in Phase 2 (assuming Option 1 is adopted) exceeds or falls below 3% of the tentative figures stipulated under the Longda Adjustment Agreement, SZ International will comply with the requirements as appropriate under the Listing Rules.

Payment of the compensation

The Transport Commission shall make a first payment of RMB3,125,000,000 (approximately HK\$3,811,000,000) to Longda Company in cash within 30 days after the date of the Longda Adjustment Agreement.

The Transport Commission will determine whether to adopt Option 1 or Option 2, and the balance of the compensation will be calculated and confirmed by the parties within 10 months before the end of Phase 1 (i.e. 31 December 2018). The balance of the compensation, any settlement balance and all interests accrued shall be paid by the Transport Commission to Longda Company in cash within 30 working days after the amount is confirmed by the parties. Relevant taxes will be paid within 30 working days after the date of payment of the relevant taxes.

Transfer of assets

Upon the Longda Adjustment Agreement becoming effective, the parties have agreed that starting from 00:00 on 7 February 2016, (i) the Longda Land Use Rights will be transferred to the Transport Commission; and (ii) Longda Company will be entitled to use the land on which the expressway infrastructure and ancillary facilities are located for no consideration until either the end of the operation period of the Longda Shenzhen Section or the return of its Fee Entitlement Right to the Transport Commission.

After the commencement of operation of the Longda New Toll Stations, Longda Company shall be responsible for demolishing all the attachments of the existing toll stations and transferring any ancillary facilities of the existing toll stations to the Transport Commission within three months after the demolition.

In case the Transport Commission elects to adopt Option 2 in Phase 2, Longda Company shall, within three months before the end of Phase 1, start to transfer to the Transport Commission any data and information of the Longda Shenzhen Section, and, at the end of Phase 1, transfer to the Transport Commission assets of the Longda Shenzhen Section.

Tax liability

During Phase 1, any relevant tax arising from the Longda Adjustment Agreement shall be borne by Longda Company.

During Phase 2, any relevant tax shall also be borne by Longda Company if Option 1 is adopted. If Option 2 is adopted, Longda Company shall be responsible for paying any tax to the relevant tax authorities and be compensated as set out in the paragraph headed “*Compensation*” under the section headed “*The Longda Adjustment Agreement*”. The actual tax amount in excess of the estimated compensation figure will be further paid up to Longda Company whereas the actual tax amount falling short of the estimated tax figure will be refunded to the Transport Commission.

Conditions Precedent

The Longda Adjustment Agreement shall become effective after the parties have signed the Longda Adjustment Agreement and the following conditions have been satisfied: (i) the Longda Adjustment Agreement was approved by the Shenzhen government, and the Transport Commission having obtained the approval documents from the Shenzhen government authorizing it to sign the Longda Adjustment Agreement; (ii) shareholders or the actual controlling shareholders of Longda Company having obtained all necessary approvals, authorization, consent and permit (including but not limited to the approval by the actual controlling shareholders of Longda Company at a shareholders’ meeting) and performed relevant procedures as required under the applicable laws, rules and regulations of the jurisdiction where its securities are listed and the Listing Rules.

As at the date of this announcement, the shareholders’ approval of SZ International is yet to be obtained for the effectiveness of the Longda Adjustment Agreement. If any of the conditions above is not satisfied on time, the Longda Adjustment Agreement shall lapse and Longda Company and the Transport Commission shall resolve by amicable negotiation. If no consensus can be reached, Longda Company shall be entitled to receive toll revenue for the Longda Shenzhen Section. Longda Company shall return to the Transport Commission all compensation paid by the Transport Commission (including all interests accrued based on bank lending rate based on the same period up to the day of repayment), and receive any loss in toll revenue due to the implementation of toll free in respect of the Longda Shenzhen Section.

Liability for Breach

Any failure to perform the obligations of the Longda Adjustment Agreement by any party would constitute a breach of contract. If Longda Company fails to transfer assets of the Longda Shenzhen Section in accordance with the Longda Adjustment Agreement due to its own default, the defaults charges shall be paid to the Transport Commission calculated at RMB100,000 per day subject to a maximum amount of RMB5,000,000. If the Transport Commission delays the payment of the compensation and interests, the defaults charges shall be paid to Longda Company calculated at RMB100,000 per day subject to a maximum amount of RMB5,000,000. If the abovementioned delay is 60 days or more, the defaulting party shall make compensation for the loss of the other party and the other party is entitled to terminate the Longda Adjustment Agreement.

Others

In order to maintain the integrity of expressway toll networks of Guangdong province, the Shenzhen government will set up the Longda New Toll Stations. The Transport Commission will be responsible for the construction and related costs of the Longda New Toll Stations, and the ownership of the Longda New Toll Stations vests with the Transport Commission. Longda Company will be entitled to use the Longda New Toll Stations for no consideration until either the end of the operation period of the Longda Shenzhen Section or the return of its Fee Entitlement Right to the Transport Commission.

INFORMATION OF THE THREE EXPRESSWAYS (COMPRISING THE NANGUANG EXPRESSWAY, THE YANPAI EXPRESSWAY AND THE YANBA EXPRESSWAY)

Nanguang Expressway is a dual six-lane expressway with toll mileage of 31 km. The construction of Nanguang Expressway was completed and put into operation in January 2008 with a concession up to 30 January 2033. The average daily mixed traffic flow of Nanguang Expressway for 2013, 2014 and first nine months of 2015 was 75,000, 87,000 and 95,000 vehicles, respectively, and the average daily toll revenue was RMB787,000, RMB840,000 and RMB866,000, respectively.

Yanpai Expressway is a dual six-lane expressway with toll mileage of 15.6 km. The construction of Yanpai Expressway was completed and put into operation in May 2006 with a concession up to 12 March 2027. The average daily mixed traffic flow of Yanpai Expressway for 2013, 2014 and first nine months of 2015 was 50,000, 57,000 and 57,000 vehicles, respectively, and the average daily toll revenue was RMB541,000, RMB584,000 and RMB458,000, respectively.

Yanba Expressway consists of section A from Yantian to Xichong, section B from Xichong to Kuichong and section C from Kuichong to Bagang. It is a dual six-lane expressway with toll mileage of 29.1 km. The construction of section A, section B and section C of Yanba Expressway was completed and put into operation in March 2001, June 2003 and March 2010, respectively, with a concession up to 31 March 2026 for section A, up to 30 June 2028 for section B and up to 31 March 2035 for section C. The average daily mixed traffic flow of Yanba Expressway for 2013, 2014 and first nine months of 2015 was 31,000, 36,000 and 38,000 vehicles, respectively, and the average daily toll revenue was RMB444,000, RMB493,000 and RMB487,000, respectively.

Based on the unaudited financial statements of SZ Expressway for the nine months ended 30 September 2015, the original book value and net book value of each of the Three Expressways as at 30 September 2015 are as follows:

Unit: RMB'000

	Nanguang Expressway	Yanpai Expressway	Yanba Expressway
Original book value	3,150,180	1,044,960	1,556,000
Net book value	2,605,036	621,407	1,102,305

SZ Expressway has not separately prepared financial statements for the Three Expressways. Based on revenue and costs recorded in the audited financial statements of SZ Expressway for the two years ended 31 December 2013 and 2014 and the unaudited financial statements of SZ Expressway for the nine months ended 30 September 2015, and in accordance with the cost allocation method in line with the accounting policies of SZ Expressway, the net profits of the Three Expressways, before taxation and after taxation, for the two years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015 based on simulation calculation are estimated as follows:

Unit: RMB'000

	For the nine months ended 30 September 2015	For the year ended 31 December 2014	For the year ended 31 December 2013
Nanguang Expressway			
Net profits (before taxation)	103,994	135,743	134,070
Net profits (after taxation)	78,000	101,807	100,553
Yanpai Expressway			
Net profits (before taxation)	63,555	113,823	102,590
Net profits (after taxation)	47,668	85,368	76,943
Yanba Expressway			
Net profits (before taxation)	46,100	65,253	58,781
Net profits (after taxation)	34,575	48,940	44,086

INFORMATION OF THE LONGDA SHENZHEN SECTION

Longda Expressway (from Longhua, Shenzhen to Dalingshan, Dongguan) is a dual six-lane expressway with toll mileage of 28.2 km. The construction of the Shenzhen section and Dongguan section of Longda Expressway was completed and put into operation in October 2005 and January 2007, respectively, with a concession up to 9 October 2027. The average daily mixed traffic flow of Longda Expressway for 2013 and 2014 was 131,000 and 140,000 vehicles, respectively, and the average daily toll revenue was RMB1,356,000 and RMB1,374,000, respectively.

The Longda Shenzhen Section is not accounted by SZ International and Longda Company separately. Based on the audited financial statements of Longda Company for the two years ended 31 December 2013 and 2014, and the operation rights premium of Longda Expressway arising from the acquisition of the equity interest in Longda Company by SZ International in the past and the preliminary estimates made based on actual conditions e.g. traffic volume, highway mileage, distribution of material structures and ancillary facilities, the original book value and net book value as at 31 December 2014 of the Longda Shenzhen Section are as follows:

Unit: RMB'000

	Longda Shenzhen Section
Original book value	1,302,220
Net book value	753,745

Based on the audited financial statements of Longda Company for the two years ended 31 December 2013 and 2014, the net profits of the Longda Shenzhen Section, before taxation and after taxation, for the two years ended 31 December 2013 and 2014 are estimated as follows:

Unit: RMB'000

Longda Shenzhen Section	For the year ended 31 December 2014	For the year ended 31 December 2013
Net profits (before taxation)	266,553	269,641
Net profits (after taxation)	199,816	201,593

FINANCIAL EFFECTS OF THE ADJUSTMENTS BASED ON THE ADJUSTMENT AGREEMENTS

Effects on SZ Expressway

During Phase 1, SZ Expressway will retain its Fee Entitlement Right of the Three Expressways, and recognizes it as intangible assets according to the Accounting Standards for Business Enterprises in the PRC, the accounting treatment of toll revenue, cost and profit in respect of the Three Expressways will remain unchanged. Also, it is estimated that the Three Expressways Adjustments will not have material financial effect on the revenue and profit of SZ Expressway. Meanwhile, the Transport Commission will make the first payment of RMB6,588,000,000 (approximately HK\$8,034,000,000) to SZ Expressway in cash within 30 days after the date of the Three Expressways Adjustment Agreement, i.e. no later than 31 December 2015. Such cash payment will significantly increase the cashflow of SZ Expressway, which is favourable to the financial condition of SZ Expressway.

During Phase 2, the financial effect on SZ Expressway will be similar to that in Phase 1 if Option 1 is adopted, which will not have material effect on the revenue and profit of SZ Expressway. If Option 2 is adopted, according to the current preliminary estimates, the net book value of the Three Expressways as at 1 January 2019 will be approximately RMB3,600,000,000. Based on the relevant compensation arrangement and after taking into account factors such as the compensation amount for the return of the Fee Entitlement Right to the Transport Commission, interest of such compensation from the payment date to 31 December 2018, the net book value of the Three Expressways as at 1 January 2019 and other expenses, in accordance with the Accounting Standards for Business Enterprises in the PRC, it is expected that the profits from disposal of assets will increase by approximately RMB1,600,000,000 (after taxation) in 2019 and the net assets will increase by approximately RMB1,600,000,000 accordingly. Meanwhile, the Three Expressways will no longer contribute toll revenue for SZ Expressway, accordingly future toll revenue, profit and operating cash flow of SZ Expressway will be reduced.

The abovementioned information is based on preliminary estimates. The final effects are subject to and dependent on whether the Transport Commission adopts Option 1 or Option 2 in Phase 2 of the Three Expressways Adjustment and audit by the SZ Expressway's auditors.

Effects on SZ International

During Phase 1, SZ International will retain its Fee Entitlement Right of the Three Expressways and the Longda Shenzhen Section and recognize it as intangible assets according to the accounting standards, the accounting treatment of toll revenue, cost and profit in respect of the Three Expressways and the Longda Shenzhen Section will remain unchanged. Also, it is estimated that the Adjustments will not have material financial effect on the revenue and profits of SZ International. Meanwhile, the Transport Commission will make the first payment of RMB9,713,000,000 (approximately HK\$11,845,000,000) in total (comprising compensation of RMB6,588,000,000 for the Three Expressways and RMB3,125,000,000 for the Longda Shenzhen Section) to SZ International in cash within 30 days after the date of the Adjustment Agreements (i.e. no later than 31 December 2015). Such cash payment will significantly increase the cash flow of SZ International, which is favourable to the financial condition of SZ International.

During Phase 2, the financial effect on SZ International will be similar to that in Phase 1 if Option 1 is adopted, which will not have material financial effect on the revenue and profit of SZ International. If Option 2 is adopted, according to the current preliminary estimates, the total net book value of the Three Expressways and the Longda Shenzhen Section as at 1 January 2019 will be approximately RMB4,200,000,000. Based on the relevant compensation arrangement and after taking into account factors such as the compensation amount for the return of the Fee Entitlement Right to the Transport Commission, interest of such compensation from the payment date to 31 December 2018, the net book value of the Three Expressways and the Longda Shenzhen Section as at 1 January 2019 and other expenses, it is expected that the profits from disposal of assets will increase by approximately RMB3,100,000,000 (after taxation) in 2019 and the net assets will increase by approximately RMB3,100,000,000 accordingly. Meanwhile, the Three Expressways and the Longda Expressway Shenzhen Section will no longer contribute to the toll revenue for SZ International, accordingly future toll revenue, profit and operating cash flow of SZ International will be reduced.

The abovementioned information is based on preliminary estimates. The final effects are subject to and dependent on whether the Transport Commission adopts Option 1 or Option 2 in Phase 2 of the Longda Adjustment and audit by the SZ International's auditors.

The proceeds received by SZ Expressway and SZ International under the Adjustments will mainly be used to provide funding for general operation purposes (including repayment of borrowings and payment of tax (if any)). The final use of proceeds will be subject to the financial condition and business strategy of each of SZ Expressway and SZ International, including but not limited to any potential investment or acquisition in relation to the its main businesses and related businesses. At the date of this announcement, each of SZ International and SZ Expressway has not identified any specific investment target or reached any investment agreement using the net proceeds arising from the Three Expressways Adjustment Agreement and/or the Longda Adjustment Agreement.

VALUATION

Three Expressways

SZ Expressway has appointed DZX to carry out the valuation of the income (including toll revenue for Phase 1 and toll revenue or net free cash flow generated for Phase 2) of the Three Expressways as at 30 November 2015. The valuation base date is 30 November 2015, valued by adopting the income approach. The key assumptions of this valuation mainly include:

- (1) There will be no material changes in future economic, market or social environment (such as national macro-economic policies, market supply and demand conditions, fiscal and taxation policies, domestic and foreign trade policies, environmental protection policies, financial and currency policies, etc.);
- (2) There will be no material changes in the taxation and tax rate policies currently applicable to the assets to be valued;
- (3) There will be no material adverse effect on the assets to be valued arising from any force majeure after the valuation base date;
- (4) All assets and liabilities of the assets to be valued have been presented and reported or a special explanation in respect thereof has been made to the valuer, and there does not exist any other liabilities/assets, contingent liabilities/assets, or other related rights/contingent rights and obligations/contingent obligations, etc.; and
- (5) The assets to be valued will adopt accounting policies in the future that are substantially consistent with those adopted in the preparation of the valuation report.

Meanwhile, in consideration of the sustainable and stable development of the Three Expressways, the valuation of the Three Expressways is based on operating results over previous years of the assets under evaluation. Estimates on future revenue/income of the Three Expressways are conducted through analysis over revenue, costs, financial structures, business development trajectory and growth movements. The expected operating revenue and free cash flow of the Three Expressways are set out as below:

Unit: RMB'000

Nanguang Expressway		
Duration (Year)	Operating Revenue	Free Cash Flow
7 February 2016 to 31 December 2016	302,326	N/A
2017	362,250	N/A
2018	384,060	N/A
2019	463,540	276,376
2020	482,260	331,637
2025	599,050	407,234
2030	628,880	413,892
2033 (concession expires on 30 January 2033)	54,545	52,063

Unit: RMB'000

Yanpai Expressway		
Duration (Year)	Operating Revenue	Free Cash Flow
7 February 2016 to 31 December 2016	160,759	N/A
2017	194,870	N/A
2018	199,419	N/A
2019	214,869	133,689
2020	229,702	130,015
2025	260,531	161,442
2027 (concession expires on 12 March 2027.)	53,090	38,838

Unit: RMB'000

Yanba Expressway		
Duration (Year)	Operating Revenue	Free Cash Flow
7 February 2016 to 31 December 2016	168,215	N/A
2017	198,670	N/A
2018	169,030	N/A
2019	193,280	110,065
2020	211,870	94,390
2025	291,130	185,730
2026 (concession of section A expires on 31 March 2026)	211,880	137,339
2027	176,030	112,942
2028 (concession of section B expires on 30 June 2028)	146,200	93,533
2029	96,980	62,364
2030	100,270	62,952
2035 (concession of section C of expires on 26 March 2035)	25,307	17,480

The income approach has been adopted in deriving the above valuation results. DZX carried out the valuation of the income (including toll revenue for Phase 1 and toll revenue (Option 1) or free cash flow (Option 2) generated for Phase 2) of the Three Expressways as at 30 November 2015.

Based on the above assumptions, in accordance with the various options under the Three Expressway Adjustment Agreement, the valuation of future income of the Three Expressways as at the valuation base date of 30 November 2015 was as below:

(1) If Option 1 is adopted in Phase 2, the valuation results are:

Unit: RMB'000

Project	Valuation as at the valuation base date of 30 November 2015		
	Phase 1	Phase 2	Total
<i>Nanguang Expressway</i>	966,992.8	4,627,850.9	5,594,843.7
<i>Yanba Expressway</i>	495,991.6	1,707,769.9	2,203,761.5
<i>Yanpai Expressway</i>	512,036.1	1,372,605.9	1,884,642.0
Total:	1,975,020.4	7,708,226.7	9,683,247.2

(2) If Option 2 is adopted in Phase 2, the valuation results are:

Unit: RMB'000

Project	Valuation as at the valuation base date of 30 November 2015		
	Phase 1	Phase 2	Total
<i>Nanguang Expressway</i>	966,992.8	2,725,205.8	3,692,198.6
<i>Yanba Expressway</i>	495,991.6	931,859.0	1,427,850.6
<i>Yanpai Expressway</i>	512,036.1	797,182.7	1,309,218.8
Total:	1,975,020.5	4,454,247.5	6,429,268.0

The board of directors of SZ International and SZ Expressway has reviewed the principal assumptions adopted in the valuation, and is of the view that the valuation has been made after due and careful enquiry. The calculation of discounted future estimated cash flows adopted by DZX on which the valuation is based has been reviewed by PwC, the auditor of SZ International and PwC Zhong Tian LLP, the auditor of SZ Expressway. The letter from the respective board of directors of SZ International and SZ Expressway, as well as the letters from PwC and PwC Zhong Tian LLP are included in Appendices I, II, III and IV of this announcement, respectively.

Longda Shenzhen Section

Longda Company has appointed DZX to carry out the valuation of the income (including toll revenue for Phase 1 and toll revenue or net free cash flow generated for Phase 2) of the Longda Shenzhen Section as at 30 November 2015. The valuation base date is 30 November 2015, valued by adopting the income approach. The key assumptions of this valuation mainly include:

(1) There will be no material changes in future economic, market or social environment (such as national macro-economic policies, market supply and demand conditions, fiscal and taxation policies, domestic and foreign trade policies, environmental protection policies, financial and currency policies, etc.);

- (2) There will be no material changes in the taxation and tax rate policies currently applicable to the assets to be valued;
- (3) There will be no material adverse effect on the assets to be valued arising from any force majeure after the valuation base date;
- (4) All assets and liabilities of the assets to be valued have been presented and reported or a special explanation in respect thereof has been made to the valuer, and there does not exist any other liabilities/assets, contingent liabilities/assets, or other related rights/contingent rights and obligations/contingent obligations, etc.; and
- (5) The assets to be valued will adopt accounting policies in the future that are substantially consistent with those adopted in the preparation of the valuation report.

Meanwhile, in consideration of the sustainable and stable development of the Longda Shenzhen Section, the valuation of Longda Shenzhen Section is based on operating results over previous years of the assets under evaluation. Estimates on future revenue/income of the Longda Shenzhen Section are conducted through analysis over revenue, costs, financial structures, business development trajectory and growth movements. The expected operating revenue and free cash flow of the Longda Shenzhen Section are set out as below:

Unit: RMB'000

Duration (Year)	Longda Shenzhen Section	
	Operating Revenue	Free Cash Flow
7 February 2016 to 31 December 2016	383,645	N/A
2017	440,319	N/A
2018	451,466	N/A
2019	489,856	303,606
2020	502,388	333,725
2025	546,189	350,662
2027 (concession expires on 9 October 2027)	424,134	275,607

The income approach has been adopted in deriving the above valuation results. DZX carried out the valuation of the income (including toll revenue for Phase 1 and toll revenue (Option 1) or free cash flow (Option 2) generated for Phase 2) of the Longda Shenzhen Section as at 30 November 2015.

Based on the above assumptions, the value of the Longda Shenzhen Section in different situations as at the valuation base date of 30 November 2015 was as below:

Unit: RMB'000

Longda Shenzhen Section	Valuation (if Option 1 is adopted in Phase 2)	Valuation (if Option 2 is adopted in Phase 2)
Phase 1	11,775,173	11,775,173
Phase 2	30,800,192	18,167,220
Total:	42,575,364	29,942,393

The board of directors of SZ International has reviewed the principal assumptions adopted in the valuation, and is of the view that the valuation has been made after due and careful enquiry. The calculation of discounted future estimated cash flows adopted by DZX on which the valuation is based has been reviewed by PwC, the auditor of SZ International. The letter from the board of directors of SZ International and the letter from PwC and are included in Appendices I, and III of this announcement, respectively.

INFORMATION OF SZ INTERNATIONAL, SZ EXPRESSWAY AND LONGDA COMPANY

SZ International and its subsidiaries are principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as provision of various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.

SZ Expressway and its subsidiaries are principally engaged in the investment, construction, operation and management of toll highways and roads. SZ Expressway is held by SZ International as to 50.889%.

Longda Company is held by SZ International as to 89.93%. The major assets and business of Longda Company are investment, operation and management of the Longda Expressway.

INFORMATION OF THE TRANSPORT COMMISSION

The Transport Commission is the competent department of the Shenzhen government in charge of transportation. It is mainly responsible for policy making, development planning, supervision and coordination of transportation in Shenzhen and the construction and maintenance of relevant facilities.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ADJUSTMENT AGREEMENTS

Based on the overall demand of economic development and transportation planning, the Shenzhen government intends to adjust the toll of each of the Three Expressways and Longda Expressway and make a compensation to SZ International and SZ Expressway respectively which is reasonable in the prevailing market. The Adjustments meet the objective needs of Shenzhen's economic development and urbanization to a certain stage, which will lower the transportation and logistic costs of the Shenzhen citizens, improve the efficiency of the transport system and enhance the urban traffic service capacity, form a more reasonable traffic pattern, as well as release the land along the expressways, promote intensive land development and industrial upgrading in the region, and Shenzhen's urban transformation and the integration of internal and external development will be accelerated.

The Three Expressways Adjustment and compensation arrangement would enable SZ Expressway to improve its financial position and enhance its ability and room for future sustainable development through the cashflow to be generated by future revenue and/or income and the relatively large amount of first payment to be received at a reasonable cost. SZ Expressway will fully grasp opportunities to acquire main business projects and develop new industries, with a view to overall improving asset structure for long-term development and achieving new industry layout as soon as possible. SZ Expressway will also take this opportunity to endeavour for further understanding and support of Shenzhen government, to create a more favorable external environment for the development of enterprises, to seek good assets and business opportunities with good business prospects, for new momentum for the sustainable and healthy development of enterprise. Based on the in-depth study of the changes in both internal and external environment, SZ Expressway formulated the “2015-2019 Development Strategies” in June 2015, details of which were set out in the Interim Report 2015 of SZ Expressway. However, as at the date of this announcement, save as disclosed, SZ Expressway has not identified any specific investment target or reached any investment agreement so far as the new industry is concerned. In addition, as SZ Expressway is a subsidiary of SZ International, SZ International will benefit from the reduction in the debt level of SZ Expressway and the improvement in its ability for future sustainable development pursuant to the Three Expressways Adjustment and the transactions contemplated thereunder.

The Longda Adjustment and compensation arrangement would enable SZ International to further strengthen its financial position and enhance its ability to further develop its logistics business (including the development of its “China Urban Integrated Logistics Hub” projects) through the cashflow to be generated by future revenue and/or income and the relatively large amount of first payment to be received at a reasonable cost. This effectively creates a favourable condition for SZ International to implement its strategy of further developing its logistics business.

In connection with the Adjustments, each of SZ International and SZ Expressway will receive reasonable compensation, which has taken into account their sustainable development. The Adjustments also improve the economic development of the region and overall development of Shenzhen. Therefore, the Adjustments bring benefits to the society, government and each of SZ International and SZ Expressway.

The directors of SZ International consider that the terms of the Adjustment Agreements are fair and reasonable and the Adjustment Agreements and the transactions contemplated thereunder are in the interests of SZ International and the shareholders of SZ International as a whole.

The directors of SZ Expressway consider that the terms of the Three Expressways Adjustment Agreement are fair and reasonable and the Three Expressways Adjustment Agreement and the transactions contemplated thereunder are in the interests of SZ Expressway and the shareholders of SZ Expressway as a whole.

None of the directors of SZ International has a material interest in the Adjustment Agreements and the transactions contemplated thereunder. Accordingly, none of them has abstained from voting at the meeting of the board of directors of SZ International on the resolutions to approve the transactions contemplated and the Adjustment Agreements thereunder.

None of the directors of SZ Expressway has a material interest in the Three Expressways Adjustment Agreement and the transactions contemplated thereunder. Accordingly, none of them has abstained from voting at the meeting of the board of directors of SZ Expressway on the resolutions to approve the transactions contemplated and the Three Expressways Adjustment Agreement thereunder.

IMPLICATIONS UNDER THE LISTING RULES

For SZ International, as one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Adjustment Agreements and the transactions contemplated thereunder is more than 25% but less than 75%, the Adjustment Agreements and the transactions contemplated thereunder constitute a major transaction of SZ International under the Listing Rules, and are therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

For SZ Expressway, as one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Three Expressways Adjustment Agreement and the transactions contemplated thereunder is more than 75%, the Three Expressways Adjustment Agreement and the transactions contemplated thereunder constitute a very substantial disposal of SZ Expressway under the Listing Rules, and are therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

EGM OF SZ EXPRESSWAY

SZ Expressway will convene an EGM, at which resolution(s) will be proposed to consider and, if thought fit, approve the Three Expressways Adjustment Agreement and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the directors of SZ Expressway, having made all reasonable enquiries, none of the shareholders of SZ Expressway is required to abstain from voting at the EGM to approve the Three Expressways Adjustment Agreement and the transactions contemplated thereunder.

SGM OF SZ INTERNATIONAL

SZ International will convene a SGM, at which resolution(s) will be proposed to consider and, if thought fit, approve the Adjustment Agreements and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the directors of SZ International, having made all reasonable enquiries, none of the shareholders of SZ International is required to abstain from voting at the SGM to approve the Adjustment Agreements and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, (i) further details of the Three Expressways Adjustment Agreement and the transactions contemplated thereunder; (ii) the notice convening the EGM of SZ Expressway; and (iii) other information required under the Listing Rules will be despatched by SZ Expressway to its shareholders on or before 31 December 2015. As additional time is required to collate the relevant information to be included in the circular, the expected date of despatch of the circular is more than 15 business days after the publication of this announcement.

A circular containing, among other things, (i) further details of the Adjustment Agreements and the transactions contemplated thereunder; (ii) the notice convening the SGM of SZ International; and (iii) other information required under the Listing Rules will be despatched by SZ International to its shareholders on or before 31 December 2015. As additional time is required to collate the relevant information to be included in the circular, the expected date of despatch of the circular is more than 15 business days after the publication of this announcement.

Trading in the shares and the related securities of SZ International (stock code: 04542) and the H shares of SZ Expressway were halted on the Stock Exchange from 9:00 a.m. on 30 November 2015 at the request of SZ International and SZ Expressway, respectively, pending the release of this announcement. SZ International and SZ Expressway have made applications to the Stock Exchange to resume trading of their shares and the related securities of SZ International (stock code: 04542) on the Stock Exchange from 9:00 a.m. on 3 December 2015, respectively.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice contained in this announcement:

Name	Qualifications
DZX	an independent qualified valuer in the PRC engaged in valuation
PwC Zhong Tian LLP	Certified Public Accountants, the PRC
PwC	Certified Public Accountants, Hong Kong

To the best of knowledge, information and belief of the directors' of SZ International and SZ Expressway, having made all reasonable enquiries, each of DZX, PwC Zhong Tian LLP and PwC is an Independent Third Party of SZ International and SZ Expressway, respectively.

As at the date of this announcement, none of DZX, PwC Zhong Tian LLP and PwC has any shareholding in any member of SZ International or SZ Expressway or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of SZ International or SZ Expressway.

Each of the DZX, PwC Zhong Tian LLP and PwC has given and has not withdrawn its consent to the publication of this announcement with the inclusion of its opinion and advice and all references to its name in the form and context in which they are included.

DEFINITIONS

“Adjustment Agreements”	collectively, the Three Expressways Adjustment Agreement and the Longda Adjustment Agreement
“Adjustments”	collectively, the Three Expressways Adjustment and the Longda Adjustment
“DZX”	DZX International Appraisal Limited (德正信國際資產評估有限公司), an independent institution established in PRC with the qualifications for assets valuation
“EGM”	extraordinary general meeting
“Fee Entitlement Right”	the right entitling the grantee of such right to charge fees in respect of an expressway, including toll fees, advertising fees and ancillary service facilities operation fees
“HK\$”	Hong Kong Dollar, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual or a company which is independent of SZ International or SZ Expressway and their respective connected persons (within the meaning of the Listing Rules)
“km”	kilometer(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longda Adjustment”	pursuant to the Longda Adjustment Agreement, the toll adjustment of the Longda Shenzhen Section, the transfer of assets and the relevant compensation arrangement
“Longda Adjustment Agreement”	the agreement entered into between Longda Company and the Transport Commission (on behalf of the Shenzhen government) on 30 November 2015 relating to the toll adjustment of the Longda Shenzhen Section, the transfer of assets and the relevant compensation arrangement
“Longda Company”	Shenzhen Longda Expressway Company Limited (深圳龍大高速公路有限公司), a company incorporated in the PRC with limited liability and held by SZ International as to 89.93%

“Longda Expressway”	the 28.2 km expressway across Shenzhen and Dongguan that starts from Longhua street in Shenzhen, runs to Shiyan, Guangming, Gongming, Songgang and ends at Dalingshan in Dongguan
“Longda Land Use Rights”	the land use rights of Longda Shenzhen Section and any ancillary assets
“Longda New Toll Stations”	the new toll stations for the Longda Shenzhen Section to be set up by the Transport Commission
“Longda Shenzhen Section”	the 23.8 km section of the Longda Expressway from the starting point of the Longda Expressway to the Nanguang ramp
“Nanguang Expressway”	the 31 km expressway connecting Xili and Gongming in Shenzhen that starts from Qilin Road in Shenzhen, runs to Xili, Shiyan, Gongming and ends at Luotian, connected with Changhu expressway through the Longda Expressway
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“PwC”	PricewaterhouseCoopers
“PwC Zhong Tian LLP”	PricewaterhouseCoopers Zhong Tian LLP
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	special general meeting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZ Expressway”	Shenzhen Expressway Company Limited, a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange
“SZ International”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Three Expressways”	collectively, the Nanguang Expressway, the Yanpai Expressway and the Yanba Expressway

“Three Expressways Adjustment”	pursuant to the Three Expressways Adjustment Agreement, the toll adjustment of the Three Expressways, the transfer of assets and the relevant compensation arrangement
“Three Expressways Adjustment Agreement”	the agreement entered into between SZ Expressway and the Transport Commission (on behalf of the Shenzhen government) on 30 November 2015 relating to the toll adjustment of the Three Expressways, the transfer of assets and the relevant compensation arrangement
“Three Expressways Land Use Rights”	the land use rights of the Three Expressways and any ancillary assets
“Three Expressways New Toll Stations”	the new toll stations for the Three Expressways to be set up by the Transport Commission
“Transport Commission”	the Transport Commission of Shenzhen Municipality (深圳市交通運輸委員會)
“Yanba Expressway”	the 29.1 km expressway connecting Yantian and Bagang in Shenzhen, consisting of the section A from Yantian to Xichong, the section B from Xichong to Kuichong and the section C from Kuichong to Bagang
“Yanpai Expressway”	the 15.6 km expressway connecting Yantian and Paibang in Shenzhen that starts from Yantian, runs to Wutongshang and ends at Paibang Interchange, connected with Jihe expressway and Boshen expressway

Notes:

In this announcement, the English names of certain PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

In this announcement, conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 to RMB0.82. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By Order of the Board
Shenzhen International Holdings Limited
Gao Lei
Chairman

By Order of the Board
Shenzhen Expressway Company Limited
Hu Wei
Chairman

Shenzhen, the PRC, 2 December 2015

As at the date of this announcement, the board of directors of SZ International consists of Messrs. Gao Lei, Li Jing Qi, Zhong Shan Qun, Liu Jun and Li Lu Ning as executive directors, Dr. Yim Fung, JP as non-executive director and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive directors.

As at the date of this announcement, the directors of SZ Expressway are Mr. HU Wei (Executive Director and Chairman of the Board), Mr. WU Ya De (Executive Director and President), Mr. WANG Zeng Jin (Executive Director), Mr. LI Jing Qi (Non-executive Director), Mr. ZHAO Jun Rong (Non-executive Director), Mr. TSE Yat Hong (Non-executive Director), Ms. ZHANG Yang (Non-executive Director), Mr. CHIU Chi Cheong, Clifton (Non-executive Director), Mr. AU Sing Kun (Independent non-executive Director), Mr. LIN Chu Chang (Independent non-executive Director), Mr. HU Chun Yuan (Independent non-executive Director) and Mr. SHI Xian Liang (Independent non-executive Director).

APPENDIX I – LETTER FROM THE BOARD OF DIRECTORS OF SHENZHEN INTERNATIONAL HOLDINGS LIMITED

2 December 2015

The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

The toll adjustment and compensation arrangements regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway (the “Three Expressways”) and the 23.8 km section of the Longda Expressway (the “Longda Shenzhen Section”)

Reference is made to the valuation of the Three Expressways and the Longda Shenzhen Section as at 30 November 2015 prepared by DZX International Appraisal Limited (“**DZX**”) (the “**Valuation**”), which was mentioned in the joint announcement of Shenzhen International Holdings Limited (the “**Company**”) and Shenzhen Expressway Company Limited (a 50.889%-owned subsidiary of the Company) dated 2 December 2015.

The Valuation is set out in the valuation reports regarding the toll adjustment and compensation arrangements regarding the Three Expressways and the Longda Shenzhen Section issued by DZX on 20 October 2015 (the “**Valuation Reports**”).

The Valuation constitutes a profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited .

We have reviewed the Valuation Reports prepared by DZX and considered the letter to the Company dated 2 December 2015 issued by PricewaterhouseCoopers, the auditor of the Company, regarding whether the discounted future estimated cash flows on which the Valuation is based, so far as the calculations are concerned, has been properly compiled. On the basis of the foregoing, we are of the view that the Profit Forecast has been made after due and careful enquiry.

Yours faithfully,

By Order of the Board
Shenzhen International Holdings Limited
Gao Lei
Chairman

APPENDIX II - LETTER FROM THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY COMPANY LIMITED

2 December 2015

The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

The toll adjustment and compensation arrangements regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway

Reference is made to the valuation report dated 20 October 2015 (“**Valuation Report**”) in relation to the value of future income of Nanguang Expressway, Yanpai Expressway, Yanba Expressway as at 30 November 2015 prepared by independent valuer, DZX International Appraisal Limited (“**DZX**”), appointed by Shenzhen Expressway Company Limited (“**Company**”). The valuation set out in the Valuation Report constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

We have reviewed the valuation for which DZX are responsible, and discuss on relevant matters (including the bases and assumptions upon which the valuation has been prepared). We have also considered the letter from our auditor, PricewaterhouseCoopers Zhong Tian LLP dated 2 December 2015 addressed to us regarding whether the valuation was compiled properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the Valuation Report and the valuation therein prepared by DZX have been made after due and careful enquiry.

Yours faithfully,

By Order of the Board
Shenzhen Expressway Company Limited
HU Wei
Chairman

Appendix III

The following is the text of the report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this announcement.



羅兵咸永道

TO THE BOARD OF DIRECTORS OF SHENZHEN INTERNATIONAL HOLDINGS LIMITED

REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE TOLL ADJUSTMENT AND COMPENSATION ARRANGEMENTS REGARDING NANGUANG EXPRESSWAY, YANPAI EXPRESSWAY, YANBA EXPRESSWAY AND LONGDA EXPRESSWAY

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the valuation (the "Valuation") dated 20 October 2015 prepared by DZX International Appraisal Limited in respect of the appraisal of the fair value of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway as at 30 November 2015. Nanguang Expressway, Yanpai Expressway and Yanba Expressway are owned by Shenzhen Expressway Company Limited, a subsidiary of Shenzhen International Holdings Limited (the "Company") while Longda Expressway is owned by the Company. The Valuation is in connection with the toll adjustment and compensation arrangements regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant's Responsibility

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the Valuation. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows , so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out in the Valuation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 2 December 2015

The following is the text of the letter received from PricewaterhouseCoopers Zhong Tian LLP, for the purpose of inclusion in this announcement.



普华永道

TO THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY COMPANY LIMITED

REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE TOLL ADJUSTMENT AND COMPENSATION ARRANGEMENTS REGARDING NANGUANG EXPRESSWAY, YANPAI EXPRESSWAY AND YANBA EXPRESSWAY

TO THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY COMPANY LIMITED

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the valuation (the "Valuation") dated 20 October 2015 prepared by DZX International Appraisal Limited in respect of the appraisal of the fair value of Nanguang Expressway, Yanpai Expressway and Yanba Expressway as at 30 November 2015 is based. The Valuation is in connection with the toll adjustment and compensation arrangements regarding Nanguang Expressway, Yanpai Expressway and Yanba Expressway. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Director's responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

普华永道中天会计师事务所有限公司(特殊普通合伙)

PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

Reporting Accountant's Responsibility

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation.

We conducted our work in accordance with the China Standard on Other Assurance Engagements No.3101 - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by Chinese Institute of Certified Public Accountant. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the Valuation. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out in the Valuation.

PricewaterhouseCoopers Zhong Tian LLP

Certified Public Accountant: Zhou Wei Ran

Shanghai, the People's Republic of China
2 December 2015

Certified Public Accountant: Hou Ying Hua