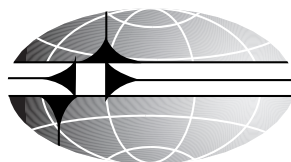

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Shenzhen Expressway Company Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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



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)

**VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE TOLL ADJUSTMENT
AND COMPENSATION ARRANGEMENTS REGARDING NANGUANG
EXPRESSWAY, YANPAI EXPRESSWAY AND YANBA EXPRESSWAY
AND
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING 2016**

An extract of the notice dated 15 December 2015 convening the first extraordinary general meeting 2016 (“EGM”) of Shenzhen Expressway Company Limited (“**Company**”) to be held at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC at 2:30 p.m. on 29 January 2016 (Friday) is set out on pages 90 to 91 of this circular. The notice of the EGM, the reply slip and the proxy form have been published and despatched to the shareholders of the Company on 15 December 2015. Whether or not you intend to attend the said meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the registrar of H shares of the Company, Hong Kong Registrars Limited, at Floor 17M, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for the holders of H shares) or to the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the People’s Republic of China (for the holders of A shares) as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the relevant meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting(s) should you so wish.

12 January 2016

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DEFINITIONS

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

“Board”	the board of Directors
“Company”	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
“Director(s)”	the director(s) of the Company
“DZX”	DZX International Appraisal Limited (德正信國際資產評估有限公司), an independent qualified valuer in the PRC
“EGM”	the extraordinary general meeting of the Company to be held at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC at 2:30 p.m. on 29 January 2016 (Friday) for the purpose of considering, and if thought fit, approving the Three Expressways Adjustment Agreement and the transactions contemplated thereunder
“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
“Group”	the Company and its subsidiaries
“Guangdong Traffic”	Guangdong Traffic Planning and Design Institute Co., Ltd. (廣東省交通規劃設計研究院股份有限公司), an independent traffic consultant in the PRC
“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 the Company and its connected persons (within the meaning of the Listing Rules)
“km”	kilometer(s)
“Latest Practicable Date”	8 January 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 circular, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“PwC Zhong Tian LLP”	PricewaterhouseCoopers Zhong Tian LLP
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 the Company 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

DEFINITIONS

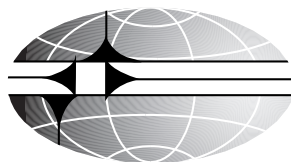
“Transport Commission”	the Transport Commission of Shenzhen Municipality (深圳市交通運輸委員會)
“Yanba Expressway”	the 29.1 km expressway connecting Yantian and Bagang in Shenzhen, consisting of the section A from Yantian to Xichong, the section B from Xichong to Kuichong and the section C from Kuichong to Bagang
“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 circular, 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 circular, 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. HU Wei (*Chairman*)

Mr. WU Ya De

Mr. WANG Zeng Jin

Non-executive Directors:

Mr. LI Jing Qi

Mr. ZHAO Jun Rong

Mr. TSE Yat Hong

Ms. ZHANG Yang

Mr. CHIU Chi Cheong, Clifton

Independent Non-executive Directors:

Mr. AU Sing Kun

Mr. LIN Chu Chang

Mr. HU Chun Yuan

Mr. SHI Xian Liang

Legal Address:

Podium Levels 2-4,

Jiangsu Building,

Yitian Road,

Futian District,

Shenzhen, PRC

Principal Place of Business in Hong Kong:

Suites 2001-2006, 20th Floor,

Jardine House,

1 Connaught Place,

Central, Hong Kong

12 January 2016

To the Shareholders

Dear Sirs or Madams,

**VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE TOLL ADJUSTMENT
AND COMPENSATION ARRANGEMENTS REGARDING NANGUANG
EXPRESSWAY, YANPAI EXPRESSWAY AND YANBA EXPRESSWAY
AND
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING 2016**

Reference is made to the joint announcement dated 2 December 2015 published by the Company and SZ International in relation to, among other things, the Three Expressways Adjustment Agreement entered into between the Company and the Transport Commission dated 30 November 2015.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Three Expressways Adjustment Agreement and the transactions contemplated thereunder; (ii) the notice convening the EGM; and (iii) other information required under the Listing Rules.

INTRODUCTION

On 30 November 2015, the Company and the Transport Commission entered into the Three Expressways Adjustment Agreement, pursuant to which the parties 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 calculated based on adjustment mechanism by the Transport Commission.

The Three Expressways Adjustment Agreement will be implemented in two phases. During Phase 1, the Company will retain its Fee Entitlement Right and be responsible for the maintenance and repair of the Three Expressways. The Transport Commission will engage the services of the Company and implement toll-free for the Three Expressways 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 will be returned to the Transport Commission in exchange for cash compensation and the Transport Commission will implement toll-free for the Three Expressways. The Company will no longer retain its Fee Entitlement Right and be responsible for the maintenance and repair of the Three Expressways.

THE THREE EXPRESSWAYS ADJUSTMENT AGREEMENT

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

- Date:** 30 November 2015
- Parties:** The Company
the Transport Commission

To the best of the knowledge, information and belief of the Directors, 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, the Company 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:

LETTER FROM THE BOARD

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

During Phase 1, the Company will implement toll-free for the Three Expressways in exchange for cash compensation from the Transport Commission. During this period, the Company 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 – The Company 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, the Company 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 the Company. 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*”.

LETTER FROM THE BOARD

All compensation (not including compensation for the relevant taxes) payable by the Transport Commission to the Company are subject to additional interest payable by the Transport Commission to the Company to reflect the time value of the compensation for the period between the basis date of valuation and the date of payment. 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 the Company and the Transport Commission. The Company 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, the reasons for and benefits of entering into the Three Expressways Adjustment Agreement as set out below and the impact on the Company, etc. The Company 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 audit 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. The adjustment mechanism consists of a traffic model based on the "four-phase" theory commonly adopted in the industry. Relevant parameters for each year will be set and the traffic model will also be updated and optimized according to the actual conditions of the Three Expressways. The optimized model will be applied for each year to evaluate the traffic flow of the Three Expressways and to calculate the actual toll revenue. For details of the adjustment mechanism, please refer to the appendix of this letter.

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.

LETTER FROM THE BOARD

If Option 1 is adopted in Phase 2, the Company and the Transport Commission will negotiate again on the amount of compensation for Phase 2 with reference to the abovementioned adjustment mechanism in Phase 1 and taking into account of the factors such as economic growth, changes in road network and transferred or induced traffic volume due to toll free arrangement, etc.

In addition, any additional operational expenses incurred by the Company 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 the Company. 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, the Company 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, the Company 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 the Company 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 the 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 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) the 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 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, the 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.

LETTER FROM THE BOARD

In case the Transport Commission elects to adopt Option 2 in Phase 2, the Company 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 the Company.

During Phase 2, any relevant tax shall also be borne by the Company if Option 1 is adopted. If Option 2 is adopted, the 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 Three Expressways Adjustment Agreement*”. The actual tax amount in excess of the estimated compensation figure will be further paid up to the Company 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) the Company having obtained all necessary approvals, authorization, consent and permit (including but not limited to the approval of the controlling shareholders of the Company 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 Latest Practicable Date, the shareholders’ approval of each of SZ International and the Company is yet to be obtained for the effectiveness of the Three Expressways Adjustment Agreement. Pursuant to the Three Expressways Adjustment Agreement, there is neither a specific timeframe nor a long-stop date for the fulfilment of the conditions above. If any of the conditions above is not satisfied, the Three Expressways Adjustment Agreement shall lapse and the Company and the Transport Commission shall resolve by amicable negotiation. If no consensus can be reached, the Company shall be entitled to receive toll revenue for the Three Expressways. The 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 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 the Company 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

LETTER FROM THE BOARD

of RMB5,000,000. If the Transport Commission delays the payment of the compensation and interests, the defaults charges shall be paid to the 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 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. The Company 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.

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.

LETTER FROM THE BOARD

Based on the unaudited financial statements of the Company 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:

	<i>Unit: RMB'000</i>		
Item	Nanguang Expressway	Yanpai Expressway	Yanba Expressway
Original book value	3,150,182	1,044,965	1,555,992
Net book value	2,605,036	621,407	1,102,305

The Company has not separately prepared financial statements for the Three Expressways. Based on revenue and costs recorded in the audited financial statements of the Company for the two years ended 31 December 2013 and 2014 and the unaudited financial statements of the Company for the nine months ended 30 September 2015, and in accordance with the cost allocation method in line with the accounting policies of the Company, 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:

	<i>Unit: RMB'000</i>		
	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	135,744	134,071
Net profits (after taxation)	77,996	101,807	100,553
Yanpai Expressway:			
Net profits (before taxation)	63,555	113,822	102,591
Net profits (after taxation)	47,668	85,368	76,943
Yanba Expressway:			
Net profits (before taxation)	43,228	65,253	58,782
Net profits (after taxation)	34,575	48,940	44,086

FINANCIAL EFFECTS OF THE THREE EXPRESSWAYS ADJUSTMENT BASED ON THE THREE EXPRESSWAYS ADJUSTMENT AGREEMENT

During Phase 1, the Company 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 Adjustment will not have material financial effect on the revenue and profit of the Company. Meanwhile, the Transport Commission will make the first payment of RMB6,588,000,000 (approximately HK\$8,034,000,000) to the Company in cash within 30 days

LETTER FROM THE BOARD

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 the Company, which is favourable to the financial condition of the Company.

During Phase 2, the financial effect on the Company 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 the Company. 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 RMB3,600,000,000¹. 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 RMB1,600,000,000² (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 the Company, accordingly future toll revenue, profit and operating cash flow of the Company 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 Company's auditors.

The proceeds received by the Company under the Three Expressways Adjustment 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 the Company, including but not limited to any potential investment or acquisition in relation to the its main businesses and related businesses. At the Latest Practicable Date, the Company has not identified any specific investment target or reached any investment agreement using the net proceeds arising from the Three Expressways Adjustment Agreement.

¹ The total net book value of the Three Expressways as at 1 January 2019 is the total net book value of the Three Expressways as at 31 December 2014 (based on the audited financial report), minus amortization (actual and estimated) from 2015 to 2018. Amortization is calculated on a unit-of-usage basis and based on the proportion of actual traffic volume/estimated traffic volume for 2015 to 2018 to the total projected traffic volume throughout the period within which the Company is granted the rights to operate those expressways.

² The profits from disposal of assets is determined mainly based on the amount of compensation to be received by the Company (with the interest accrued from the payment date of compensation up to and including 31 December 2018) minus the net book value of the Three Expressways as at 1 January 2019.

LETTER FROM THE BOARD

VALUATION

The 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 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 business valuation.

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

Duration (Year)	Nanguang Expressway	
	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

LETTER FROM THE BOARD

Unit: RMB'000

Duration (Year)	Yanpai Expressway	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

Duration (Year)	Yanba Expressway	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 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 Expressways Adjustment Agreement, the valuation of future income of the Three Expressways as at the valuation base date of 30 November 2015 was as below:

LETTER FROM THE BOARD

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

Unit: RMB'000

Project	Valuation I as at the valuation base date of 30 November 2015		Total
	Phase 1	Phase 2	
Nanguang Expressway	966,992.8	4,627,850.9	5,594,843.7
Yanba Expressway	495,991.6	1,707,769.9	2,203,761.5
Yanpai Expressway	<u>512,036.1</u>	<u>1,372,605.9</u>	<u>1,884,642.0</u>
Total:	<u>1,975,020.5</u>	<u>7,708,226.7</u>	<u>9,683,247.2</u>

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

Unit: RMB'000

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

The Board 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 Zhong Tian LLP, the auditor of the Company. The letters from the Board and PwC Zhong Tian LLP were disclosed in Appendix V to this circular.

Details of the business valuation are set out in Appendix IV to this circular.

INFORMATION OF THE COMPANY

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

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.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE THREE EXPRESSWAYS ADJUSTMENT AGREEMENT

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 make a compensation the Company respectively which is reasonable in the prevailing market. The Three Expressways Adjustment 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 the Company 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. The Company 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. The Company 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, the Company formulated the "2015-2019 Development Strategies" in June 2015, details of which were set out in the Interim Report 2015 of the Company. However, as at the Latest Practicable Date, save as disclosed, the Company has not identified any specific investment target or reached any investment agreement so far as the new industry is concerned.

In connection with the Three Expressways Adjustment, the Company will receive reasonable compensation, which has taken into account its sustainable development. The Three Expressways Adjustment also improve the economic development of the region and overall development of Shenzhen. Therefore, the Three Expressways Adjustment bring benefits to the society, government and the Company.

The Directors 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 the Company and the Shareholders as a whole.

None of the Directors 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 on the resolutions to approve the transactions contemplated and the Three Expressways Adjustment Agreement thereunder.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

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 the Company 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

The Company will convene the 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, having made all reasonable enquiries, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution approving the Three Expressways Adjustment Agreement and the transactions contemplated thereunder.

The EGM will be held at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC at 2:30 p.m. on 29 January 2016 (Friday). Pursuant to Rule 13.39(4) of the Listing Rules and the Articles of Association of the Company, voting at the EGM will be taken by poll.

The notice of the EGM, together with the reply slip and the proxy form have been published and despatched to the Shareholders on 15 December 2015. As extract of the said notice of the EGM are set out on pages 90 to 91 of this circular.

Whether or not you intend to attend the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the registrar of H shares of the Company, Hong Kong Registrars Limited, Floor 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H shares) or to the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC (for the holders of A shares) as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting(s) should you so wish.

RECOMMENDATION

The Board (including all the independent non-executive Directors) considers that the terms of the Three Expressways Adjustment Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, and the entering into of the Three Expressways Adjustment Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Three Expressways Adjustment Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

FURTHER INFORMATION

Business valuation of the Three Expressways has been prepared by DZX, a summary of which is set out in Appendix IV to this circular.

Traffic study of the Three Expressways has been prepared by Guangdong Traffic, a summary of which is set out in Appendix VI to this circular.

As the business valuation of the Three Expressways is prepared on the basis of discounted cash flow method, the valuation has been deemed as a profit forecast under the Listing Rules. Letters from PwC Zhong Tian LLP, the auditor of the Company and the Board relating to discounted future estimated cash flows in connection with the business valuation of the Three Expressways, which are prepared pursuant to Rules 14.62 and 14.71 of the Listing Rules, are set out in Appendix V to this circular.

Your attention is drawn to the additional information set out in the appendices to this circular.

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

LETTER FROM THE BOARD

APPENDIX TO THE LETTER FROM THE BOARD – ADJUSTMENT MECHANISM OF COMPENSATION UNDER THE THREE EXPRESSWAYS ADJUSTMENT AGREEMENT

Pursuant to the Three Expressways Adjustment Agreement, the parties will engage Shenzhen City Transport Planning Study Centre Co., Ltd. to audit the actual amount of toll revenue for the Three Expressways in each of the financial years during Phase 1 and Phase 2 (if Option 1 is elected) according to the agreed approach (Please refer to the Letter from the Board for more details). Based on actual number of vehicle passage each year, the audit 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. The adjustment mechanism consists of a traffic model based on the “four-phase” theory commonly adopted in the industry. Relevant parameters for each year will be set and the traffic model will also be updated and optimized according to the actual conditions of the Three Expressways. The optimized model will be applied for each year to evaluate the traffic flow of the Three Expressways and to calculate the actual toll revenue. The specific steps and methods are set out as follows:

The method for estimating traffic volume and calculating actual toll revenue of an expressway on a toll-free basis in 2016-2018:

(1) A traffic model constructed on the basis of the “Four-stage Theory”

The four stages are (i) generation of travel; (ii) distribution of travel; (iii) division of modes; and (iv) traffic distribution. The traffic model has been prepared when estimating the traffic volume and toll revenue of the expressways during the toll period.

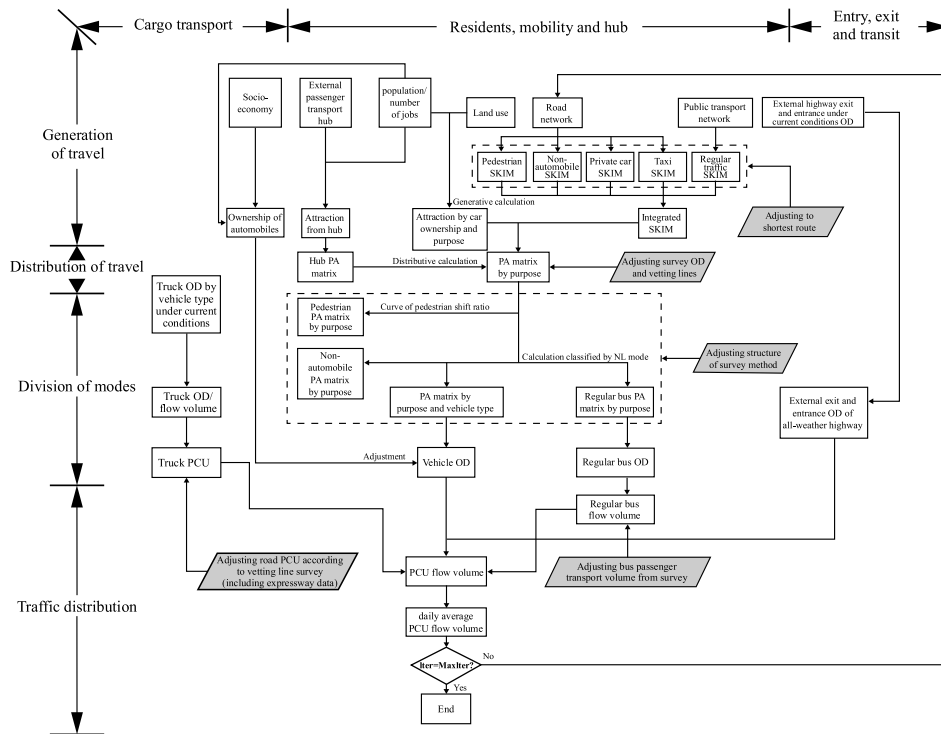
Put in the simplest terms, from a micro-perspective, the generation of travel is related to factors of personal attributes (e.g. age, profession, income, car ownership, residential location, degree of transport convenience). From a regional perspective, the generation of travel is related to the economy, population, job market and land use. The distribution of travel is affected by the degree of convenience of transport facilities such as road networks and highways (e.g. duration of travel and costs, etc.) and ancillary facilities in surrounding areas. The division of modes is directly related to the degree of convenience of various transport modes (e.g. pedestrian, underground, public bus, etc.). Traffic distribution is affected by the conditions of road networks and traffic conditions.

(2) Adjusting model parameters and optimizing the model based on actual data

Taking 2016 as an example, forecast data in the model relating to the socio-economy, population, number of jobs, land use, etc. is replaced by actual data of 2016 and the traffic volume of the Three Expressways on a toll-free basis is calculated according to the model (“Model Value A”).

LETTER FROM THE BOARD

Model parameters (parallelogram boxes) are adjusted using city-wide transportation survey data and expressway survey data on road traffic volume, bus flow volume and transport mode (“Survey Value A”, being data of actual traffic flow volume), until the error of the model is reduced to an acceptable level. The process of the model adjustment is as follows:

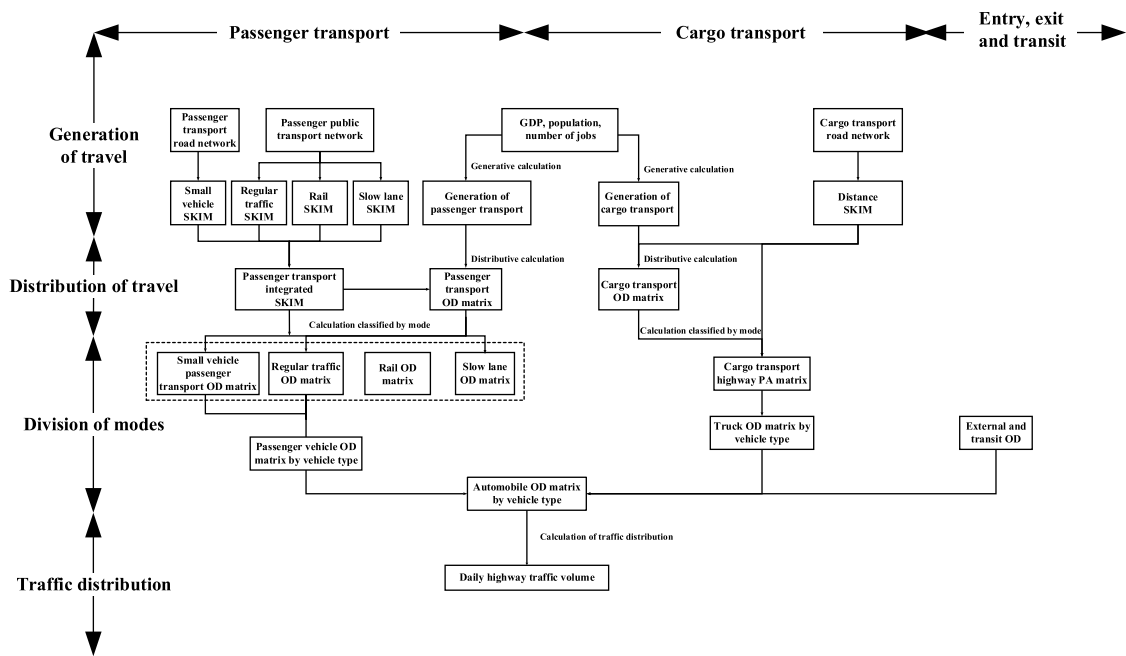


- OD: the volume of travel between the point of origin and the destination, where “O” denotes the ORIGIN and “D” signifies the DESTINATION of the travel.
- PA: “P” denotes Production and “A” denotes Attraction, corresponding to the concepts of the volume of travel generation and the volume of travel attraction.
- Travel generation: volume of travels from one end (“O” or “D,” namely the home can be the origin or the destination) in all HB (Home Based) travels and volume of travels from “O” in NHB (Non Home Based, namely neither end of the travel is home) travels.
- Travel attraction: volume of travels from the non-home end (“O” or “D”) in all HB (Home Based) travels and volume of travels from “D” in NHB (Non Home Based, namely neither end of the travel is home) travels.
- SKIM: the process of resistance (duration and costs, etc.) against accessing alternate routes.
- PCU: Passenger Car Unit, or passenger car equivalent, is the traffic flow rate arrived at by applying a discount coefficient to the actual traffic volume of all motor and non-motor vehicles. Such discount coefficient has been provided for in the “Highway Engineering Technical Standards” and “City Road Design Conventions” of China.

LETTER FROM THE BOARD

(3) Applying the optimized model to estimate traffic volume of expressways on a toll basis and calculate the actual toll revenue:

Taking 2016 as an example, based on actual 2016 data on the socio-economy, population, number of jobs, land use, etc., traffic volume of the Three Expressways on a toll basis is calculated according to the optimized model (“Model Value B”) (changing the road attributes of the Three Expressways in the following “Passenger transport road network” and “Cargo transport road network” from a toll-free basis to a toll basis according the toll standards for 5 vehicle categories). The process of calculation is as follows:



Actual toll revenue is calculated based on the appraised traffic volume of the expressways on a toll fees according to the current toll rates.

(4) Illustration – Nanguang Expressway under different scenarios in 2016

Taking Nanguang Expressway as an example, the estimated traffic flow and estimated toll revenue in 2016 stipulated under the Three Expressways Adjustment Agreement are 48,956 standard vehicles/day and approximately RMB335,630,000, respectively. Assuming all other factors (such as economic growth, changes in road network, etc.) remain constant, the traffic flow in the optimistic scenario of 2016 (as estimated by Guangdong Traffic) would be 49,592 standard vehicles per day and the toll revenue calculated under the adjustment mechanism would be approximately RMB341,270,000, representing a 1.68% deviation from the estimated figure. In the basic scenario of 2016 (as estimated by Guangdong Traffic), the traffic flow would be 48,378 standard vehicles per day and the toll revenue calculated under the adjustment mechanism would be approximately RMB331,650,000, representing a 1.19% deviation from the estimated figure.

1. FINANCIAL SUMMARY OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sz-expressway.com):

- 1) the Company's annual report for the year ended 31 December 2012 published on 9 April 2013;
- 2) the Company's annual report for the year ended 31 December 2013 published on 10 April 2014; and
- 3) the Company's annual report for the year ended 31 December 2014 published on 10 April 2015.

2. WORKING CAPITAL

Taking into account the effect of the transaction under the Three Expressways Adjustment Agreement, and the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

3. INDEBTEDNESS

As at 30 November 2015, being the latest practicable date for preparation of this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowing of RMB3,064,000,000 which comprised a secured long-term borrowing of RMB2,524,000,000, of which RMB1,988,000,000 was pledged by the toll collection right of Qinglian Expressway, RMB536,000,000 was pledged by the toll collection right of Shuiguan Expressway; a secured (pledged) long-term finance lease of RMB490,000,000, which was pledged by the toll collection right of Shuiguan Expressway; and a secured short-term borrowing of RMB50,000,000, which was guaranteed by Shenzhen Huayu Expressway Investment Company Limited, Shenzhen Huayu Investment & Development (Group) Co. Ltd. and Mr. Chen Yangnan.

As at 30 November 2015, the Group had outstanding bonds of approximately RMB5,000,000,000 which comprised guaranteed corporate bonds with par value of RMB800,000,000 for a term of 15 years, which were guaranteed by China Construction Bank, Shenzhen Branch with a pledge of 100% equity interests in Shenzhen Meiguan Expressway Company Limited by the Company to the bank as counter guarantee; unsecured and unguaranteed corporate bonds with par value of approximately RMB1,500,000,000 for a term of 5 years; unsecured and unguaranteed private placement notes with par value of RMB800,000,000 for a term of 3 years; and unsecured and unguaranteed mid-term notes with par value of RMB1,900,000,000 for a term of 3 years.

As at 30 November 2015, the contingent liabilities of the Group are as follows:

- 1) The Company was entrusted by Shenzhen Traffic Public Facilities Construction Center to manage the construction project of municipal facilities of Dalang Section of Longda Expressway. Pursuant to the construction management entrustment contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000.
- 2) The Company was entrusted by the Transport Commission to manage the construction project of Nanping Phase II Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to the Transport Commission amounting to RMB15,000,000.
- 3) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction project of Guanlan Renmin Road – Meiguan Expressway Joints Project in Shenzhen Longhua New Area. Pursuant to the construction management entrustment contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB25,000,000.
- 4) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction project of the Interchange of Dezheng Road and Longda Expressway and the extension of the eastern section of Dezheng Road in Shenzhen Longhua New Area. Pursuant to the construction management entrustment contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB36,000,000.
- 5) Shenzhen Expressway Engineering Consulting Company Limited (“Consulting Company”), the subsidiary of the Company, is entrusted with the businesses including engineering supervision, entrusted construction, survey and design, test and inspection. Pursuant to the entrustment contract, Consulting Company had arranged with bank to issue irrevocable performance guarantees to the entrusting party amounting to RMB84,000,000 in aggregate.
- 6) Litigation in progress

Upon the government approval, Guangdong Qinglian Highway Development Company Limited (“Qinglian Company”), a subsidiary of the Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. In 2011, Qingyuan Fengyun Eco-tourism Development Company Limited sued against Qinglian Company in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Qinglian Company was judged to win in the first trial. Qingyuan Fengyun Eco-tourism Development Company Limited appealed to the High Court of Guangdong Province. The High Court of Guangdong Province judged a trial de novo executed by Qingyuan Intermediate Court and Qinglian Company still win in this trial de novo. As at 30 November 2015, the litigation was

still in progress. Considering the nature of project and construction status of upgrading project, the directors of the Company considered that the outcome of the litigation would not lead to any significant impact on the Company's operating results.

Saved as disclosed above or elsewhere herein and apart from the intra-group liabilities, the Group did not have any other outstanding mortgages, pledges, debentures, loan capital or bank overdrafts or other similar indebtedness, finance leases or hire-purchase commitments, acceptance credits or other guarantees or other material contingent liabilities as at the close of business on 30 November 2015.

4. FINANCIAL AND TRADING PROSPECTS

During the period from January to September of 2015, the Group recorded revenue of RMB2,438,000,000, representing a YOY decrease of 12.80%, and net profit attributable to owners of the Company of RMB853,000,000, representing a YOY decrease of 57.46%. Excluding the effect of the net gains on disposal of assets after tax of the Toll Free Section of Meiguan Expressway of RMB1,117,000,000 recognised in the second quarter of 2014, the net profit recorded a YOY decrease of 3.91%. The YOY decrease in revenue and net profit was mainly due to a significant YOY decrease in revenue from entrusted construction management service and certain decrease in toll revenue of Qinglian Expressway and Yanpai Expressway as a result of traffic diversion by neighboring roads.

With the continuous slowdown in the growth of domestic macro economy and the transformation and upgrade of industrial structure in recent years, the economy of China entered into the "New Normal" phase. Given the rapid development in logistic industry driven by internet economy, the advancement of urbanization process and the increase in car ownership, it is expected that the traffic volume of domestic highways will maintain a relatively stable growth in the near future.

Along with the rapid advancement of urbanization process, some of the toll highway projects of the Group in Shenzhen are under pressure of toll adjustment. Although the compensation from the government following the principle of marketisation can safeguard the interests of the Company and the shareholders, the Group is facing new challenges on continuous operation and development.

In face of the drastic changes in the external environment, the Company will implement the latest development strategies approved by the Board and fully grasp opportunities to acquire toll highways business projects and develop new industries with the financial resources received from the transaction, with a view to achieving new industry layout as soon as possible. The management 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 the enterprise, to seek good assets and business opportunities with good business prospects, for new momentum for the sustainable and healthy development of the enterprise.

APPENDIX II FINANCIAL INFORMATION OF THE THREE EXPRESSWAYS

INCOME STATEMENT OF NANGUANG EXPRESSWAY

	For the year ended 31 December			9 months ended 30 September	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total Revenue	230,888	288,242	307,220	226,390	236,425
Including: Revenue from services	<u>230,888</u>	<u>288,242</u>	<u>307,220</u>	<u>226,390</u>	<u>236,425</u>
Total costs	122,928	154,171	171,511	124,805	131,959
Including: Cost of Service	111,318	138,401	152,560	111,619	118,785
Business tax and Surcharges	7,798	9,734	10,359	7,643	7,945
General and administration expenses	5,819	6,316	6,727	3,876	3,821
Finance expenses	<u>(2,007)</u>	<u>(280)</u>	<u>1,865</u>	<u>1,667</u>	<u>1,408</u>
Operating profits	107,960	134,071	135,709	101,585	104,466
Add: Non-operating income	-	-	739	739	9
Less: Non-operating expenses	<u>-</u>	<u>-</u>	<u>704</u>	<u>702</u>	<u>481</u>
Total profit	107,960	134,071	135,744	101,622	103,994
Income tax expense	<u>26,990</u>	<u>33,518</u>	<u>33,937</u>	<u>25,405</u>	<u>25,998</u>
Identifiable net income stream	<u><u>80,970</u></u>	<u><u>100,553</u></u>	<u><u>101,807</u></u>	<u><u>76,217</u></u>	<u><u>77,996</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE THREE EXPRESSWAYS

INCOME STATEMENT OF YANPAI EXPRESSWAY

	For the year ended 31 December			9 months ended 30 September	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total Revenue	191,630	198,251	214,461	164,987	125,731
Including: Revenue from services	191,630	198,251	214,461	164,987	125,731
Total costs	92,992	95,612	100,748	75,861	61,959
Including: Cost of Service	77,048	81,075	87,639	65,399	56,069
Business tax and Surcharges	6,537	6,698	7,248	5,571	4,239
General and administration expenses	4,055	4,065	4,357	2,610	2,141
Finance expenses	5,352	3,774	1,504	2,281	(490)
Operating profits	98,638	102,639	113,713	89,126	63,772
Add: Non-operating income	6	2	109	109	23
Less: Non-operating expenses	190	50	-	-	240
Total profit	98,454	102,591	113,822	89,235	63,555
Income tax expense	24,612	25,648	28,454	22,309	15,887
Identifiable net income stream	73,842	76,943	85,368	66,926	47,668

APPENDIX II FINANCIAL INFORMATION OF THE THREE EXPRESSWAYS

INCOME STATEMENT OF YANBA EXPRESSWAY

	<u>For the year ended 31 December</u>			<u>9 months ended 30 September</u>	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total Revenue	142,439	165,300	181,142	141,514	133,314
Including: Revenue from services	<u>142,439</u>	<u>165,300</u>	<u>181,142</u>	<u>141,514</u>	<u>133,314</u>
Total costs	103,596	106,499	116,349	85,658	89,641
Including: Cost of Service	90,250	93,150	103,377	76,347	82,709
Business tax and Surcharges	4,820	5,644	6,124	4,782	4,490
General and administration expenses	5,401	5,666	5,948	3,696	3,428
Finance expenses	<u>3,125</u>	<u>2,039</u>	<u>900</u>	<u>833</u>	<u>(986)</u>
Operating profits	38,843	58,801	64,793	55,856	43,673
Add: Non-operating income	4	–	461	461	48
Less: Non-operating expenses	<u>218</u>	<u>19</u>	<u>1</u>	<u>1</u>	<u>493</u>
Total profit	38,629	58,782	65,253	56,316	43,228
Income tax expense	<u>9,657</u>	<u>14,696</u>	<u>16,313</u>	<u>14,079</u>	<u>8,653</u>
Identifiable net income stream	<u><u>28,972</u></u>	<u><u>44,086</u></u>	<u><u>48,940</u></u>	<u><u>42,237</u></u>	<u><u>34,575</u></u>

In accordance with rule 14.68(2)(b)(i) of the Listing Rules, the Company engaged PwC Zhongtian LLP, the auditor of the Company, to perform certain factual finding procedures on the compilation of the unaudited profit and loss statement on the identifiable net income stream for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 and 2014 in relation to the Three Expressways (the “Unaudited Profit and Loss Statement on the Three Expressways”) in accordance with China Standard on Related Services 4101 “Engagements to Perform Agreed Upon Procedures Regarding Financial Information” issued by China Institute of Certified Public Accountants. The auditor has agreed the Unaudited Profit and Loss Statement on the Three Expressways to the underlying books and records of the Three Expressways in accordance with the agreed-upon procedures set out in the relevant engagement letter between the Company and the auditor and reported its factual findings based on the agreed-upon procedures to the Directors of the Company. Pursuant to the terms of the relevant engagement letter between the Company and the auditor, the reported factual findings should not be used or relied upon by any other parties for any purposes. In the opinion of the Directors, the Unaudited Profit and Loss Statement on the Identifiable Net Income Stream has been properly compiled and derived from the underlying books and records of the Three Expressways.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following unaudited pro forma financial information of the Remaining Group comprises the unaudited pro forma consolidated net assets statement as at 30 June 2015, unaudited pro forma consolidated income statement for the year ended 31 December 2014 and the accompanying notes (collectively, the “Unaudited Pro Forma Financial Information”).

The Company has entered into the toll adjustment and compensation arrangements regarding Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the “Three Expressways Adjustment Agreement”) with the Transport Commission of Shenzhen Municipality (the “Transport Commission”) on 30 November 2015. Pursuant to the Three Expressways Adjustment Agreement, it is agreed to implement toll-free for Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the “Three Expressways”) on 7 February 2016 in two phases in exchange for the cash compensation based on adjustment mechanism imposed by the Transport Commission.

The first phase (the “Phase 1”) will commence on 7 February 2016 (the “Commencement Date of Transaction”) until 31 December 2018 which lasts for 2 years 10 months 24 days. During Phase 1, the Company will retain its Fee Entitlement Right and be responsible for the maintenance and repair of the Three Expressways and implement toll-free for the Three Expressways in exchange for cash compensation from the Transport Commission.

The second phase (the “Phase 2”) will commence on 1 January 2019 immediately after the end of Phase 1. During Phase 2, the Transport Commission may select to adopt one of the two available options, namely Option 1 and Option 2, to be effective on 1 January 2019. Under Option 1, the Company and Transport Commission will continue to implement toll-free in the same manner in Phase 1 until the end of their respective operation periods. Under Option 2, The Fee Entitlement Right of the Three Expressways will be returned to the Transport Commission in exchange for an one-off cash compensation.

The Three Expressways Adjustment Agreement and the related transactions as included in Phase 1 and Phase 2, respectively, (together referred as the “Transaction”) collectively constitute a very substantial disposal of the Company under the Chapter 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 4.29 and 14.68(2)(b)(ii) of the Listing Rules for the purpose of illustrating the effect of the Transaction on the Group as if the Transaction has commenced on 1 January 2014 and 30 June 2015 for the purposes of preparing of the unaudited pro forma consolidated income statement for year ended 31 December 2014, and the unaudited pro forma consolidated net assets statement as at 30 June 2015, respectively. As mentioned above, the Transaction involves Phase 1 and Phase 2. The related impact of the first year of the Phase 1 of the Transaction has been reflected in the unaudited pro forma consolidated income statement for the year ended 31 December 2014 and unaudited pro forma consolidated net assets statement as at 30 June 2015. The ongoing financial impact of Phase 1 has been described in

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

the respective notes to the Unaudited Pro Forma Financial Information. Under the condition that the Phase 2 will only commence following the end of the Phase 1 as stipulated in the Three Expressways Adjustments Agreement, the effect of Phase 2 of the Transaction, including the effect of Option 1 or Option 2 if selected, has not been reflected in unaudited pro forma consolidated income statement for the year ended 31 December 2014 or unaudited pro forma consolidated net assets statement as at 30 June 2015, for the reason that the pro forma financial information is published in respect of the most recently completed financial period and is assumed the Transaction to be undertaken at the commencement of the period for the pro forma consolidated income statement or in case of the pro forma net asset statement, it is published in respect of the most recent interim period for which relevant unadjusted information has been published and assumed to be as at the date reported on of such period in accordance with paragraph 4.29(1) and 4.29(4) of the Listing Rules for this Transaction. Therefore the pro forma period (the “Pro Forma Period”) is assumed if the Transaction has commenced on 1 January 2014 and 30 June 2015 for the purposes of preparing of the unaudited pro forma consolidated income statement for year ended 31 December 2014, which is the most recently completed financial period, and the unaudited pro forma consolidated net assets statement as at 30 June 2015, which is the most recently interim period, respectively. The Phase 1 and Phase 2 are effective in a different time frame, it would be infeasible to reflect the financial impact of both Phase 1 and Phase 2 in one set of unaudited pro forma consolidated income statement and unaudited pro forma consolidated net assets statement and the effect of Phase 2 has gone beyond the Pro Forma Period. Although the unaudited pro forma consolidated income statement for the year ended 31 December 2014 and unaudited pro forma consolidated net assets statement as at 30 June 2015 have not included the effect of Phase 2, the estimated effect of Phase 2, including the ongoing effect if Option 1 of Phase is selected and the relevant financial impact if Option 2 of Phase 2 is selected, has been reflected in the notes 3, 7 and 8 to the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group and based on the audited consolidated income statement of the Group for year ended 31 December 2014 as extracted from the Group’s published audited annual report for the year ended 31 December 2014 and the unaudited consolidated balance sheet of the Group as at 30 June 2015 as extracted from the Group’s published unaudited interim report for the six months ended 30 June 2015, after making pro forma adjustments relating to the Transaction that are (i) directly attributable to the Transaction; and (ii) factually supportable as if the Transaction has commenced at 30 June 2015 for the unaudited pro forma consolidated net assets statement and 1 January 2014 for the unaudited pro forma consolidated income statement.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position and financial performance of the Remaining Group that would have been attained had the Transaction were commenced on 1 January 2014 or 30 June 2015 or any future dates, nor purport to give a true picture of the Remaining Group’s financial position and financial performance or predict the future financial position and financial performance of the Remaining Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

**B. UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT OF THE
REMAINING GROUP**

	Unaudited consolidated net assets statement of the Group as at 30 June 2015	Pro forma adjustments	Unaudited pro forma consolidated net assets statement of the Remaining Group as at 30 June 2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 2</i>	
CURRENT ASSETS			
Cash at bank and on hand	1,200,488	6,588,000	7,788,488
Accounts receivable	626,076	–	626,076
Advances to suppliers	396,516	–	396,516
Other receivables	11,461	–	11,461
Inventories	483,283	–	483,283
Held for sale assets	107,146	–	107,146
Current portion of non-current assets	800,000	–	800,000
Other current assets	492	–	492
	<u>3,625,462</u>	<u>6,588,000</u>	<u>10,213,462</u>
TOTAL CURRENT ASSETS			
NON-CURRENT ASSETS			
Long-term prepayments	4,616	–	4,616
Available-for-sale financial assets	30,170	–	30,170
Long-term receivable	1,367,697	–	1,367,697
Long-term equity investments	2,269,003	–	2,269,003
Investment properties	14,390	–	14,390
Fixed assets	989,306	–	989,306
Construction in progress	48,462	–	48,462
Intangible assets	15,800,923	–	15,800,923
Long-term prepaid expenses	3,232	–	3,232
Deferred tax assets	52,468	–	52,468
	<u>20,580,267</u>	<u>–</u>	<u>20,580,267</u>
TOTAL NON-CURRENT ASSETS			
TOTAL ASSETS	<u>24,205,729</u>	<u>6,588,000</u>	<u>30,793,729</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	Unaudited consolidated net assets statement of the Group as at 30 June 2015	Pro forma adjustments	Unaudited pro forma consolidated net assets statement of the Remaining Group as at 30 June 2015
	<i>RMB'000</i> <i>Note 1</i>	<i>RMB'000</i> <i>Note 2</i>	<i>RMB'000</i>
CURRENT LIABILITIES			
Short-term borrowings	360,000	–	360,000
Accounts payable	146,383	–	146,383
Advances from customers	27,867	–	27,867
Employee benefits payable	51,109	–	51,109
Taxes payable	106,046	–	106,046
Interest payable	164,713	–	164,713
Dividends payable	302,137	–	302,137
Other payables	649,794	545,560	1,195,354
Current portion of non-current liabilities	1,160,669	–	1,160,669
Other current liabilities	3,465	–	3,465
TOTAL CURRENT LIABILITIES	2,972,183	545,560	3,517,743
NET CURRENT ASSETS	653,279	6,042,440	6,695,719
TOTAL ASSETS LESS CURRENT LIABILITIES	21,233,546	6,042,440	27,275,986
NON-CURRENT LIABILITIES			
Long-term borrowings	4,199,074	–	4,199,074
Bonds payable	3,291,644	–	3,291,644
Provisions	89,914	–	89,914
Deferred revenue	157,646	–	157,646
Deferred tax liabilities	761,822	–	761,822
Other non-current liabilities	59,874	6,042,440	6,102,314
TOTAL NON-CURRENT LIABILITIES	8,559,974	6,042,440	14,602,414
TOTAL LIABILITIES	11,532,157	6,588,000	18,120,157
NET ASSETS	12,673,572	–	12,673,572

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

**C. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE
REMAINING GROUP**

	Audited consolidated income statement of the Group for the year ended 31 December 2014	Pro forma adjustments					Unaudited pro forma consolidated income statement of the Remaining Group for the year ended 31 December 2014
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
		Note 4	Note 5	Note 5	Note 6	Note 6	
TOTAL REVENUE	3,620,357	(699,742)	699,742	-	-	3,620,357	
Including: Revenue from service	3,620,357	(699,742)	699,742	-	-	3,620,357	
TOTAL COSTS	2,348,829	-	-	313,520	(72,468)	2,589,881	
Including: Cost of Service	1,705,256	-	-	-	-	1,705,256	
Business tax and surcharges	131,023	-	-	-	-	131,023	
Selling expenses	4,778	-	-	-	-	4,778	
General and administrative expenses	88,494	-	-	-	-	88,494	
Financial expenses	419,278	-	-	313,520	(72,468)	660,330	
Add: Investment income	187,042	-	-	-	-	187,042	
Including: Share of profit of associates and joint ventures	187,042	-	-	-	-	187,042	
OPERATING PROFITS	1,458,570	(699,742)	699,742	(313,520)	72,468	1,217,518	
Add: Non-operating income	1,510,539	-	-	-	-	1,510,539	
Including: Gains on disposal of non-current assets	1,497,452	-	-	-	-	1,497,452	
Less: Non-operating expenses	2,191	-	-	-	-	2,191	
Including: Losses on disposal of non-current assets	449	-	-	-	-	449	
TOTAL PROFIT	2,966,918	(699,742)	699,742	(313,520)	72,468	2,725,866	
Less: Taxation	695,448	-	-	(78,380)	18,117	635,185	
NET PROFIT	2,271,470	(699,742)	699,742	(235,140)	54,351	2,090,681	
Net profit attributable to owners of the Company	2,186,884	(699,742)	699,742	(235,140)	54,351	2,006,095	
Minority interests	84,586	-	-	-	-	84,586	
	2,271,470	(699,742)	699,742	(235,140)	54,351	2,090,681	
OTHER COMPREHENSIVE INCOME AFTER TAX	(14,798)	-	-	-	-	(14,798)	
Other comprehensive income after tax attributable to owners of the Company	(14,798)	-	-	-	-	(14,798)	
(i) Item that may not be reclassified subsequently to profit and loss	-	-	-	-	-	-	
(ii) Item that may be reclassified subsequently to profit and loss:	(14,798)	-	-	-	-	(14,798)	
The effective profit/loss parts of cash flow hedges	(14,798)	-	-	-	-	(14,798)	
TOTAL COMPREHENSIVE INCOME	2,256,672	(699,742)	699,742	(235,140)	54,351	2,075,883	
Total comprehensive income attributable to owners of the company	2,172,086	(699,742)	699,742	(235,140)	54,351	1,991,297	
Total comprehensive income attributable to minority interest	84,586	-	-	-	-	84,586	
	2,256,672	(699,742)	699,742	(235,140)	54,351	2,075,883	

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

D. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

a Notes to the unaudited pro forma consolidated net assets statement of the Remaining Group

1. The unaudited consolidated net assets statement of the Group as at 30 June 2015 was extracted from the Group's published unaudited consolidated interim financial statements for the six months ended 30 June 2015.
2. For the purpose of preparing the unaudited pro forma consolidated net assets statement, it is assumed that the Transaction would commence on 30 June 2015 and the Phase 1 of the Transaction would end on 30 June 2018, the Phase 2 would commence immediately following the end of the Phase 1.

The pro forma adjustment represents the first payment of cash compensation made by the Transport Commission of RMB6,588,000,000 for the Transaction (the "Prepayment") to the Company. For the purpose of preparing the unaudited pro forma consolidated net assets statement, it is assumed that the cash compensation has been received on 30 June 2015.

According to the details laid down in the appendix to the Three Expressways Adjustment Agreement and consideration of the relevant accounting requirements, the Prepayment bears interest at rates agreed between the Company and the Transport Commission with reference made to the current interest rates with the corresponding tenor published by the People's Bank of China. However, such interest payable would not lead to any cash flow impact on the Company.

3. For the purpose of preparing the unaudited pro forma consolidated net assets statement, the financial impact of the Phase 2 has not yet been reflected in the unaudited pro forma consolidated net assets statement as at 30 June 2015.

As if the Option 1 had been selected after completion of the Phase 1, the Company and the Transport Commission will renegotiate the cash compensation for Phase 2 with reference to the implementation circumstance in Phase 1 and the factors such as economic growth, changes in road network and transferred or induced traffic volume due to toll free arrangement, etc. Then the tentative compensation of Option 1 would be changed and the residual cash compensation may be received, the financial impact of such would be infeasible to be reflected in the Unaudited Pro Forma Financial Information.

As if the Option 2 had been selected after completion of the Phase 1, the carrying amount of the Three Expressways will be derecognised from the concession intangible assets of the Group, and a disposal gain will be reflected as an increase in pro forma consolidated net assets. The pro forma estimated disposal gain of the Fee Entitlement Right would be approximately RMB1,500,131,000 as if the Transaction commences on 30 June 2015 and as if the Option 2 of Phase 2 is selected on 1 July 2018. Such estimated disposal gain is computed based on the compensation agreed with the Transport Commission per Three Expressways Adjustment Agreement, deducting the estimated carrying amount of concession intangible assets related to the Three Expressways as at 30 June 2018 and the related tax expenses. The carrying amount of concession intangible assets were estimated based on the net book value of the Three Expressways as at 30 September 2015 less the estimated amortisation provided during the period from 30 September 2015 to 30 June 2018 under the traffic volume amortisation method. However, the actual carrying amount of concession intangible assets related to the Three Expressways as at 31 December 2018 might deviate from this estimated carrying amount of concession intangible assets related to the Three Expressways as at 30 June 2018, and the estimated disposal gain amount calculated for the purpose of preparing the unaudited pro forma consolidated net assets

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statement as at 30 June 2018 might be different from the actual gain realised as of 31 December 2018. The financial impact on the pro forma consolidated net assets statement, as if the Transaction will commence at the Commencement Date of Transaction, has been described in note 8.

After the disposal of concession intangible assets of the Three Expressways, there will be no revenue or profit generated from the Three Expressways in future.

b Notes to the unaudited pro forma consolidated income statement of the Remaining Group

4. The audited consolidated income statement of the Group was extracted from the Group's published audited consolidated financial statements for the year ended 31 December 2014.
5. For the purpose of preparing the unaudited pro forma consolidated income statement, it is assumed that first year of toll-free arrangement of the Transaction will commence on 1 January 2014 and the Phase 1 of the Transaction will end on 31 December 2016, the Phase 2 will commence immediately following the end of the Phase 1. The related impact of the first year of the Phase 1 of the Transaction has been reflected in the unaudited pro forma consolidated income statement.

It is assumed that the Company will no longer collect the toll fees from users of the Three Expressways in exchange for the cash compensation paid by the Transport Commission. The pro forma adjustments represent the net toll revenue. The reduction of toll revenue represents the actual toll fees collected from road users of the Three Expressways for the year ended 31 December 2014. The increase of the toll revenue represents the estimated cash compensation of the first year's toll revenue of the Three Expressways received from the Transport Commission. The estimated toll revenue will be calculated based on projected traffic volume each year and taken into account of several factors as set out in the paragraph headed "Adjustments to the compensation" in the circular. For the purpose of preparing the unaudited pro forma consolidated income statement, it is assumed that the projected traffic volume and tariff are the same as the actual traffic volume and tariff of 2014. There is no related tax effect.

In accordance with the provisions of the Three Expressways Adjustment Agreement, 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 by 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 upwards or downwards (as the case may be) by deviations in excess of 3%. For the purpose of preparing the unaudited pro forma consolidated income statement, it is assumed that there is no difference of actual amount of toll revenue and estimated figure compensated by the Transport Commission. However, the actual amount of toll revenue in each actual year may deviate from the amount calculated for the purpose of preparing the unaudited pro forma consolidated income statement.

Going forward, the effect of the toll fee compensation will continue in the same manner until the end of the Phase 1.

6. The pro forma adjustment represents the recognition of interest expenses related to the Prepayment, interest income arising from depositing the Prepayment into bank accounts of the Company, and the related income tax impact related to the interest expense and interest income. According to the details laid down in the appendix to the Three Expressways Adjustment Agreement and consideration of the relevant accounting requirements, the interest expense is levied at a rate agreed between the Company and the Transport Commission with reference made to the current interest rates with the corresponding tenor published by the People's Bank of China. The interest income is assumed to be 1.1% p.a. with reference made to the interest rate for three months' term deposits published by the People's Bank of

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China. If the Company decide how to use the Prepayment, the bank deposits would be drawn down and the interest income will be decreased. However, the actual amount of interest expense and interest income may deviate from the amount calculated for the purpose of preparing the unaudited pro forma consolidated income statement.

Going forward, the effect of the interest expenses, the interest income and respective tax effect will continue in the same manner until the end of the Phase 1.

7. For the purpose of preparing the unaudited pro forma consolidated income statement, the financial impact of the Phase 2 has not yet been reflected in the unaudited pro forma consolidated income statement for the year ended 31 December 2014.

As if Option 1 has been selected after the completion of Phase 1, the impact on the pro forma consolidated income statement will be similar with that in note 5 and note 6 until the end of their respective operation periods of the Three Expressways.

As if the Option 2 had been selected after completion of the Phase 1, the carrying amount of the Three Expressways will be derecognised from the concession intangible assets of the Group, and a disposal gain will be reflected as an increase in pro forma consolidated net profit.

The pro forma estimated disposal gain of the Fee Entitlement Right would be approximately RMB1,228,000,000 as if the Transaction commences on 1 January 2014 and as if the Option 2 of Phase 2 is selected on 1 January 2017. Such estimated disposal gain is computed based on the compensation agreed with the Transport Commission per Three Expressways Adjustment Agreement, deducting the estimated carrying amount of concession intangible assets related to the Three Expressways as at 31 December 2016 and the related tax expenses. The carrying amount of concession intangible assets were estimated based on the net book value of the Three Expressways as at 30 September 2015 less the estimated amortisation provided during the period from 30 September 2015 to 31 December 2016 under the traffic volume amortisation method. However, the actual carrying amount of concession intangible assets related to the Three Expressways as at 31 December 2018 might deviate from this estimated carrying amount of concession intangible assets related to the Three Expressways as at 31 December 2016, and the estimated disposal gain amount calculated for the purpose of preparing the unaudited pro forma consolidated income statement as at 31 December 2016 might be different from the actual gain realised as of 31 December 2018. The financial impact on the pro forma consolidated income statement, as if the Transaction will commence at the Commencement Date of Transaction, has been described in note 8.

c Other notes to the unaudited pro Forma financial information of the Remaining Group

8. In accordance with the Three Expressways Adjustment Agreement, the Transaction will commence on the Commencement Date of Transaction, i.e. 7 February 2016 and end on 31 December 2018, the Phase 2 will commence immediately following the end of Phase 1, i.e. 1 January 2019. The Transport Commission may select Option 1 or Option 2 ten months before the end of Phase 1.

As if the Option 2 is selected on 1 January 2019, the Three Expressways will be derecognised from the concession intangible assets of the Group, and a disposal gain will be reflected as an increase in the unaudited pro forma consolidated net assets and unaudited pro forma consolidated net profit.

The pro forma estimated disposal gain of the Fee Entitlement Right would be approximately RMB1,600,000,000 as if the Transaction commences on 7 February 2016 and if the Option 2 of Phase 2 is effective on 1 January 2019. Such disposal gain is computed based on the compensation agreed with the Transport Commission per Three Expressways Adjustment Agreement, deducting the estimated

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

carrying amount of concession intangible assets related to the Three Expressways as at 31 December 2018 and the related tax expenses. The carrying amount of concession intangible assets were estimated based on the net book value of the Three Expressways as at 30 September 2015 less the estimated amortisation provided during the period from 30 September 2015 to 31 December 2018 under the traffic volume amortisation method. However, the actual carrying amount of concession intangible assets related to the Three Expressways as at 31 December 2018 might deviate from this estimated one, because the actual traffic volume each year may deviate from the projected traffic volume and the actual amortisation of concession intangible assets might be different from the estimated amortisation made with reference to the projected traffic volume each year, hence, the estimated disposal gain amount might be different from the actual gain realised as at 31 December 2018.

9. The transaction costs of the Transaction are immaterial and have not been taken into account for the purpose of preparing the Unaudited Pro Forma Financial Information.

10. No other adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014 for the purpose of preparing the unaudited pro forma consolidated income statement of the Remaining Group for the year ended 31 December 2014. In addition, no other adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to and 30 June 2015 for the purpose of preparing the unaudited pro forma consolidated net assets statement of the Remaining Group as at 30 June 2015.

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The following is the text of a report received from PricewaterhouseCoopers Zhong Tian LLP, for the purpose of incorporation in this circular.



普华永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Shenzhen Expressway Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (collectively the "Group") compiled by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma net assets statement as at 30 June 2015, the unaudited pro forma consolidated income statement for the year ended 31 December 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 30 to 36 of the Company's circular dated 12 January 2016, in connection with the toll adjustment and compensation arrangements regarding Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 28 to 29.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's net assets as at 30 June 2015 and the Group's financial performance for the year ended 31 December 2014 as if the Transaction had taken place at 30 June 2015 and 1 January 2014, respectively. As part of this process, information about the Group's net assets as at 30 June 2015 has been extracted by the Directors from the interim report of the Group for the six months ended 30 June 2015, on which no review report has been published, and the Group's financial performance for the year ended 31 December 2014 has been extracted by the directors from the published annual report of the Group for the year ended 31 December 2014.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2015 or for the year ended 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers Zhong Tian LLP

Certified Public Accountant: Zhou Wei Ran

Shanghai, the People's Republic of China
12 January 2016

Certified Public Accountant: Hou Ying Hua

The following is a summary of the Asset Appraisal Report. The Asset Appraisal Report was prepared in Chinese only and set out below is an English translation of the relevant extract from the Asset Appraisal Report. In case of any discrepancies between the Chinese and the English summary of the Asset Appraisal Report, the Chinese version shall prevail.

DZX Zong Ping Bao Zi [2015] No.077

Shenzhen Expressway Company Limited

**Present Value of Income from Nanguang, Yanba and Yanpai Expressways under
the Toll Adjustment Arrangements Proposed by the Shenzhen Municipal Government**

Appraisal Report

Shenzhen Expressway Company Limited:

DZX International Appraisal Limited accepted the engagement by Shenzhen Expressway Company Limited (hereinafter referred to as “Shenzhen Expressway”), to appraise the present value of income from Nanguang, Yanba and Yanpai expressways as of November 30, 2015 under the toll adjustment arrangements proposed by the Shenzhen Municipal Government. The appraisal was conducted by using income approach, with the necessary appraisal procedures in accordance with relevant laws, regulations and assets appraisal standards, under the principles of independence, objectiveness and fairness. The assets appraised and the appraisal results are hereby reported as follows:

A. OVERVIEW OF SHENZHEN EXPRESSWAY

Name of the entrusting party: Shenzhen Expressway Company Limited (hereinafter referred to as “Shenzhen Expressway”);

Registered address: Podium Level 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, China;

Legal representative: Hu Wei;

Registered capital: RMB2,180.770326 million;

Economic nature: Listed Company (with limited liability);

Operating period: 30 years (from December 30, 1996 to December 30, 2026);

Business scope: investment, construction management and operating management of highways and roads; import and export business (with credentials).

B. OVERVIEW OF NANGUANG, YANBA AND YANPAI EXPRESSWAYS

(A). Overview of Nanguang Expressway

1. *Basic information of Nanguang Expressway*

S33 Nanguang Expressway is located in the west of Shenzhen, starting from the north of Qilin Road of Shenzhen, connecting with Nanping Expressway, running to Xili, Shiyan and Gongming subdistricts in Bao'an District of Shenzhen, and ending at Luotian, connected with the Longda Expressway and Changhu Expressway. The road is 33.5 meters wide with asphalt concrete pavement and it is a dual six-lane expressway with a design speed of 100 km/h. Nanguang Expressway is designed to have 14 large-span bridges and bridges totaling 11-kilometers long, a 515-meters long double-arch tunnel, 10 interchanges (Yulv Interchange is reserved) with the average spacing of 3.3 km, and have 1 main toll station and 6 ramp toll stations.

Nanguang Expressway has a total length of 31 kilometers and 7 toll stations, and it costs about RMB3-RMB20 for passenger cars travelling the entire expressway based on the unified tolling standard of RMB0.60/km/passenger car for six-lane highways established by the Guangdong provincial government.

Nanguang Expressway was officially open to traffic in January 2008.

Nanguang Expressway has obtained an official document (Yue Ban Han [2009] No.19) with a concession of 25 years until January 30, 2033.

2. *Historical operation situation*

The assets of Nanguang Expressway as of June 30, 2015 are as follows:

Type of assets	Original book value	<i>Unit: RMB Million</i>
		Net book value
Fixed assets	344.65	171.16
Intangible assets	2,805.48	2,461.53
Total	3,150.13	2,632.69

The income statements of Nanguang Expressway for the last five years are as follows:

Item	2010	2011	2012	2013	Unit: RMB Million	
					2014	2015 from January to June
1. Operating income	191.3192	215.1149	230.8878	288.2422	307.2199	151.9246
Less: operating costs	103.5536	91.3374	111.3176	138.4014	152.5601	75.2868
Business tax and surcharges	6.0302	7.2524	7.7981	9.7343	10.3592	5.1063
Administration expense	3.9638	4.5671	5.8194	6.3161	6.7272	2.5809
Financial expense	0.5380	0.6882	-2.0073	-0.2797	1.8654	0.8940
2. Operating profit	77.2336	111.2698	107.9600	134.0701	135.7080	68.0566
Plus: non-operating income	-	-	-	-	0.7387	0.0077
Less: non-operating expense	-	-	-	-	0.7041	0.4792
3. Total profit	77.2336	111.2698	107.9600	134.0701	135.7426	67.5851
Less: income tax expense	16.3154	26.7337	26.9900	33.5175	33.9356	16.8963
4. Net profit	60.9182	84.5361	80.9700	100.5526	101.8070	50.6888

(B) Overview of Yanba Expressway

1. Basic information of Yanba Expressway

S30 Yanba Expressway is located in the eastern coastal area of Shenzhen, starting from Yantian in the west to Bagang in the east, and it is an important part of Huishen Coastal Expressway. Yanba Expressway is a 29.1-km, dual six-lane expressway with a design speed of 80 km/h. Yanba Expressway is divided into three construction projects, including Section A from Yantian in the west to Xichong in the east with the total length of 10.38 kilometers and opened to traffic in March 2001, Section B project from Xichong in the west to Kuichong in the east with the total length of 9.19 kilometers and opened to traffic in June 2003, and Section C from Kuichong in the west to Bagang in the east with the total length of 9.53 kilometers and opened to traffic in March 2010. Yanba Expressway has 1 main toll station in Dameisha and 5 ramp toll stations in Xiaomeisha, Xichong, Tuyang, Kuichong and Bagang.

Yanba Expressway has obtained an official document (Yue Ban Han [2013] No.736) with a concession of 25 years. The concession period of Yanba Expressway will end on March 31, 2026 for Section A, on June 30, 2028 for Section B and on March 26, 2035 for Section C.

2. *Historical operation*

The assets of Yanba Expressway as of June 30, 2015 are as follows:

Name of assets	Original book value	<i>Unit: RMB Million</i>
		Net book value
Fixed assets	299.16	137.58
Intangible assets	1,256.76	980.82
Total	<u>1,555.92</u>	<u>1,118.40</u>

The income statements of Yanba Expressway for the last five years are as follows:

Item	<i>Unit: RMB Million</i>					
	2010	2011	2012	2013	2014	2015 from January to June
1. Operating income	122.8281	135.1808	142.4388	165.2995	181.1423	82.1751
Less: operating costs	111.5474	8.9389	90.2504	93.1504	103.3770	48.9324
Business tax and surcharges	3.8515	4.5642	4.8193	5.6437	6.1236	2.7715
Administration expense	4.0875	4.6227	5.4012	5.6664	5.9479	2.2760
Financial expense	6.2576	6.4523	3.1251	2.0391	0.9002	-0.9729
2. Operating profit	-2.9159	110.6027	38.8428	58.7999	64.7936	29.1681
Plus: non-operating income	0.0677	0.0031	0.0042	-	0.4612	0.0464
Less: non-operating expense	1.0877	0.0175	0.2179	0.0192	0.0014	0.4926
3. Total profit	-3.9359	110.5883	38.6291	58.7807	65.2534	28.7219
Less: income tax expense	-4.0567	27.2471	9.6573	14.6952	16.3134	5.9127
4. Net profit	0.1208	83.3412	28.9718	44.0855	48.9400	22.8092

(C) Overview of Yanpai Expressway

1. *Basic information of Yanpai Expressway*

Yanpai Expressway is also known as Jihe Expressway Yantian Extension and is a part of the National Highway G25 (Changchun–Shenzhen Expressway). It is one of the north-south lines in the Shenzhen’s “Seven East-West and Thirteen North-South” highway network and is also an important evacuating channel from the Yantian Harbor District of Shenzhen. Yanpai Expressway starts from Yantian Harbor District, running to the northwest and passing through Wutong Mountain through a tunnel, intersecting with Longgang Avenue and Shuiguan Expressway and is then connected to Jihe Expressway and Boshen Expressway through Paibang Interchange. Yanpai Expressway

has a total length of 15.6 kilometers and is a dual six-lane expressway with a design speed of 80 km/h. Yanpai Expressway started its construction in December 2003 and was officially opened to traffic in May 2006.

Yanpai Expressway obtained an official document (Yue Ji Ji [2002] No.904) issued by the Development Planning Commission of Guangdong Province, with the same concession as that of Jihe Expressway until March 12, 2027.

2. *Historical operation situation*

The assets of Yanpai Expressway as of June 30, 2015 are as follows:

Name of assets	Original book value	<i>Unit: RMB Million</i>
		Net book value
Fixed assets	133.50	44.12
Intangible assets	911.45	590.42
Total	<u>1,044.95</u>	<u>634.54</u>

The income statements of Yanpai Expressway for the last five years are as follows:

Item	2010	2011	2012	2013	<i>Unit: RMB Million</i>	
					2014	2015 from January to June
1. Operating income	156.9072	169.5805	191.6302	198.2509	214.4609	76.6951
Less: operating costs	94.1313	53.0618	77.0476	81.0749	87.6386	34.2141
Business tax and surcharges	4.9414	5.7212	6.5365	6.6984	7.2477	2.5918
Administration expense	2.4271	3.1029	4.0548	4.0651	4.3565	1.4086
Financial expense	3.7536	5.6884	5.3517	3.7743	1.5037	-0.483
2. Operating profit	51.6538	102.0062	98.6396	102.6382	113.7144	38.9636
Plus: non-operating income	0.0634	–	0.0063	0.0024	0.1090	0.0217
Less: non-operating expense	0.0006	-0.0003	0.1899	0.0503	–	0.2401
3. Total profit	51.7166	102.0065	98.4560	102.5903	113.8234	38.7452
Less: income tax expense	10.3181	24.5888	24.6140	25.6475	28.4558	9.6863
4. Net profit	41.3985	77.4177	73.8420	76.9428	85.3676	29.0589

C. OTHER USERS OF THE APPRAISAL REPORT

Other users of the appraisal report include the higher authorities and regulatory authorities responsible for reviewing, approving and filing the appraisal report and the economic behaviors corresponding to the report in accordance with the relevant provisions.

D. APPRAISAL PURPOSE

Since the Shenzhen Municipal Government proposed to adjust the highway tolling scheme, it is required to compensate Shenzhen Expressway which owned Nanguang, Yanba and Yanpai expressways that are involved in the adjustment. This appraisal evaluated the present value of income as of November 30, 2015 from Nanguang, Yanba and Yanpai expressways during the period from 00:00 on February 7, 2016 to the end of concessions. This appraisal serves as the reference for Shenzhen Expressway to provide the present value of income from the above three expressways in this adjustment arrangements.

We did not conduct any research on the objectivity and feasibility of the use of this report in whole or in part for purposes other than the above purpose, and therefore we are not responsible for any consequences thus caused.

E. APPRAISAL OBJECT AND SCOPE OF APPRAISAL

Appraisal object: the present value of income from Nanguang, Yanba and Yanpai expressways.

The present value of income in this report refers to: based on the two options of the toll adjustment arrangements, the discounted value of the corresponding income source under each option of the above three expressways during the period from 00:00 on February 7, 2016 to the end of the concessions. Such value is discounted to the valuation date of assets appraisal (November 30, 2015). If you want to know more about each adjustment option and the corresponding income source of such option, please refer to Section 12 herein “Adjustment Options”.

Scope of appraisal: the assets of Nanguang, Yanba and Yanpai expressways with regards to the income from operation, including the intangible assets of service concession right, buildings (structures), transportation facilities, electronic equipment and others of each expressway. Please see the following table for the assets details of each expressway as of June 30, 2015.

Asset	<i>Unit: RMB Million</i>					
	Nanguang Expressway		Yanba Expressway		Yanpai Expressway	
	Original book value	Net book value	Original book value	Net book value	Original book value	Net book value
Fixed assets	344.65	171.16	299.16	137.58	133.50	44.12
Intangible assets	2,805.48	2,461.53	1,256.76	980.82	911.45	590.42
Total	<u>3,150.13</u>	<u>2,632.69</u>	<u>1,555.92</u>	<u>1,118.40</u>	<u>1,044.95</u>	<u>634.54</u>

The appraisal object and the scope of appraisal are consistent with the appraisal object and the scope of appraisal involved in the arrangements as described in the above “Appraisal Purpose”.

F. VALUATION TYPE AND THE DEFINITION THEREOF

The type of valuation used in this assets appraisal is the market value of the present value of income as of the valuation date of assets appraisal from Nanguang, Yanba and Yanpai expressways based on the different adjustment options.

The market value refers to the estimated amount for which an asset should exchange on the valuation date of assets appraisal between a willing buyer and a willing seller in an arm's length transaction, after proper marketing provided that both parties had each acted knowledgeably, prudently and without compulsion. That is the most possible price of an asset that can reasonably be achieved in an open market if such asset is traded under the following conditions:

1. The asset is traded in a currency permitted by law;
2. There are willing buyer and willing seller in the deal;
3. The asset is paid in a lump sum and the transaction is completed without any conditions attached;
4. Both parties have a full understanding of the current situation of the asset, market supply and demand, prices and etc. There are reasonable promotion, selection, negotiation, and economic environment and time to facilitate the transaction;
5. The market conditions, price levels and other conditions during the completion of the transaction have no major changes than those on the valuation date of assets appraisal;
6. Without regard to the arrangements for the transaction with special interests, both parties freely conduct a transaction in a rational and non-compulsory market with sufficient information.

G. VALUATION DATE OF ASSETS APPRAISAL

The valuation date of assets appraisal is November 30, 2015.

The valuation date of assets appraisal shall be determined based on the toll adjustment arrangements contemplated by Shenzhen Municipal Government and Shenzhen Expressway.

H. BASIS OF ASSETS APPRAISAL**(A) Behavior basis**

Assets appraisal engagement letter entered into between Shenzhen Expressway and us.

(B) Legal basis

1. The Administrative Measures for the Appraisal of State-owned Assets ([1991] No. 91 Order) issued by the State Council of the People's Republic of China;

2. The Rules for the Implementation of the Administrative Measures for the Appraisal of State-owned Assets (Guo Zi Ban Fa [1992] No. 36) issued by the former State-owned Assets Administration Bureau;
3. The Notice on Forwarding the Opinions on the Reform of the Administrative Measures for the Appraisal of State-owned Assets and the Strengthening of Supervision and Management of Assets Appraisal from the Ministry of Finance (Guo Ban Fa [2001] No.102) issued by the General Office of the State Council and the Opinions on the Reform of the Administrative Measures for the Appraisal of State-owned Assets and the Strengthening of Supervision and Management of Assets Appraisal issued by the Ministry of Finance;
4. The Provisions on Issues regarding the Appraisal and Management of State-owned Assets (No. 14 Order of the Minister) issued by the Ministry of Finance;
5. The Interim Administrative Measures for the Appraisal and Management of State-owned Assets of Enterprises (No. 12 Order) issued by the State-owned Assets Supervision and Administration Commission of the State Council;
6. The Highway Law of the People's Republic of China ([2014] No. 19 Order) issued by the President of the People's Republic of China;
7. The Administrative Measures for the Compensated Transfer of Highway Operation Right ([1996] No.9 Order) issued by the Ministry of Transport of the People's Republic of China;
8. The Regulations on the Administration of Toll Roads ([2004] No.417 Order) issued by the State Council of the People's Republic of China;
9. The Measures for the Assignment of Interests of Toll Roads ([2008] No. 11 Order) issued by the Ministry of Transport of the People's Republic of China, the National Development and Reform Commission and the Ministry of Finance of the People's Republic of China;
10. The Notice on Issues regarding the Management of Assignment of Interests of Toll Roads (Jiao Cai Fa [2008] No.315) issued by the Ministry of Transport of the People's Republic of China;
11. Other current relevant laws and regulations of the State.

(C) Professional regulations

1. The Notice on Printing and Distributing the Assets Appraisal Standards – Basic Standards and the Code of Professional Ethics for Assets Appraisal – Basic Code (Cai Qi [2004] No. 20) issued by the Ministry of Finance of the People's Republic of China.

2. The Assets Appraisal Standards – Appraisal Report (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
3. The Assets Appraisal Standards – Appraisal Procedure (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
4. The Assets Appraisal Standards – Engagement Letter (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
5. The Assets Appraisal Standards – Working Paper (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
6. The Asset Appraisal Valuation Type Guidance (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
7. The Guidelines for the Appraisal Report of State-owned Assets of Enterprises (Zhong Ping Xie [2008] No. 218) issued by the China Appraisal Society.
8. The Notice on Printing and Distributing the Instructions for Certified Public Valuers about the Legal Ownership of the Appraisal Object (Hui Xie [2003] No. 18) issued by the Chinese Institute of Certified Public Accountants.

(D) Equity basis

1. Copies of the approval documents for the construction of important assets, the approval document for road tolls, the service concession contract and other relevant documents of Nanguang, Yanba and Yanpai expressways.
2. Vehicle driving license, invoices and etc.
3. Other relevant ownership certificates.

(E) Basis of price determination and reference data

1. Detailed statement of examination, declaration and appraisal of Nanguang, Yanba and Yanpai expressways provided by Shenzhen Expressway.
2. Historical financial statements and relevant audit reports provided by Shenzhen Expressway.
3. The “Forecast Report on Traffic Volume and Toll Revenue of Shenzhen Nanguang Expressway”, the “Forecast Report on Traffic Volume and Toll Revenue of Shenzhen Yanba Expressway”, and the “Forecast Report on Traffic Volume and Toll Revenue of Shenzhen Yanpai Expressway” issued by the Guangdong Province Communications Planning and Design Institute Co., Ltd. in October 2015.

- 4. The “Planning and Research Report for Pavement Preventive Maintenance” issued by Shenzhen Expressway Engineering Consultants Co., Ltd. in April 2011, which was provided by Shenzhen Expressway.
- 5. Financial data terminal by HiThink RoyalFlush Information Network Co., Ltd.
- 6. Other relevant information.

I. APPRAISAL METHOD

Based on the assets appraisal standards, Certified Public Valuers shall select one or more basic approaches for assets appraisal while performing services of assets appraisal in accordance with appraisal object, valuation type, data collection and other relevant conditions, as well as the applicability of assets analysis-based approach, income approach and market approach.

The object for this appraisal is the present value of income from Nanguang, Yanba and Yanpai expressways. The operating performance of such expressways is more stable and the future operating conditions thereof can be reasonably predicted, therefore, the income approach would be suitable for the assets appraisal this time. The assets analysis-based approach and the market approach are not suitable for the appraisal of present value of income from such assets.

Introduction of the income approach:

Basic formula for the income approach:

$$P = \sum_{t=1}^n F_t (1+r)^{-t}$$

Whereas: F_t :The future income created by the highway assets in the year of t
 r :Discount rate
 t :The future continuous operation period of the appraised expressways

About income source:

While the income approach is used for the appraisal of present value of income from Nanguang, Yanba and Yanpai expressways, the income source will be different based on the different adjustment option for different time period (Please refer to Section 12 “Adjustment Options” for more details).

Phase 1: under service concession agreement and thus the corresponding source of income is from toll revenue;

Phase 2: if the service concession agreement is continued, the corresponding source of income is continued from toll revenue.

Phase 2: if the government repurchases the rights and interests of toll highways, the corresponding source of income is from the free cash flow generated from the highway assets (including intangible assets of service concession right, buildings (structures), transportation facilities, electronic equipment and others).

In this appraisal, the free cash flow (FCFF) generated from the highway assets is defined as:

$$FCFF=NI+DEPR+INT-CAPEX-NWC$$

Whereas: *FCFF* = Expected free cash flow attributable to assets
NI = Net profit after tax
DEPR = Non-cash expenses including depreciation and amortization
INT = Interest expenses after deducting income tax benefits
CAPEX = Capital expenditures
NWC = Increase in net working capital

Income years: period of income for each expressway shall be determined based on the tolling period approved by the government for each expressway.

Discount rate: in this appraisal, since there are two phases of adjustment on the highway tolling scheme corresponding to different income source, the future income risks or uncertainties are also different.

In this appraisal, we determined corresponding discount rate based on the different time phases and the different adjustments of the highway tolling scheme.

For this reason, this appraisal needs to determine the discount rates in the following four circumstances:

- 1) Discount Rate 1 corresponding to Phase 1 (to be used to discount to the valuation date of assets appraisal);
- 2) Discount Rate 2 corresponding to the scenario whereas the service concession agreement is continued in Phase 2 (to be used to discount to the beginning of Phase 2);
- 3) Discount Rate 3 corresponding to the scenario whereas the government repurchases the rights and interests of toll highways in Phase 2 (to be used to discount to the beginning of Phase 2);
- 4) Discount Rate 4 to be used to discount the present value of income from Phase 2 (discounted to the present value at the beginning of Phase 2) to the valuation date of assets appraisal in this project.

If the government continues to apply service concession agreement for both Phase 1 and 2, the income source is from toll revenue and the corresponding final settlement shall be conducted based on the actual income every year in the future. Therefore, there is no significant uncertainty in the

expected return in these two phases, which means that the present value equals to the future toll incomes are being paid in advance on the valuation date of assets appraisal. We determined Discount Rate 1 and 2 based on the lending interest rate in recent years.

If the government repurchases the rights and interests of toll highways in Phase 2, since the income source is from the free cash flow generated from the highway assets, Discount Rate 3 should be based on the weighted average cost of capital (WACC). In which, the cost of capital should be determined based on the capital asset pricing model (CAPM).

Discount Rate 4 is used to discount the estimated present value of Phase 2 to the valuation date of assets appraisal. We determined such discount rate based on the lending interest rates in recent years.

J. IMPLEMENTATION AND SITUATION OF THE APPRAISAL PROCEDURE

(A) Starting and ending time of the appraisal work

The time of appraisal work is from October 8, 2015 to the date when the appraisal report is issued. The closing date of field work is October 16, 2015.

(B) Main appraisal procedure that has been implemented

1. From October 8, 2015 to October 9, 2015: preliminary survey of the project, including to gain a full understanding of the appraisal purpose, appraisal object, scope of appraisal, and valuation date of assets appraisal, to accept the entrusted project, formulate the appraisal scheme and prepare the appraisal work plan.
2. From October 9, 2015 to October 16, 2015: to check the physical assets and relevant records on the field, collect relevant legal documents and other data, and then to analyze collected data for determining appraisal approach based on analysis results to appraise and analyze the market value.
3. From October 16, 2015 to the date when the appraisal report is issued: to prepare assets appraisal report and to issue the appraisal report after internal examination and approval of our company.

K. APPRAISAL ASSUMPTIONS

This appraisal is based on following appraisal assumptions, and therefore, any big change in appraisal assumptions will have significant impact on appraisal result.

1. Assuming that the economic environment, market environment, social environment (such as China's macroeconomic policies, relationship between market supply and demand, fiscal and tax policies, domestic and foreign trade policies, environmental protection policies, financial and monetary policies, and etc.) and other factors will not be significantly changed in the future;

2. Assuming that tax policies applicable to the company of the appraised assets will not be significantly changed;
3. Assuming that there will be no force majeure event that will have significant adverse impact on the appraised assets after the valuation date of assets appraisal;
4. Assuming that the management team of the appraised assets will be responsible and dutiful after the valuation date of assets appraisal;
5. Assuming that all operating activities of appraised assets will be carried out in accordance with the provisions of the relevant laws and regulations, the relevant industry standards and the relevant provisions on safe production and operation;
6. Assuming that the appraised assets are obtained and used in accordance with the national laws, regulations and normative documents.
7. Assuming that all the relevant assets of the appraised expressways have been presented or specially explained to us, and there will be no other assets or contingent assets, or other relevant rights/contingent rights and obligations/contingent obligations;
8. Assuming that the accounting policies used for the appraised assets will be consistent in all material respects;
9. Assuming that the data provided by the entrusting party regarding this appraisal are true, accurate and complete.
10. Except as otherwise stated in this report, the following conditions are assumed to be in normal state:
 - (1) All hidden assets or assets inconvenient for observation or any part thereof (such as the foundation and pipe network of buildings buried in the ground, facilities and equipment placed near the high voltage lines, or assets that should not be opened), and the assets that are operated in another place or have not been operated when we check on the field, shall be considered to be normal.
 - (2) The internal structure, performance, quality, character and function of all the physical assets shall be assumed to be normal.
 - (3) All the appraised assets shall be assumed to be recorded, kept and stored in accordance with the requirements of the relevant laws or professional standards, to be in a secure, economical and reliable environment, therefore, its risk factors that may exist or may not exist are not listed in the scope of investigation of valuers and its adverse or favorable impact on the appraised value is not considered.

Although the appraisal procedure we have implemented includes the examination of the appraised assets, this is only limited to the observation of the visible parts of the appraised assets, and the field check and limited understanding of the relevant management, use and maintenance records. The valuers do not have the capacity to understand the internal structure, material property, safety and reliability of any physical assets, and are not eligible for testing, inspecting or giving opinions on such parts.

L. ADJUSTMENT OPTIONS

The toll adjustment arrangements contemplated by the Shenzhen Municipal Government and Shenzhen Expressway:

General provisions: The value of the corresponding income source from 00:00 on February 7, 2016 to the expiry date of the concession shall be discounted to November 30, 2015.

The adjustment is divided into two phases: Phase 1 is from 00:00 on February 7, 2016 to December 31, 2018 and Phase 2 is from 00:00 on January 1, 2019 to the expiry date of the approved concession of the aforementioned three expressways.

Service concession agreement with the government is valid in Phase 1: the corresponding toll revenue shall be paid by the government, and Shenzhen Expressway is still responsible for the management, maintenance, custody and so on for the three expressways.

There are two adjustment options for Phase 2: 1) the continuation of service concession agreement by the government; 2) the repurchase of rights and interests of the three expressways.

According to above described adjustment options, the income sources under the different adjustment options are as follows:

Phase 1: under service concession agreement and thus the corresponding source of income is from toll revenue;

Phase 2: if the service concession agreement is continued, the corresponding source of income is continued from toll revenue.

Phase 2: if the government repurchases the rights and interests of toll highways, the corresponding source of income is from the free cash flow generated from the highway assets (including intangible assets of service concession right, buildings (structures), transportation facilities, electronic equipment and others).

M. PROJECTIONS AND SELECTED ESTIMATIONS OF KEY PARAMETERS IN THE VALUATION

(A) Revenue projections

Toll revenue projections have been based on the “Report on the Projected Traffic Flow and Toll Revenue of Nanguang Expressway, Yanba Expressway and Yanpai Expressway in Shenzhen” (the “Report”) prepared by Guangdong Province Communications Planning & Design Institute Co., Ltd. Following an analysis and comparison of the three scenarios set out in the Report, namely, the optimistic, moderate and basic scenarios, and taking into account the historical operating conditions of the expressways, we are of the view that the moderate scenario is more appropriate and have accordingly selected data under this scenario as the projected traffic flow and toll revenue for future years in this valuation. Vehicle flow and toll revenue data for periods less than a full year have been discounted accordingly based on the number of days concerned.

Projections on other revenue are primarily based on historical information.

Projected future operating revenue and growth rates of Nanguang Expressway are shown as follows (Unit: RMB Million):

Project/year	7 February					
	2016 to year-end	2017	2018	2019	2020	2021
Operating revenue	302.3261	362.2500	384.0600	463.5400	482.2600	504.4800
Growth rate		19.82%	6.02%	20.69%	4.04%	4.61%
Project/year	2022	2023	2024	2025	2026	2027
Operating revenue	527.7200	552.0400	579.0800	599.0500	614.9600	631.3100
Growth rate	4.61%	4.61%	4.90%	3.45%	2.66%	2.66%
Project/year	2028	2029	2030	2031	2032	2033/1/30
Operating revenue	603.8400	616.2200	628.8800	640.2400	651.8200	54.5450
Growth rate	-4.35%	2.05%	2.05%	1.81%	1.81%	-91.63%

Projected future operating revenue and growth rates of Yanba Expressway are shown as follows (Unit: RMB Million):

Project/year	7 February 2016 to					
	year-end	2017	2018	2019	2020	2021
Operating revenue	168.2146	198.6700	169.0300	193.2800	211.8700	226.5100
Growth rate		18.11%	-14.92%	14.35%	9.62%	6.91%
Project/year	2022	2023	2024	2025	2026	2027
Operating revenue	242.1700	258.9200	274.1900	291.1300	211.8800	176.0300
Growth rate	6.91%	6.92%	5.90%	6.18%	-27.22%	-16.92%
Project/year	2028	2029	2030	2031	2032	2033
Operating revenue	146.2000	96.9800	100.2700	102.2500	104.2700	106.3400
Growth rate	-16.95%	-33.67%	3.39%	1.97%	1.98%	1.99%
Project/year	2034	2035/3/26				
Operating revenue	108.4400	25.3072				
Growth rate	1.97%	-76.66%				

Projected future operating revenue and growth rates of Yanpai Expressway are shown as follows (Unit: RMB Million):

Project/year	7 February 2016 to					
	year-end	2017	2018	2019	2020	2021
Operating revenue	160.7585	194.8699	199.4193	214.8688	229.7024	241.7311
Growth rate		21.22%	2.33%	7.75%	6.90%	5.24%
Project/year	2022	2023	2024	2025	2026	2027/3/12
Operating revenue	254.3981	267.7375	244.6386	260.5311	268.8364	53.0896
Growth rate	5.24%	5.24%	-8.63%	6.50%	3.19%	-80.25%

(B) Projected cash-settled costs and expenditures

Projections on cash-settled costs and expenditures are primarily based on historical information of the expressways, taking into account future operating conditions. In particular:

Expenditure on road overhaul is estimated based on the annual figures in the respective overhaul plans of the expressways.

Costs for the first three years: according to the toll adjustment plan, income for Phase I comprises toll revenue. Hence, no cost estimates are conducted in respect of the first three years.

(C) Selection of income tax rate

Income tax for each year is estimated using the enterprise income tax of 25%.

(D) Projected depreciation and amortization

Estimations are made based on the current and future updated book values of assets, time of acquisition, as well as the terms and residual rates for accounting depreciation and amortization.

(E) Estimation and selection of discount rates

As described in the valuation method set out in Section IX above, the project needs to determine the discount rates for the following four situations:

1. Discount Rate 1 for Phase I (discounted to the valuation benchmark date of the project): Phase I comprises the purchase of services and the income consists of toll revenue. In future, final calculations based on actual revenues are required to be conducted each year, hence the expected income of this phase is subject to significant uncertainties, as if the payment of toll revenue is advanced to the valuation benchmark date of the project. Given that the interval between the receipt of revenue in each year of Phase I and the valuation benchmark date (30 November 2015) is on average less than 3 years, we have adopted the 5% interest rate applicable to 1-year to 3-year loans currently quoted by PBOC as the discount rate for Phase I.
2. Discount Rate 2 for ongoing purchase of services in Phase II (discounted to the start of Phase II): Income for Phase II under this scenario is substantially the same as that for Phase I, except that Phase II stretches through a longer duration with an outstanding toll collection term of close to 10 years. Hence we have set the discount rate at 6.15% based on the trend of PBOC interest rates in the past 5 years for loans with maturity more than 5 years;

3. Discount Rate 3 for repurchase of toll road interests in Phase II (discounted to the start of Phase II): The relevant income comprises free cash flow generated from the road assets, hence the discount rate should be the weighted average capital cost (WACC), the formula for which is set out as follows:

$$WACC = K_e \times \frac{E}{(E+D)} + K_d \times \frac{D}{(E+D)}$$

(1) *Capital structure D and E*

The value of interest-payment debts is D=0, therefore D/E=0

(2) *Equity capital cost Ke*

Equity capital cost is estimated using the capital asset pricing model (CAPM). The formula is as follows:

$$\text{Equity capital cost } K_e = R_f + [R_m - R_f] \times \beta + R_c$$

Where:

Rf: Risk-free return rate;

Rm-Rf: Market risk premium;

β: Risk coefficient;

Rc: Enterprise-specific risk adjustment coefficient;

1) *Risk-free return rate (Rf)*

The PRC fixed rate yield curve returned by a search in the iFinD System of www.51ifind.com indicates that the yield rate of 15-year PRC treasury bonds is 3.4549%, which is adopted as the risk-free return rate (Rf).

2) *Market risk premium (Rm-Rf)*

According to the statistics of Aswath Damodaran, the historical risk premium of the U.S. stock market is 6.20%. As volatility index of the PRC stock market relative to S&P 500 is 1.23, the consolidated market risk premium (Rm-Rf) is 7.64%.

3) *β value*

Risk coefficient β: A search on the risk coefficient without financial leverage (βu) of listed companies in the industry is conducted and the arithmetic average of the βu values of such companies is adopted as the

β_u of the appraised assets. The capital structure of the appraised assets is then converted into the risk coefficient with financial leverage as the β value for this evaluation.

β_u and the conversion formula for β : $\beta = \beta_u \times [1 + D/E \times (1 - T)]$; where T is the income tax rate.

For the purpose of this valuation, 8 comparable listed companies have been selected and their β_u values as returned by a search in the iFinD System of www.51ifind.com are shown in the following table:

No.	Stock name	β_u	No.	Stock name	β_u
1	Shenzhen Expressway 深高速	0.5774	5	Guangdong Expressway 粤高速A	0.4605
2	Jiangxi Ganyue Expressway 赣粤高速	0.6014	6	Xiandai Investment 现代投资	0.5704
3	Jiangsu Expressway 宁沪高速	0.6158	7	Zhongyuan Expressway 中原高速	0.5121
4	Sichuan Expressway 四川成渝	0.5572	8	Fujian Expressway 福建高速	0.6222
	Average value				0.5646

β converted on the basis of the capital structure of the appraised assets = $\beta_u \times [1 + D/E \times (1 - T)] = 0.5646$.

4) *Enterprise-specific risk adjustment coefficient*

Given the specific risks of the appraised assets, in comparison to the comparable companies, in terms of operating scale and economic conditions of the region where it is located, specific risk adjustment coefficient is set at 0.3%.

(3) *After-tax capital cost of liabilities K_d*

After-tax capital cost of interest-payment debts $K_d = \text{Interest rate for debts} \times (1 - \text{income tax rate } T)$

(4) *Determination of WACC*

Applying the aforesaid parameters in the WACC formula results in a finalized WACC value of 8.07%.

- Discount Rate 4, which discounts the present value of income in Phase II (discounted to the start of Phase II) to the valuation benchmark date of the project, further discounts the present value of Phase II to be estimated three years later (representing a 3.08-year interval from the valuation benchmark date). Hence we have adopted the 5% interest rate applicable to 3-year to 5-year loans currently quoted by PBOC as the discount rate under this approach.

N. APPRAISAL CONCLUSION

Based on the different adjustment options, we used the income approach to appraise the present value of income as of November 30, 2015 (the valuation date of assets appraisal) from Nanguang, Yanba and Yanpai expressways. Please refer to the following table for more details of such appraised value.

Unit: RMB Million

Expressway	Appraisal result by phases				Appraisal result of the present value of income (total value of Phase 1 & 2) discounted to 2015/11/30
	Phase 1 (Under Service Concession)	Phase 2 (Continuing service concession or repurchase of the rights and interests of toll highways)			
	Present value of income (Discounted to 2015/11/30)	Option	Present value of income (Discounted to 2018/12/31)	Present value of income (Discounted to 2015/11/30)	
Nanguang Expressway	966.9928	Service concession	5,379.1423	4,627.8509	5,594.8437
		Repurchase of the rights and interests of highways	3,167.6193	2,725.2058	3,692.1986
Yanba Expressway	495.9916	Service concession	1,985.0115	1,707.7699	2,203.7615
		Repurchase of the rights and interests of highways	1,083.1382	931.8590	1,427.8506
Yanpai Expressway	512.0361	Service concession	1,595.4365	1,372.6059	1,884.6420
		Repurchase of the rights and interests of highways	926.5984	797.1827	1,309.2188
Total	1,975.0205	Service concession	8,959.5903	7,708.2267	9,683.2472
		Repurchase of the rights and interests of highways	5,177.3559	4,454.2475	6,429.2680

Based on the option that the government retains service concession agreements for both Phase 1 and 2, the present value of income on the valuation date of assets appraisal from Nanguang, Yanba and Yanpai expressways is RMB9,683.2472 million.

Based on the option that the government retains service concession agreements during Phase 1 and will repurchase the rights and interests of toll highways in Phase 2, the present value of income on the valuation date of assets appraisal from Nanguang, Yanba and Yanpai expressways is RMB6,429.2680 million.

O. SPECIAL INSTRUCTIONS

The appraisal result stated in the report only reflects the market value of the appraisal object that is determined based on the purpose, valuation definition, appraisal assumptions and restrictions of this appraisal project and under the principle of economy. Our company believes: the following events may affect the appraisal conclusion, but under the current circumstances, we cannot estimate the degree of influence thereof on the appraisal result. This is a reminder for the users and readers of the report to pay attention to the following events.

1. In this appraisal, we cited the “Forecast Report on Traffic Volume and Toll Revenue of Shenzhen Nanguang Expressway”, the “Forecast Report on Traffic Volume and Toll Revenue of Shenzhen Yanba Expressway”, and the “Forecast Report on Traffic Volume and Toll Revenue of Shenzhen Yanpai Expressway” issued by the Guangdong Province Communications Planning and Design Institute Co., Ltd. in October, 2015, and also cited the “Planning and Research Report for Pavement Preventive Maintenance” issued by the Shenzhen Expressway Engineering Consultants Co., Ltd. in April 2011, which was provided by Shenzhen Expressway. Our company has understood the estimates of and the procedure for getting the cited report conclusions, and would bear the responsibilities related to citing conclusions from these reports.
2. The property certificates of land and some buildings involved in Nanguang, Yanba and Yanpai expressways have not been handled yet.
3. The impact of transaction taxes on the appraisal result is not considered in this appraisal.
4. The income from billboard leasing is not calculated in this appraisal. This is a reminder for the users of the report to pay attention to this issue.

P. RESTRICTIONS ON THE USE OF THE APPRAISAL REPORT**(A) Instructions for the use of the appraisal report**

1. The use of this report belongs to the entrusting party. The entrusting party or other users approved by the entrusting party to use the assets appraisal report, shall carefully read and understand every part of this report, and any exclusive use of each part of this report, or any combined use of some parts, but not all, of the report, is likely to cause the misunderstanding of the appraisal conclusion stated in the report. The users of the report shall pay special attention to the value definition, appraisal assumptions, appraisal basis, special instructions, and the commitment letter of the enterprise to be appraised, stated in the report.
2. In addition to the review and use of this report by the assets appraisal authorities as required by laws and regulations or other agencies authorized by laws and regulations, without the written permission or consent of the entrusting party, our company will not provide or reveal all or part of the contents of this report to others. In addition to the

review and use of this report by the assets appraisal authorities as required by laws and regulations or other agencies authorized by laws and regulations, our company has no obligation to explain this report to any other third party.

(B) Restrictions

1. Any appraisal involving state-owned assets may be available for use after being filed with the relevant authorities for the record.
2. This report may only be used to evaluate the appraise purpose and use stated in the report.
3. This report may only be used by the users of the appraisal report stated in the report.
4. Unless otherwise provided for by laws and regulations, or agreed by the relevant parties, without the consent of our company, the content of the appraisal report shall not be excerpted, quoted or disclosed in the public media.
5. This report is not a certificate for the value of the appraisal object, but the advisory opinions on the value of the appraisal object based on some appraisal basis and assumptions.

(C) Period of use of the appraisal conclusion

The appraisal conclusion shall be set up as of the base date of assets appraisal stated in the appraisal report. The period of use for the assets appraisal result shall be one year calculated from the valuation date of assets appraisal (from November 30, 2015 to November 29, 2016).

Q. DATE OF THE APPRAISAL REPORT

This report is mainly based on the data acquired during the period from the beginning of this assets appraisal to the closing date of the field work. The closing date of the field work in this assets appraisal is October 16, 2015 and the date of the appraisal report is October 20, 2015.

DZX International Appraisal Limited

Shenzhen, China
October 20, 2015

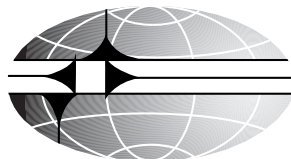
Legal representative: Wang Mingzhi

Chinese CPV: Wang Mingzhi

Chinese CPV: Huang Qiong

Set out below are the text of the letters from the Company and PricewaterhouseCoopers Zhong Tian LLP, both relating to the discounted future estimated cash flows, for the purpose of inclusion in this circular.

(I) LETTER FROM THE BOARD ISSUED PURSUANT TO RULES 14.62 AND 14.71 OF THE LISTING RULES



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)

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

(II) LETTER FROM PRICEWATERHOUSECOOPERS ZHONG TIAN LLP ISSUED PURSUANT TO RULES 14.62 AND 14.71 OF THE LISTING RULES

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

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.

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

The following is a summary of the Forecast Report on traffic flow and toll revenue of Nanguang Expressway, Yanpai Expressway and Yanba Expressway. The Forecast Report was prepared in Chinese only and set out below is an English translation of the relevant extract from the Forecast Report. In case of any discrepancies between the Chinese and the English summary of the Forecast Report, the Chinese version shall prevail.

SUMMARY OF THE FORECAST REPORT ON TRAFFIC FLOW AND TOLL REVENUE OF NANGUANG EXPRESSWAY, YANPAI EXPRESSWAY AND YANBA EXPRESSWAY

Guangdong Province Communications Planning & Design Institute Co., Ltd. (廣東省交通規劃設計研究院股份有限公司) (formerly known as Guangdong Province Highway Planning and Design Institute Co., Ltd. (廣東省公路勘察規劃設計院股份有限公司)) is commissioned by Shenzhen Expressway Company Limited (深圳高速公路股份有限公司) to carry out traffic flow and toll revenue forecasts for three projects in Shenzhen, namely Nanguang Expressway, Yanpai Expressway and Yanba Expressway.

1. INTRODUCTION OF THE PROJECTS

Located in the western part of Shenzhen, Nanguang Expressway is one of the north-south corridors in Shenzhen's "Seven East-West and Thirteen North-South" expressway and highway network. This project starts from the northern point of Qilin Road of Shenzhen City and ends at Luotian Village, Songgang Town, meeting Changhu Expressway via Longda Expressway and connecting the Nanshan cluster, Shiyan, Gongming and Songgang and Guangming New District in Bao'an District. It constitutes a major supporting part for communication in Economic Development Belt in central developmental cluster of Shenzhen, and is an important north-south corridor in the Pearl River Delta, connecting western Shenzhen and Hong Kong. Having a total length of 31.0 km, it is a dual six-lane expressway with a design speed of 100km/hour. It commenced operation in January 2008, with its concession expiring in 2033.

Yanpai Expressway, also called Jihe Expressway Yantian Port Section, constitutes part of G25 (Changshen Expressway, a national expressway). This north-south corridor in Shenzhen's "Seven East-West and Thirteen North-South" expressway and highway network is also an important express passage for traffic diversion at Yantian Port, Shenzhen. Yanpai Expressway starts from Yantian Port and ends at Paibang Interchange where it connects Jihe Expressway as well as Boshen Expressway. Having a total length of 15.6 km, Yanpai Expressway is a dual six-lane expressway with a design speed of 80km/hour. It commenced operation on 10 May 2006, with its concession expiring in March 2027.

Located in the coastal region of eastern Shenzhen, Yanba Expressway starts from Yantian in the west and ends at Bagang in the east, with its course largely spanning from east to west. It constitutes an important part of Huizhou-Shenzhen Coastal Expressway, numbering S30 as Guangdong Expressway. Having a total length of 29.1 km, it is a dual six-lane expressway with a design speed of 80km/hour. Yanba Expressway is the main passage between the coastal area in the east of Shenzhen and its surrounding areas, playing an important role in the economic development of the eastern area of Shenzhen and the integration of Shenzhen and Huizhou. The construction of Yanba Expressway is divided into three sections, comprising sections A, B and C. Section A of Yanba Expressway starts

from Yantian in the west and ends at Xichong in the east, with a total length of 10.38 km; it commenced operation in March 2001, with its concession expiring in March 2026. Section B of Yanba Expressway starts from Xichong in the west and ends at Kuichong in the east, with a total length of 9.19 km; it commenced operation in June 2003, with its concession expiring in June 2028. Section C of Yanba Expressway starts from Kuichong in the west and ends at Bagang, with a total length of 9.53 km; it commenced operation in March 2010, with its concession expiring in March 2035.

Table 1: Overview of the Projects

No.	Name	Nanguang Expressway	Yanpai Expressway	Yanba Expressway
1	Technical grade	Expressway	Expressway	Expressway
2	Access Control	Controlled Access	Controlled Access	Controlled Access
3	Mileage (km)	31.0	15.6	29.1
4	Number of lanes	6	6	6
5	Design speed (km/h)	100	80	80
6	Date of commencing operation	January 2008	May 2006	Section A: March 2001 Section B: June 2003 Section C: March 2010
7	Expiry date of concession	2033	March 2027	Section A: March 2026 Section B: June 2028 Section C: March 2035

2. CONTENT OF WORK

This study aims to forecast the traffic flow and toll revenue of the three projects (namely Nanguang Expressway, Yanpai Expressway and Yanba Expressway) for future years and the scope mainly includes collection of basic information, on-site survey of traffic flow, analysis of traffic flow and forecast on future traffic flow and toll revenue. The work of this study mainly includes:

- 1) To review available planning and analysis reports related to the expressways under study;
- 2) To collect the socio-economic development data of the regions under study and analyse its current status and planning;
- 3) To collect the traffic and transportation development data of the regions under study and analyse its current status and planning;
- 4) To collect relevant infrastructure data such as traffic flows, toll revenue, free-toll during holidays and toll-by-weight;
- 5) To determine the traffic flow and toll revenue forecast methodology;

- 6) To consider effects of future changes in regional road network development and forecast the projects' traffic flow;
- 7) To forecast the projects' toll revenue based on the forecasted traffic flow and current toll standards.

3. TRAFFIC FLOW FORECAST METHODOLOGY

This traffic flow forecast has been prepared with the four-stage model which is widely adopted by domestic and foreign peers, details of the main technical steps are set out as follows:

(1) Sorting and verification of basic data

This stage is to collect available information of the regions under study, including, among others, available analysis reports, traffic statistics and survey data, toll statistics, road network node data and socio-economic data to form the basic travel data of the regions under study, and to form the forecasted base year data through verification of the latest traffic flow of the relevant road sections.

(2) Traffic demand forecast

Based on the analysis of the current status and the study on developmental trend of the society and economy of the regions under study, the economic growth rate forecast of the regions under study for the future periods has been prepared under three scenarios, namely basic scenario, moderate scenario and optimistic scenario, and then through the elasticity relationship between traffic and economic growth, the total traffic demand forecast of the regions under study for future forecast years has been prepared with the elasticity coefficient model after taking into account effects of traffic policies in Shenzhen, such as restrictions on purchase of small passenger cars and restrictions on non-local vehicles. Specifically, the forecast includes, among others, economic growth forecast, elasticity development analysis and forecast as well as traffic generation and attraction forecasts.

(3) Traffic distribution forecast

The future traffic distribution forecast of the regions under study has been prepared based on the basic travel data and future traffic generation and attraction forecasts of the regions under study by using the Fratar Model under the dual-constrained method.

(4) Allocation of traffic flow

Allocation of traffic flow refers to allocation of travel volume among different regions to road network, to generate traffic flow of different road sections in the road network. The core to the allocation of traffic flow is the selection of routes. The Stochastic User Equilibrium has been adopted in this study to forecast the traffic flows of road sections after taking into account factors such as future changes in road sections and effect of rail transits and on the

precondition that comprehensive costs such as road toll, mileage of the road sections and time value have been taken into consideration, during which the followings have been mainly considered:

- Travel modes such as rail transit;
- Diversion and convergence of new projects;
- Road toll;
- Traffic capacity;
- Design speed and operational delay;
- Time value.

4. KEY BASIC ASSUMPTIONS

The “four-stage” method is adopted for the current traffic flow projection. The key basic assumptions include assumptions on economic growth, traffic elasticity and changes in road networks. The assumption on economic growth is based on an analysis of the history of economic development of the affected area, taking into account relevant development planning, the new normal status of China’s economic development and by reference to other relevant reports; the assumption on traffic elasticity is based on an analysis of the history of traffic elasticity in the affected area, taking into account the development patterns of the traffic elasticity coefficient of other regions, level of vehicle possession in Shenzhen and the policy of purchase restrictions for small passenger vehicles; the assumption on road network changes is made on the basis of the Guangdong provincial expressway network planning and Shenzhen municipal trunk road network planning and relevant road network plans and construction arrangements. The detailed assumptions are set out as follows:

(1) Economic growth assumption

Under the moderate scenario, the economic growth rates of Shenzhen, the primary affected area, for the future periods are as follows: approximately 8.0% for 2016-2020; approximately 6.5% for 2021-2025; approximately 5.5% for 2026-2030; approximately 4% for 2031-2035.

(2) Traffic elasticity assumption

Passenger vehicle elasticity assumptions for Shenzhen, the primary affected area: 0.42 for 2016-2020; 0.40 for 2021-2025; 0.38 for 2026-2030; 0.35 for 2031-2035; truck elasticity assumption: 0.40 for 2016-2020; 0.36 for 2021-2025; 0.32 for 2026-2030; 0.27 for 2031-2035.

(3) Assumption on road network changes

According to relevant planning, the major highway construction plans of the affected area in future are as follows:

Table 2: Schedule for building major relevant roads in affected areas in the future

No.	Completion time	Relevant roads
1	Beginning of 2018	Opening of Longguan Freeway, East Guojing Channel and Pingyan Channel
2	Beginning of 2019	Opening of Outer Ring Expressway
3	Beginning of 2020	Bulong Connect of Guangqiao Avenue
4	End of 2023	Opening of Shenzhong Channel
5	End of 2023	Opening of Longyan Freeway

5. TRAFFIC FLOW FORECAST

In this report, the traffic flow forecasts for Nanguang Expressway, Yanpai Expressway and Yanba Expressway for future years have been prepared by using the four-stage model with 2014 as the base year under three scenarios, namely basic scenario, moderate scenario and optimistic scenario, with the forecast results set out as follows:

Table 3: Traffic Flow Forecast for Nanguang Expressway

Year	<i>(standard vehicle/day)</i>		
	Moderate scenario	Optimistic scenario	Basic scenario
2016	48,956	49,592	48,378
2017	52,731	53,561	51,892
2018	55,923	56,960	54,804
2019	67,584	69,814	65,894
2020	70,344	73,158	67,882
2021	73,626	76,754	70,678
2022	77,062	80,528	73,590
2023	80,660	84,490	76,624
2024	84,660	88,893	80,003
2025	87,682	93,381	81,720
2026	90,099	96,180	83,882
2027	92,589	99,070	86,108
2028	88,579	95,223	81,936
2029	90,413	97,645	83,405
2030	92,284	100,129	84,902
2031	93,964	102,263	86,290
2032	95,674	104,443	87,701
2033	97,415	106,670	89,135

Notes:

1. Traffic flow in the table above represents total traffic flow of the project including traffic flow of toll-free vehicles and green-passage vehicles.
2. Same principle applies to the following tables.

Table 4: Traffic Flow Forecast for Yanpai Expressway

Year	Moderate scenario	Optimistic scenario	<i>(standard vehicle/day)</i>
			Basic scenario
2016	54,231	55,207	53,255
2017	59,149	60,627	57,669
2018	60,582	62,521	58,643
2019	65,320	67,998	62,641
2020	69,879	73,373	66,385
2021	73,561	77,532	69,587
2022	77,437	81,927	72,945
2023	81,519	86,573	76,465
2024	74,478	79,504	69,450
2025	79,365	85,159	73,571
2026	81,981	88,293	75,668
2027	84,690	91,549	77,830

Table 5: Traffic Flow Forecast for Yanba Expressway

Road section	Year	<i>(standard vehicle/day)</i>			
		Moderate scenario	Optimistic scenario	Basic scenario	
Whole section (i.e. Sections A, B and C)	2016	28,305	28,493	28,115	
	2017	30,280	30,682	29,874	
	2018	25,645	26,158	25,132	
	2019	29,501	30,327	28,675	
	2020	32,382	33,419	31,346	
	2021	34,653	35,877	33,429	
	2022	37,084	38,518	35,650	
	2023	39,686	41,352	38,019	
	2024	42,064	43,957	40,171	
	2025	44,703	46,849	42,557	
	2026.1-3	46,784	49,216	44,351	
	Sections B and C	2026.4-12	40,463	42,567	38,359
		2027	42,547	45,100	39,995
2028.1-6		44,615	47,648	41,581	
Section C	2028.7-12	35,425	37,834	33,016	
	2029	36,650	39,215	34,084	
	2030	37,919	40,649	35,189	
	2031	38,680	41,550	35,810	
	2032	39,457	42,471	36,442	
	2033	40,250	43,414	37,086	
	2034	41,060	44,377	37,742	
	2035	41,886	45,362	38,409	

6. TOLL REVENUE FORECAST

Toll revenue of the project is estimated on the basis of traffic flow forecast and current toll rates, taking into account factors such as toll-free vehicles, green-passage vehicles, toll-free passage for small passenger vehicles (7-seaters or below) during the 4 major festive holidays and toll-by-weight. Specifically, the estimations include traffic flow forecast by vehicle type, projected ratio between toll-free vehicles and green-passage vehicles, analysis of the effect of toll-free passage for small passenger vehicles (7-seaters or below) during the 4 major festive holiday, and analysis of the effect of toll-by-weight.

(1) Toll rates adopted in the report

According to the “Notice on the Implementation of Uniform Vehicle Passage Toll Rates for All Expressways in Guangdong Province” issued by the Transport Department of Guangdong Provincial Government (Yue Fei [2012] No. 1), the current toll rates of Nanguang Expressway, Yanpai Expressway and Yanba Expressway adopted in the report are as follows:

Table 6: Toll Rates of Nanguang Expressway

Unit: RMB Yuan/vehicle per trip

Xili																	
Vehicle class	Amount																
1	3																
2	4																
3	6																
4	9																
5	10	Baimang															
Distance (km)	4.9	Amount															
1	4	1															
2	6	2															
3	8	3															
4	13	4															
5	15	5	Baoshi														
Distance (km)	7.0	2.6	Amount														
1	7	5	3														
2	11	7	5														
3	15	9	6														
4	22	14	10														
5	25	16	11														
Distance (km)	12.1	7.7	5.4	Amount													
1	8	5	4	1													
2	12	8	6	1													
3	15	10	8	1													
4	24	15	10	2													
5	28	19	14	2													
Distance (km)	13.5	9.1	6.7	2.4	Amount			Zhoushi									
1	13	10	9	5	5												
2	19	15	13	8	7												
3	25	20	18	10	10												
4	39	30	25	15	15												
5	45	35	30	20	15												
Distance (km)	21.5	17.0	14.7	10.4	8.2	Amount	Tangming										
1	15	14	12	9	9	4											
2	25	20	19	15	13	6											
3	33	28	25	20	15	8											
4	50	40	37	30	25	12											
5	58	48	44	30	30	14											
Distance (km)	27.5	23.1	20.8	16.4	14.2	6.7	Amount	Xiacun									
1	19	15	15	10	10	6	2										
2	28	24	22	18	15	9	3										
3	37	32	29	24	21	12	5										
4	56	48	44	35	32	18	7										
5	65	56	51	40	37	21	8										
Distance (km)	31.0	26.6	24.3	19.9	17.8	10.2	3.8	Songgang (connection point with Longda Expressway)									

Table 7: Toll Rates of Yanpai Expressway

Unit: RMB Yuan/vehicle per trip

Xikeng					
Vehicle class	Amount				
1	7				
2	11				
3	15				
4	22				
5	26				
		Henggang			
Distance (km)	12.3	Amount			
1	8	1			
2	13	2			
3	17	3			
4	25	4			
5	30	5			
		Shuiguan (connection point with Shuiguan Expressway)			
Distance (km)	14.1			2.2	Amount
1	9			2	1
2	14			3	2
3	19			4	2
4	28	7	3		
5	33	8	4		
Distance (km)	15.6	3.7	1.8	Paibang (connection point with Jihe East)	

Table 8: Toll Rates of Yanba Expressway

Unit: RMB Yuan/vehicle per trip

Yantian		Dameisha		Xiaomeisha		Xichong		Tuyang		Kuichong		Bagang		Baishawan (connection point with Huishen Coastal Expressway)	
Vehicle class	Amount	Distance (km)	Amount	Distance (km)	Amount	Distance (km)	Amount	Distance (km)	Amount	Distance (km)	Amount	Distance (km)	Amount		
1	2	1	2	1	3	1	3	1	2	1	3	1	2		
2	3	2	3	2	4	2	4	2	3	2	4	2	3		
3	4	3	4	3	5	3	5	3	4	3	5	3	4		
4	5	4	5	4	6	4	6	4	5	4	6	4	5		
5	7	5	7	5	8	5	8	5	7	5	8	5	7		
Distance (km)	3.4	Distance (km)	3.2	Distance (km)	6.3	Distance (km)	4.8	Distance (km)	14.2	Distance (km)	3.6	Distance (km)	10.3		
1	4	1	4	1	5	1	5	1	10	1	8	1	7		1
2	5	2	5	2	9	2	8	2	15	2	10	2	10		2
3	8	3	9	3	12	3	10	3	20	3	15	3	15	3	
4	10	4	10	4	18	4	15	4	32	4	20	4	24	4	
5	13	5	15	5	22	5	18	5	37	5	25	5	30	5	
Distance (km)	10.3	Distance (km)	7.1	Distance (km)	10.3	Distance (km)	4.8	Distance (km)	17.6	Distance (km)	3.6	Distance (km)	10.3		
1	9	1	5	1	9	1	5	1	15	1	8	1	7	1	
2	13	2	10	2	13	2	10	2	25	2	10	2	10	2	
3	15	3	13	3	15	3	13	3	33	3	15	3	15	3	
4	25	4	20	4	25	4	20	4	49	4	20	4	24	4	
5	30	5	23	5	30	5	25	5	55	5	25	5	30	5	
Distance (km)	14.2	Distance (km)	11.1	Distance (km)	17.6	Distance (km)	7.8	Distance (km)	27.3	Distance (km)	10.3	Distance (km)	12.1		
1	10	1	9	1	10	1	9	1	15	1	8	1	7	1	
2	15	2	13	2	15	2	13	2	25	2	10	2	10	2	
3	20	3	17	3	20	3	17	3	33	3	15	3	15	3	
4	32	4	25	4	32	4	22	4	49	4	24	4	24	4	
5	37	5	30	5	37	5	25	5	55	5	30	5	30	5	
Distance (km)	17.6	Distance (km)	14.5	Distance (km)	27.3	Distance (km)	12.1	Distance (km)	29.1	Distance (km)	12.1	Distance (km)	2.4		
1	15	1	15	1	15	1	13	1	15	1	8	1	7	1	
2	25	2	20	2	25	2	20	2	25	2	10	2	10	2	
3	33	3	29	3	33	3	25	3	33	3	15	3	15	3	
4	49	4	44	4	49	4	39	4	49	4	24	4	24	4	
5	55	5	50	5	55	5	45	5	55	5	30	5	30	5	
Distance (km)	27.3	Distance (km)	24.2	Distance (km)	29.1	Distance (km)	19.3	Distance (km)	29.1	Distance (km)	12.1	Distance (km)	2.4		
1	15	1	15	1	15	1	14	1	15	1	8	1	7	1	
2	25	2	23	2	25	2	20	2	25	2	10	2	10	2	
3	35	3	30	3	35	3	28	3	35	3	15	3	15	3	
4	50	4	47	4	50	4	43	4	50	4	20	4	20	4	
5	60	5	55	5	60	5	50	5	60	5	25	5	25	5	
Distance (km)	29.1	Distance (km)	26.0	Distance (km)	29.1	Distance (km)	19.3	Distance (km)	29.1	Distance (km)	12.1	Distance (km)	2.4		

(2) The forecast results

Toll revenue forecast for Nanguang Expressway, Yanpai Expressway and Yanba Expressway for future concession period are set out as follows:

Table 9: Toll Revenue Forecast for Nanguang Expressway for Future Years

Year	<i>(RMB'0,000)</i>		
	Moderate scenario	Optimistic scenario	Basic scenario
2016	33,563	34,000	33,165
2017	36,145	36,714	35,569
2018	38,326	39,037	37,560
2019	46,274	47,803	45,118
2020	48,146	50,073	46,463
2021	50,368	52,508	48,350
2022	52,692	55,060	50,317
2023	55,124	57,740	52,365
2024	57,828	60,721	54,647
2025	59,825	63,714	55,758
2026	61,416	65,559	57,178
2027	63,051	67,465	58,637
2028	60,304	64,828	55,781
2029	61,542	66,465	56,774
2030	62,808	68,145	57,782
2031	63,944	69,592	58,723
2032	65,102	71,069	59,676
2033	66,282	72,577	60,648

Table 10: Toll Revenue Forecast for Yanpai Expressway for Future Years

Year	<i>(RMB'0,000)</i>		
	Moderate scenario	Optimistic scenario	Basic scenario
2016	17,769	18,089	17,449
2017	19,367	19,851	18,882
2018	19,822	20,456	19,188
2019	21,367	22,243	20,491
2020	22,850	23,993	21,708
2021	24,053	25,352	22,754
2022	25,320	26,788	23,851
2023	26,654	28,306	25,001
2024	24,344	25,987	22,700
2025	25,933	27,826	24,040
2026	26,764	28,824	24,703
2027	5,286	5,714	4,857

Note: Forecast period for toll revenue in 2027 is 1 January 2027 to 12 March 2027.

Table 11: Toll Revenue Forecast for Yanba Expressway for Future Years

(RMB'0,000)

Year	Moderate scenario			Optimistic scenario			Basic scenario		
	Toll revenue	Subsidies	Total	Toll revenue	Subsidies	Total	Toll revenue	Subsidies	Total
2016	16,699	1,900	18,599	16,809	1,900	18,709	16,586	1,900	18,486
2017	17,847	1,900	19,747	18,084	1,900	19,984	17,608	1,900	19,508
2018	15,102	1,681	16,783	15,404	1,689	17,093	14,800	1,673	16,473
2019	17,358	1,850	19,208	17,844	1,877	19,721	16,872	1,823	18,695
2020	19,037	2,030	21,067	19,646	2,068	21,714	18,428	1,992	20,420
2021	20,359	2,172	22,531	21,078	2,220	23,298	19,639	2,124	21,763
2022	21,773	2,324	24,097	22,614	2,383	24,997	20,931	2,265	23,196
2023	23,285	2,487	25,772	24,263	2,558	26,821	22,307	2,415	24,722
2024	24,663	2,636	27,299	25,773	2,719	28,492	23,553	2,551	26,104
2025	26,192	2,801	28,993	27,449	2,897	30,346	24,934	2,702	27,636
2026	20,131	977	21,108	21,178	1,014	22,193	19,085	938	20,023
2027	17,533		17,533	18,585		18,585	16,481		16,481
2028	14,560		14,560	15,550		15,550	13,570		13,570
2029	9,658		9,658	10,334		10,334	8,982		8,982
2030	9,987		9,987	10,706		10,706	9,268		9,268
2031	10,185		10,185	10,941		10,941	9,429		9,429
2032	10,387		10,387	11,181		11,181	9,594		9,594
2033	10,594		10,594	11,426		11,426	9,761		9,761
2034	10,804		10,804	11,677		11,677	9,931		9,931
2035	2,669		2,669	2,890		2,890	2,447		2,447

- Notes:*
1. The expiry date of the concession for Yanba Expressway section A, section B and section C is March 2026, June 2028 and March 2035, respectively.
 2. Forecast period for toll revenue in 2035 is 1 January 2035 to 26 March 2035.
 3. The subsidies are received from government for the cancellation of toll charges over the section between Shenzhen urban area and Dameisha toll gate.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The following sets out the management discussion and analysis of the Remaining Group for the three years ended 31 December 2014 (“Reporting Period”). The Three Expressways Adjustment Agreement provided that during Phase 2, the Transport Commission may elect to adopt either Option 1 or Option 2 for the Three Expressways to be effective from 1 January 2019 and the adoption of different option may have different financial effect on the Remaining Group. As such, the analysis on the financial information of the Remaining Group is based on the assumption of the adoption of either Option 1 or Option 2 for the Three Expressways during the Reporting Period and without taking into account the effect from cash generated in the transaction and the profits from disposal of assets.

If Option 1 is adopted for the implementation of toll-free for the Three Expressways during the Reporting Period, that is, the Company will retain its Fee Entitlement Right and be responsible for the maintenance and repair of the Three Expressways, and the Transport Commission will engage the services of the Three Expressways from the Company and compensate the Company for the toll-free implementation, then there will be no change in the business scope and financial information of the Remaining Group during the Reporting Period. Please refer to the Management Discussion and Analysis contained in the annual reports for 2012, 2013 and 2014 as disclosed by the Company for details.

If Option 2 is adopted for the implementation of toll-free for the Three Expressways at the beginning of the Reporting Period, that is, the Fee Entitlement Right of the Three Expressways will be returned to the Transport Commission in exchange for compensation, then the Remaining Group will consist of the Company and its subsidiaries but not including assets and liabilities related to the Three Expressways. The management discussion and analysis of the Remaining Group during the Reporting Period based on the assumption for Option 2 is set out below.

Operation Overview

For the three years ended 31 December 2014, the revenues and profits of the Remaining Group were mainly derived from operations and investments of toll highways excluding the Three Expressways. In addition, the Remaining Group provided outstanding construction management and highway operation management services for the government and other enterprises. Building on relevant management experience and resources and relying on the core business of toll highway, the Remaining Group launched the businesses such as project development, advertising, construction consulting, and inter-network toll collection.

In 2012, the Remaining Group recorded revenue of RMB2,570,000,000, representing a YOY increase of 5.67%, and net profit attributable to owners of the Company (“Net Profit”) of RMB501,000,000, representing a YOY decrease of 20.00%. Excluding the effect of provisions for maintenance/resurfacing obligations of highways for the periods, the Net Profit recorded a YOY decrease of 3.00%. During the year, as affected by such factors as slowdown in the growth of macro-economy, implementation of Standardisation Scheme and Toll Free Scheme on Holidays as well as changes in the traffic distribution in the road network, toll revenue derived from the toll highways operated and invested by the Remaining Group recorded either a slower growth or a decrease. Meanwhile, the rigid cost including the cost of depreciation and amortisation and the financial expenses increased, and cost for highway maintenance decreased. The profit from the entrusted construction management services, which was recognised based on

the audit results and the progress of completion, increased as compared to the previous year. As affected by the combination of aforesaid factors, the Net Profit of the Remaining Group excluding the provision for maintenance/resurfacing obligations of highways decreased slightly during the year.

In 2013, the Remaining Group recorded revenue of RMB2,627,000,000, representing a YOY increase of 2.25%, and Net Profit of RMB 498,000,000, representing a YOY decrease of 0.53%. Excluding the effect of loss from disposal of related assets of Qinglian Class 2 Road, the Net Profit of the Remaining Group recorded a YOY increase of 27.07%. During the year, the implementation of policies such as Standardisation Scheme, Toll Free Scheme on Holidays and cancellation of toll collection of Qinglian Class 2 Road caused material adverse effect on the Group's operating result. However, benefited from the combined effect of improved road network within the region, increased total traffic flow of the region and the implementation of corresponding measures by the Company to increase revenue and contain expenditures, overall toll revenue and profit derived from the toll highways operated and invested by the Remaining Group recorded a YOY increase. In addition, the profit from the entrusted construction management services, which was recognised by the Company based on the actual settlement of the work and the progress of completion, increased YOY. As a result the Net Profit of the Remaining Group was substantially similar to that for the previous year.

In 2014, the Remaining Group recorded revenue of RMB2,918,000,000, representing a YOY increase of 11.04%, and Net Profit of RMB1,951,000,000, representing a YOY increase of 291.63%. Excluding the effect of gains on disposal of assets of the Toll Free Section of Meiguan Expressway and the loss from disposal of Qinglian Class 2 Road assets recognised in the corresponding period of prior year, Net Profit realised a YOY increase of 31.37%. The increase was mainly attributable to the good performance of the Remaining Group's core businesses such as toll highways and entrusted construction management services, as well as the reduction in borrowing scale and finance costs.

Liquidity and Financial Resources

As at 31 December 2012, the Remaining Group had cash and cash equivalents of RMB1,954,000,000 and current assets of RMB2,705,000,000 with current ratio (being current assets divided by current liabilities) of 69.72%. During the year, the Remaining Group issued private placement notes of RMB800,000,000 for replenishing the working capital of the Company and its subsidiaries. At the end of the year, the total borrowings of the Remaining Group was RMB10,564,000,000, of which RMB5,228,000,000 was fixed rate borrowings, and the amount of unutilized banking facilities was RMB5,899,000,000. The Remaining Group's gearing ratio, represented by total borrowings less cash and cash equivalents (net liabilities) divided by total equity (the sum of total equity and net liabilities), was approximately 58.31%.

As at 31 December 2013, the Remaining Group had cash and cash equivalents of RMB1,090,000,000 and current assets of RMB2,238,000,000 with current ratio of 100.60%. During the year, the Remaining Group completed the repayment of convertible corporate bonds (in which bonds and subscription warrants are tradable separately) issued in 2007 with an amount of RMB1,500,000,000 and medium-term notes issued in 2010 with an amount of RMB700,000,000. At the end of the year, the total borrowings of the Remaining Group was RMB9,298,000,000, of which RMB3,089,000,000 was fixed rate borrowings, and the amount of unutilized banking facilities was RMB6,031,000,000. The Remaining Group's gearing ratio was approximately 54.89%.

As at 31 December 2014, the Remaining Group had cash and cash equivalents of RMB1,255,000,000 and current assets of RMB4,027,000,000 with current ratio of 143.34%. During the year, the Remaining Group issued medium-term notes of RMB1,000,000,000 bearing a term of 3 years, which will be used for repayment and replacement of borrowings that expired. At the end of the year, the total borrowings of the Remaining Group was RMB8,049,000,000, of which RMB4,089,000,000 was fixed rate borrowings, and the amount of unutilized banking facilities was RMB5,507,000,000. The Remaining Group's gearing ratio was approximately 43.57%.

Foreign exchange risk

For the three years ended 31 December 2014, the principal business of the Remaining Group is based in the PRC area, with most of its transactions denominated in RMB. But the foreign currency assets and liabilities recognized by the Remaining Group and foreign currency transactions in the future (the denominated monetary for foreign currency assets and liabilities and foreign currency transactions is Hong Kong dollars) are still exposed of foreign exchange risks. The finance department of the headquarter of Group is responsible for monitoring the Group's foreign currency transactions and the size of foreign currency assets and liabilities, in order to minimize the foreign exchange risks. To this end, the Group mitigates the foreign exchange risks by signing forward foreign exchange contracts and currency swap contracts. As at 31 December 2014, the foreign currency liabilities of the Remaining Group are mainly a loan of HKD30,000,000.

Significant investment, acquisitions and disposals

For the three years ended 31 December 2014, the significant investment, acquisitions and disposals of the Remaining Group are as follows:

- (a) On 27 January 2014, the Company, Shenzhen Meiguan Expressway Company Limited ("Meiguan Company", a subsidiary of the Company), the Transport Commission, on behalf of Shenzhen Municipal People's Government, and Shenzhen Longhua New Area Administrative Committee entered into the Toll Adjustment, Compensation Arrangement and Assets Transfer Agreement of Meiguan Expressway ("Meiguan Adjustment Agreement"). According to Meiguan Adjustment Agreement, since 24:00 on 31 March 2014, the Company implemented toll-free for the section of approximately 13.8 kilometers from Meilin to Guanlan on Meiguan Expressway (the "Toll Free Section") and retained tolls charged on the section of approximately 5.4 kilometers from Shenzhen-Dongguan border to Guanlan section of Meiguan Expressway; Shenzhen Municipal People's Government arranged compensations by cash, mainly covering the present value of future income of the Toll Free Section of approximately RMB1,598,000,000 and other costs/expense compensations of approximately RMB1,102,000,000 (preliminary figure, part of the amount is subject to audit figure of the governmental audit department or the actual amount incurred). The details are set out in the Company's announcement dated 27 January 2014 and the circular dated 6 March 2014.
- (b) On 8 August 2014, the Company and Shenzhen International entered into the Framework Agreement on Establishing a Joint Venture for Meilin Checkpoint Urban Renewal Project (the "Framework Agreement"). The Company and Shenzhen International (through its wholly owned subsidiary, Xin Tong Chan Development (Shenzhen) Company Limited ("Xin Tong Chan Company")) jointly

established of a project company, in order to obtain the valuable resources of the land of the Meilin Checkpoint Urban Renewal Project. The Company and Xin Tong Chan Company owned 49% and 51% of the project company, respectively, contributing to the registered capital in cash in proportion to their respective shareholdings. The initial registered capital of the project company is RMB200,000,000. Both shareholders of the project company will make further capital contributions to the project company in cash and in proportion to their respective shareholdings if additional capital is required by the project company. The aggregate capital contributions (including initial capital contribution and subsequent capital injection) of the parties shall not exceed RMB5,000,000,000, in which the Company's aggregate capital contributions shall not exceed RMB2,450,000,000. As at 30 November 2015, the Company has accumulatively made capital contribution of RMB554,000,000 to the project company, with remaining investment promise of RMB1,896,000,000. The details are set out in the Company's announcement dated 8 August 2014 and the circular dated 17 September 2014.

Contingent liabilities

For the year ended 31 December 2012, the remaining Group had the following contingent liabilities:

- (a) During the year 2011, the Company signed a construction management service contract with Shenzhen Traffic Public Facilities Construction Center, on behalf of Shenzhen Municipal People's Government, and was entrusted to manage the construction project of municipal facilities of Dalang Section of Longda Expressway. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000.
- (b) During the year 2011, the Company signed a construction management service contract with Shenzhen Guangshen Coastal Expressway Investment Company Limited, on behalf of Shenzhen Municipal People's Government, and was entrusted to manage the construction of Coastal Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Guangshen Coastal Expressway Investment Company Limited amounting to RMB200,000,000.
- (c) Litigation in progress

Upon the government approval, Qilian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. In 2011, Qingyuan Fengyun Eco-tourism Development Company Limited sued against Qinglian Company in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Qinglian Company was judged to win in the first trial. Qingyuan Fengyu Eco-tourism Development Company Limited appealed to the High court of Guangdong Province. The High Court of Guangdong Province judged a trial de novo executed by Qingyuan Intermediate Court. As at 31 December 2012, the litigation was still in progress.

For the year ended 31 December 2013, other than the abovementioned the irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000 and the arbitration in progress of Qilian Company, the remaining Group had the following contingent liabilities:

- (a) According to “The Notice on the Matters about the Promotion of the Special Rectification on Toll Highways in the Province” (Yue Jiao Ming Dian (2013) No. 56) issued by Guangdong Provincial Communication Department, the toll collection on National Highway No. 107 (Qinglian Section) owned by Qinglian Company, a subsidiary of the Company, has been cancelled with effect from 24:00 on 30 June 2013. According to the communication result with relevant government authority and the transfer arrangement of related assets, Qinglian Company may assume obligation for maintenance of National Highway No.107 (Qinglian Section) to achieve a condition accepted by relevant government authority. As at the date of approval of the financial statements, the communication in relation to the transfer arrangement of related assets was still in progress and the outcome of the maintenance obligation to be carried out could not be estimated reliably. As a result, the Company did not make any provision for the maintenance and resurfacing expenses.

For the year ended 31 December 2014, other than the abovementioned the irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000 and the arbitration in progress of Qilian Company, the remaining Group had the following contingent liabilities:

- (a) The Company was entrusted by the Transport Commission to manage the construction project of Nanping Phase II. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Transportation Bureau amounting to RMB15,000,000.
- (b) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction project of the interchange connecting Dezheng Road and Longda Expressway and the east extension of Dezheng Road in Shenzhen Longhua New Area. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB36,000,000.

Capital expenditures

For the three years ended 31 December 2014, the capital expenditures of the Remaining Group were mainly investments and settlements for Qilian Project, the reconstruction and expansion for Meiguan Expressway and other projects, as well as the investment in mechanical and electrical facilities in the highway sections operated and capital expenditures of the subsidiaries, amounting to RMB485,000,000, RMB616,000,000 and RMB323,000,000, respectively.

Pledge of Assets

As at 31 December 2012 and 31 December 2013, details of assets mortgaged and pledged of the Remaining Group are as follows:

Assets	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian project	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities by Qinglian Company under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)
40% equity interests in Shenzhen Qinglong Expressway Company Limited	Pledge	Industrial and Commercial Bank of China Shenzhen Branch	Principal and interests of bank loans in an aggregate amount of RMB1.3 billion	Until repayment of all liabilities by the Company under the loan agreement
154 million shares of Jade Emperor Limited	Pledge	Industrial and Commercial Bank of China (Asia) Limited	Relevant payment obligations under loans in an amount of HK\$380 million and swap facilities in an amount of HK\$647 million	Until the seventh months after the repayment of all mortgage liabilities of Mei Wah Industrial (Hong Kong) Limited

As at 31 December 2014, the mortgage and pledge of assets of the Remaining Group were same as stated above, except for the pledge of 40% equity interests in Shenzhen Qinglong Expressway Company Limited being released and the scope of security of 154 million shares of Jade Emperor Limited being adjusted as the principal and interests of bank loans in an aggregate amount of HK\$70 million.

Staff and Remuneration Policies

As at 31 December 2012, 2013 and 2014, Nanguang Expressway, Yanba Expressway and Yanpai Expressway had 701, 685 and 696 employees respectively, and the Remaining Group had 2,365, 2,549 and 2,539 respectively after deducting the above number of staff (including the subsidiaries consolidated into the consolidated financial statements), of whom 1,722, 1,874 and 1,874 were toll collection staff, and 643, 675 and 665 were management and professional staff (including staff of operation, engineering, financial and other departments).

In respect of the Remaining Group, the remuneration policies and employees policies adopted by the Company will maintain stability and continuation, which is, the remuneration and benefits policies of the Company is implemented pursuant to the statutory requirements and the “Remuneration and Benefits Management Procedures” of the Company. The staff remuneration and benefits, comprising wage, performance bonus and statutory and company benefits, are determined according to the market value of the position and the overall performance of staff, with strategy-oriented, market-oriented and performance-oriented objectives, taking into account of both internal and external fairness. Pursuant to the statutory requirements, the Group has participated in an employee retirement scheme co-ordinated or organised by the local government authorities (social pension insurance) and housing provident fund plan, and has applied various protection plans such as medical insurance package, industrial injury insurance and unemployment insurance for its staff. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee’s aggregate salary (subject to the required maximum cap) to the labor and social security authorities and housing provident fund management center respectively as social insurance contributions for items such as pension and medical insurance and housing provident fund expense. Besides, the Company has made regular corporate annuity fund (supplementary pension insurance) for its management staff and key technicians. The Company values staff training and has established the training system based on job competency. At the beginning of each year, according to the actual needs of the businesses and staff, the Company formulates the training plan to guide the training work of the year, with summary and review conducted at the end of the year.

Future Plans for Material Investments, New Businesses, Acquisitions and Disposals of Capital Assets

At the eighth meeting of the seventh session of the Board held on 30 November 2015, the Proposal for Participation in the Capital Increase of the Bank of Guizhou was considered and approved. The Board approved the proposed participation in the capital increase of the Bank of Guizhou Co., Ltd. (“Bank of Guizhou”) by the Company, and authorized the executive directors of the Company to determine the specific percentage of equity participation with the amount not exceeding RMB718,000,000 and to deal with specific matters in relation to the investment. On 23 December 2015, the Company entered into the share subscription agreement with Bank of Guizhou pursuant to which the Company agreed to subscribe and Bank of Guizhou agreed to issue 382,000,000 shares in the consideration of RMB595,920,000. For details, please refer to the Company’s announcement dated 30 November 2015 and 23 December 2015.

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 Group. 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

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) 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:

Long positions in ordinary shares of SZ International

Name	Number of ordinary shares held as at the Latest Practicable Date	Approximately percentage of issued share capital of SZ International	Nature of Interest	Capacity
Hu Wei	115,692	0.01%	Personal	Beneficial Owner
Li Jing Qi	864,840	0.05%	Personal	Beneficial Owner
Tse Yat Hong	1,000,000	0.05%	Personal	Beneficial Owner

Interests in share options of SZ International

Name	Share Option		Nature of Interest	Capacity
	Latest Practicable Date	unexercised as at the ^(note)		
Hu Wei	1,050,000	Personal	Beneficial Owner	
Wang Zeng Jin	400,000	Personal	Beneficial Owner	
Li Jing Qi	1,330,000	Personal	Beneficial Owner	
Zhao Jun Rong	1,050,000	Personal	Beneficial Owner	
Tse Yat Hong	1,050,000	Personal	Beneficial Owner	
Zhong Shan Qun	1,050,000	Personal	Beneficial Owner	

Note: The share options were granted on 29 January 2014, and could be exercised during the period from 29 January 2016 to 28 January 2019, according to the grant provisions, with the exercise price HK\$10.4 per share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company was interested in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 the Directors, supervisors or the chief executives were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Mr. Li Jing Qi and Mr. Zhong Shan Qun are executive directors of SZ International. Mr. Hu Wei and Mr. Zhao Jun Rong are vice-presidents of SZ International and Mr. Tse Yat Hong is the chief financial controller of SZ International.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective close associates were interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

4. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors or supervisors of the Company is materially interested in any contracts or arrangement entered into by any members of the Group which is subsisting at the date of this circular and which is significant in relation to the business of the Group.

None of the Directors or supervisors of the Company has any direct or indirect interest in any assets which have been, since 31 December 2014, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any members of the Group, or are proposed to be acquired or disposed of by, or leased to any members of the Group.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited consolidated accounts of the Group have been made up.

6. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

In 2011, there was an immaterial litigation against the Group, and the details of which is set out in note XI.2.(1)(d) to the financial statements of the Group in the annual report of the Company for the year ended 31 December 2014 and in the interim report of the Company for the six months ended 30 June 2015.

7. SERVICE CONTRACTS

No service contracts that cannot be terminated by the Group within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Group and the Directors as at the Latest Practicable Date.

8. EXPERTS

- 1) The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
DZX	Independent qualified valuer in the PRC
Guangdong Traffic	Independent traffic consultant in the PRC
PwC Zhong Tian LLP	Certified Public Accountants, the PRC

- 2) As at the Latest Practicable Date, each of DZX, Guangdong Traffic and PwC Zhong Tian LLP had no beneficial shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- 3) Each of DZX, Guangdong Traffic and PwC Zhong Tian LLP has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter or report and references to its name in the form and context in which it is included.

- 4) As at the Latest Practicable Date, each of DZX, Guangdong Traffic and PwC Zhong Tian LLP was not interested, directly or indirectly, in any assets which had since 31 December 2014 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

- 1) the Three Expressways Adjustment Agreement;
- 2) the equity interest and creditors' rights transfer contract in relation to the transfer of the entire equity interest in and creditors' rights of Guizhou Pengbo Investment Company Limited after regrouping and the equity interest transfer contract in relation to the transfer of 51% equity interest in Guizhou Hengtongli Property Company Limited after regrouping both entered into between Guizhou Shenzhen Expressway Property Company Limited, a 70%-owned subsidiary of the Company, and Shenzhen International Logistics Development Co., Ltd. on 30 December 2015;
- 3) the share subscription agreement in relation to the subscription of shares issued by Bank of Guizhou to the Company entered into between the Company and Bank of Guizhou on 23 December 2015;
- 4) the share transfer agreement in relation to the sale and purchase of the entire issued share capital of Fameluxe Investment Limited entered into among the Mei Wah Industrial (Hong Kong) Limited, Sumgreat Investments Limited, Shenzhen Huayu Investment & Development (Group) Co., Ltd., and Mr. Chen Yangnan (陳陽南) on 30 October 2015;
- 5) the relocation compensation agreement on Meilin Checkpoint Urban Renewal Project of Minzhi Office Longhua New District of Shenzhen entered into between Meiguan Company, a wholly-owned subsidiary of the Company, and Shenzhen International United Land Co., Ltd. (深圳市深國際聯合置地有限公司) on 24 June 2015;
- 6) the payment agreement entered into among Shenzhen Longhua New Area Administrative Committee (深圳市龍華新區管委會) ("Longhua Committee"), SZ International and the Company in relation to, among others, the timing of signing of the land transfer agreement in respect of the Meilin Checkpoint Urban Renewal Project and the payment of land premium dated 10 September 2014;
- 7) the framework agreement on joint venture in establishment of the project company in relation to the Meilin Checkpoint Urban Renewal Project entered into between SZ International and the Company on 8 August 2014;

- 8) the adjustment agreement entered into among the Company, Meiguan Company, Transport Commission and Longhua Committee on 27 January 2014, in relation to the toll adjustment of Meiguan Expressway, the transfer of assets and the relevant compensation arrangement; and
- 9) 7 land use rights transfer contracts dated 19 February 2014 entered into by the 貴州省龍里縣國土資源局(Bureau of Land Resources of Longli County) (“Land Bureau”) and three wholly-owned subsidiaries of 貴州貴深投資發展有限公司(Guizhou Guishen Investment Development Company Limited)(“Guishen Company”) pursuant to which the Land Bureau transferred the land use rights of 7 pieces of the Land with a total area of 386,963.97 square metres to the wholly-owned subsidiaries of Guishen Company at a total consideration of RMB203,156,085.

10. DOCUMENTS AVAILABLE FOR INSPECTION

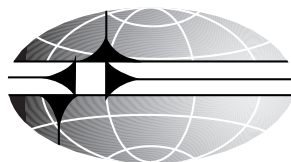
Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong within 14 days from the date of this circular (excluding Saturdays, Sundays and public holidays):

- 1) the Three Expressways Adjustment Agreement;
- 2) the articles of association of the Company and its attachments thereto;
- 3) the annual reports of the Company for the two years ended 31 December 2013 and 2014;
- 4) the business valuation report from DZX, a summary of which is set out in Appendix IV to this circular;
- 5) the traffic study report from Guangdong Traffic, a summary of which is set out in Appendix VI to this circular;
- 6) the accounts of the Three Expressways, the text of which is set out in Appendix II to this circular;
- 7) the report on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;
- 8) the letters from PwC Zhong Tian LLP and the Company on the discounted future estimated cash flows in connection with the business valuation of the Three Expressways, the text of which is set out in Appendix V to this circular;
- 9) the letters of consent from each of the DZX, Guangdong Traffic and PwC Zhong Tian LLP;
- 10) the material contracts referred to in this Appendix; and
- 11) this circular.

11. MISCELLANEOUS

- 1) Ms. Wu Qian has resigned from her position as the company secretary of the Company with effect from 31 December 2015. Prior to the appointment of the new company secretary, Ms. Gong Tao Tao, the financial controller of the Company, carries out the duties of the company secretary. She possesses the qualifications of PRC certified public accountant and PRC certified asset valuer, but does not possess the qualifications of the company secretary as recognized by the Stock Exchange set out under Rule 3.28 of the Listing Rules. The Company is in the process of identifying a suitable candidate to fill the vacancy in the office of the company secretary, and will publish further announcement once such appointment is confirmed.
- 2) The head office and the legal address of the Company is situated at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, PRC. The place of business of the Company in Hong Kong is at Suites 2001-2006, 20/F., Jardine House, 1 Connaught Place, Central, Hong Kong.
- 3) The share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- 4) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text unless otherwise stated.

NOTICE OF THE EGM



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)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING 2016

Notice is hereby given that the First Extraordinary General Meeting 2016 (“EGM”) of Shenzhen Expressway Company Limited (“Company”) will be held at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the People’s Republic of China at 2:30 p.m. on 29 January 2016 (Friday) to consider and, if thought fit, approve the resolution in relation to the toll adjustment in Nanguang Expressway, Yanpai Expressway and Yanba Expressway as well as compensation by the government by way of an **ordinary resolution**:

“The agreement dated 30 November 2015 between the Company and Transport Commission of Shenzhen Municipality (“Agreement”) and the proposed toll adjustment and compensation arrangements in Nanguang Expressway, Yanpai Expressway, Yanba Expressway and other matters contemplated under the Agreement be and are hereby approved, confirmed and ratified; the board of directors of the Company or any director duly authorised be and are hereby authorised to do all such acts and things as they consider necessary or expedient to implement or give effect to the Agreement and to perform the terms of the Agreement as well as to execute related documents. A copy of the Agreement has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification.”

By Order of the Board
Hu Wei
Chairman

Shenzhen, PRC, 15 December 2015

Notes:

1. Eligibility for attending the EGM

Shareholders of the Company whose names appear on the registers of shareholders of the Company at the close of business on 29 December 2015 shall have the right to attend the EGM after complying with the necessary registration procedures.

2. Registration procedures for attending the EGM

- i. Shareholders intending to attend the EGM should deliver to the Company, on or before 8 January 2016, either in person, by post or by fax, the reply slip (together with any required registration documents) for attending the EGM.

NOTICE OF THE EGM

- ii. Holders of H shares of the Company please note that the register of holders of H shares of the Company will be closed from 30 December 2015 to 29 January 2016 (both days inclusive), during which period no transfer of H shares of the Company will be registered. Holders of H shares of the Company who intend to attend the EGM must deliver their instruments of transfer together with the relevant share certificates to Hong Kong Registrars Limited, the registrar of H shares of the Company, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on 29 December 2015.

3. Proxy

- i. Shareholders entitled to attend and vote at the EGM are entitled to appoint, in written form, one or more proxies (whether a shareholder or not) to attend and vote on his behalf.
- ii. A proxy should be appointed by written instrument signed by the appointor or his attorney. If the written instrument is signed by the attorney of the appointor, the written authorisation or other authorisation documents of such attorney should be notarised. In order to be valid, for holders of A shares of the Company, the written authorisation or authorisation documents which have been notarised together with the completed proxy form must be delivered to the Company not less than 24 hours before the time of the holding of the EGM. In order to be valid, for holders of H shares of the Company, the above documents must be delivered to Hong Kong Registrars Limited, at Floor 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, within the same period.
- iii. Shareholder or his proxy should produce identity proof when attending the EGM.

- 4. The terms used in this notice shall have the same meaning as defined in the joint announcement of the Company dated 2 December 2015. For details of the resolution set out in this notice, please refer to the abovementioned joint announcement.

5. Poll

Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company, voting at the EGM on the resolution set out in the notice of the EGM will be taken by poll.

6. Other matters

- i. The duration of the EGM is expected not to exceed one day. Shareholders or proxies who attend the EGM shall arrange for transport, food, accommodation and other relevant expenses at their own cost.

- ii. Address of Hong Kong Registrars Limited (for share transfer):

Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

- iii. Address of the Company:

Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, PRC
Postal code: 518026

Tel.: (86) 755 – 8285 3339

Fax: (86) 755 – 8285 3411