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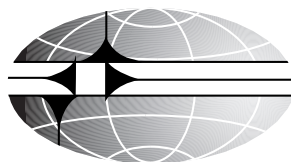
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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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.

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**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)**

**PROPOSED ADOPTION OF THE RESTRICTED A SHARE INCENTIVE SCHEME  
AND GRANT OF RESTRICTED SHARES TO CONNECTED PARTICIPANTS  
(CONNECTED TRANSACTION)  
PROPOSED APPOINTMENT OF THE INDEPENDENT NON-EXECUTIVE DIRECTOR  
PROPOSED APPOINTMENT OF AUDITORS FOR 2016  
NOTICE OF EGM  
AND  
NOTICE OF CLASS MEETINGS**

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



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A letter from the Independent Board Committee is set out on pages 25 to 26 of this circular. A letter from First Shanghai Capital Limited, the Independent Financial Adviser, is set out on pages 27 to 38 of this circular.

The second extraordinary general meeting 2016 (“EGM”), the first class meeting 2016 of holders of A shares (“ACM”), the first class meeting 2016 of holders of H shares (“HCM”) of Shenzhen Expressway Company Limited (“Company”) are to be held consecutively at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC at 2p.m. on Friday, 24 June 2016. An extract of the notices of the EGM and the HCM dated 10 May 2016 are set out on pages 85 to 92 of this circular. The notices of the EGM and the HCM, the reply slips and the proxy forms for the EGM and the HCM have been published and despatched to the shareholders of the Company on 10 May 2016.

Whether or not you intend to attend the said meetings, you are requested to complete the proxy forms 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 meetings. Completion and return of the proxy forms will not preclude you from attending and voting in person at the relevant meetings or any adjourned meeting(s) should you so wish.

30 May 2016

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## DEFINITIONS

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

“A Share(s)”	Renminbi-denominated ordinary shares of the Company which were issued in the PRC and subscribed in RMB and are listed on the Shanghai Stock Exchange
“ACM”	the First Class Meeting 2016 of the Holders of A Shares 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, on Friday, 24 June 2016 after 2 p.m. (immediately after the conclusion of the EGM), or any adjournment thereof
“Articles”	the articles of association of the Company (as amended from time to time)
“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
“Company Law”	the Company Law of the People’s Republic of China
“Connected Participant(s)”	a Participant(s), who as at the Latest Practicable Date is and/or in the last 12 months was, a director, supervisor or the chief executive of the Company and/or its subsidiaries (i.e. a connected person of the Company)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the Second Extraordinary General Meeting 2016 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, on Friday, 24 June 2016 at 2 p.m., or any adjournment thereof
“Ernst & Young”	Ernst & Young Hua Ming LLP
“Grant Date”	the date (a trading day) on which the Restricted Shares are granted to the Participants pursuant to the Incentive Scheme

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## DEFINITIONS

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“Grant Price”	the price of each Restricted Share granted to the Participants
“H Share(s)”	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK\$ and are listed on the Stock Exchange
“HCM”	the First Class Meeting 2016 of the Holders of H Shares 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, on Friday, 24 June 2016 after 2 p.m. (immediately after the conclusion of the ACM), or any adjournment thereof
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Incentive Scheme” or “Restricted A Share Incentive Scheme”	the Restricted Share Incentive Scheme of the Company (draft)
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Au Sing Kun, Mr. Lin Chu Chang, Mr. Hu Chun Yuan and Mr. Shi Xian Liang, being all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in respect of the Proposed Grant of Restricted Shares to Connected Participants pursuant to the Restricted A Share Incentive Scheme
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry on type 6 regulated activity (advising on corporate finance) under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Participant(s)”	a Participant(s), who is independent of the Company and its connected person(s)
“Independent Shareholder(s)”	Shareholders who are independent of the Connected Participants and its associates and are not required to abstain from voting on the relevant resolution at the general meeting of the Company
“Latest Practicable Date”	26 May 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Participant(s)”	the person(s) to be granted Restricted Share(s) under the Incentive Scheme, including the Company’s senior management members, middle and core management and key technicians
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Grant” or “Grant”	the proposed grant of the Restricted Shares to the Participants (including Connected Participants) pursuant to the Incentive Scheme
“PwC”	PricewaterhouseCoopers Zhong Tian LLP
“Restricted Shares”	the 17,191,690 A Shares to be granted to the Participants by the Company under the Incentive Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Cap.571, Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	share(s) of the Company, including A Share(s) and H Share(s), unless specified otherwise
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Unlocking Conditions”	conditions required to be fulfilled for unlocking the Restricted Shares of the Participants pursuant to the Incentive Scheme
“Unlocking Date”	the date when the Restricted Shares held by the Participants are unlocked upon fulfillment of the Unlocking Conditions pursuant to the requirements under the Incentive Scheme
“Unlocking Period”	the period during which the Restricted Shares held by the Participants are unlocked and become tradable on the Shanghai Stock Exchange upon fulfillment of the Unlocking Conditions pursuant to the requirements under the Incentive Scheme

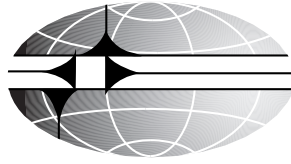
*Notes:*

In this circular, the English names 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.

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LETTER FROM THE BOARD

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**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

*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

30 May 2016

*To the Shareholders*

Dear Sirs or Madams,

**PROPOSED ADOPTION OF THE RESTRICTED A SHARE INCENTIVE  
SCHEME AND GRANT OF RESTRICTED SHARES TO CONNECTED  
PARTICIPANTS (CONNECTED TRANSACTION)  
PROPOSED APPOINTMENT OF THE INDEPENDENT NON-EXECUTIVE  
DIRECTOR  
PROPOSED APPOINTMENT OF AUDITORS FOR 2016  
NOTICE OF EGM  
AND  
NOTICE OF CLASS MEETINGS**

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## LETTER FROM THE BOARD

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### INTRODUCTION

Reference is made to the announcements of the Company dated 15 January 2016 and 9 May 2016 in relation to, among other things, the proposed adoption of the Restricted A Share Incentive Scheme and Grant of Restricted Shares to Connected Participants (connected transaction) and the announcements of the Company dated 25 April 2016 in relation to, among other things, the proposed appointment of the independent non-executive Director and proposed appointment of auditors for 2016.

The purpose of this circular is to provide you with, among other things, (i) further details of the Restricted A Share Incentive Scheme and Grant of Restricted Shares to Connected Participants (connected transaction); (ii) further details of the candidate of the independent non-executive Director; (iii) further details of the appointment of auditors for 2016; and (iv) other information required under the Listing Rules.

### THE RESTRICTED A SHARE INCENTIVE SCHEME AND GRANT OF RESTRICTED SHARES TO CONNECTED PARTICIPANTS (CONNECTED TRANSACTION)

#### (1) The Restricted A Share Incentive Scheme

On 15 January 2016, the Board passed the resolutions in respect of the proposed adoption of the Restricted A Share Incentive Scheme, to further establish and improve long-term corporate incentive systems of the Company, attract and retain talent, fully mobilise the motivation of senior management members, middle and core management and key technicians of the Company, effectively tie the interests of the Shareholders, the Company and the management of the Company and enable the respective parties to become aware of the Company's long-term development, and to promote the realisation of the development strategies of the Company. The Incentive Scheme adopts Restricted Shares as the motivational tool. The source of the underlying Shares to be granted shall be ordinary A Shares issued to the Participants by the Company. The total number of Shares that may be granted under the Incentive Scheme shall be 17,191,690 A Shares, representing approximately 0.79% of the Company's total share capital of 2,180,770,326 Shares as at the Latest Practicable Date.

On 25 April 2016, the Board agreed to convene the EGM, the ACM and the HCM to approve the Proposed Grant of 17,191,690 Restricted Shares to 75 Participants under the Incentive Scheme.

Among the Proposed Grant of the 17,191,690 Restricted Shares:

- (i) 8,042,893 Restricted Shares will be granted to 31 Connected Participants; and
- (ii) 9,148,797 Restricted Shares will be granted to 44 Independent Participants.

The Incentive Scheme shall be effective for five years from the Grant Date of the Restricted Shares.

#### (2) Administrative Bodies of the Incentive Scheme

The General Meeting, as the institution vested with the supreme authority of the Company, is responsible for consideration and approval of the implementation, change and termination of the Incentive Scheme.

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## LETTER FROM THE BOARD

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The Board is the institution in charge of the implementation of the Incentive Scheme, and its subordinate Remuneration Committee is responsible for drafting and revising the Incentive Scheme, submitting the same to the General Meeting of the Company for approval and to the competent department for review, and handling the matters related to the Incentive Scheme within the authorisation by the General Meeting.

The supervisory committee of the Company is the supervisory institution of the Incentive Scheme and is responsible for reviewing the list of Participants and performing supervision over the compliance of the implementation of the Incentive Scheme with relevant laws, administrative regulations, department rules and the business rules of the Shanghai Stock Exchange.

Independent Directors shall issue independent opinions on whether the Incentive Scheme facilitates the sustainable development of the Company and whether the Incentive Scheme impairs the interests of the Company and the Shareholders as a whole, and to solicit proxy voting from all Shareholders in relation to the scheme.

### (3) Proposed Grant of Restricted Shares to the Participants

The 75 Participants are elected and approved by the Board after considering their respective positions and contributions to the Group. In determining the number of Restricted Shares allocated to each of the Participants, the Board has considered: (i) the relevant requirements of the SASAC which stipulated that the number of Restricted Shares issued to any Participant shall not exceed 1% of the Company's total issued share capital; and (ii) the importance and contribution of the Participant's work to the Group, including the scope, responsibilities, difficulties, admission requirements of his/her position.

#### (a) *Connected Participants*

As each of the 31 Connected Participants is a connected person of the Company, the Proposed Grant of Restricted Shares to the Connected Participants will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company proposed to grant 8,042,893 Restricted Shares to the following Connected Participants:

Number	Name	Reason for being a connected person*	Number of Restricted Shares to be granted (share)	Percentage to the total number of Restricted Shares to be granted	Percentage to the total number of Shares in issue as at the date of this announcement
1	Wu Ya De	(i), (ii)	382,038	2.22%	0.018%
2	Liao Xiang Wen	(ii), (iv)	321,716	1.87%	0.015%
3	Sun Ce	(ii)	321,716	1.87%	0.015%



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## LETTER FROM THE BOARD

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Number	Name	Reason for being a connected person*	Number of Restricted Shares to be granted (share)	Percentage to the total number of Restricted Shares to be granted	Percentage to the total number of Shares in issue as at the date of this announcement
4	Huang Bi Nan	(ii)	321,716	1.87%	0.015%
5	Gong Tao Tao	(ii)	321,716	1.87%	0.015%
6	Wu Xian	(ii)	321,716	1.87%	0.015%
7	Li Jian	(ii)	321,716	1.87%	0.015%
8	Sun Bin	(ii)	261,394	1.52%	0.012%
9	Gao Jiang Ping	(ii)	261,394	1.52%	0.012%
10	Luo Kun	(ii)	261,394	1.52%	0.012%
11	Fang Jie	(ii), (iii)	261,394	1.52%	0.012%
12	Wang Hui Hong	(ii)	261,394	1.52%	0.012%
13	He Fang	(ii)	261,394	1.52%	0.012%
14	Zhou Yuan	(ii)	201,072	1.17%	0.009%
15	Lin Wen Xin	(iv)	201,072	1.17%	0.009%
16	He Cheng Hui	(ii)	201,072	1.17%	0.009%
17	Lian Dan Dong	(ii)	201,072	1.17%	0.009%
18	Li Li Rong	(ii)	140,751	0.82%	0.006%
19	Chao De Zhi	(ii), (iv)	321,716	1.87%	0.015%
20	Zhang Jun Rui	(ii)	321,716	1.87%	0.015%
21	Jin Bo	(ii)	261,394	1.52%	0.012%
22	Lü Rui	(ii)	261,394	1.52%	0.012%
23	Lei Yu Hong	(ii)	261,394	1.52%	0.012%
24	Du Ya Fan	(ii)	261,394	1.52%	0.012%
25	Cai Cheng Guo	(ii)	261,394	1.52%	0.012%
26	Liang Bing	(ii)	201,072	1.17%	0.009%
27	Zhao Gui Ping	(ii)	201,072	1.17%	0.009%
28	Nie Xin Yue	(ii)	201,072	1.17%	0.009%
29	Xu Qi Fu	(ii)	201,072	1.17%	0.009%
30	Xue Hai Feng	(ii)	261,394	1.52%	0.012%
31	Xu Chang Chun	(iv)	201,072	1.17%	0.009%
Total: 31			8,042,893	46.78%	0.369%

*Note:*

- The reason for the Participants being connected persons includes him/her being (i) a director, supervisor or the chief executive of the Company; (ii) a director, supervisor or the chief executive of the Company's subsidiary(ies); (iii) a person who was a director, supervisor or the chief executive of the Company in the last 12 months; and (iv) a person who was a director, supervisor or the chief executive of the Company's subsidiary(ies) in the last 12 months.

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## LETTER FROM THE BOARD

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2. The number of Restricted Shares to be granted is determined by the positions held by the relevant Participants which can be mainly classified into the following categories (ranked from the category granted with highest number of Restricted Shares): (i) president level; (ii) vice-president level; (iii) middle manager level; (iv) middle deputy manager level; and (v) business backbone level.

One of the Participants, Mr. Wu Ya De, being an executive Director and the president of the Company, has declared his interests in the Incentive Scheme and abstained from voting on the relevant board resolutions in relation to the Incentive Scheme. Save for Mr. Wu Ya De, there is no other Director who is required to abstain from voting on the board resolutions for approval of the Incentive Scheme.

**(b) Independent Participants**

The Company proposed to grant 9,148,797 Restricted Shares to 44 Independent Participants. The Independent Participants are the Company's key employees, including middle managers and business backbones of the Company's headquarters and leading team members (vice presidents or above) of the Company's subsidiaries.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Independent Participants are third parties independent of the Company and its connected persons.

**(4) Grant Price**

The Grant Price of Restricted Shares to be granted to the Participants (including the Connected Participants) shall be RMB5.35 per Share. Upon fulfillment of the conditions of Grant, each Participant is entitled to purchase A Share newly issued to the Participants by the Company at the price of RMB5.35 per Share.

The Grant Price is equivalent to the Company's net asset value per Share as at 30 September 2015 and 59% of the fair market price of the A Shares. The fair market price is determined in accordance with the following principles: the benchmark day for pricing is the date of announcement of the draft of the Incentive Scheme (i.e. 15 January 2016). The fair market price of the A Shares shall not be lower than the highest of the following: (i) the closing price of the A Shares on the trading day preceding the date of announcement of the draft of the Incentive Scheme; (ii) the average closing price of the A Shares for the last 30 trading days preceding the date of announcement of the draft of the Incentive Scheme; and (iii) the average price of the A Shares of the Company for the last 20 trading days preceding the date of announcement of the draft of the Incentive Scheme ("**20-day Average Trading Price**", being the total transaction value for the last 20 trading days/total volume of the A Shares of the Company traded for the last 20 trading days).

Having considered that: (i) pursuant to the requirements under the Memorandum No.1 on Issues Relating to Incentive Share Options (股權激勵有關事項備忘錄1號) promulgated by the CSRC, the issue price of new shares under incentive schemes shall be not less than 50% of the 20-day Average Trading Price; (ii) the pricing discount of the Incentive Scheme is lower than the discounts in similar incentive schemes adopted by comparable companies; (iii) the Grant Price is equivalent to the net asset value per Share of the Company as at 30 September 2015; (iv) the issue size of the

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## LETTER FROM THE BOARD

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Restricted Shares represents a relatively small percentage of the number of total issued share capital of the Company and will not have a material impact on the share capital of the Company; and (v) the Incentive Scheme can align the interests of the key staff of the Group with that of the Shareholders to enhance the performance and the value of the Company, the Board is of the view that the Grant Price is fair and reasonable and in the interest of the Shareholders as a whole.

During the period from the announcement date of the draft of the Incentive Scheme to completion of the registration of the Restricted Shares granted to the Participants, in the event of any dividend distribution, conversion of capital reserve, bonus issue, sub-division, consolidation or rights issue of Shares of the Company, adjustment to the Grant Price shall be made by the Company accordingly. The methods of adjustment are set out below:

<b>Circumstances</b>	<b>Adjustment to the Grant Price</b>
(a) Conversion of capital reserve, bonus issue and sub-division of Shares	$P = P_0 / (1 + n)$
(b) Rights Issue	$P = P_0 \times (P_1 + P_2 \times n) / P_1 \times (1 + n)$
(c) Consolidation of Shares	$P = P_0 / n$
(d) Distribution of dividend	$P = P_0 - V$ and $P > 1$
(e) Issue of additional Shares	Not applicable
(f) Other circumstances	The adjustment to the Grant Price shall be considered and passed by the Board and subject to Shareholders' approval at the general meeting.

*Notes:*

- P represents the Grant Price after adjustment.
- $P_0$  represents the Grant Price before adjustment.
- $P_1$  represents the closing price as at the record date.
- $P_2$  represents the price of the rights issue.
- V represents the dividend entitled to each Share.
- n represents, depending on the circumstances, (a) increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus issue or sub-division of Shares; (b) ratio of the rights issue; or (c) ratio of the consolidation of Shares

### (5) Restricted Shares

The information on the 17,191,690 Restricted Shares to be granted to the Participants (including the Connected Participants) pursuant to the Incentive Scheme are set out in the following:

(i) Securities to be issued:

An aggregate of 17,191,690 Restricted Shares, comprising 8,042,893 Restricted Shares to be granted to 31 Connected Participants, and 9,148,797 Restricted Shares to be granted to 44 Independent Participants.

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## LETTER FROM THE BOARD

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- (ii) Percentage of Restricted Shares in the share capital of the Company:

An aggregate of 17,191,690 Restricted Shares represent approximately 0.788% (the Restricted Shares to be granted to the Connected Participants represent approximately 0.369%) of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.782% (the Restricted Shares to be granted to the Connected Participants represent approximately 0.366%) of the total number of Shares in issue as enlarged by the issue of the Restricted Shares, assuming the Restricted Shares are issued in full to all Participants.

- (iii) Market value of Restricted Shares:

Based on the closing price of RMB7.75 per A Share as quoted on the Shanghai Stock Exchange as at the Latest Practicable Date, the market values of the 17,191,690 Restricted Shares are approximately RMB133,235,597.50, including the 8,042,893 Restricted Shares to be granted to the Connected Participants being approximately RMB62,332,420.75.

- (iv) Status of Restricted Shares:

The Restricted Shares granted to the Participants (including the Connected Participants) pursuant to the Incentive Scheme shall not be transferred, pledged for guarantees or used for repayment of debt within 24 months from the Grant Date. All dividend or Shares as a result of conversion of capital reserve, dividend distribution, bonus issue, sub-division received by the Participants as a result of the Restricted Shares granted to them will be locked up in accordance with the Incentive Scheme and all such Shares are subject to the same Lock-up Period as the Restricted Shares, whereas all dividend payable in cash which the Participants are entitled to as a result of the Restricted Shares granted to them will be kept by the Company, and will be paid to the Participants when the Restricted Shares are unlocked in accordance with the Incentive Scheme.

During the Unlocking Period, the Company shall assist the Participants who have fulfilled the Unlocking Conditions to arrange for the Restricted Shares to be unlocked, while the Company shall repurchase and cancel the Restricted Shares held by the Participants who have not fulfilled the Unlocking Conditions. The specific unlocking arrangements are as follows:

<b>Unlocking Arrangement</b>	<b>Unlocking Date</b>	<b>Proportion of Unlocking</b>
First Unlocking	From the first trading day after 24 months from the Grant Date to the last trading day within 36 months from the Grant Date	40%
Second Unlocking	From the first trading day after 36 months from the Grant Date to the last trading day within 48 months from the Grant Date	30%
Third Unlocking	From the first trading day after 48 months from the Grant Date to the last trading day within 60 months from the Grant Date	30%

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## LETTER FROM THE BOARD

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Where the Participant is a Director or member of the senior management, the transfer of Shares by him/her should also comply with the requirements under relevant laws, regulations and regulatory documents such as the Company Law, the Securities Law and the Articles of Associations.

(v) Issue of Restricted Shares:

The Restricted Shares will be issued directly to the relevant Participants (including the Connected Participants).

(vi) Adjustment to the number of Restricted Shares:

During the period from the announcement date of the draft of the Incentive Scheme to completion of the registration of the Restricted Shares granted to the Participants, in the event of any conversion of capital reserve, bonus issue, sub-division, consolidation or rights issue in relation to the Shares of the Company, adjustment to the number of Restricted Shares to be granted to the Participants (including the number of Restricted Shares to be granted to the Connected Participants) shall be made by the Company in accordance with the Incentive Scheme as follows:

<b>Circumstances</b>	<b>Adjustment to the Number of Shares</b>
(a) Conversion of capital reserve, bonus issue and sub-division of Shares	$Q = Q_0 \times (1 + n)$
(b) Rights Issue	$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$
(c) Consolidation of Shares	$Q = Q_0 \times n$
(d) Issue of additional Shares	Not applicable
(e) Other circumstances	The adjustment to the number of Shares shall be considered and passed by the Board and subject to Shareholders' approval at the general meeting.

*Notes:*

- $P_1$  represents the closing price as at the record date.
- $P_2$  represents the price of the rights issue.
- $Q$  represents the amount of Restricted Shares after adjustment.
- $Q_0$  represents the amount of Restricted Shares before adjustment.
- $n$  represents, depending on the circumstances, (a) ratio per Share resulting from the issue of Shares by conversion of capital reserve, bonus issue or sub-division of Shares; (b) ratio of the rights issue; or (c) ratio of the consolidation of Shares

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## LETTER FROM THE BOARD

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### (6) Conditions of Grant of the Restricted Shares

When the following conditions are fulfilled, the Company shall grant the Restricted Shares to the Participants, on the contrary, if the conditions are not fulfilled, the Participants shall not be granted Restricted Shares. The Company shall, within 30 days upon the fulfillment of the conditions, complete the relevant procedures of the grant, registration and announcement.

- (i) None of the following circumstances has occurred to the Company:
  - (a) issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;
  - (b) the imposition of administrative penalties by the CSRC during the most recent year due to material non-compliance of laws and regulations; and
  - (c) other circumstances as determined by the CSRC.
- (ii) None of the following circumstances has occurred to the Participant:
  - (a) public censure or declaration as ineligible candidate by Shanghai Stock Exchange in the most recent three years;
  - (b) the imposition of administrative penalties by the CSRC during the most recent three years due to material non-compliance of laws and regulations;
  - (c) occurrence of circumstances under which the Participant is prohibited from acting as a director, supervisor and member of the senior management of a company, as stipulated in the Company Law; and
  - (d) other material breach of relevant requirements of the Company as determined by the Board.
- (iii) The Company has achieved the following business performance:

The average return on net assets attributable to shareholders of the company, revenue growth and cash dividend payout ratio of the Company during the financial year before the Grant Date (i.e. 2014) shall not be less than the actual value during the financial year of 2013 and the average value of the most recent three years (from the financial years of 2011 to 2013), deducting the effects on the performance indicators by reason of the government (including but not limited to repurchase of the management rights of the highway by the government).

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## LETTER FROM THE BOARD

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### **(7) Grant Date**

The Grant Date of the Restricted Shares shall be determined by the Board upon obtaining all necessary approval(s) (including but not limited to the approval by the Shareholders at general meeting of the Company) of the Incentive Scheme. The Grant Date must be a trading day and must not fall within any of the following periods:

- (i) within the period commencing from 30 days prior to the publication of periodic reports of the Company to the second trading day after publication of such periodic reports (in case of postponement of publication of the periodic reports, commencing from 30 days prior to the intended publication date);
- (ii) within the period commencing from 10 trading days prior to the publication of the announcement of results forecast and results express of the Company to the second trading day after the publication of such announcement;
- (iii) within the period commencing from the time at which a major transaction or major event is subject to decision to the second trading day after such transaction or event is announced; and
- (iv) within the period commencing from the date of occurrence of any material events which may affect the price of Shares to the second trading day after such information is announced.

The “major transactions”, “material events” and “material events which may affect the price of Shares” mentioned above shall be the discloseable transactions or other material events of the Company pursuant to the requirements of the Rules Governing the Listing of Shares of Shanghai Stock Exchange. Within 30 days after approval of the Incentive Scheme by the Shareholders at the extraordinary general meeting and class meetings of the Company, the Board shall in accordance with the provisions of the Incentive Scheme conduct a meeting to grant the Restricted Shares to the Participants, and complete the relevant registration and announcement procedures. The Participants (including the Connected Participants) should pay for the Restricted Shares granted to them by way of a one-off cash payment (Grant Price x number of Restricted Shares granted).

### **(8) Black-out Period of the Incentive Scheme**

The black-out period of the Incentive Scheme shall follow laws, regulations and regulatory documents like the Company Law and the Securities Law, as well as the Articles of Association. The relevant regulations are set out as follows:

- (i) Where the Participant is a Director or member of the senior management, the number of Shares which may be transferred by the Participant per year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her.
- (ii) Where the Participant is a Director or a member of senior management, all gains from the sale of Shares within six months of purchase or from the purchase of Shares within six months of sale by the Participant shall belong to the Company and to be collected by the Board.

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## LETTER FROM THE BOARD

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- (iii) If, during the validity period of the Incentive Scheme, there is any amendment to the requirements regarding the Share transfer by a Director and senior management of the Company under relevant laws, regulations and regulatory documents such as the Company Law, the Securities Law and the Articles of Association, the transfer of the Shares held by the Participant shall comply with the provisions of relevant amended laws, regulations and regulatory documents such as the Company Law and the Securities Law and the Articles of Association at the time of the transfer.

**(9) Unlocking Conditions of the Restricted Shares**

The following conditions must be fulfilled before the Restricted Shares granted to the Participants (including the Connected Participants) can be unlocked:

- (i) None of the following circumstances has occurred to the Company:
  - (a) issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;
  - (b) the imposition of administrative penalties by the CSRC during the most recent year due to material non-compliance of laws and regulations; and
  - (c) other circumstances as determined by the CSRC.
- (ii) None of the following circumstances has occurred to the Participant:
  - (a) public censure or declaration as ineligible candidate by Shanghai Stock Exchange in the past three years;
  - (b) the imposition of administrative penalties by the CSRC during the most recent three years due to material non-compliance of laws and regulations;
  - (c) occurrence of circumstances under which the Participant is prohibited from acting as a director, supervisor and member of the senior management of a company, as stipulated in the Company Law; and
  - (d) other material breach of relevant requirements of the Company as determined by the Board.



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## LETTER FROM THE BOARD

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(iii) Unlocking Conditions pursuant to the performance level of the Company:

The following performance requirements must be fulfilled for unlocking of the Restricted Shares:

Performance indicators	First unlocking	Second unlocking	Third unlocking
Return on Equity (ROE)	Average ROE not lower than 9.8% for the two full financial years prior to the unlocking year (i.e. 2015-2016), and not lower than the listed expressway companies' average ROE for the financial years of 2015-2016.	Average ROE not lower than 10.3% for the three full financial years prior to the unlocking year (i.e. 2015-2017), and not lower than the listed expressway companies' average ROE for the financial years of 2015-2017.	Average ROE not lower than 10.8% for the four full financial years prior to the unlocking year (i.e. 2015-2018), and not lower than the listed expressway companies' average ROE for the financial years of 2015-2018; and average ROE for the financial year of 2018 not lower than a 'merit' standard for expressway industry as published in the State-owned Assets Supervision and Administration Commission's "Corporate Performance Standards" for that year.
Revenue Growth	Average revenue growth not lower than 11% for the two full financial years prior to the unlocking year (i.e. 2015-2016), and not lower than the listed expressway companies' average revenue growth for the financial years of 2015-2016.	Average Revenue Growth not lower than 12% for the three full financial years prior to the unlocking year (i.e. 2015-2017), and not lower than the listed expressway companies' average revenue growth for the financial years of 2015-2017.	Average Revenue Growth not lower than 13% for the four full financial years prior to the unlocking year (i.e. 2015-2018), and not lower than the listed expressway companies' average revenue growth for the financial years of 2015-2018.
Dividend Payout Ratio	Dividend payout ratio not lower than 43% for the two full financial years prior to the unlocking year (i.e. 2015-2016).	Dividend payout ratio not lower than 43% for the full financial year prior to the unlocking year (i.e. 2017).	Dividend payout ratio not lower than 43% for the full financial year prior to the unlocking year (i.e. 2018).

*Note:* (a) deducting the effects on the performance indicators by reason of the government (including but not limited to repurchase of the management rights of the highway by the government); (b) deducting the effects of equity financing on the performance indicators; and (c) when calculating the average performance of the listed expressway companies, deducting the extreme sample with material deviation.

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## LETTER FROM THE BOARD

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(iv) Assessments at the Participant level

The annual appraisal results of the Participant will be used as the basis of unlocking of the Restricted Shares granted by the Incentive Scheme. The Restricted Shares could only be unlocked if the Participant passed the appraisal for the previous year.

(v) Cancellation of the Restricted Shares

If the Company did not fulfill the performance requirements or the Participant did not pass the appraisal and fulfil the Unlocking Conditions, the Restricted Shares granted to the Participant could not be unlocked for the respective years and shall be cancelled by the Company upon repurchase at the Grant Price or the market price at that time, whichever is lower.

**(10) Termination of Employment Relationship**

If the employment relationship between the Company and a Participant is terminated as a result of objective reasons such as relocation, removal, retirement, death or civil incapacitation, the right to the Restricted Shares (provided that the exercisable period and performance appraisal conditions have been met in that year) shall be exercisable by the Participant within six months after the date of such termination, or else the rights lapse within six months. If the exercisable period and performance appraisal conditions have not been met, the Participant shall in principle not exercise the right to the Restricted Shares. Restricted Shares which have not been unlocked shall be repurchased for cancellation by the Company at the Grant Price.

If the employment relationship is terminated as a result of resignation or other personal reasons, the Participant's right to the Restricted Shares shall no longer be exercisable. Restricted Shares which have not been unlocked shall be repurchased by the Company at the Grant Price or the market price at that time, whichever is lower.

**(11) Rights and Obligations of the Company and the Participants**

(i) Rights and Obligations of the Company:

- (a) The Company shall have the right to construe and execute the Scheme and shall evaluate the performance of Participants based on the Scheme, and supervise and review if the Participants have the right to execute.
- (b) The Company has the right to require the Participants shall, perform their responsibilities based on the requirement of the position. If the Participants are incompetency in performing his duties or failure in appraisal, the unlocked Restricted Shares of the Participants shall be repurchased and cancelled by the Company according to the Scheme upon the approval of the Board.

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## LETTER FROM THE BOARD

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- (c) If the Participants violate the laws and professional ethics, leak confidential information of the Company, and are negligent or gross misconduct in performance of duties, which may cause serious damage to the interests or reputation of the Company, the unlocked Restricted Shares of the Participants shall be repurchased and cancelled by the Company according to the Scheme upon the approval of the Board.
  - (d) The Company shall not provide any loans or any other forms of financial assistance for Participants (including providing guarantee for their loans) to acquire the Restricted Shares of the Scheme in accordance with the Restricted Shares Incentive Scheme.
  - (e) The Company shall pay individual income tax and other taxation on behalf of the Participants in accordance with the Internal Revenue Code (國家稅收法規).
  - (f) The Company shall discharge its obligations in relation to timely reporting and information disclosure under the Scheme in accordance with the relevant requirements.
  - (g) The Company shall proactively procure the unlocking of Restricted Shares for Participants who have satisfied with the conditions for unlocking the Restricted Shares pursuant to the Scheme and the relevant requirements of the CSRC, SSE and the depository and clearing corporation. The Company shall not be held liable for losses incurred by the Participants who fail to unlock their Restricted Shares due to reasons caused by the CSRC, SSE and the depository and clearing corporation.
  - (h) Other relevant rights and obligations as stipulated under the laws and regulations.
- (ii) Rights and Obligations of Participants:
- (a) Participants shall, based on the requirement of the position, perform their responsibilities diligently in compliance with professional ethic and strive to contribute to the development of the Company.
  - (b) Participants shall lock up their granted Restricted Shares according to the requirements of the Scheme.
  - (c) The source of funding of Participants shall derive from their own funds.
  - (d) Upon completion of registration by the depository and clearing corporation, the Restricted Shares granted to the Participants shall have the same rights as shares, including but not limited to the rights to dividend, rights to rights issue and voting right conferred by such shares. However, any bonus shares, shares by conversion of capital reserve, rights issue shares and the shares placed to original shareholders upon issuance of new shares which are acquired by the Participants due to grant of Restricted Shares during the Lock-up Period, shall be locked simultaneously, and shall not be sold in the secondary market or otherwise transferred. The ending date of the Lock-up Period of such shares is the same as that of the Restricted Shares.

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## LETTER FROM THE BOARD

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- (e) When the Company declares cash dividends, the cash dividends which should be enjoyed by the Participants in connection with the granted Restricted Shares will be received by the Company after withholding and paying the individual income tax, and later will be returned to the Participants once such part of Restricted Shares are unlocked; If such part of Restricted Shares cannot be unlocked, the Company will cancel such part of Restricted Shares upon repurchase and make corresponding accounting treatment in accordance with the Scheme.
- (f) During the validity period of the Scheme, the maximum gain which the Participants can obtain from the share option incentives shall not exceed 40% of their remuneration level (inclusive of the gain from the share option incentives). In the event that the gain from the share option incentive changes, the adjusted policy will be applied.
- (g) The gains acquired by the Participants as a result of the Scheme shall be subject to individual income tax and other taxes and fees according to tax laws and regulations of the PRC.
- (h) Other relevant rights and obligations as stipulated under the laws and regulations.

**(12) Repurchase of Unlocked Restricted Shares**

If the Company repurchases the unlocked Restricted Shares pursuant to the requirements of the Incentive Scheme, the procedure of which shall be conducted in compliance with the requirements of Shanghai Stock Exchange. The Company shall pay the Participant the repurchase amount, complete the transfer procedures for such Shares through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, and cancel such Shares within a reasonable period after the completion of transfer.

**(13) The full text of the Restricted A Share Incentive Scheme is set out in the Appendix I to this circular.**

**(14) The Management, Implementation and Appraisal Measures for the Incentive Scheme**

With an aim to further improve the share incentives administration and assessment system of the Company, ensure the successful implementation of the Incentive Scheme, the Board proposed the Management, Implementation and Appraisal Measures for the Incentive Scheme to the general meetings for approval. The full text of the Management, Implementation and Appraisal Measures for the Incentive Scheme is set out in the Appendix II to this circular.

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## LETTER FROM THE BOARD

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**(15) Shareholders' Meeting to authorize the Board to deal with the matters pertaining to the Restricted A Share Incentive Scheme of the Company**

The authorization grant by the Shareholders' Meeting to the Board includes:

- (i) the Shareholders' Meeting authorizing the Board to implement the following matters in relation to the Incentive Scheme:
  - (a) to determine the qualifications and conditions of the participation in the Incentive Scheme, to determine the list of the Participants and the respective number of Restricted Shares to be granted to each of the Participant, and to determine the Grant Price;
  - (b) to determine the date of grant of the Restricted Shares and to procure the granting to and unlocking of the Restricted Shares of the Participants when the conditions have been fulfilled;
  - (c) to review and confirm the unlocking qualifications and conditions of the Participants and to procure the unlocking of Restricted Shares for the Participants who are qualified under the Incentive Scheme;
  - (d) if the number of shares and Grant Price need to be adjusted due to the Company's ex-right, ex-dividend and any other reasons, to adjust the same in accordance with the principle and method under the Incentive Scheme;
  - (e) to procure the repurchasing and cancelling of the locked Restricted shares held by the Participants which are required to be repurchased and cancelled under the Incentive Scheme;
  - (f) to formulate or amend the provisions for management and implementation of the Incentive Scheme from time to time on the basis that the terms of the Incentive Scheme remains unchanged, however, such amendments shall be approved by the Shareholders' Meeting and/or regulatory authorities if any laws, regulations or authorities so require;
  - (g) to pass the resolution to terminate the implementation of the Incentive Scheme when the Board thinks fit;
  - (h) to sign, implement, amend or terminate any agreements in relation to the Incentive Scheme;
  - (i) to implement all necessary procedures and matters in relation to the Incentive Scheme, except for those clearly stipulated by relevant documents belong to the rights of the Shareholders' Meeting;
- (ii) to authorize the Board, in relation to the Incentive Scheme, to approach the relevant government or regulatory authorities for any approval, registration, filing, authorization and consent; to sign, implement, amend or complete all documents to be submitted to the relevant

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## LETTER FROM THE BOARD

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government, authorities, organizations or persons; to amend the articles of association of the Company, to register the change of issued share capital of the Company; and to do all other things that are necessary, fit and proper in relation to the Incentive Scheme;

- (iii) to approve the validity period of the authorization given to the Board be the same as the validity period of the Incentive Scheme.

**(16) Reasons for and Benefits of the Implementation of the Incentive Scheme (including the Proposed Grant of Restricted Shares to Connected Participants)**

The purpose of the Incentive Scheme is to further establish and improve long-term corporate incentive systems of the Company, attract and retain talent, fully mobilise the motivation of senior management members, middle and core management and key technicians of the Company, effectively tying the interests of the Shareholders, the Company and the management of the Company and enabling the respective parties to become aware of the Company's long-term development, and to promote the realisation of the development strategies of the Company. The Board is of the view that the implementation of the Incentive Scheme will realise the aforesaid goals, and the terms and conditions of the Incentive Scheme are normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(17) Information on the Group**

The Company and its subsidiaries are principally engaged in the investment, construction, operation and management of toll highways and roads.

**(18) Implications of the Listing Rules**

As each of the Connected Participants as at the date of this announcement is and/or in the last 12 months was, a director, supervisor or the chief executive of the Company and/or its subsidiaries, each of the Connected Participants is a connected person of the Company pursuant Chapter 14A of the Listing Rules, and the Proposed Grant of Restricted Shares to the Connected Participants will constitute connected transactions of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has established the Independent Board Committee comprising all independent non-executive Directors (none of the independent non-executive Director is interested in the Proposed Grant of Restricted Shares to the Connected Participants) to provide its recommendation on the Proposed Grant of Restricted Shares to the Connected Participants to the Independent Shareholders, and the Company has engaged First Shanghai Capital Limited (a licensed corporation to carry on type 6 regulated activity (advising on corporate finance) under the SFO) as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regards.

**The Incentive Scheme and the Proposed Grant contemplated thereunder may or may not be approved by the Shareholders at the extraordinary general meeting and the class meetings. Even if the Incentive Scheme and the Proposed Grant contemplated thereunder are approved, the numbers of Participants and Restricted Shares to be granted as set out herein are the maximum limit under the Incentive**

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## LETTER FROM THE BOARD

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**Scheme, the actual number of Restricted Shares to be granted may be less than the proposed number. The Company will further announce the details of the actual grant of the Restricted Shares to the Participants, Shareholders and Investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

### **PROPOSED APPOINTMENT OF THE INDEPENDENT NON-EXECUTIVE DIRECTOR**

The Board received a letter of resignation from Mr. Shi Xian Liang, an independent non-executive Director on 23 November 2015. Due to work reasons, Mr. Shi resigned from the position of independent non-executive Director and the relevant positions in specialized committees of the Board.

On 25 April 2016, the Board held a meeting and approved that Mr. Chen Tao be nominated as the candidate of the independent non-executive Director and be proposed to the general meeting of the Company for consideration.

Resume of Mr. Chen Tao is as follows:

Mr. CHEN Tao, born in 1963, holds a professional title of Senior Engineer, obtained a master degree from East China University of Science and Technology majoring in industrial automation. He has extensive experience and knowledge in environmental engineering construction and technology research and development and corporate management. Mr. Chen had worked in Sichuan Institute of Light Industry and Chemical Technology (now known as Sichuan University of Science & Engineering) and Shenzhen CATIC Computer Co., Ltd. Since April 2005, Mr. Chen has worked in various subsidiaries of China Everbright Group. He had been the general manager of Everbright Environmental Protection Energy (Changzhou) Co., Ltd. since September 2006 to January 2009. Mr. Chen has been the general manager of Everbright Environmental Protection Science and Technology Development (Beijing) Co., Ltd. since February 2009 and a deputy general manager of China Everbright International Limited (a Hong Kong listed company) since February 2011. Currently, Mr. Chen is also the general manager of Everbright Environmental Protection Technology Research Institute (Shenzhen) Co., Ltd. and a non-executive director of China Everbright Water Limited (a Singapore listed company).

The independent non-executive Director candidacy of Mr. Chen Tao is effective only after it has been examined and has not been objected by the Shanghai Stock Exchange.

Upon approval of the general meeting, the appointment of Mr. Chen Tao will be effective immediately, with the term of office ending on 31 December 2017. The Company will enter into a director's service contract with Mr. Chen Tao. As approved by the previous general meeting of the Company, the Director's fee for independent non-executive Director is RMB180,000 (before tax) per annum. In addition, Directors who attend or observe the relevant meetings shall obtain meeting subsidy for the meetings. The standard of meeting subsidy for attending each meeting will be RMB1,000 (after tax) and the standard of meeting subsidy for observing each meeting will be RMB500 (after tax).

Save as disclosed above, Mr. Chen Tao also confirms that (i) he did not hold any other directorships in any other listed public companies in the last three years; (ii) he has no relationship with any Directors, supervisors, senior management or substantial Shareholders or controlling Shareholders of the Company; and (iii) he has no interest in the shares of the Company within the meaning of Part XV of the SFO.

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## LETTER FROM THE BOARD

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Save as disclosed above, the Company considers that there is no information which is discloseable nor is/was Mr. Chen involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rule 13.51(2) of the Listing Rules, and there is no other matter relating to the nomination of Mr. Chen that needs to be notified the Shareholders.

### **PROPOSED APPOINTMENT OF AUDITORS FOR 2016**

At the annual general meeting of the Company held on 15 May 2015, PwC was appointed as the auditors of the Company for 2015 to perform consolidated audit on the annual financial statements and internal control, and undertake the role of the international auditors in compliance with the Listing Rules, and its term of office shall expire upon conclusion of the annual general meeting of the Company for 2015.

According to the relevant provisions of the continuous period of the annual audit for an enterprise that the auditors may undertake in “Provisional Regulations on annual financial accounts audit of Shenzhen municipal state-owned enterprise” (《深圳市屬國有企業年度財務決算審計工作暫行規定》) issued by State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People’s Government (深圳市人民政府國有資產監督管理委員會) in 2015, the rotation of auditors shall be performed by the Company.

The Board has proposed that Ernst & Young be appointed as the auditors of the Company for 2016, to perform consolidated audit on the annual financial statements and internal control, and undertake the role of the international auditors in compliance with the Listing Rules. The Board has also proposed that the Board be authorised to fix their fees.

Ernst & Young is a firm of practicing accountants which has been endorsed by the China Ministry of Finance and the China Securities Regulatory Commission to act as reporting accountants and/or auditors for Mainland incorporated companies listed in Hong Kong.

PwC will retire as the auditors of the Company upon conclusion of the annual general meeting of the Company for 2015. PwC had confirmed in writing that there is no matters in connection with its retirement as the Company’s auditors that it considers necessary to be brought to the attention of the shareholders of the Company. The Board and the audit committee of the Company have also confirmed that there is no matters in respect of PwC’s retirement as the Company’s auditors which they consider necessary to be brought to the attention of the Shareholders.

### **EGM, ACM AND HCM**

The Company will convene the EGM, the ACM and the HCM consecutively at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC at 2 p.m. on 24 June 2016 (Friday). Pursuant to Rule 13.39(4) of the Listing Rules and/or the Articles of Association of the Company, voting at the EGM, the ACM and the HCM will be taken by poll.

The notices of the EGM, and the HCM, together with the reply slips and the proxy forms of the EGM and the HCM have been published and despatched to the Shareholders on 10 May 2016. An extract of the notices of the EGM and the HCM are set out on pages 85 to 92 of this circular.



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## LETTER FROM THE BOARD

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The EGM, the ACM and the HCM are to consider and, if thought fit, to approve the resolutions in relation to the Incentive Scheme and the Proposed Grant (including the Proposed Grant of Restricted Shares to the Connected Participants). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolutions for approval of the Proposed Grant of Restricted Shares to the Connected Participants at the EGM, the ACM and the HCM. In accordance with relevant provisions of the Administration Measures on Share Incentives of Listed Companies (Trial), Mr. Au Sing Kun, an independent non-executive director of the Company was appointed by other independent non-executive directors as the soliciting party to solicit voting rights from all shareholders of the Company in connection with abovementioned resolutions to be considered at the EGM, the ACM and the HCM. For details related, please refer to the Announcement on the Solicitation of Voting Rights by the Independent Director dated 9 May 2016.

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

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from Independent Financial Adviser, respectively, which set out their recommendations in respect of the Proposed Grant of Restricted Shares to the Connected Participants and the principal factors considered by them in arriving at their recommendations.

The Board (including all the independent non-executive Directors) considers that the terms of the Proposed Grant of Restricted Shares to Connected Participants are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, the Proposed Grant of Restricted Shares to Connected Participants is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including all the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the general meetings (including EGM, ACM and HCM).

The Board considers that the appointment of Mr. Chen Tao as an independent non-executive Director is in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

The Board considers that the appointment of Ernst & Young as auditors of the Company for 2016 is in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### FURTHER INFORMATION

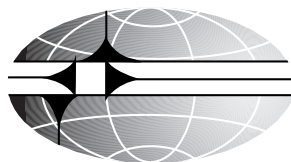
Your attention is drawn to the additional information set out in the appendices to this circular.

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

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**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)**

30 May 2016

*To the independent Shareholders*

**CONNECTED TRANSACTION**

**THE PROPOSED GRANT OF RESTRICTED SHARES TO CONNECTED PARTICIPANTS  
PURSUANT TO THE RESTRICTED A SHARE INCENTIVE SCHEME**

Dear Sir or Madam,

We refer to the circular of the Company dated 30 May 2016 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you in relation to the Proposed Grant of Restricted Shares to Connected Participants pursuant to the Restricted A Share Incentive Scheme.

We wish to draw your attention to the letter from Independent Financial Adviser set out on pages 27 to 38 of the Circular and the letter from the Board set out on pages 4 to 24 of the Circular.

Having taken into account the principal factors and reasons considered by First Shanghai Capital Limited, the Independent Financial Adviser, regarding the Proposed Grant of Restricted Shares to Connected Participants pursuant to the Restricted A Share Incentive Scheme and its conclusion and advice, we concur with the view of First Shanghai Capital Limited and consider that the Proposed Grant of Restricted Shares to Connected Participants are in the ordinary and usual course of business of the Company and the terms thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, the Proposed Grant of Restricted Shares to Connected Participants is in the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the general meetings (including EGM, ACM and HCM).

Yours faithfully,

**AU Sing Kun**

**LIN Chu Chang**

**HU Chun Yuan**

**SHI Xian Liang**

*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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*The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from First Shanghai in respect of the Proposed Grant to the Connected Participants for the purpose of incorporation into this circular.*



19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

30 May 2016

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### CONNECTED TRANSACTION

#### THE PROPOSED GRANT OF RESTRICTED SHARES TO CONNECTED PARTICIPANTS PURSUANT TO THE RESTRICTED A SHARE INCENTIVE SCHEME

#### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Grant to the Connected Participants, details of which are set out in the circular of the Company to the Shareholders dated 30 May 2016 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

According to the announcement of the Company dated 15 January 2016 (the “**January Announcement**”), the Board passed a resolution on 15 January 2016 in respect of the proposed adoption of the Incentive Scheme and the Proposed Grant thereunder. Some of the Participants are connected persons of the Company, therefore the Grant to such participants will constitute a connected transaction for the Company. Hence, the Proposed Grant to the Connected Participants is subject to, among other requirements, the approval by the Independent Shareholders. According to the announcement of the Company dated 9 May 2016 (the “**May Announcement**”), the Board has agreed to convene the EGM, the ACM and the HCM (collectively, the “**Meetings**”) to approve, among other things, the Proposed Grant.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. AU Sing Kun, Mr. LIN Chu Chang, Mr. HU Chun Yuan and Mr. SHI Xian Liang, has been formed to advise the Independent Shareholders in respect of the Proposed Grant to the Connected Participants. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Apart from this engagement in respect of the Proposed Grant to the Connected Participants, we did not have any business relationship with the Company within the past two years from the Latest Practicable Date. We consider ourselves independent to form our opinion in respect of the Proposed Grant to the Connected Participants.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group. We have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continue to be true up to the date of the Circular. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Proposed Grant to the Connected Participants, we have taken into account the following principal factors and reasons:—

#### 1. Background and benefits of the Incentive Scheme

##### I. Background information on the Group

The Company is principally engaged in the investment, construction, operation and management of toll highways and roads in the PRC. The table below contains an overview of the historical financial performance of the Group based on the annual report of the Company for the year ended 31 December 2015.

	For the year ended 31 December		
	2013	2014	2015
	RMB million	RMB million	RMB million
Revenue	3,279	3,620	3,421
<i>of which: toll revenue</i>	2,898	3,008	3,014
Net profit attributable to owners of the Company	720	2,187	1,553
Return on equity excluding non-recurring items	8.5%	8.9%	4.4%
Dividend payout ratio	48.5%	44.9%	47.8%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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We understand the Group was profitable for the recent years and, with reference to the annual reports of the Company, (i) the higher net profit of the Group for the year ended 31 December 2014 was attributable to, among other factors, the record of non-operating income from gain on disposal of certain assets of the Meiguan Expressway of approximately RMB1,496 million; and (ii) the higher net profit of the Group for the year ended 31 December 2015 was attributable to, among other factors, the record of investment income from the consolidation of uncommon control arising from equity shares acquired before the acquisition date recalculated per fair value of approximately RMB904 million.

The table below contains an overview of the historical financial position of the Group based on the annual report of the Company for the year ended 31 December 2015.

	<b>As at 31 December 2015</b> <i>RMB million</i>
Non-current assets	23,246
Current assets	<u>8,425</u>
<b>Total assets</b>	<b><u>31,671</u></b>
Non-current liabilities	12,599
Current liabilities	<u>4,111</u>
<b>Total liabilities</b>	<b><u>16,710</u></b>
Net assets attributable to owners of the Company	12,369
Minority interests	<u>2,592</u>
<b>Net assets</b>	<b><u><u>14,961</u></u></b>

We understand that, as at 31 December 2015, (i) the key assets of the Group are its non-current assets related to expressways; (ii) the Group had net assets attributable to owners of the Company of approximately RMB12,369 million; and (iii) the Group had net current assets of approximately RMB4,314 million.

In respect of the prospect of the general economy and the automobile industry of the PRC, we have reviewed (i) economic projections published on the website of the International Monetary Fund; and (ii) industry information published on the website of Roland Berger, which is a global consultancy firm with over 2,000 employees working in over 30 countries. With reference to the *World Economic Outlook Database (October 2015)* published on the website of the International Monetary Fund, we understand the real gross domestic product of the PRC is expected to experience annual growths of approximately 6.3%, 6.0% and 6.1% for each of the years ending 31 December 2016, 2017 and 2018, respectively. With reference to the report

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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titled *2015 Chinese auto consumer insights (2015中國汽車消費者洞察報告)* dated November 2015 and published on the website of Roland Berger, we understand (i) the sales of automobile in the PRC market has reached a mature stage; and (ii) the annual growth rate of the sales of automobile in the PRC market is expected to be within 7% for 2015 and the years after. We understand, for the upcoming years, the general economy and the automobile industry of the PRC may continue to grow, which may be beneficial to the business of the Group.

### **II. Background and benefits of the Incentive Scheme**

On 15 January 2016, the Board passed a resolution in respect of the proposed adoption of the Incentive Scheme and the Proposed Grant thereunder. The Proposed Grant involves the granting of the Restricted Shares, which are A Shares, to the Participants. With reference to the May Announcement, the total number of the Participants is 75, which include directors, senior management and key employees of the Group as summarised in the following table.

No.	Name	Reason for being a connected person*	Number of Restricted Shares to be granted	Percentage to the total number of Restricted Shares to be granted	Percentage to the total number of Shares in issue as at the Latest Practicable Date
1.	Wu Ya De	(i) & (ii)	382,038	2.22%	0.018%
2.	Liao Xiang Wen	(ii) & (iv)	321,716	1.87%	0.015%
3.	Sun Ce	(ii)	321,716	1.87%	0.015%
4.	Huang Bi Nan	(ii)	321,716	1.87%	0.015%
5.	Gong Tao Tao	(ii)	321,716	1.87%	0.015%
6.	Wu Xian	(ii)	321,716	1.87%	0.015%
7.	Li Jian	(ii)	321,716	1.87%	0.015%
8.	Sun Bin	(ii)	261,394	1.52%	0.012%
9.	Gao Jiang Ping	(ii)	261,394	1.52%	0.012%
10.	Luo Kun	(ii)	261,394	1.52%	0.012%
11.	Fang Jie	(ii) & (iii)	261,394	1.52%	0.012%
12.	Wang Hui Hong	(ii)	261,394	1.52%	0.012%
13.	He Fang	(ii)	261,394	1.52%	0.012%
14.	Zhou Yuan	(ii)	201,072	1.17%	0.009%
15.	Lin Wen Xin	(iv)	201,072	1.17%	0.009%
16.	He Cheng Hui	(ii)	201,072	1.17%	0.009%
17.	Lian Dan Dong	(ii)	201,072	1.17%	0.009%
18.	Li Li Rong	(ii)	140,751	0.82%	0.006%
19.	Chao De Zhi	(ii) & (iv)	321,716	1.87%	0.015%
20.	Zhang Jun Rui	(ii)	321,716	1.87%	0.015%
21.	Jin Bo	(ii)	261,394	1.52%	0.012%
22.	Lu Rui	(ii)	261,394	1.52%	0.012%



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR**

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No.	Name	Reason for being a connected person*	Number of Restricted Shares to be granted	Percentage to the total number of Restricted Shares to be granted	Percentage to the total number of Shares in issue as at the Latest Practicable Date
23.	Lei Yu Hong	(ii)	261,394	1.52%	0.012%
24.	Du Ya Fan	(ii)	261,394	1.52%	0.012%
25.	Cai Cheng Guo	(ii)	261,394	1.52%	0.012%
26.	Liang Bing	(ii)	201,072	1.17%	0.009%
27.	Zhao Gui Ping	(ii)	201,072	1.17%	0.009%
28.	Nie Xin Yue	(ii)	201,072	1.17%	0.009%
29.	Xu Qi Fu	(ii)	201,072	1.17%	0.009%
30.	Xue Hai Feng	(ii)	261,394	1.52%	0.012%
31.	Xu Chang Chun	(iv)	201,072	1.17%	0.009%
The above 31 Connected Participants			8,042,893	46.78%	0.369%
The 44 Independent Participants			9,148,797	53.22%	0.419%
<b>Total of the 75 Participants</b>			<b>17,191,690</b>	<b>100.00%</b>	<b>0.788%</b>

\* *Note:* The reason for the Participant being a connected person of the Company includes him/her being (i) a director, supervisor or the chief executive of the Company; (ii) a director, supervisor or the chief executive of the subsidiary(ies) of the Company; (iii) a person who was a director, supervisor or the chief executive of the Company in the last 12 months; and (iv) a person who was a director, supervisor or the chief executive of the subsidiary(ies) of the Company in the last 12 months.

We are advised by the management of the Group that the position of the Participant in the Group, which reflects the importance and contribution of the Participant, is a major factor considered for the allocation of the Restricted Shares. We have reviewed the list consisting the name, position, length of service and number of allotted Restricted Shares of all of the Participants and we note that, for instance, (i) the first Connected Participant set out in the above list, namely Mr. Wu Ya De, was allocated the highest number of the Restricted Shares representing approximately 0.018% of the total issued share capital, where he is the only Director of the Company among the Participants and he is also the president of the Company; (ii) the second to the seventh Connected Participants set out in the above list, who have been individually allocated relatively higher number of the Restricted Shares representing approximately 0.015% of the total issued share capital, are or had been regarded as members of the senior management of the Group according to the latest annual report of the Company; and (iii) overall, the Connected Participants have been individually allocated Restricted Shares representing approximately from 0.006% to 0.018% of the total issued share capital. We also note that (i) the maximum number of Restricted Shares to be granted

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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represents less than 0.8% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) none of the Participants would be entitled to a significant share of the Restricted Shares, where each of the Participants has a share of less than 2.5% of the total number of Restricted Shares to be granted. Furthermore, we note that the Comparable Schemes (as defined below), as compared with the Incentive Scheme, have a similar relationship pattern between the number of allocated shares and the position of the participants, where, for instance, (i) the director and/or the president of the subject listed companies had been allocated the highest number of restricted shares among the connected participants; (ii) the directors of the subject listed companies had been individually allocated restricted shares representing approximately from 0.016% to 0.097% of the total issued share capital; (iii) the connected senior management of the subject listed companies, as regarded in annual reports, had been individually allocated restricted shares representing approximately from 0.002% to 0.097% of the total issued share capital; and (iv) overall, the connected participants of the subject listed companies had been individually allocated restricted shares representing approximately from 0.001% to 0.097% of the total issued share capital. Based on the foregoing, we understand the numbers of restricted shares allocated to individual connected participants under the Incentive Scheme are within the range or no more than those under the Comparable Schemes, therefore we consider the allocation under the Incentive Scheme to be fair and reasonable.

The Incentive Scheme shall be effective for five years from the Grant Date of the Restricted Shares. The Unlocking Conditions, including requirements in connection with the financial performance of the Group and the annual appraisal results of the Participants, have to be fulfilled before the Restricted Shares can be unlocked. Given the Participants would hold the Restricted Shares and would expect the Unlocking Conditions to be fulfilled, the Incentive Scheme can align the interests of the key staff of the Group with that of the Shareholders to enhance the performance and the value of the Company. The Incentive Scheme can also retain talent for the long term development of the business of the Group.

Having primarily considered (i) the Incentive Scheme can align the interests of the key staff of the Group with that of the Shareholders to enhance the performance and the value of the Company; (ii) the maximum number of Restricted Shares to be granted represents less than 0.8% of the total number of share capital of the Company; (iii) the position of the Participant in the Group is a major factor considered for the allocation of the Restricted Shares and none of the Participants would be entitled to a significant share of the Restricted Shares; and (iv) the financial effects of the Incentive Scheme are acceptable as discussed below, we are of the view that the Proposed Grant to the Connected Participants, which is part of the Incentive Scheme, is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

### **2. Principal terms of the Incentive Scheme**

We are advised by the management of the Group that the terms of the Grant under the Incentive Scheme are the same for the Connected Participants and for the Independent Participants. The principal terms of the Incentive Scheme include the issue size, the Grant Price, the adjustment mechanism and the unlocking arrangement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### I. *The issue size and the Grant Price*

The Grant Date of the Restricted Shares shall be determined by the Board upon obtaining all the necessary approval(s) of the Incentive Scheme (including but not limited to the approval by the Independent Shareholders).

The total number of Shares that may be granted under the Incentive Scheme shall be 17,191,690 A Shares, representing approximately 0.79% of the total share capital of the Company as at the Latest Practicable Date.

The Grant Price shall be RMB5.35 per Restricted Share, where the Participants shall be entitled to purchase the Restricted Shares newly issued by the Company at such price upon fulfillment of the relevant conditions. The Grant Price (i) represents an approximately 41% discount to the “fair market price” of the A Shares; and (ii) is equivalent to the net asset value per Share of the Group as at 30 September 2015. The “fair market price” of the A Shares shall not be lower than the highest of:–

- (i) the closing price of the A Shares on the trading day preceding the date of the January Announcement, which was RMB7.50 per A Share;
- (ii) the average closing price of the A Shares for the last 30 trading days preceding the date of the January Announcement, which was approximately RMB8.95 per A Share; and
- (iii) the average price of the A Shares for the last 20 trading days preceding the date of January Announcement (being the total transaction value for these 20 trading days divided by the total volume of the A Shares traded for these 20 trading days) (the “**20-day Average Trading Price**”), which was approximately RMB9.08 per A Share.

We understand the Grant Price represents an approximately 41% discount to 20-day Average Trading Price. We have reviewed the requirements under *Memorandum No.1 on Issues Relating to Incentive Share Options (股權激勵有關事項備忘錄1號)* promulgated by the CSRC (the “**CSRC Regulation**”), we understand the CSRC Regulation requires the issue price of new shares under incentive schemes to be not less than 50% of the 20-day Average Trading Price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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In addition, we have exhaustively reviewed the comparable incentive schemes which (i) were adopted by companies listed in Hong Kong; (ii) involved the issue of restricted A shares; and (iii) adopted during the period from 1 January 2014 to the date of the January Announcement (the “**Comparable Schemes**”). Details of the Comparable Schemes are set out as follows:–

	<b>Date of shareholders’ approval</b>	<b>Issue size as a percentage of the number of total issued shares</b>	<b>Discount of the issue price to the 20-day Average Trading Price</b>
Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (2196 HK/600196 CH)	November 2015	0.12%	50%
Livzon Pharmaceutical Group Inc. (1513 HK/000513 CH)	March 2015	3.38%	50%
Dongjiang Environmental Company Limited (895 HK/600672 CH)	January 2014	2.97%	50%
<b>The Company</b>	<b>To be obtained</b>	<b>0.79%</b>	<b>41%</b>

*Source: the website of the Stock Exchange*

With reference to the above table, we note that (i) the issue size of the Incentive Scheme and those of the Comparable Schemes all represent a small percentage of the number of total issued share, where the issue would not have a material impact on the share capital; and (ii) the pricing discount of the Incentive Scheme is less than those of the Comparable Schemes and all of them comply with the pricing requirement under the CSRC Regulation.

Taking into account, particularly, (i) the Grant Price is equally applicable to both the Connected Participants and the Independent Participants; (ii) the pricing discount of the Incentive Scheme is less than those of the Comparable Schemes and complies with the pricing requirement under the CSRC Regulation; (iii) the Grant Price is equivalent to the net asset value per Share of the Group as at 30 September 2015; (iv) the issue size represents a small percentage of the number of total issued share, which is similar to those of the Comparable Schemes, and will not have a material impact on the share capital of the Company; and (v) the intention of the Incentive Scheme is to provide incentives to the key staff of the Group to enhance the performance and the value of the Company rather than to purely raise fund, we consider the issue size and the grant price of the Incentive Scheme to be acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### II. *The adjustment mechanism*

During the period from the date of the announcement of the proposed adoption of the Incentive Scheme to the completion of the registration of the Restricted Shares granted to the Participants, adjustments to the number of Restricted Shares and the Grant Price shall be made under certain scenarios. The following table summarises such adjustment mechanism, the details of which are set out in the letter from the Board in the Circular.

Scenario	Adjustment to the Grant Price	Adjustment to the number of the Restricted Shares
(a) Conversion of capital reserve, bonus issue and sub-division of the Shares	$P = P_0 / (1 + n)$	$Q = Q_0 \times (1 + n)$
(b) Rights issue	$P = P_0 \times (P_1 + P_2 \times n) / (P_1 \times (1 + n))$	$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$
(c) Consolidation of the Shares	$P = P_0 / n$	$Q = Q_0 \times n$
(d) Dividend distribution	$P = P_0 - V$ ; and $P > 1$	Not applicable
(e) Issue of additional Shares	Not applicable	Not applicable
(f) Other scenarios	Adjustment to the Grant Price or the number of the Restricted Shares shall be considered and passed by the Board and subject to the approval by the Shareholders at the general meeting	

*Notes:*

- P represents the adjusted Grant Price.
- $P_0$  represents the Grant Price before the adjustment.
- $P_1$  represents the closing price as at the record date.
- $P_2$  represents the price of the rights issue.
- Q represents the adjusted number of the Restricted Shares.
- $Q_0$  represents the number of Restricted Shares before the adjustment.
- V represents the dividend per Share.
- n represents, as the case may be, (i) the ratio of the increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus issue or sub-division of the Shares; (ii) ratio of the rights issue; or (iii) the ratio of the consolidation of the Shares.

We understand and are advised by the management of the Group that, for scenarios (a), (b) and (c) in the above table, (i) the purposes of the adjustments to the Grant Price are to reflect the dilution or consolidation effect to the price of the Shares on a proportionate basis; (ii) the purposes of the adjustments to the number of the Restricted Shares is to reflect the changes to the number of issued Shares; and (iii) the subscription amount of the Restricted Shares (being the Grant Price multiplied by the number of the Restricted Shares) after the adjustment would remain the same as that before the adjustment. For scenario (d) in the above table, the adjustment to the Grant Price resembles the theoretical ex-dividend reduction to the price of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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the Shares and, as advised by the management of the Group, the Grant Price cannot be lower than the par value of RMB1 per A Share in accordance with regulations in the PRC. For scenario (e) in the above table, the Grant Price and the number of the Restricted Shares will not be adjusted. In addition, based on our review of the Comparable Schemes, we note that the aforementioned adjustment mechanism of the Incentive Scheme is similar to those of the Comparable Schemes.

Taking into account the above analysis, we consider the adjustment mechanism of the Incentive Scheme to be acceptable.

### ***III. The unlocking arrangement***

According to the Incentive Scheme, the Restricted Shares granted will be locked up for 24 months from the Grant Date, where the Restricted Shares shall not be transferred, pledged for guarantees or used for repayment of debt during such lock-up period.

The Incentive Scheme has three unlocking periods. The first unlocking period is within the 24 to 36 months after the Grant Date, where 40% of the Restricted Shares will be unlocked. The second unlocking period is within the 36 to 48 months after the Grant Date, where 30% of the Restricted Shares will be unlocked. The third unlocking period is within the 48 to 60 months after the Grant Date, where 30% of the Restricted Shares will be unlocked. The Unlocking Conditions include but not limited to the financial performance of the Group and the annual appraisal results of the Participants, the details of which are set out in the letter from the Board in the Circular.

If the unlocking conditions could not be satisfied, the Restricted Shares granted to the Participant could not be unlocked for the respective years and shall be cancelled by the Company upon repurchase at the Grant Price or the market price at that time, whichever is lower.

Taking into account, particularly, (i) the unlocking conditions set goals for the Participants, who are the key staff of the Group, to work on and achieve; (ii) in case the unlocking conditions could not be satisfied, the repurchase by the Company would be at the Grant Price or the then market price, whichever is lower; and (iii) the unlocking arrangements can help to retain talent for the Group, we consider the aforementioned unlocking arrangements to be acceptable.

### ***IV. Conclusion***

Having collectively considered our above analysis and that the terms of the Grant under the Incentive Scheme are the same for the Connected Participants and for the Independent Participants, we are of the view that the terms of the Proposed Grant to the Connected Participants are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### 3. Possible financial and dilution effects of the Incentive Scheme

#### I. Profits

The following table sets out the estimated costs in accordance with the PRC accounting standards for the implementation of the Incentive Scheme, the details of the which are set out in the January Announcement.

	For the year ending 31 December					
	2016	2017	2018	2019	2020	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Cost	11,550,700	13,860,800	7,700,400	3,388,200	462,000	36,962,100

The estimated total cost for the upcoming years in connection with the implementation of the Incentive Scheme is approximately RMB37 million. We note that such total cost represents less than or around 5% of the net profit attributable to owners of the Company for each of the years ended 31 December 2013, 2014 and 2015. The Independent Shareholders should note that the successful implementation of the Incentive Scheme depends on whether the unlocking conditions, including financial performance targets, have been fulfilled. Given the magnitude of the implementation cost and the requirement on the achievement of the financial performance targets, we expect the implementation of the Incentive Scheme will not have a material adverse impact on the profits of the Group.

#### II. Cash position and net assets

We are advised by the management of the Group that (i) the Incentive Scheme could raise a maximum fund of approximately RMB92 million, being the total number of the Restricted Shares of 17,191,690 multiplied by the Grant Price of RMB5.35 per Restricted Share, for the Group; and (ii) therefore, the cash position and net assets of the Group could be enhanced accordingly upon the implementation of the Incentive Scheme.

#### III. Dilution

The implementation of the Incentive Scheme could involve the issue of 17,191,690 new A Shares, representing approximately 0.79% of the total share capital of the Company as at the Latest Practicable Date. Accordingly, the equity interests of the Shareholders (other than the Participants) in the Company could be slightly diluted.

#### IV. Conclusion

Taking into account, particularly, (i) the Incentive Scheme can align the interests of the key staff of the Group with that of the Shareholders to enhance the performance and the value of the Company; (ii) the cost and dilution effect of the Incentive Scheme are not material; and (iii) the Incentive Scheme can enhance the cash position and net assets of the Group, we consider the possible financial and dilution effects of the Incentive Scheme to be acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Proposed Grant to the Connected Participants is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole and the terms of the Proposed Grant to the Connected Participants are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Meetings to approve the Proposed Grant to the Connected Participants.

Yours faithfully,  
For and on behalf of

**First Shanghai Capital Limited**

**Fanny Lee**  
*Managing Director*

**Allen Wang**  
*Director*

*Note:* Ms. Fanny Lee and Mr. Allen Wang have been responsible officers of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and 2014, respectively. Both of them have participated in the provision of independent financial advisory services for transactions involving share issuance and/or companies dual-listed in Hong Kong and the PRC.



*The following is the full text of the proposal of Restricted A Share Incentive Scheme for the purpose of incorporation in this circular. The Restricted A Share Incentive Scheme was prepared in Chinese only and set out below is an English translation of such report. In case of any discrepancies between the Chinese and the English versions of this report, the Chinese version shall prevail.*

**RESTRICTED A SHARE INCENTIVE SCHEME  
(PROPOSAL)**

**JANUARY 2016**

**DISCLAIMER**

The Company and all its Directors and Supervisors guarantee that no false statements, misleading representation or material omissions are contained in the Incentive Scheme and its draft, and shall assume several and joint legal liability for the truthfulness, accuracy and completeness of the contents thereof.

**SPECIAL NOTICE**

- I. The Incentive Scheme is formulated in accordance with the Company Law of the People's Republic of China (the "PRC") (the "Company Law"), the Securities Law of the PRC (the "Securities Law"), the Administrative Measures on Share Incentives of Listed Companies (Trial), the Trial Measures on Implementation of Share Incentives by State-owned and Controlled Listed Companies (Domestic) (《國有控股上市公司(境內)實施股權激勵試行辦法》), the Notice on Several Issues on Regulating the Share Incentive Program of the State-owned and Controlled Listed Companies (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》) and other relevant laws and administrative regulations as well as the Articles of Association of Shenzhen Expressway Company Limited. The Remuneration Committee of the Board of Directors (the "Board") is responsible for drafting the scheme.
- II. The incentive form adopted by the Incentive Scheme is Restricted Shares. The source of the shares shall be ordinary A Shares issued to the Participants by the Company.
- III. The total number of Shares that may be granted under the Scheme shall not exceed 17,190,000 Shares, representing 0.79% of the Company's total share capital of 2,180,770,000 Shares as at the date of the announcement of the draft of the Incentive Scheme. The aggregate number of shares to be issued to any Participant pursuant to the Incentive Scheme does not exceed 1% of the Company's total share capital before the Incentive Scheme is proposed at the General Meeting for approval.
- IV. The total number of Participants under the first grant pursuant to the scheme is 75. The Participants include Directors (excluding independent Directors, non-executive Directors), senior management, middle managers and key management and technical employees of the Company. At present, in addition to this scheme, none of the Participants has joined in share incentive schemes of other listed companies, and other substantial shareholders or de facto controllers holding more than 5% of the shares of the Company or their spouses or lineal relations do not join in the Incentive Scheme of Restricted Shares. The Participants satisfy Section 8 and relevant provisions of the Administrative Measures on Share Incentives of Listed Companies (Trial).
- V. The Grant Price of the Restricted Shares under the Grant shall be RMB5.35 per share (equivalent to the Company's net asset value per Share). In case of conversion of capital reserve, bonus issue, subdivision, or consolidation, rights issue, dividend distribution, or other ex dividends or ex rights events of the Company in the period from the date of the announcement of the Incentive Scheme to the date of completing registration of Participants, the grant price and size of the Restricted Shares shall be subject to adjustments according to the provisions under the draft of the Incentive Scheme.

When the Company declares cash dividends in the period from the date of the announcement of the Incentive Scheme to the date of completing registration of Restricted Shares by the Participants, the cash dividends which shall be enjoyed by the Participants in connection with the granted Restricted Shares will be received by the Company after withholding and paying the individual income tax, and the later will be returned to the Participants once such part of Restricted Shares are unlocked; If such part of Restricted Shares cannot be unlocked, then the cash dividends received will not be deducted when the Company repurchases such part of Restricted Shares according to the provisions under the draft of the Incentive Scheme, and the Company will make corresponding accounting treatment.

- VI. The Incentive Scheme shall be effective within 5 years from the date of grant of the Restricted Shares.
- VII. The Restricted Shares will be locked up for 24 months from the grant date. During the lock-up period, the Restricted Shares held by the Participants pursuant to the Incentive Scheme shall not be transferred, pledged for guarantees or used for repayment of debt in any form. The unlocking period follows the expiry of the lock-up period. The unlocking period and the unlocking arrangements of the Restricted Shares granted are as follows:

<b>Unlocking Arrangement</b>	<b>Unlocking Date</b>	<b>Proportion of Unlocking</b>
First Unlocking	From the first trading day after 24 months from the grant date to the last trading day within 36 months from the grant date	40%
Second Unlocking	From the first trading day after 36 months from the grant date to the last trading day within 48 months from the grant date	30%
Third Unlocking	From the first trading day after 48 months from the grant date to the last trading day within 60 months from the grant date	30%

During the lock-up period, the Participants are not entitled to the following rights of the Restricted Shares granted, including but not limited to, voting rights of such shares, right to obtain benefits from controlling such Restricted Shares by pledge, charge or any other ways. Cash dividends to be received by Participants from the Restricted Shares granted shall be held in escrow by the Company and shall be distributed to the Participants upon unlocking; The share dividends which the Participants are entitled to as a result of the Restricted Shares granted to them shall remain locked and shall not be disposed of or transferred in any manner in the secondary market. All such share dividends are subject to the same lock-up period as the Restricted Shares.

- VIII. None of the following circumstances under which the implementation of the share incentive shall not be conducted as stipulated in Article 7 of the Memorandum No.1 on Issues Relating to Share Incentives has occurred to the Company:
1. Issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives a qualified opinion or unable to render an opinion;

2. The imposition of administrative penalties by the CSRC during the past year due to material non-compliance of laws and regulations; and
  3. Other circumstances as determined by the CSRC.
- IX. None of the following circumstances existed as for the Participant under the scheme that shall not be qualified as the Participant according to Section 8 of the Administrative Measures on Share Incentives of Listed Companies (Trial):
1. Public censure or declaration as ineligible candidate by Stock Exchanges in the most recent three years;
  2. The imposition of administrative penalties by the CSRC during the most recent three years due to material non-compliance of laws and regulations; and
  3. Occurrence of circumstances under which the Participant is prohibited from acting as a director, supervisor and member of the senior management of a company, as stipulated in the Company Law of the PRC.
- X. The Company undertakes that it shall not provide loans, guarantee for loans and any other forms of financial assistance to the Participants for acquiring the Restricted Shares under the Incentive Scheme.
- XI. The implementation of the Incentive Scheme is subject to the fulfillment of the following conditions: approval by the Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission, and consideration and approval at the General Meeting of the Company.
- XII. The Company shall hold the board meetings according to relevant requirements to make grants to Participants and complete relevant procedures such as registration and announcement within 30 days commencing from the date of the consideration and approval of the Incentive Scheme at the General Meeting of the Company.
- XIII. The implementation of the share incentive scheme will not result in the Company not being able to meet the listing conditions due to its equity distribution.

**CHAPTER 1 DEFINITIONS**

Unless otherwise specified, capitalised terms shall have the same meanings as those hereinafter defined:

“Company”	Shenzhen Expressway Company Limited
“Incentive Scheme” or “this Scheme”	the Restricted Share Incentive Scheme of the Company
“Restricted Shares”	certain shares of the Company to be granted to the Participants by the Company under the Incentive Scheme
“Participant(s)”	the person(s) to be granted Restricted Share(s) under the Incentive Scheme, including the Company’s senior management members, middle and core management and key technicians
“Grant Date”	the date (a trading day) on which the Restricted Shares are granted to the Participants
“Grant Price”	the price of each Restricted Share granted to the Participants
“Lock-up Period”	the period during which Participants are restricted to transfer the Restricted Shares in accordance with the Incentive Scheme
“Unlocking Period”	the period during which the Restricted Shares of the Participants are unlocked and can be transferred upon the fulfillment of the Unlocking Conditions specified in the Incentive Scheme
“Unlocking Date”	the date on which the Restricted Shares of the Participants are unlocked upon fulfillment of the Unlocking Conditions specified in the Incentive Scheme
“Unlocking Conditions”	the conditions to the unlocking of the Restricted Shares of the Participants under the Incentive Scheme
“Validity Period”	the five-year period during which the Incentive Scheme remains effective, from the Grant Date to the date on which all Restricted Shares are unlocked or repurchased and cancelled
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies (Trial)

“Articles of Association”	the articles of association of the Company
“Shenzhen SASAC”	the State-owned Assets Supervision and Administration Commission of Shenzhen
“CSRC”	the China Securities Regulatory Commission
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“RMB”	renminbi

**CHAPTER 2 THE PURPOSE AND BASIC PRINCIPLES OF  
THE INCENTIVE SCHEME**

The purpose of the Incentive Scheme is to further establish and improve long-term corporate incentive systems of the Company, attract and retain talent, fully mobilise the motivation of senior management members, middle and core management and key technicians of the Company, effectively tying the interests of the Shareholders, the Company and the management of the Company and enabling the respective parties to become aware of the Company's long-term development, and to promote the realisation of the development strategies of the Company. On the condition that the interests of the shareholders are fully protected, the Incentive Scheme has been formulated based on principles of income and contributions and in accordance with laws, regulations and regulatory documents including the Company Law, the Securities Law, the Administrative Measures, the Trial Measures on Implementation of Share Incentives by State-owned and Controlled Listed Companies (Domestic) (《國有控股上市公司(境內)實施股權激勵試行辦法》), the Notice on Several Issues on Regulating the Share Incentive Program of the State-owned and Controlled Listed Companies (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》), as well as the Articles of Association, integrating the existing remuneration system and performance appraisal system of the Company.

**CHAPTER 3 ADMINISTRATIVE BODIES OF THE INCENTIVE SCHEME**

- I. The General Meeting, as the institution vested with the supreme authority of the Company, is responsible for consideration and approval of the implementation, change and termination of the Incentive Scheme.
- II. The Board is the institution in charge of the implementation of the Incentive Scheme, and its subordinate Remuneration Committee is responsible for drafting and revising the Incentive Scheme, submitting the same to the General Meeting of the Company for approval and to the competent department for review, and handling the matters related to the Incentive Scheme within the authorisation by the General Meeting.
- III. The Supervisory Committee is the supervisory institution of the Incentive Scheme and is responsible for reviewing the list of Participants and performing supervision over the compliance of the implementation of the Incentive Scheme with relevant laws, administrative regulations, department rules and the business rules of the Stock Exchange.
- IV. Independent Directors shall issue independent opinions on whether the Incentive Scheme facilitates the sustainable development of the Company and whether the Incentive Scheme impairs the interests of the Company and the shareholders as a whole, and to solicit proxy voting from all shareholders in relation to the scheme.



## CHAPTER 4 BASIS FOR DETERMINING THE PARTICIPANTS OF THE INCENTIVE SCHEME AND THE SCOPE OF PARTICIPANTS

### I. BASIS OF DETERMINING THE PARTICIPANTS

#### 1. Legal basis for determining the Participants

The Participants of the Scheme is determined after taking into account the circumstances of the Company and in accordance with the Company Law, the Securities Law, the Administrative Measures on Share Incentives of Listed Companies (Trial)(《上市公司股權激勵管理辦法(試行)》) as well as the relevant laws, regulations and regulatory documents and the Articles.

#### 2. Functional basis for determining the Participants

The Participants of the Incentive Scheme include Directors, senior management, middle managers, core managers and business backbones of the Company (excluding Independent Directors, supervisors, external Directors, and Executive Directors, senior management and business backbones who have participated in the share option incentive scheme of the controlling Shareholder of the Company, Shenzhen International Holdings Limited).

### II. SCOPE OF PARTICIPANTS

The total number of Participants under the Incentive Scheme is 75. including:

1. Directors (excluding independent Directors, non-executive Directors) and other senior managements of the Company;
2. Middle managers and business backbones of the Company's headquarters;
3. Leading team members (vice presidents or above) of the Company's subsidiaries;

Independent Directors, supervisors of the Company, external Directors and Shareholders holding 5% or above of the Shares and their close family members; and Executive Directors, senior managements and other key business staff who have participated in the share option incentive scheme of the controlling Shareholder of the Company, Shenzhen International Holdings Limited, are not included in the scope of Participants of the Incentive scheme. The rest of the Directors and senior management must be appointed by the Board of Directors of the Company. All Participants must be employees of the Company or its holding subsidiaries and wholly-owned subsidiaries, who have entered into labor contracts with the Company or its holding subsidiaries and wholly-owned subsidiaries. All Participants under the Incentive Scheme shall not concurrently participate in any other share option incentives schemes of any other listed companies. Participants who have already participated in any other incentive schemes of any other listed companies, shall not concurrently participate in the Incentive Scheme.

**III. VERIFICATION OF PARTICIPANTS**

1. The list of Participants shall be verified by the Supervisory Committee of the Company after review and approval by the Board. The Supervisory Committee shall report the results of such verification at the Company's General Meeting held for the purpose of approving the Share Incentive Scheme.
  
2. Any adjustments to the lists of Participants made by the Board shall also be subject to verification by the Supervisory Committee of the Company.

**CHAPTER 5 GRANT PRICE OF THE RESTRICTED SHARES AND  
THE BASIS OF DETERMINATION****I. GRANT PRICE OF THE RESTRICTED SHARES**

The Grant Price of the Restricted Shares under the Grant shall be RMB5.35 per Share. Upon fulfillment of Grant conditions, each Participant is entitled to purchase Share newly issued to the Participants by the Company at the price of RMB5.35 per Share.

**II. GRANT PRICE AND THE BASIS OF DETERMINATION**

The Grant Price of the Restricted Shares under the Grant shall be RMB5.35 per Share, is equivalent to the Company's net asset value per Share and 59% of the fair market price of the A Shares.

Fair market price is determined in accordance with the following principles: the benchmark day for pricing is the date of announcement of the draft of the Share Option Incentive Scheme. The fair market price shall not be lower than the highest of the following: (i) the closing price of the Shares on the trading day preceding the date of announcement of the draft of the Incentive Scheme; (ii) the average closing price of the Shares for the last 30 trading days preceding the date of announcement of the draft of the Incentive Scheme; and (iii) the average price of the Shares of the Company for the last 20 trading days preceding the date of announcement of the draft of the Incentive Scheme (the total transaction value for the last 20 trading days/total volume of the Shares of the Company traded for the last 20 trading days).

## CHAPTER 6 SOURCE, NUMBER AND ALLOCATION OF THE RESTRICTED SHARES

### I. SOURCE OF SHARES UNDER THE RESTRICTED SHARES INCENTIVE SCHEME

The shares under the Incentive Scheme shall be directional ordinary A Shares additionally issued to the Participants by the Company.

### II. NUMBER OF SHARES UNDER THE INCENTIVE SCHEME

According to the above method, the number of Restricted Shares that may be granted under the Incentive Scheme shall be 17,190,000 Shares, representing 0.79% of the Company's total share capital of 2,180,770,000 Shares as at the date of this announcement of the draft summary of the Scheme, not exceeding 1% of the Company's total share capital.

### III. ALLOCATION OF RESTRICTED SHARES GRANTED TO PARTICIPANTS UNDER THE INCENTIVE SCHEME

Allocation of Restricted Shares to be granted to each Participant is as follows:

Name	Position	Number of Restricted Shares to be granted (share)	Percentage to the total number of Restricted Shares to be granted (%)	Percentage to the total number of Shares in issue as at the date of this circular (%)
Wu Ya De	Executive Director, President	382,038	2.22%	0.018%
Liao Xiang Wen	Vice President	321,716	1.87%	0.015%
Sun Ce	Vice President	321,716	1.87%	0.015%
Huang Bi Nan	Vice President	321,716	1.87%	0.015%
Gong Tao Tao	Financial Controller	321,716	1.87%	0.015%
Middle managers and business backbones of the Company's headquarters		11,481,233	66.78%	0.526%
Leading team members (vice presidents or above) of the Company's subsidiaries		4,041,555	23.51%	0.185%
Total		17,191,690	100%	0.788%

*Notes:*

1. Name and other information of the Participants of the Incentive Scheme which include Directors (excluding independent Directors and non-executive Directors), senior management, middle managers and key management and technical employees of the Company will be disclosed on the website designated by the Shanghai Stock Exchange.
2. None of the Participants has joined in two or more share incentive schemes of listed companies, and none of the Participants is a substantial shareholder or de-facto controller (or their spouses or lineal relatives) holds more than 5% of the Shares of the Company.
3. None of the above Participant will be issued with more than 1% Shares of the Company under the Incentive Scheme.

**CHAPTER 7 VALIDITY PERIOD, GRANT DATE, LOCK-UP PERIOD AND  
UNLOCKING PERIOD AND BLACK-OUT PERIOD  
OF THE INCENTIVE SCHEME**

**I. VALIDITY PERIOD OF THE INCENTIVE SCHEME**

The Incentive Scheme shall be effective for five years from the Grant Date of the Restricted Shares.

**II. GRANT DATE OF THE INCENTIVE SCHEME**

1. The Grant Date of the Incentive Scheme shall be determined by the Board upon obtaining the approval from Shenzhen SASAC and the approval of the Incentive Scheme at the Shareholders' General Meeting. The Grant Date must be a trading day and must not fall within any of the following periods:
  - (1) Within the period commencing from 30 days prior to the publication of periodic reports of the Company to the second trading day after publication of such periodic reports (in case of postponement of publication of the periodic reports, commencing from 30 days prior to the intended publication date);
  - (2) Within the period commencing from 10 trading days prior to the publication of the announcement of results forecast and results express of the Company to the second trading day after the publication of such announcement;
  - (3) Within the period commencing from the time at which a major transaction or major event is subject to decision to the second trading day after such transaction or event is announced; and
  - (4) Within the period commencing from the date of occurrence of any material events which may affect the price of Shares to the second trading day after such information is announced.
2. The "major transactions", "material events" and "material events which may affect the price of Shares" mentioned above shall be the discloseable transactions or other material events of the Company pursuant to the requirements of the Rules Governing the Listing of Shares of Shanghai Stock Exchange (《上海證券交易所股票上市規則》).
3. Within 30 days after the approval of the Incentive Scheme at the General Meeting, the Company shall in accordance with the provisions of the Incentive Scheme conduct a board meeting to grant the Restricted Shares to the Participants, and complete the relevant registration and announcement procedures.

**III. LOCK-UP PERIOD AND UNLOCKING PERIOD OF THE INCENTIVE SCHEME**

1. The Restricted Shares granted pursuant to the Incentive Scheme will be locked up for 24 months from the Grant Date. During the Lock-up Period, the Restricted Shares held by the Participants pursuant to the Incentive Scheme shall not be transferred, pledged for guarantees or used for repayment of debt.
2. All dividend or Shares as a result of conversion of capital reserve, dividend distribution, bonus issue, sub-division received by the Participants as a result of the Restricted Shares granted to them will be locked up in accordance with the Incentive Scheme and all such Shares are subject to the same Lock-up Period as the Restricted Shares, whereas all dividend payable in cash which the Participants are entitled to as a result of the Restricted Shares granted to them will be kept by the Company, and will be paid to the Participants when the Restricted Shares are unlocked in accordance with the Incentive Scheme.
3. During the Unlocking Period, the Company shall assist the Participants who have fulfilled the Unlocking Conditions to arrange for the Restricted Shares to be unlocked, while the Company shall repurchase and cancel the Restricted Shares held by the Participants who have not fulfilled the Unlocking Conditions. The specific unlocking arrangements are as follows:

<b>Unlocking Arrangement</b>	<b>Unlocking Date</b>	<b>Proportion of unlocking</b>
First Unlocking	From the first trading day after 24 months from the Grant Date to the last trading day within 36 months from the Grant Date	40%
Second Unlocking	From the first trading day after 36 months from the Grant Date to the last trading day within 48 months from the Grant Date	30%
Third Unlocking	From the first trading day after 48 months from the Grant Date to the last trading day within 60 months from the Grant Date	30%

**IV. BLACK-OUT PERIOD OF THE INCENTIVE SCHEME**

The Black-out Period of the Incentive Scheme shall follow laws, regulations and regulatory documents like the Company Law and the Securities Law, as well as the Articles of Association. The relevant regulations are set out as follows:

1. Where the Participant is a Director or member of the senior management, the number of Shares which may be transferred by the Participant per year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her.
2. Where the Participant is a Director or a member of senior management, all gains from the sale of Shares within six months of purchase or from the purchase of Shares within six months of sale by the Participant shall belong to the Company and to be collected by the Board.

3. If, during the Validity Period of the Incentive Scheme, there is any amendment to the requirements regarding the Share transfer by a Director and senior management of the Company under relevant laws, regulations and regulatory documents such as the Company Law, the Securities Law and the Articles of Association, the transfer of the Shares held by the Participant shall comply with the provisions of relevant amended laws, regulations and regulatory documents such as the Company Law and the Securities Law and the Articles of Association at the time of the transfer.



## CHAPTER 8 CONDITIONS OF GRANT AND UNLOCKING OF THE RESTRICTED SHARES

### I. CONDITIONS OF GRANT OF THE RESTRICTED SHARES

When the following conditions are fulfilled, the Company shall grant the Restricted Shares to the Participants, on the contrary, if the conditions are not fulfilled, the Participants shall not be granted Restricted Shares. The Company shall, within 30 days upon the fulfillment of the conditions, complete the relevant procedures of the grant, registration and announcement.

(I) None of the following circumstances has occurred to the Company:

1. issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;
2. the imposition of administrative penalties by the CSRC during the most recent year due to material non-compliance of laws and regulations; and
3. other circumstances as determined by the CSRC.

(II) None of the following circumstances has occurred to the Participant:

1. public censure or declaration as ineligible candidate by Shanghai Stock Exchange in the most recent three years;
2. the imposition of administrative penalties by the CSRC during the most recent three years due to material non-compliance of laws and regulations;
3. occurrence of circumstances under which the Participant is prohibited from acting as a director, supervisor and member of the senior management of a company, as stipulated in the Company Law; and
4. other material breach of relevant requirements of the Company as determined by the Board.

(III) The Company has achieved the following business performance:

The average return on net assets attributable to shareholders of the company, revenue growth and cash dividend payout ratio of the Company during the financial year before the Grant Date (i.e. 2014) shall not be less than the actual value during the financial year of 2013 and the average value of the most recent three years (from the financial years of 2011 to 2013), deducting the effects on the performance indicators by reason of the government (including but not limited to repurchase of the management rights of the highway by the government).

**II. CONDITIONS OF UNLOCKING OF THE RESTRICTED SHARES**

The following conditions must be fulfilled before the Restricted Shares granted to the Participants can be unlocked:

- (I) None of the following circumstances has occurred to the Company:
  - 1. issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;
  - 2. the imposition of administrative penalties by the CSRC during the most recent year due to material non-compliance of laws and regulations; and
  - 3. other circumstances as determined by the CSRC.
  
- (II) None of the following circumstances has occurred to the Participant:
  - 1. public censure or declaration as ineligible candidate by Shanghai Stock Exchange in the past three years;
  - 2. the imposition of administrative penalties by the CSRC during the most recent three years due to material non-compliance of laws and regulations;
  - 3. occurrence of circumstances under which the Participant is prohibited from acting as a director, supervisor and member of the senior management of a company, as stipulated in the Company Law; and
  - 4. other material breach of relevant requirements of the Company as determined by the Board.

## (III) Unlocking conditions pursuant to the performance level of the Company:

1. The following performance requirements must be fulfilled for unlocking of the Restricted Shares:

<b>Performance indicators</b>	<b>First unlocking</b>	<b>Second unlocking</b>	<b>Third unlocking</b>
Return on Equity (ROE)	Average ROE not lower than 9.8% for the two full financial years prior to the unlocking year (i.e. 2015-2016), and not lower than the listed expressway companies' average ROE for the financial years of 2015-2016.	Average ROE not lower than 10.3% for the three full financial years prior to the unlocking year (i.e. 2015-2017), and not lower than the listed expressway companies' average ROE for the financial years of 2015-2017.	Average ROE not lower than 10.8% for the four full financial years prior to the unlocking year (i.e. 2015-2018), and not lower than the listed expressway companies' average ROE for the financial years of 2015-2018; and average ROE for the financial year of 2018 not lower than a 'merit' standard for expressway industry as published in the State-owned Assets Supervision and Administration Commission's "Corporate Performance Standards" for that year.
Revenue Growth	Average revenue growth not lower than 11% for the two full financial years prior to the unlocking year (i.e. 2015-2016), and not lower than the listed expressway companies' average revenue growth for the financial years of 2015-2016.	Average Revenue Growth not lower than 12% for the three full financial years prior to the unlocking year (i.e. 2015-2017), and not lower than the listed expressway companies' average revenue growth for the financial years of 2015-2017.	Average Revenue Growth not lower than 13% for the four full financial years prior to the unlocking year (i.e. 2015-2018), and not lower than the listed expressway companies' average revenue growth for the financial years of 2015-2018.
Dividend Payout Ratio	Dividend payout ratio not lower than 43% for the two full financial years prior to the unlocking year (i.e. 2015-2016).	Dividend payout ratio not lower than 43% for the full financial year prior to the unlocking year (i.e. 2017).	Dividend payout ratio not lower than 43% for the full financial year prior to the unlocking year (i.e. 2018).

*Note:* (1) deducting the effects on the performance indicators by reason of the government (including but not limited to repurchase of the management rights of the highway by the government); (2) deducting the effects of equity financing on the performance indicators; and (3) when calculating the average performance of the listed expressway companies, deducting the extreme sample with material deviation.

(IV) Assessments At The Participant Level

The annual appraisal results of the Participant will be used as the basis of unlocking of the Restricted Shares granted by the Incentive Scheme. The Restricted Shares could only be unlocked if the Participant passed the appraisal for the previous year.

- (V) If the Company did not fulfill the performance requirements or the Participant did not pass the appraisal, the Restricted Shares granted to the Participant could not be unlocked for the respective years and shall be cancelled by the Company upon repurchase at the Grant Price or the market price at that time, whichever is lower.

**CHAPTER 9 ADJUSTMENT METHOD AND PROCEDURES OF  
THE RESTRICTED SHARES INCENTIVE SCHEME****I. METHOD OF ADJUSTING THE NUMBER OF RESTRICTED SHARES**

During the period from the date of this announcement to completion of the registration of the Restricted Shares granted to the Participants, in the event of any conversion of capital reserve, bonus issue, sub-division, consolidation or rights issue in relation to the Shares of the Company, adjustment to the number of Restricted Shares to be granted shall be made by the Company accordingly. The method of adjustment is set out below:

1. Conversion of capital reserve, bonus issue and sub-division of Shares

$$Q = Q_0 \times (1 + n)$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $n$  represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus issue or sub-division of Shares (i.e. the number of Shares increased per Share upon issue of Shares by conversion of capital reserve, bonus issue or sub-division of Shares);  $Q$  represents the adjusted number of Restricted Shares.

2. Rights Issue

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $P_1$  represents the closing price as at the record date;  $P_2$  represents the price of the rights issue;  $n$  represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue);  $Q$  represents the adjusted amount of Restricted Shares.

3. Consolidation of Shares

$$Q = Q_0 \times n$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $n$  represents the ratio of consolidation of Shares (i.e. one Share of the Company shall be consolidated into  $n$  Shares);  $Q$  represents the adjusted number of Restricted Shares.

4. Issue of additional Shares

Where the Company issues additional Shares, the number of Restricted Shares shall not be subject to any adjustment.

**II. METHOD OF ADJUSTING THE GRANT PRICE OF THE RESTRICTED SHARES**

During the period from the date of this announcement to completion of the registration of the Restricted Shares granted to the Participants, in the event of any dividend distribution, conversion of capital reserve, bonus issue, sub-division, consolidation or rights issue of Shares of the Company, adjustment to the Grant Price shall be made by the Company accordingly. The method of adjustment is set out below:

1. Conversion of capital reserve, bonus issue and sub-division of Shares

$$P = P_0 / (1 + n)$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus issue and sub-division of Shares to each Share;  $P$  represents the adjusted Grant Price.

2. Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $P_1$  represents the closing price as at the record date;  $P_2$  represents the price of the rights issue;  $n$  represents the ratio of the rights issue;  $P$  represents the adjusted Grant Price.

3. Consolidation of Shares

$$P = P_0 / n$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the ratio of consolidation of Shares;  $P$  represents the adjusted Grant Price.

4. Dividend distribution

$$P = P_0 - V$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $V$  represents the dividend per Share;  $P$  represents the adjusted Grant Price. After adjustment,  $P$  shall be more than 1.

5. Issue of additional Shares

Where the Company issues additional Shares, the Grant Price of the Restricted Shares shall not be subject to any adjustment.

**III. ADJUSTMENT PROCEDURES FOR THE INCENTIVE SCHEME**

The general meeting of the Company shall authorise the Board to adjust the Grant Price and the number of the Restricted Shares based on the actual circumstances at the time when the above situation occurs. The Board shall make timely announcement after making adjustment to the number of the Restricted Shares and the Grant Price in accordance with the abovementioned provisions. The Company shall engage a legal adviser to provide professional advice to the Board whether such adjustment is in compliance with the provisions of relevant regulations of the CSRC and supervision department of state owned assets, Articles of Association and the Incentive Scheme.

Any adjustment to the number or the Grant Price due to circumstances other than the aforementioned shall be considered by the Board, and submitted to the general meeting of the Company for approval by the Shareholders.

## CHAPTER 10 ACCOUNTING TREATMENT OF THE RESTRICTED SHARES

In accordance with the requirements of “Accounting Standards for Enterprises No.11 – Payment of Shares” and “Accounting Standards for Enterprises No.22 – Recognition and Measurement of Financial Instruments”, the Company shall, during the Lock-Up Period, on each balance sheet date, adjust the estimated number of Restricted Shares that may be unlocked in accordance with the latest number of Participants who have fulfilled the Unlocking Conditions and the performance indicators, and recognise the services received as the relevant costs or expenses and capital reserve in accordance with the fair value of the Restricted Shares on the Grant Date.

### I. ACCOUNTING TREATMENT

#### 1. Grant Date

The capital and capital reserve shall be recognized according to the status of the grant of Restricted Shares to Participants by the Company.

#### 2. Every balance sheet date during the Lock-up Period

Pursuant to the requirements of the accounting standards, the services provided by the staff will be treated as costs and the owners’ equity or liability will be recognized on every balance sheet date during the Lock-up Period.

#### 3. Unlocking Date

On the Unlocking Date, if the Unlocking Conditions are fulfilled, the Restricted Shares shall be unlocked; if all or part of the Shares are lapsed or cancelled since the same have not been unlocked, such Shares will be dealt with pursuant to the accounting standards and relevant requirements.

### II. ESTIMATED IMPACTS ON THE OPERATING PERFORMANCE OF EACH OF THE PERIOD DUE TO IMPLEMENTATION OF THE INCENTIVE SCHEME

The Company will grant 17.19 million Restricted Shares to the Participants, confirm the fair value of the Restricted Shares on the Grant Date in accordance with the relevant valuation method, and determine the costs of payment of shares under the Incentive Scheme, which will be recognised in phases in accordance with the unlocking ratio. Assuming the Grant Date was in January 2016, the total costs of payment of shares under the Incentive Scheme would be estimated at RMB36,962,100. According to the accounting standards of the PRC, the effects of the costs on each accounting period are as follows:

<b>The number of Restricted Shares (million)</b>	<b>Total costs (RMB)</b>	<b>2016 (RMB)</b>	<b>2017 (RMB)</b>	<b>2018 (RMB)</b>	<b>2019 (RMB)</b>	<b>2020 (RMB)</b>
17.19	36,962,100	11,550,700	13,860,800	7,700,400	3,388,200	462,000



*Note:*

1. The above are the preliminary estimation based on the Company's information and estimation at present. The actual amount will be calculated by the fair value of the Restricted Shares on the Grant Date.
2. The total amount of the above may differ from the direct sum of each item as a result of round off differences.

According to the evaluation of the Company based on the information available, without taking into account the stimulus effects of the Incentive Scheme on the results of the Company, the amortization of the costs of Restricted Shares shall affect the net profit of each year during the Validity Period, although the extent of which would not be substantial. Taking into consideration the positive impact of the Restricted Share Incentive Scheme on the development of the Company, such as motivating the management team and increasing the operational efficiency, the benefits generated from the improvement in the Company's results due to the Incentive Scheme shall far exceed the increase in costs.

**CHAPTER 11 PROCEDURES OF IMPLEMENTATION, GRANT AND UNLOCKING UNDER THE INCENTIVE SCHEME****I. PROCEDURES OF IMPLEMENTATION UNDER THE RESTRICTED SHARE INCENTIVE SCHEME**

- (I) The Remuneration Committee of the Board shall draft the Incentive Scheme.
- (II) The Board shall review and approve the draft of the Incentive Scheme for which independent opinion of Independent Directors shall be formed. The Supervisory Committee shall confirm the list of Participants.
- (III) The draft of the Incentive Scheme, upon review and approval by the Board of directors, will be submitted to Shenzhen SASAC for approval.
- (IV) Upon receiving approval from Shenzhen SASAC in respect of the Incentive Scheme, the Company shall issue notice about convening the general meeting, and the legal adviser to issue legal opinions on the Incentive Scheme.
- (V) Independent Directors shall solicit the voting rights for the Incentive Scheme from all of the shareholders.
- (VI) The Incentive Scheme shall be considered and approved at the General Meeting where the Supervisory Committee shall elaborate on the confirmed list of Participants.
- (VII) The General Meeting shall be convened to voting for Restricted Share Incentive Scheme, the way of online voting should be permitted. Independent Directors shall solicit the voting rights for the Restricted Share Incentive Scheme from all of the shareholders.
- (VIII) The Incentive Scheme shall be implemented upon approval at the General Meeting.

**II. PROCEDURES OF GRANT OF THE RESTRICTED SHARES**

- (I) The Remuneration Committee of the Board shall propose the specific matters (such as the Grant Date) of the Restricted Share Incentive Scheme.
- (II) The Board shall review and approve the specific matters (such as the Grant Date) of the Restricted Share Incentive Scheme.
- (III) The Supervisory Committee shall confirm the list of Participants.
- (IV) Within 30 days after the conditions of grant being satisfied, the company completed the first grant, registration, announcement and other procedures, upon confirmation by the stock exchange, then to complete the transfer procedures for such shares through the depository and clearing corporation.

- (V) The Company prepares a management register of the Restricted Share Incentive Scheme, in which sets out names of participants, accounts, numbers of the Restricted Share granted, Grant Date, and number of Agreement for Grant of Restricted Shares, etc.

### **III. PROCEDURES OF UNLOCKING OF THE RESTRICTED SHARES**

- (I) The Remuneration Committee of the Board shall review and determine the entitlement for unlocking for the Participants.
- (II) As to the Participant who has satisfied the conditions for unlocking the Restricted Shares, the Company shall issue the Notice of Unlocking Restricted Shares (《限制性股票解鎖通知書》) and tender applications to the Stock Exchange to unlock the Restricted Shares, tendering application to the registration and clearing company to handle the relevant registration and clearing matters.
- (III) Restricted Shares held by Participants who have not satisfied the conditions for unlocking the Restricted Shares shall be repurchased and cancelled by the Company according to the Scheme.
- (IV) Participants may transfer their unlocked Restricted Shares whereas the transfer of the Restricted Shares held by the Company's directors and member of senior management shall comply with the requirements of the relevant laws, regulations and regulatory documents.

## CHAPTER 12 RIGHTS AND OBLIGATIONS OF THE COMPANY/THE PARTICIPANTS

### I. RIGHTS AND OBLIGATIONS OF THE COMPANY

1. The Company shall have the right to construe and execute the Scheme and shall evaluate the performance of Participants based on the Scheme, and supervise and review if the Participants have the right to execute.
2. The Company has the right to require the Participants shall, perform their responsibilities based on the requirement of the position. If the Participants are incompetency in performing his duties or failure in appraisal, the unlocked Restricted Shares of the Participants shall be repurchased and cancelled by the Company according to the Scheme upon the approval of the Board.
3. If the Participants violate the laws and professional ethics, leak confidential information of the Company, and are negligent or gross misconduct in performance of duties, which may cause serious damage to the interests or reputation of the Company, the unlocked Restricted Shares of the Participants shall be repurchased and cancelled by the Company according to the Scheme upon the approval of the Board.
4. The Company shall not provide any loans or any other forms of financial assistance for Participants (including providing guarantee for their loans) to acquire the Restricted Shares of the Scheme in accordance with the Restricted Shares Incentive Scheme.
5. The Company shall pay individual income tax and other taxation on behalf of the Participants in accordance with the Internal Revenue Code (國家稅收法規).
6. The Company shall discharge its obligations in relation to timely reporting and information disclosure under the Scheme in accordance with the relevant requirements.
7. The Company shall proactively procure the unlocking of Restricted Shares for Participants who have satisfied with the conditions for unlocking the Restricted Shares pursuant to the Scheme and the relevant requirements of the CSRC, SSE and the depository and clearing corporation. The Company shall not be held liable for losses incurred by the Participants who fail to unlock their Restricted Shares due to reasons caused by the CSRC, SSE and the depository and clearing corporation.
8. Other relevant rights and obligations as stipulated under the laws and regulations.

### II. RIGHTS AND OBLIGATIONS OF PARTICIPANTS

1. Participants shall, based on the requirement of the position, perform their responsibilities diligently in compliance with professional ethic and strive to contribute to the development of the Company.

2. Participants shall lock up their granted Restricted Shares according to the requirements of the Scheme.
3. The source of funding of Participants shall derive from their own funds.
4. Upon completion of registration by the depository and clearing corporation, the Restricted Shares granted to the Participants shall have the same rights as shares, including but not limited to the rights to dividend, rights to rights issue and voting right conferred by such shares. However, any bonus shares, shares by conversion of capital reserve, rights issue shares and the shares placed to original shareholders upon issuance of new shares which are acquired by the Participants due to grant of Restricted Shares during the Lock-up Period, shall be locked simultaneously, and shall not be sold in the secondary market or otherwise transferred. The ending date of the Lock-up Period of such shares is the same as that of the Restricted Shares.
5. When the Company declares cash dividends, the cash dividends which should be enjoyed by the Participants in connection with the granted Restricted Shares will be received by the Company after withholding and paying the individual income tax, and later will be returned to the Participants once such part of Restricted Shares are unlocked; If such part of Restricted Shares cannot be unlocked, the Company will cancel such part of Restricted Shares upon repurchase and make corresponding accounting treatment in accordance with the Scheme.
6. During the Validity Period of the Scheme, the maximum gain which the Participants can obtain from the share option incentives shall not exceed 40% of their remuneration level (inclusive of the gain from the share option incentives). In the event that the gain from the share option incentive changes, the adjusted policy will be applied.
7. The gains acquired by the Participants as a result of the Scheme shall be subject to individual income tax and other taxes and fees according to tax laws and regulations of the PRC.
8. Other relevant rights and obligations as stipulated under the laws and regulations.

**CHAPTER 13 IMPLEMENTATION OF THE INCENTIVE SCHEME IN CASE OF CHANGE IN THE COMPANY/THE PARTICIPANTS**

- I. If any of the following events has occurred to the Company, the Incentive Scheme shall be terminated and the Restricted Shares which are granted to the Participants but not yet unlocked shall be cancelled by the Company upon repurchase at the Grant Price or the market price at that time, whichever is lower:
- (I) failure to engage an auditor to carry out auditing work in accordance with the relevant regulations and requirement;
  - (II) issue of an auditors' report with qualified or negative opinion or which indicates the inability to give opinion by a certified public accountant with respect to the annual financial report of the Company;
  - (III) the state-owned controlling Shareholder, the supervisory committee or the audit department raising significant objections to the business performance or the annual financial report of the Company; and
  - (IV) imposition of administrative penalties by security or other relevant authorities due to material non-compliance of the Company.
- II. If any of the following events occurs to a Participant, his/her right which has not been exercised shall be cancelled:
- (I) audited results indicate significant dereliction of duty;
  - (II) violation of state laws and regulations or the Articles of Association;
  - (III) during his/her tenure, having committed conducts in violation of the laws and regulations including receiving bribes, engaging in bribery, corruption or embezzlement, disclosing trade secrets of the Company, carrying out related party transactions, which had significant negative effects on the Company's reputation and image and resulted in losses to the Company ;
  - (IV) public censure or declaration as ineligible candidate by Shanghai Stock Exchange in the most recent three years;
  - (V) the imposition of administrative penalties by the CSRC during the most recent three years due to material non-compliance of laws and regulations; and
  - (VI) occurrence of circumstances under which the Participant is prohibited from acting as a director, supervisor and member of the senior management of a company, as stipulated in the Company Law.

In violation of items (I), (II) and (III) of this provision, all gains obtained from the Restricted Shares shall be collected by the Company.

- III. If the employment relationship between the Company and a Participant is terminated as a result of objective reasons such as relocation, removal, retirement, death or civil incapacitation, the right to the Restricted Shares (provided that the exercisable period and performance appraisal conditions have been met in that year) shall be exercisable by the Participant within six months after the date of such termination, or else the rights lapse within six months. If the exercisable period and performance appraisal conditions have not been met, the Participant shall in principle not exercise the right to the Restricted Shares. Restricted Shares which have not been unlocked shall be repurchased by the Company at the Grant Price.

If the employment relationship between the Company and a Participant is terminated as a result of resignation or other personal reasons, the Participant's right to the Restricted Shares shall no longer be exercisable. Restricted Shares which have not been unlocked shall be repurchased by the Company at the Grant Price or the market price at that time, whichever is lower.

## CHAPTER 14 ADJUSTMENT OF THE REPURCHASE PRICE OF THE RESTRICTED SHARES AND THE PROCEDURES OF REPURCHASING AND CANCELLING

When the Restricted Shares are repurchased by the Company for cancellation pursuant to the provisions of Incentive Scheme, the repurchase price shall be determined in accordance with the relevant provisions of the Incentive Scheme, unless otherwise adjusted thereunder.

### I. ADJUSTMENT METHOD FOR THE REPURCHASE PRICE

After the Grant of the Restricted Shares, in the event of any dividend distribution, public placement or private placement and Restricted Shares shall be repurchased for cancellation pursuant to the provisions of Incentive Scheme, no adjustment shall be made to the repurchase price.

After the Grant of the Restricted Shares, in the ex dividends or ex-rights event of any conversion of capital reserve, bonus issue, sub-division, consolidation or rights issue of Shares which had impact on the total amount or the price of the Shares, an adjustment to the repurchase price for the unlocked Restricted Shares shall be made by the Company accordingly. The method of adjustment in principle is set out below:

1. Conversion of capital reserve, bonus issue and sub-division of Shares

$$P = P_0 / (1 + n)$$

Where:  $P_0$  represents the Grant Price of the Restricted Shares;  $n$  represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus issue and sub-division of Shares (i.e. the number of Shares increased per Share upon issue of Shares by conversion of capital reserve, bonus issue or sub-division of Shares);  $P$  represents the adjusted repurchase price.

2. Consolidation of Shares

$$P = P_0 / n$$

Where:  $P_0$  represents the Grant Price of the Restricted Shares;  $n$  represents the ratio of consolidation of Shares (i.e. one Share of the Company shall be consolidated into  $n$  Shares);  $P$  represents the adjusted repurchase price.

3. Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$



Where:  $P_0$  represents the Grant Price of the Restricted Shares;  $P_1$  represents the closing price as at the record date;  $P_2$  represents the price of the rights issue;  $n$  represents the basis of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue);  $P$  represents the adjusted repurchase price.

## **II. ADJUSTMENT PROCEDURES FOR THE REPURCHASE PRICE**

1. The general meeting of the Company shall authorise the Board to adjust the number and price of the Restricted Shares to be repurchased with the reasons set out above. The Board shall make timely announcement after making adjustment to the number and price of the Restricted Shares to be repurchased in accordance with the abovementioned provisions.
2. Any adjustment to the number and price of the Restricted Shares to be repurchased due to other reasons, after being reviewed by the Board, shall be submitted to the general meeting of the Company for consideration and approval.

## **III. PROCEDURES OF REPURCHASE AND CANCELLATION**

The Company shall apply to the Shanghai Stock Exchange for unlocking the Restricted Shares upon the repurchase implemented according to the provisions of Incentive Scheme. The Company shall also pay the repurchase price to the Participants and complete the transfer of relevant shares with the securities depository and clearing corporation within 30 business days upon unlocking. Within reasonable period upon share transfer, the Company shall cancel these Shares.

**CHAPTER 15 SUPPLEMENTARY PROVISION**

- I. This Scheme shall be approved by the Shenzhen SASAC, as well as the shareholders of the Company at the general meeting, subsequent to which it will become effective.
  
- II. This Scheme shall be interpreted by the board of directors of the Company.

15 January 2016

*The following is the full text of the Management, Implementation and Appraisal Measures for the Incentive Scheme for the purpose of incorporation in this circular. The Management, Implementation and Appraisal Measures for the Incentive Scheme was prepared in Chinese only and set out below is an English translation of such report. In case of any discrepancies between the Chinese and the English versions of this report, the Chinese version shall prevail.*

## **THE MANAGEMENT, IMPLEMENTATION AND APPRAISAL MEASURES FOR THE INCENTIVE SCHEME**

### **CHAPTER 1 GENERAL PROVISIONS**

Article 1 The Measures are prepared in accordance with relevant national laws, regulations and regulatory documents as well as the relevant provisions of the Articles of Association, together with the Company's actual situations, with an aim to further improve the share incentives administration and assessment system of Shenzhen Expressway Company Limited (the "**Company**"), ensure the successful implementation of the restricted A share incentive scheme (the "**Incentive Scheme**") of the Company and stimulate senior management members, middle and core management and key staff (the "**Participants**") of the Company, thus guaranteeing the implementation of the Company's medium and long-term strategies and the fulfillment of its annual operating targets.

Article 2 The Measures followed the Principles as follows:

1. Fairness, impartiality and objectiveness;
2. Combination of short-term operating targets and long-term development targets;
3. Combination of incentives and constraints.

### **CHAPTER 2 ADMINISTRATIVE INSTITUTIONS**

Article 3 The General Meeting, as the institution vested with the supreme authority of the Company, is responsible for consideration and approval of the implementation, change and termination of the Incentive Scheme.

Article 4 The Board of Directors (the "**Board**") is the institution in charge of the implementation of the Incentive Scheme, and its subordinate Remuneration Committee is responsible for drafting and revising the Incentive Scheme, submitting the same to the General Meeting of the Company for approval and to the competent department for review, and handling the matters related to the Incentive Scheme within the authorisation by the General Meeting.

Article 5 The Supervisory Committee is the supervisory institution of the Incentive Scheme and is responsible for reviewing the list of Participants and performing supervision over the compliance of the implementation of the Incentive Scheme with relevant laws, administrative regulations, department rules and the business rules of the Stock Exchange.

Article 6 Independent Directors shall issue independent opinions on whether the Incentive Scheme facilitates the sustainable development of the Company and whether the Incentive Scheme impairs the interests of the Company and the shareholders as a whole, and to solicit proxy voting from all shareholders in relation to the scheme.

### **CHAPTER 3 RELEVANT PROCEDURES**

Article 7 Procedures of implementation of the Incentive Scheme

1. The Remuneration Committee of the Board prepares a draft of the Incentive Scheme.
2. The Board considers and approves the draft of the Incentive Scheme and the Independent Directors issue independent opinions thereon; the Supervisory Committee verifies the list of Participants.
3. The draft of the restricted share incentive scheme as considered and approved by the Board is submitted to the SASAC of Shenzhen for approval.
4. Upon approval of the restricted share incentive scheme by the SASAC of Shenzhen, the Company will issue a notice convening a general meeting; the lawyer issues written legal opinions on the Incentive Scheme.
5. Independent Directors solicit proxy voting from all shareholders in relation to the proposal regarding the Incentive Scheme.
6. The Incentive Scheme is considered at the General Meeting, and the Supervisory Committee gives a description of the verification of the list of Participants at the General Meeting.
7. In voting by poll for the restricted share incentive scheme at the General Meeting of the Company, network voting shall be available. Independent Directors shall solicit proxy voting from all shareholders in relation to the restricted share incentive scheme.
8. The Incentive Scheme shall be implemented upon consideration and approval at the General Meeting of the Company.

**Article 8**      Procedures of grant of the Incentive Scheme

1.    The Remuneration Committee of the Board is responsible for determining the relevant specific grant matters including the grant date of restricted shares.
2.    The Board considers and approves the relevant specific grant matters including the grant date of restricted shares.
3.    The Supervisory Committee verifies the list of Participants.
4.    The Company completes the first grant, registration, announcement and other relevant procedures of the restricted shares within 30 days upon fulfillment of grant conditions, and the securities depository and clearing corporation proceeds with registration, clearing and transfer upon confirmation by the Stock Exchange.
5.    The Company prepares a management register of the restricted share incentive scheme, which sets out names of Participants, securities accounts, number of restricted shares granted, grant date, number of agreement on grant of restricted shares, etc.

**Article 9**      Procedures of unlocking of the Incentive Scheme

1.    The Remuneration Committee of the Board shall check and confirm whether the Participants have satisfied the conditions for unlocking the Incentive Scheme.
2.    As to the Participants who have satisfied the conditions for unlocking the Incentive Scheme, the Company shall issue the Notice of Unlocking Restricted Shares (《限制性股票解鎖通知書》) to them, propose their unlocking applications to the Stock Exchange in a centralized manner, and make application to the Securities Depository and Clearing Corporation for registration and settlement.
3.    As to the Participants who have not fulfilled the Unlocking Conditions, the Company shall repurchase and cancel the related Restricted Shares held by them according to the rules of this Scheme.
4.    Participants may transfer their unlocked Restricted Shares whereas the transfer of the Restricted Shares held by the Company's directors and member of senior management shall comply with the requirements of the relevant laws, rules and regulations.

**Article 10**     Adjustment procedures for the Grant Price and the number of Incentive Scheme

The Board shall make timely announcement after making adjustment to the number and the Grant Price of the Incentive Scheme in accordance with the provisions of the Incentive Scheme. The Company shall engage a legal adviser to provide professional advice to the

Board whether such adjustment is in compliance with the provisions of relevant regulations of the CSRC and supervision department of state owned assets, Articles of Association and the Incentive Scheme.

Article 11 Exercise of the rights and management of the earnings by the Participants

1. When the Company declares cash dividends, the cash dividends which should be enjoyed by the Participants in connection with the granted Restricted Shares will be received by the Company after withholding and paying the individual income tax, and later will be returned to the Participants once such part of Restricted Shares are unlocked; If such part of Restricted Shares cannot be unlocked, then the Company will deduct related cash dividends of such part of Restricted Shares upon repurchase and make corresponding accounting treatment in accordance with the provisions of the Incentive Scheme.
2. During the Validity Period of the Exercise, the maximum gain which the Participants can obtain from the share option incentives shall not exceed 40% of their remuneration level (inclusive of the gain from the share option incentives) at the time of granting this equity. In the event that the relevant policies changed, then shall exercise the Incentive Scheme in accordance with the revise policies.
3. Gains from the Incentive Scheme earned by Participants shall be subject to individual income tax and other taxation in accordance with the Internal Revenue Code (國家稅收法規).

#### **CHAPTER 4 TREATMENT WITH SPECIAL SITUATIONS**

Article 12 If any of the following events has occurred to the Company, the Incentive Scheme shall be terminated and the Restricted Shares which are granted to the Participants but not yet unlocked shall be cancelled by the Company upon repurchase at the Grant Price or the market price at that time, whichever is lower:

1. Failure to engage an auditor to carry out auditing work in accordance with the relevant regulations and requirement;
2. Issue of an auditors' report with qualified or negative opinion or which indicates the inability to give opinion by a certified public accountant with respect to the annual financial report of the Company;
3. The state-owned controlling Shareholder, the Supervisory Committee or the Audit Department raising significant objections to the business performance or the annual financial report of the Company; or
4. Imposition of administrative penalties by securities regulatory or other relevant authorities due to material non-compliance of the Company.

Article 13 If any of the following events occurs to a Participant, his/her outstanding rights shall be cancelled:

1. Audited results indicate significant dereliction of duty;
2. Violation of state laws and regulations or the Articles of Association;
3. During his/her tenure, having committed conducts in violation of the laws and regulations including receiving bribes, engaging in bribery, corruption or embezzlement, disclosing trade secrets of the Company, carrying out related party transactions, which had significant negative effects on the Company's reputation and image and resulted in losses to the Company;
4. Public censure or declaration as ineligible candidate by Stock Exchange in the most recent three years;
5. The imposition of administrative penalties by the CSRC during the most recent three years due to material non-compliance of laws and regulations; and
6. Occurrence of circumstances under which the Participant is prohibited from acting as a director, supervisor and member of the senior management of a company, as stipulated in the Company Law of the Peoples Republic of China.

In violation of items 1, 2 and 3 of this provision, all gains obtained from the Incentive Scheme shall be collected by the Company.

Article 14 If the employment relationship between the Company and a Participant is terminated as a result of objective reasons such as relocation, removal, retirement, death or civil incapacitation, the right to the Restricted Shares (provided that the exercisable period and performance appraisal conditions have been met in that year) shall be exercisable by the Participant within six months after the date of such termination, or else the rights lapse within six months. If the exercisable period and performance appraisal conditions have not been met, the Participant shall in principle not exercise the right to the Restricted Shares. Restricted Shares which have not been unlocked shall be repurchased for cancellation by the Company at the Grant Price.

If the employment relationship is terminated as a result of resignation or other personal reasons, the Participant's right to the Restricted Shares shall no longer be exercisable. Restricted Shares which have not been unlocked shall be repurchased by the Company at the Grant Price or the market price at that time, whichever is lower.

CHAPTER 5 IMPLEMENTATION OF APPRAISAL

Article 15 With respect to assessment of Incentive Scheme at Company’s level, the Remuneration Committee will assess with reference to the periodic report of the company and report the appraisal results to the Board for approval.

Article 16 With respect to assessments at the Participant level, the annual performance appraisal results of the Participant will be used as the important basis. The Participant should set his/her own performance objectives in accordance with performance objectives of his/her level of the organization and responsibility and obligation of the positions at the beginning of the year. The formulation of the performance objectives should be complied with the principle of SMART, namely specific, measurable, achievable, relevant and timing. The performance objectives could be sub-divided into quantitative and qualitative objectives. With respect to quantitative objectives, effort value, reference value and threshold value could be individually determined, and by designing the corresponding formula, the actual achievement can be converted into appraisal scorings. With respect to qualitative objectives, key events method or hierarchical description method and others could be used to formulate the criteria of appraisal.

Article 17 Appraisal period at the Participant level. The appraisal period is the accounting year preceding the unlocking of the Restricted Shares granted to the Participants. Appraisal will be conducted once a year during the term of the Share Incentive Scheme.

Article 18 During the appraisal period, the Participants should perform self-assessment of his/her performance objectives according to the testing data or achievements, and the authorized approval officers will appraise according to the daily working records, performance indicators, results data and position descriptions. The human resources department will integrate the appraisal materials of the Participants and submit them to the remuneration committee for review and approval, then report their comments to the management of the company.

Article 19 The appraisal results of the Participants will be divided as follows:

Scoring of appraisal	Appraisal results	Scoring of appraisal	Appraisal results
4.6 ~ 5.0	Excellent	3.0 ~ 3.5	Basically passed
4.0 ~ 4.6	Good	3.0 or below	Not passed
3.5 ~ 4.0	Passed		

Article 20 The appraisal results of Participants will be used as the basis of grant under the Scheme. The Restricted Shares could only be unlocked if a Participant scores a Pass or above in the appraisal for the previous accounting year. If a Participant fails the appraisal or the results being basically passed, the Restricted Shares to be granted to the Participant for the respective years shall be repurchased and subsequently cancelled by the Company.



**CHAPTER 6 SUPPLEMENTARY PROVISIONS**

- Article 21      Where these Rules are in conflict with any of the promulgated laws, administrative regulations, local listing rules and the articles and association of the Company, the relevant laws, regulations, rules and articles shall be complied with.
- Article 22      The Board of Directors shall be responsible for the formulation, interpretation and modification of these measures.
- Article 23      These measures shall become effective upon approval by the General Meeting.

## 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 Shenzhen International Holdings Limited

Name	Number of ordinary shares held as at the Latest Practicable Date	Approximately percentage of issued share capital of Shenzhen International Holdings Limited	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	1,420,000	0.07%	Personal	Beneficial Owner

### Interests in share options of Shenzhen International Holdings Limited

Name	Share Option unexercised as at the Latest Practicable Date (Note)	Nature of Interest	Capacity
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	630,000	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 Shenzhen International Holdings Limited. Mr. Hu Wei and Mr. Zhao Jun Rong are vice-presidents of Shenzhen International Holdings Limited and Mr. Tse Yat Hong is the chief financial controller of Shenzhen International Holdings Limited.

### **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 ASSETS, 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 2015, 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 2015, 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)(f) to the financial statements of the Group in the annual report of the Company for the year ended 31 December 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 expert who has given opinion or advice contained in this circular:

Name	Qualification
First Shanghai Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO

- 2) As at the Latest Practicable Date, First Shanghai Capital Limited 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) First Shanghai Capital Limited 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, First Shanghai Capital Limited was not interested, directly or indirectly, in any assets which had since 31 December 2015 (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 concession contract in relation to Outer Ring Section A entered into between the Transport Commission of Shenzhen Municipality and Shenzhen Outer Ring Expressway Investment Company Limited, a wholly-owned subsidiary of the Company, on 18 March 2016;

- 2) the joint investment and construction agreement in relation to the Outer Ring Section A entered into among Shenzhen SEZ Construction and Development Group Co., Ltd., the Company and Shenzhen Outer Ring Expressway Investment Company Limited on 18 March 2016;
- 3) the agreement in relation to the toll adjustment of Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the transfer of assets and the relevant compensation arrangement entered into between the Company and the Transport Commission of Shenzhen Municipality on 30 November 2015;
- 4) 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;
- 5) the share subscription agreement in relation to the subscription of shares issued by Bank of Guizhou Co., Ltd. to the Company entered into between the Company and Bank of Guizhou Co., Ltd. on 23 December 2015;
- 6) 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;
- 7) the relocation compensation agreement on Meilin Checkpoint Urban Renewal Project of Minzhi Office Longhua New District of Shenzhen entered into between Shenzhen Meiguan Expressway Company Limited, a wholly-owned subsidiary of the Company, and Shenzhen International United Land Co., Ltd on 24 June 2015;
- 8) the payment agreement entered into among Shenzhen Longhua New Area Administrative Committee, Shenzhen International Holdings Limited 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; and
- 9) the framework agreement on joint venture in establishment of the project company in relation to the Meilin Checkpoint Urban Renewal Project entered into between Shenzhen International Holdings Limited and the Company on 8 August 2014.

**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 articles of association of the Company and its attachments thereto;
- 2) the annual reports of the Company for the two years ended 31 December 2015;
- 3) the Restricted A Shares Incentive Scheme;
- 4) the letter from First Shanghai Capital Limited, the text of which is set out on pages 27 to 38 of this circular;
- 5) the letter of consent from First Shanghai Capital Limited;
- 6) the material contracts referred to in this Appendix; and
- 7) this circular.

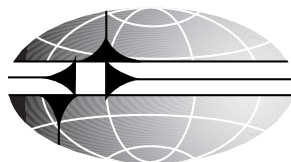
**11. MISCELLANEOUS**

- 1) The joint company secretary of the Company are Mr. Luo Kun who holds a professional title of accountant in the PRC and Ms. Lam Yuen Ling Eva who is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- 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 46 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.

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## NOTICE OF THE EGM

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### 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 SECOND EXTRAORDINARY GENERAL MEETING 2016

**Notice is hereby given** that the Second Extraordinary General Meeting 2016 (the “EGM”) of Shenzhen Expressway Company Limited (the “**Company**”) 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 p.m. on Friday, 24 June 2016 to consider and, if thought fit, pass the following resolutions:

#### SPECIAL RESOLUTIONS

1. to consider and approve by way of separate resolutions in relation to the Restricted A Share Incentive Scheme and its summary:
  - 1.01 basis for determining the Participants of the Incentive Scheme and the scope of the Participants;
  - 1.02 Grant Price of the Restricted Shares and the basis of determination;
  - 1.03 source, number and allocation of the Restricted Shares;
  - 1.04 validity period, date of grant, lock-up period, unlocking period and black-out period of the Incentive Scheme;
  - 1.05 conditions of granting and unlocking the Restricted Shares;
  - 1.06 adjustment method and procedures of the Restricted Shares Incentive Scheme;
  - 1.07 accounting treatment of the Restricted Shares;
  - 1.08 procedures of implementation, granting and unlocking under the Incentive Scheme;
  - 1.09 rights and obligations of the Company/the Participants;
  - 1.10 implementation of the Incentive Scheme in case of change in the Company/the Participants;
  - 1.11 adjustment of the repurchase price of the Restricted Shares and the procedures of repurchasing and cancelling;

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## NOTICE OF THE EGM

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2. to consider and approve the Management, Implementation and Appraisal Measures for the Incentive Scheme;
3. to consider and approve the resolution in relation to the Shareholders' Meeting to authorize the Board to deal with the matters pertaining to the Restricted A Share Incentive Scheme of the Company, including:
  - (1) the Shareholders' Meeting authorizing the Board to implement the following matters in relation to the Incentive Scheme:
    - (a) to determine the qualifications and conditions of the participation in the Incentive Scheme, to determine the list of the Participants and the respective number of Restricted Shares to be granted to each of the Participant, and to determine the Grant Price;
    - (b) to determine the date of grant of the Restricted Shares and to procure the granting to and unlocking of the Restricted Shares of the Participants when the conditions have been fulfilled;
    - (c) to review and confirm the unlocking qualifications and conditions of the Participants and to procure the unlocking of Restricted Shares for the Participants who are qualified under the Incentive Scheme;
    - (d) if the number of shares and Grant Price need to be adjusted due to the Company's ex-right, ex-dividend and any other reasons, to adjust the same in accordance with the principle and method under the Incentive Scheme;
    - (e) to procure the repurchasing and cancelling of the locked Restricted shares held by the Participants which are required to be repurchased and cancelled under the Incentive Scheme;
    - (f) to formulate or amend the provisions for management and implementation of the Incentive Scheme from time to time on the basis that the terms of the Incentive Scheme remains unchanged, however, such amendments shall be approved by the Shareholders' Meeting and/or regulatory authorities if any laws, regulations or authorities so require;
    - (g) to pass the resolution to terminate the implementation of the Incentive Scheme when the Board thinks fit;
    - (h) to sign, implement, amend or terminate any agreements in relation to the Incentive Scheme;
    - (i) to implement all necessary procedures and matters in relation to the Incentive Scheme, except for those clearly stipulated by relevant documents belong to the rights of the Shareholders' Meeting;



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## NOTICE OF THE EGM

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- (2) to authorize the Board, in relation to the Incentive Scheme, to approach the relevant government or regulatory authorities for any approval, registration, filing, authorization and consent; to sign, implement, amend or complete all documents to be submitted to the relevant government, authorities, organizations or persons; to amend the articles of association of the Company, to register the change of issued share capital of the Company; and to do all other things that are necessary, fit and proper in relation to the Incentive Scheme;
  - (3) to approve the validity period of the authorization given to the Board be the same as the validity period of the Incentive Scheme;
4. to consider and approve the resolution in relation to the connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in connection with the Restricted A Share Incentive Scheme, and to approve the Connected Participants to participate in the Restricted A Share Incentive Scheme of the Company in accordance with its terms and conditions;

### ORDINARY RESOLUTIONS

5. to consider and approve the resolution in relation to the appointment of the Independent Director of the seventh session of the board of directors of the Company, appointing Mr. Chen Tao as an Independent Director of the seventh session of the board of directors of the Company, with immediate effect and until 31 December 2017 (such candidacy shall be eligible only if the Shanghai Stock Exchange has no objection);
6. to consider and approve the resolution in relation to the appointment of auditors for 2016, Ernst & Young Hua Ming LLP be appointed as the auditors of the Company for 2016, to perform consolidated audit on the annual financial statements and internal control, and undertake the role of the international auditors in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and to authorise the board of directors of the Company to fix their fees.

By Order of the Board  
**HU Wei**  
*Chairman*

Shenzhen, the PRC, 10 May 2016

*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 24 May 2016 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 3 June 2016, either in person, by post or by fax, the reply slip (together with any required registration documents) for attending the EGM.

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## NOTICE OF THE EGM

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- 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 25 May 2016 to 24 June 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 24 May 2016.

### 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 announcements of the Company dated 15 January 2016 and 9 May 2016. For details of the resolutions set out in this notice, please refer to the abovementioned announcements.

- 5. In accordance with relevant provisions of the Administration Measures on Share Incentives of Listed Companies (Trial), Mr. Au Sing Kun, an independent director of the Company was appointed by other independent directors as the soliciting party to solicit voting rights from all shareholders of the Company in connection with resolutions No.1-4 related to Incentive Scheme to be considered at the EGM. For details, please refer to the Announcement on the Solicitation of Voting Rights by the Independent Directors dated 9 May 2016 of the Company.

### 6. 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 resolutions set out in the notice of the EGM will be taken by poll.

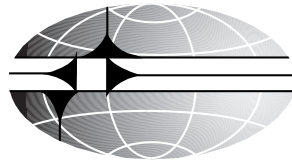
### 7. Other matters

- 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, Jiangu Building, Yitian Road, Futian District, Shenzhen, PRC  
Postal code: 518026  
Tel.: (86) 755 – 8285 3339  
Fax: (86) 755 – 8285 3411

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## NOTICE OF THE HCM

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**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 CLASS MEETING 2016 OF HOLDERS OF H SHARES**

**Notice is hereby given** that the First Class Meeting 2016 of the Holders of H Shares (the “**HCM**”) of Shenzhen Expressway Company Limited (the “**Company**”) will be held at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC after 2 p.m. on Friday, 24 June 2016 (immediately after the conclusion of the First Class Meeting 2016 of the Holders of A Shares of the Company to be held on the same date or adjournment) to consider and, if thought fit, pass the following resolutions by way of special resolutions:

1. to consider and approve by way of separate resolutions in relation to the Restricted A Share Incentive Scheme and its summary:
  - 1.01 basis for determining the Participants of the Incentive Scheme and the scope of the Participants;
  - 1.02 Grant Price of the Restricted Shares and the basis of determination;
  - 1.03 source, number and allocation of the Restricted Shares;
  - 1.04 validity period, date of grant, lock-up period, unlocking period and black-out period of the Incentive Scheme;
  - 1.05 conditions of granting and unlocking the Restricted Shares;
  - 1.06 adjustment method and procedures of the Restricted Shares Incentive Scheme;
  - 1.07 accounting treatment of the Restricted Shares;
  - 1.08 procedures of implementation, granting and unlocking under the Incentive Scheme;
  - 1.09 rights and obligations of the Company/the Participants;
  - 1.10 implementation of the Incentive Scheme in case of change in the Company/the Participants;
  - 1.11 adjustment of the repurchase price of the Restricted Shares and the procedures of repurchasing and cancelling;

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## NOTICE OF THE HCM

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2. to consider and approve the Management, Implementation and Appraisal Measures for the Incentive Scheme;
3. to consider and approve the resolution in relation to the Shareholders' Meeting to authorize the Board to deal with the matters pertaining to the Restricted A Share Incentive Scheme of the Company, including:
  - (1) the Shareholders' Meeting authorizing the Board to implement the following matters in relation to the Incentive Scheme:
    - (a) to determine the qualifications and conditions of the participation in the Incentive Scheme, to determine the list of the Participants and the respective number of Restricted Shares to be granted to each of the Participant, and to determine the Grant Price;
    - (b) to determine the date of grant of the Restricted Shares and to procure the granting to and unlocking of the Restricted Shares of the Participants when the conditions have been fulfilled;
    - (c) to review and confirm the unlocking qualifications and conditions of the Participants and to procure the unlocking of Restricted Shares for the Participants who are qualified under the Incentive Scheme;
    - (d) if the number of shares and Grant Price need to be adjusted due to the Company's ex-right, ex-dividend and any other reasons, to adjust the same in accordance with the principle and method under the Incentive Scheme;
    - (e) to procure the repurchasing and cancelling of the locked Restricted shares held by the Participants which are required to be repurchased and cancelled under the Incentive Scheme;
    - (f) to formulate or amend the provisions for management and implementation of the Incentive Scheme from time to time on the basis that the terms of the Incentive Scheme remains unchanged, however, such amendments shall be approved by the Shareholders' Meeting and/or regulatory authorities if any laws, regulations or authorities so require;
    - (g) to pass the resolution to terminate the implementation of the Incentive Scheme when the Board thinks fit;
    - (h) to sign, implement, amend or terminate any agreements in relation to the Incentive Scheme;
    - (i) to implement all necessary procedures and matters in relation to the Incentive Scheme, except for those clearly stipulated by relevant documents belong to the rights of the Shareholders' Meeting;

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## NOTICE OF THE HCM

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- (2) to authorize the Board, in relation to the Incentive Scheme, to approach the relevant government or regulatory authorities for any approval, registration, filing, authorization and consent; to sign, implement, amend or complete all documents to be submitted to the relevant government, authorities, organizations or persons; to amend the articles of association of the Company, to register the change of issued share capital of the Company; and to do all other things that are necessary, fit and proper in relation to the Incentive Scheme;
  - (3) to approve the validity period of the authorization given to the Board be the same as the validity period of the Incentive Scheme;
4. to consider and approve the resolution in relation to the connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in connection with the Restricted A Share Incentive Scheme, and to approve the Connected Participants to participate in the Restricted A Share Incentive Scheme of the Company in accordance with its terms and conditions.

By Order of the Board  
**HU Wei**  
*Chairman*

Shenzhen, the PRC, 10 May 2016

*Notes:*

**1. Eligibility for attending the HCM**

Shareholders of the Company whose names appear on the registers of holders of H shares of the Company at the close of business on 24 May 2016 shall have the right to attend the HCM after complying with the necessary registration procedures.

**2. Registration procedures for attending the HCM**

- i. Shareholders intending to attend the HCM should deliver to the Company, on or before 3 June 2016, either in person, by post or by fax, the reply slip (together with any required registration documents) for attending the HCM.
- 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 25 May 2016 to 24 June 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 HCM 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 24 May 2016.

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## NOTICE OF THE HCM

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### 3. Proxy

- i. Holders of H shares entitled to attend and vote at the HCM 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 H shares of the Company, the written authorisation or authorisation documents which have been notarised together with the completed proxy form must be delivered to Hong Kong Registrars Limited, at Floor 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time of the holding of the HCM.
- iii. Shareholder or his proxy should produce identity proof when attending the HCM.

4. The terms used in this notice shall have the same meaning as defined in the announcements of the Company dated 15 January 2016 and 9 May 2016. For details of the resolutions set out in this notice, please refer to the abovementioned announcements.

5. In accordance with relevant provisions of the Administration Measures on Share Incentives of Listed Companies (Trial), Mr. Au Sing Kun, an independent director of the Company was appointed by other independent directors as the soliciting party to solicit voting rights from all holders of H shares of the Company in connection with resolutions No.1-4 related to Incentive Scheme to be considered at the HCM. For details, please refer to the Announcement on the Solicitation of Voting Rights by the Independent Directors dated 9 May 2016 of the Company.

### 6. 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 HCM on the resolutions set out in the notice of the HCM will be taken by poll.

### 7. Other matters

- i. The duration of the HCM is expected not to exceed one day. Shareholders or proxies who attend the HCM 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