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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)

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

The Board hereby announces that, on 26 September 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 16,990,607 A Shares, representing approximately 0.78% of the Company's total share capital of 2,180,770,326 Shares as at the date of this announcement. The Board agreed to convene an extraordinary general meeting and class meetings to approve the Proposed Grant of 16,990,607 Restricted Shares to 74 Participants under the Incentive Scheme, of which (i) 8,042,893 A Shares will be granted to 31 Connected Participants; and (ii) 8,947,714 A Shares will be granted to 43 Independent Participants.

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 to Chapter 14A of the Listing Rules. Accordingly, the Proposed Grant of Restricted Shares to the Connected Participants will constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company has established an 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 Securities and Futures Ordinance) as independent financial adviser to advise the independent board committee and the Independent Shareholders in this regards.

The Company has formulated its remuneration policy and incentive mechanism. Through the independent operation of the remuneration committee of the Board which mainly comprising and chaired by the independent non-executive Directors, and the measures which requires avoidance of conflict of interest in the process of remuneration determination and performance assessment, it is assured that no Directors, senior management or their respective associates can determine his or her own remuneration. The Connected Participant, Mr. Wu Ya De, being an executive Director and President, has already declared his interest in the Incentive Scheme and abstained from voting on the resolutions in relation to the Incentive Scheme in the Board meeting. The Company will carry out appropriate arrangements (including but not limited to require relevant personnel to abstain from the Board resolutions in relation to the Grant of the Restricted Shares), to ensure that future implementation and management of the Incentive Scheme will continue to follow the aforesaid principles and avoid any conflict of interest between the Company and all Shareholders and any of the Participants.

A circular containing, among other things, information on (i) terms of the Incentive Scheme; (ii) details of the Proposed Grant; (iii) an advice letter from the independent financial adviser; (iv) the recommendation of the independent board committee; (v) a notice convening the extraordinary general meeting of the Company; and (vi) a notice convening the class meeting of the holders of H Shares of the Company, is expected to be despatched to the Shareholders on or before 25 October 2016.

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 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.

The Board hereby announces that, on 26 September 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.

I. Details of the Proposed Grant

The Board proposed that 16,990,607 Restricted Shares be granted to 74 Participants (representing approximately 1.5% of the total number of the staff of the Company and its subsidiaries) under the Incentive Scheme.

Among the Proposed Grant of the 16,990,607 Restricted Shares:

- (i) 8,042,893 Restricted Shares will be granted to 31 Connected Participants; and
- (ii) 8,947,714 Restricted Shares will be granted to 43 Independent Participants.

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

(1) Proposed Grant of Restricted Shares to the Participants

The 74 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 State-owned Assets Supervision and Administration Commission 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 or 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	2.25%	0.018%
2	Liao Xiang Wen	(ii), (iv)	321,716	1.89%	0.015%
3	Sun Ce	(ii)	321,716	1.89%	0.015%
4	Huang Bi Nan	(ii)	321,716	1.89%	0.015%
5	Gong Tao Tao	(ii)	321,716	1.89%	0.015%
6	Wu Xian	(ii)	321,716	1.89%	0.015%
7	Li Jian	(ii)	321,716	1.89%	0.015%
8	Sun Bin	(ii)	261,394	1.54%	0.012%
9	Gao Jiang Ping	(ii)	261,394	1.54%	0.012%

10	Luo Kun	(ii)	261,394	1.54%	0.012%
11	Fang Jie	(ii), (iii)	261,394	1.54%	0.012%
12	Wang Hui Hong	(ii)	261,394	1.54%	0.012%
13	He Fang	(ii)	261,394	1.54%	0.012%
14	Zhou Yuan	(ii)	201,072	1.18%	0.009%
15	Lin Wen Xin	(iv)	201,072	1.18%	0.009%
16	He Cheng Hui	(ii)	201,072	1.18%	0.009%
17	Lian Dan Dong	(ii)	201,072	1.18%	0.009%
18	Li LiRong	(ii)	140,751	0.83%	0.006%
19	Chao De Zhi	(ii), (iv)	321,716	1.89%	0.015%
20	Zhang Jun Rui	(ii)	321,716	1.89%	0.015%
21	Jin Bo	(ii)	261,394	1.54%	0.012%
22	Lü Rui	(ii)	261,394	1.54%	0.012%
23	Lei Yu Hong	(ii)	261,394	1.54%	0.012%
24	Du Ya Fan	(ii)	261,394	1.54%	0.012%
25	Cai Cheng Guo	(ii)	261,394	1.54%	0.012%
26	Liang Bing	(ii)	201,072	1.18%	0.009%
27	Zhao Gui Ping	(ii)	201,072	1.18%	0.009%
28	Nie Xin Yue	(ii)	201,072	1.18%	0.009%
29	Xu Qi Fu	(ii)	201,072	1.18%	0.009%
30	Xue Hai Feng	(ii)	261,394	1.54%	0.012%
31	Xu Chang Chun	(iv)	201,072	1.18%	0.009%
Total: 31			8,042,893	47.34%	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.

The Connected Participant, 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 8,947,714 Restricted Shares to 43 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.

(2) Conditions of Grant of Restricted Shares

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

- (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) issue of the Company's financial internal control 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;
 - (c) the Company has not distributed profit pursuant to the laws and regulations, articles of associations or public undertakings within the most recent 36 months;
 - (d) the implementation of the Incentive Scheme is forbidden by the laws and regulations; and
 - (e) other circumstances as determined by the CSRC.

- (ii) None of the following circumstances has occurred to the Participant:
 - (a) such Participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;
 - (b) such Participant is deemed as an inappropriate candidate by the CSRC or its agency institutions in the most recent 12 months;
 - (c) such Participant has received administrative penalties or is banned from the securities market by the CSRC or its agency institutions due to material non-compliance of laws and regulations in the most recent 12 months;
 - (d) occurrence of circumstances under which such Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the PRC Company Law;
 - (e) such Participant is prohibited by the law from participating in equity incentive scheme of listed companies;
 - (f) other circumstances as determined by the CSRC; and
 - (g) other material breach of relevant requirements of the Company as determined by the Board.

- (iii) The Company has achieved the following business performance:

Pursuant to the approval granted by the State-owned Assets Supervision and Administration Commission of Shenzhen, the average return on net assets attributable to shareholders of the Company, revenue growth and cash dividend payout ratio of the Company during 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).

(3) 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 before each unlocking:
 - (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) issue of the Company's financial internal control 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;
 - (c) the Company has not distributed profit pursuant to the laws and regulations, articles of associations or public undertakings within the most recent 36 months;
 - (d) the implementation of the Incentive Scheme is forbidden by the laws and regulations; and
 - (e) other circumstances as determined by the CSRC.

- (ii) None of the following circumstances has occurred to the Participant before each unlocking:
 - (a) such Participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;
 - (b) such Participant is deemed as an inappropriate candidate by the CSRC or its agency institutions in the most recent 12 months;
 - (c) such Participant has received administrative penalties or is banned from the securities market by the CSRC or its agency institutions due to material non-compliance of laws and regulations in the most recent 12 months;
 - (d) occurrence of circumstances under which such Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the PRC Company Law;
 - (e) such Participant is prohibited by the law from participating in equity incentive scheme of listed companies;
 - (f) other circumstances as determined by the CSRC; and
 - (g) 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:

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 of 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 of 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 of 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 of 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 of 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 of 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 of 2015-2016.	Dividend payout ratio not lower than 43% for the full financial year of 2017.	Dividend payout ratio not lower than 43% for the full financial year of 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.

(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.

(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.

Pursuant to the approval on the Company's Incentive Scheme granted by the State-owned Assets Supervision and Administration Commission of Shenzhen, the Grant Price of the Restricted Shares shall be RMB5.35 per Share, which is not lower than 50% of the average trading price of the A Shares on the trading day preceding the date of announcement of the draft of the Incentive Scheme; and 50% of the average trading price of the A Shares for the last 120 trading days preceding the date of announcement of the draft of the Incentive Scheme (the total transaction value for the last 120 trading days / total volume of the A Shares of the Company traded for the last 120 trading days).

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:

Circumstances	Adjustment to the Grant Price
(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 16,990,607 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 16,990,607 Restricted Shares, comprising 8,042,893 Restricted Shares to be granted to 31 Connected Participants, and 8,947,714 Restricted Shares to be granted to 43 Independent Participants.

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

An aggregate of 16,990,607 Restricted Shares represent approximately 0.779% (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 date of this announcement and approximately 0.773% (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 RMB8.60 per A Share as quoted on the Shanghai Stock Exchange as at the date of this announcement, the market values of the 16,990,607 Restricted Shares are approximately RMB146,119,220.20, including the 8,042,893 Restricted Shares to be granted to the Connected Participants being approximately RMB69,168,879.80.

(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:

Unlocking Arrangement	Unlocking Date	Pro
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%

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:

Circumstances	Adjustment to the Number of Shares
(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

(6) Grant Date

The Grant Date of the Restricted Shares to the Participants (including the Connected Participants) shall be determined by the Board upon obtaining the approval by the Shareholders at general meeting. 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 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 60 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).

(7) Implementation of Incentive Scheme in the event of changes in the Company and 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 :
 - (a) failure to engage an auditor to carry out auditing work in accordance with the relevant regulations and requirement;
 - (b) 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;
 - (c) 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
 - (d) 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 shall be cancelled:
- (a) audited results indicate significant dereliction of duty;
 - (b) violation of state laws and regulations or the Articles;
 - (c) 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 or technical 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;
 - (d) such Participant is deemed as an inappropriate candidate by the relevant stock exchange during the term of the Incentive Scheme;
 - (e) such Participant is deemed as an inappropriate candidate by the CSRC or its agency institutions during the term of the Incentive Scheme;
 - (f) such Participant has received administrative penalties or is banned from the securities market by the CSRC or its agency institutions due to material non-compliance of laws and regulations during the term of the Incentive Scheme;
 - (g) occurrence of circumstances under which such Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the PRC Company Law;
 - (h) such Participant is prohibited by the law from participating in equity incentive scheme of listed companies; and
 - (i) other circumstances as determined by the CSRC.

In violation of items (a), (b) and (c) of this provision, all gains obtained from the Restricted Shares shall be collected by the Company.

- (iii) In the occurrence of change of control, merger or division of the Company, the Incentive Scheme shall be terminated, the Restricted Shares granted and not yet unlocked shall not be unlocked and the Company shall repurchase and cancel such Restricted Shares based on the Grant Price.
- (iv) If a Participant is re-designated to another position and remain to be employed by the Company or its controlling subsidiaries, the grant, lock-up and unlocking of his or her Restricted Shares will remain to be carried out pursuant to the terms of the Incentive Scheme.
- (v) If the employment relationship between the Company and a Participant is terminated as a result of:
- (a) objective reasons such as relocation, removal, retirement, death or civil incapacitation, the right to the Restricted Shares (provided that the unlocking conditions have been met in that year) shall be exercisable by the Participant within six months after the date of such termination. If the unlocking conditions have not been met, the Participant shall have no right to the Restricted Shares. Restricted Shares which have not been unlocked shall be repurchased by the Company at the Grant Price; or

- (b) 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.

(8) Principles of repurchase and cancellation

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 as follows:

Circumstances	Adjustment to the Repurchase Price
(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	$P = P_0 / n$

Notes:

- P represents the repurchase price after adjustment.
- P_0 represents the Grant Price.
- P_1 represents the closing price as at the record date.
- P_2 represents the price of the rights issue.
- 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

(ii) Adjustment procedures for the repurchase price

- (a) The general meeting of the Company shall authorise the Board to adjust the 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 price of the Restricted Shares to be repurchased in accordance with the abovementioned provisions.
- (b) Any adjustment to the 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.

II. 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.

In respect of the Proposed Grant to the Connected Participants, the Directors, having considered the aforesaid reasons, are of the view that the Grant of Restricted Shares to the Connected Participants are transactions entered into on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. Corporate Governance

The Company has been endeavor to improve its governance structure, establish and improve the rules of operation and continue to enhance the effectiveness of corporate governance. The Company understands that to avoid conflicts of interest in the decision making process is a fundamental requirement under relevant laws, rules and regulations (including but not limited to the PRC Company Law, the Listing Rules and the articles of association of the Company). The Company has formulated its remuneration policy and incentive mechanism. Through the independent operation of the remuneration committee of the Board which mainly comprising and chaired by the independent non-executive Directors, and the measures which requires avoidance of conflict of interest in the process of remuneration determination and performance assessment, it is assured that no Directors, senior management or their respective associates can determine his or her own remuneration. As disclosed above, the Connected Participant, Mr. Wu Ya De, being an executive Director and President, has already declared his interest in the Incentive Scheme and abstained from voting on the resolutions in relation to the Incentive Scheme in the Board meeting. The Company will carry out appropriate arrangements (including but not limited to require relevant personnel to abstain from the Board resolutions in relation to the Grant of the Restricted Shares), to ensure that future implementation and management of the Incentive Scheme will continue to follow the aforesaid principles and avoid any conflict of interest between the Company and all Shareholders and any of the Participants.

IV. Information on the Group

The Company and its subsidiaries are principally engaged in the investment, construction, operation and management of toll highways and roads, as well as other urban and transportation infrastructure facilities.

V. 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 an 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 Securities and Futures Ordinance) as independent financial adviser to advise the independent board committee and the Independent Shareholders in this regards.

An extraordinary general meeting, class meeting of the holders of A Shares and class meeting of the holders of H Shares will be convened and held 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). The Connected Participants and their associates 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 extraordinary general meeting and the class meetings. 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 extraordinary general meeting and the class meetings.

A circular containing, among other things, information on (i) terms of the Incentive Scheme; (ii) details of the Proposed Grant; (iii) an advice letter from the independent financial adviser; (iv) the recommendation of the independent board committee; (v) a notice convening the extraordinary general meeting of the Company; and (vi) a notice convening the class meeting of the holders of H Shares of the Company, is expected to be despatched to the Shareholders on or before 25 October 2016.

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 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.

DEFINITIONS

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

“Articles”	the articles of association of the Company (as amended from time to time)
“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
“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 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 (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
“Grant Date”	the date (a trading day) on which the Restricted Shares are granted to the Participants pursuant to the Incentive Scheme
“Grant Price”	the price of each Restricted Share granted to the Participants
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Incentive Scheme”	the Restricted Share Incentive Scheme of the Company (draft)
“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

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Proposed Grant” or “Grant”	the proposed grant of the Restricted Shares to the Participants (including Connected Participants) pursuant to the Incentive Scheme
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Restricted Shares”	the 16,990,607 A Shares to be granted to the Participants by the Company under the Incentive Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Securities Law”	the Securities Law of the People’s Republic of China
“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

By Order of the Board

Luo Kun

Joint Company Secretary

Shenzhen, the PRC, 26 September 2016

As at the date of this announcement, the directors of the Company are Mr. HU Wei (Executive Director and Chairman of the Board), Mr. WU Ya De (Executive Director and President), Mr. WANG Zeng Jin (Executive Director), Mr. LI Jing Qi (Non-executive Director), Mr. ZHAO Jun Rong (Non-executive Director), Mr. TSE Yat Hong (Non-executive Director), Ms. ZHANG

Yang (Non-executive Director), Mr. AU Sing Kun (Independent non-executive Director), Mr. LIN Chu Chang (Independent non-executive Director), Mr. HU Chun Yuan (Independent non-executive Director) and Mr. CHEN Tao (Independent non-executive Director).

In this announcement, certain 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.