

The Company Approved to the Public Issue of the A Share

Convertible Bonds

Method of Issuance and Target Investors

Public offering, target investors would be A-share market investors.

Issue Size and Term of Bond

The total amount will be not more than RMB2.2 billion (inclusive of RMB2.2 billion), the term will be six years from the date of issuance.

Use of Proceeds

It will be applied in the construction project of Shenzhen section of Shenzhen Outer Ring Expressway.

The Conversion Price and Period

The initial conversion price shall not be lower than the higher of the average trading prices of A Shares of the Company for the 20 trading days preceding the publication date of the offering document and the average trading price of A Shares of the Company on the trading day preceding the publication date of the offering document, which will be determined to a higher price principle. The conversion period will commence on the first trading day immediately following the expiry of the six-month period after the date of issuance, the conversion is generally gradual and the dilution effect of the existing shareholders' returns is insignificant.

Reasons and Benefits of Issuance

- a. Enhancing the capital strength of the Company and subsequent development capacity as well as provide financial support for the implementation of the strategy.
- b. Broadening the Company's equity financing channels, enabling the Company an opportunity to optimize capital structure, maintaining financial flexibility and facilitating a healthy development in the future.
- c. A-Share convertible bonds are not restricted by the new regulations on refinancing, and there is a certain conversion period, the dilution effect of the existing shareholders' returns is insignificant.
- d. The cost of convertible bonds on financing is much lower than bank loans and ordinary corporate bonds.

The Dilution Effect and the Strategy

The Dilution Effect :

Both *Static Indicators* and *Actual Business Situations* can be separately considered.

Static Indicators: Assume that with the exclusion of tendering investment projects, the net profit of the Company in subsequent year is flat with 2016, and this does not consider other new liabilities and shares. If the progress made by convertible bonds complies with the market average (i.e. for the 1st year, cumulative conversion rate at approximately 34%, for the 2nd year, cumulative conversion rate at approximately 60% and for the 3rd year, cumulative conversion rate at approximately 75%...), the dilution influence of the convertible bonds on the Company's basic earnings per share is RMB0.01/ share, with dilution influence less than 2%. Assume the case of one-time conversion after issuing, the dilution effect on basic earnings per share to the Company will be within the range of RMB0.01/share to RMB0.3/share, affecting about 2% - 5% overall. This means that the dilution effect will have an initial high and subsequent low tendency. Mainly due to that the years from 2017 to 2019 are the construction period of the Outer Ring Project, the benefit of the tendered investment project has not yet been reflected, and the capitalization of loan/bond interest and benefit from interest reduction have not been reflected in profits. Overall, dilution effect is insignificant.

Actual Business Situations: the Company is confident that the performance will maintain good development momentum, eagerly promote the growth of other businesses, to compensate for the dilution effect of the convertible bonds in the next few years.

With reference to the current market value of Company's A-Share, as all convertible bonds are issued and converted, the existing shareholders' interests within the Company are expected to gain about RMB0.24/share. For the H-share shareholders, their interest within the Company is expected to increase by about RMB0.51/share as there exists a market price deviation between A-shares and H-shares, assuming the current price of H-share to be used as cost of ownership.

The Strategy:

- a. The Company plans to allocate a dividend payout ratio not less than 45% of the distributable profits realized in the current year in the next three years (from 2017 to 2019) (41% for 2016).
- b. The selected tendered investment project with high profitability and its completion will offset the dilution effect of the convertible bonds.
- c. Strive to enhance growth in other businesses to boost performance.