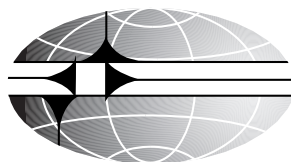

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

**MAJOR TRANSACTION
THE CONCESSION AGREEMENT AND
THE JOINT INVESTMENT AND CONSTRUCTION AGREEMENT
RELATING TO SHENZHEN OUTER RING EXPRESSWAY SECTION A
AND
NOTICE OF THE 2015 ANNUAL GENERAL MEETING**

This circular should be read together with the AGM Circular.

An extract of the notice dated 1 April 2016 convening the 2015 annual general meeting (“AGM”) of Shenzhen Expressway Company Limited (“Company”) to be held at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC at 2:00 p.m. on 19 May 2016 (Thursday) is set out on pages AGM-1 to AGM-4 of this circular. The notice of the AGM, the reply slip and the proxy form have been published and despatched to the shareholders of the Company on 1 April 2016. Whether or not you intend to attend the said meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the registrar of H shares of the Company, Hong Kong Registrars Limited, at Floor 17M, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for the holders of H shares) or to the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the People’s Republic of China (for the holders of A shares) as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the relevant meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjourned meeting(s) should you so wish.

25 April 2016

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DEFINITIONS

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

“AGM”	the 2015 annual general meeting of the Company to be held on 19 May 2016 at 2:00 p.m. at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC
“AGM Circular”	the circular of the Company dated 1 April 2016 in which the Company, among others, gives notice of the AGM
“Audit Bureau”	the Specialised Bureau for the Audit of Government Investments of the Audit Bureau of Shenzhen
“Board”	the board of Directors
“Clearance Budget”	the project estimates in relation to the Outer Ring Section A as endorsed by the Shenzhen Municipal Development and Reform Commission prior to the completion of construction works
“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
“Concession Agreement”	the concession contract in connection with Outer Ring Section A entered into between the Transport Commission and Outer Ring Company on 18 March 2016
“Construction Work-Controlled Amount”	the basis for calculating the bonuses or penalties for construction costs control based on the Clearance Budget and subject to adjustments in the event of changes in the prices of major raw materials and changes in the construction works in accordance with the specific terms of the Joint Investment and Construction Agreement (the final amounts of such adjustments being subject to the audit result of the Audit Bureau)
“Director(s)”	the director(s) of the Company
“DP International”	DP International Appraisal Limited (深圳德正信國際資產評估有限公司), a qualified independent valuer engaged in valuation in the PRC
“Group”	the Company and its subsidiaries

DEFINITIONS

“Guangdong Traffic”	Guangdong Province Communications Planning & Design Institute Co., Ltd. (廣東省交通規劃設計研究院股份有限公司), an independent traffic consultant in the PRC
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party/Parties”	individuals or companies independent from the Company and its connected persons (as defined in the Listing Rules)
“Joint Investment and Construction Agreement”	the joint investment and construction agreement entered into among SZCDGC, the Company and Outer Ring Company in connection with the Outer Ring Section A on 18 March 2016
“Latest Practicable Date”	21 April 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
“Outer Ring Company”	Shenzhen Outer Ring Expressway Investment Company Limited (深圳市外環高速公路投資有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Outer Ring Expressway (Shenzhen Section)”	the Shenzhen Section of Shenzhen Outer Ring Expressway
“Outer Ring Section A”	the Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section)
“PPP model”	Public-Private-Partnership, a partnership formed between the government and private entities based on the concession agreement for the purpose of constructing urban infrastructure or providing public goods and services
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“PwC Zhong Tian LLP”	PricewaterhouseCoopers Zhong Tian LLP
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

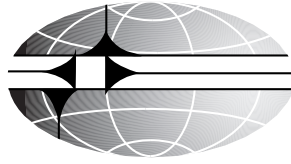
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZ International”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“SZCDGC”	Shenzhen SEZ Construction and Development Group Co., Ltd. (深圳市特區建設發展集團有限公司), a limited liability company incorporated in the PRC
“Transport Commission”	the Transport Commission of Shenzhen Municipality (深圳市交通運輸委員會)

Notes:

In this circular, 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.

In this circular, conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 to RMB0.83. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

LETTER FROM THE BOARD



深圳高速公路股份有限公司
SHENZHEN EXPRESSWAY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00548)

Executive Directors:

Mr. HU Wei (*Chairman*)
Mr. WU Ya De
Mr. WANG Zeng Jin

Non-executive Directors:

Mr. LI Jing Qi
Mr. ZHAO Jun Rong
Mr. TSE Yat Hong
Ms. ZHANG Yang

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

25 April 2016

To the Shareholders

Dear Sirs or Madams,

MAJOR TRANSACTION
THE CONCESSION AGREEMENT AND
THE JOINT INVESTMENT AND CONSTRUCTION AGREEMENT
RELATING TO SHENZHEN OUTER RING EXPRESSWAY SECTION A
AND
NOTICE OF THE 2015 ANNUAL GENERAL MEETING

Reference is made to the joint announcement dated 18 March 2016 published by the Company and SZ International in relation to, among other things, the Concession Agreement and the Joint Investment and Construction Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Concession Agreement and the Joint Investment and Construction Agreement and (ii) other information required under the Listing Rules.

INTRODUCTION

On 18 March 2016, Outer Ring Company, a wholly-owned subsidiary of the Company, entered into the Concession Agreement with the Transport Commission, pursuant to which the Transport Commission conditionally agreed to grant concession rights in respect of Outer Ring Section A (including the right to invest in Outer Ring Section A and collect vehicle tolls) to Outer Ring Company while Outer Ring Company agreed to hand over Outer Ring Section A to the Transport Commission or its designated organisation upon the expiration of the concession period for Outer Ring Section A or early termination of the concession rights by the government.

On the same date, the Company, Outer Ring Company and SZCDGC entered into the Joint Investment and Construction Agreement, pursuant to which, the Company, Outer Ring Company and SZCDGC will jointly invest in or arrange financing for the construction of Outer Ring Section A, while Outer Ring Company shall act as the entity for the construction and operation of Outer Ring Section A and be fully in charge of the operation and management of construction, toll collection, facilities, road assets, finance, etc. The Company shall be entrusted to manage the construction of Outer Ring Section A.

THE CONCESSION AGREEMENT

Date

18 March 2016

Parties

The Transport Commission and Outer Ring Company

The Transport Commission is the competent authority under the Shenzhen Municipal Government overseeing the transport industry. It is primarily responsible for policy formulation, development planning, supervision and coordination in relation to the transport industry of Shenzhen, as well as the construction, maintenance and management of relevant facilities. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Transport Commission is a government body and an Independent Third Party.

LETTER FROM THE BOARD

The concession rights

The scope of the concession rights:

Pursuant to the Concession Agreement, the Transport Commission agrees to grant sole and exclusive concession rights to Outer Ring Company, which shall be valid and exclusive to Outer Ring Company throughout the entire concession period. The said concession rights shall include:

- (1) The right to invest in, design and construct Outer Ring Section A;
- (2) The right to operate and manage Outer Ring Section A;
- (3) The right to collect toll for vehicle passage;
- (4) The right to operate service facilities in designated areas along Outer Ring Section A; and
- (5) The right to operate advertising space in designated areas along Outer Ring Section A.

The district governments or new district administration committees of districts along Outer Ring Section A are responsible for land consolidation, including but not limited to land inspection, registration of land-use right, requisitioning and demolition of buildings, compensation, resumption of land-use right and surface clear-up, which allows the construction site of the project (including the permanent site and the temporary site) to be in the conditions suitable for delivery and use. The land-use right pertaining to Outer Ring Section A is vested in of the Shenzhen Municipal Government, which authorises Outer Ring Company to use the site of Outer Ring Section A for nil consideration during the concession period and to be engaged in the lawful construction and operation of Outer Ring Section A in accordance with the relevant plan.

The concession period:

The concession period of Outer Ring Section A shall comprise the construction period and the operation period:

The construction period: 38 months, from the date of commencement of construction as recorded on the construction permit for Outer Ring Section A. In case of any delay in work schedules caused by delays in land consolidation by competent government authorities, design alteration which are not initiated by Outer Ring Company, force majeure, etc., the construction period shall be extended subject to the final approval of competent government authorities. In case of delay in work schedules of Outer Ring Section A caused by faults attributable to Outer Ring Company, it shall be liable to pay a penalty to the Transport Commission depending on the situation of such delay with the maximum amount of penalty not exceeding RMB5 million (approximately HK\$6.02 million).

LETTER FROM THE BOARD

The operation period: 25 years. The operation period shall commence on the next day following the date of inspection and acceptance of work upon delivery. The specific dates of the toll period shall be stipulated in the toll approval documents for Outer Ring Section A.

The Transport Commission may terminate the concession rights at an earlier date on the grounds of social and public interests, in which case fair and reasonable compensation shall be paid to Outer Ring Company in accordance with the law. The compensation shall cover the projected income that Outer Ring Company should have earned during the remaining concession period. In determining whether such compensation is fair and reasonable, the Group will consider the value of the concession rights of Outer Ring Section A for the remaining concession period, taking into account factors including the traffic flow of Outer Ring Section A, operating and policy environment and maturity of the project. Independent traffic consultant and independent valuer will also be engaged to make projections on the traffic flow and toll revenue and appraise the value of the operating right of Outer Ring Section A for the remaining concession period respectively. Other relevant fair and reasonable methodologies may also be considered at the time. The Company would comply with applicable Listing Rules in the event of early termination of the concession period in the future.

Upon the expiration of the concession period, Outer Ring Company shall hand over Outer Ring Section A and its ancillary facilities (including the toll stations, administration centre, mechanical and electrical facilities and service areas) in sound operating and maintenance conditions to the Transport Commission or its designated organisation for nil consideration. In the event of early termination of the concession period, the handover of Outer Ring Section A shall be subject to payment of fair and reasonable compensation to Outer Ring Company in respect of the concession rights, the amount of which shall be negotiated between the Transport Commission and Outer Ring Company.

Transfer of the concession rights:

The Transport Commission shall not transfer the Concession Agreement and any rights or obligations thereunder without the prior agreement of Outer Ring Company in writing.

Outer Ring Company shall not transfer the concession rights under the Concession Agreement. In the event that the Company transfers any part of the equity interests in Outer Ring Company, such transfer shall be subject to approval or registration in accordance with pertinent national regulations. Such transfer shall require the prior approval of the Transport Commission if it results in the Company ceasing control of Outer Ring Company.

Pledge of the concession rights:

During the concession period, Outer Ring Company may pledge the toll collection right of Outer Ring Section A as permissible under applicable laws and regulations, and may pledge, assign and lease the earning right of other operating items of Outer Ring Section A, provided that the term of which shall not outlast the concession period under the Concession Agreement.

LETTER FROM THE BOARD

During the construction period of Outer Ring Section A, Outer Ring Company shall not provide any guarantees to third parties, including guarantees in any form in respect of its shareholders' debt (save for counter-guarantees provided by Outer Ring Company required under guarantees provided by the Company for the debts of Outer Ring Company), and it shall not assume any debts of the Company.

During the construction period of Outer Ring Section A, bank loans obtained by pledging, assigning or leasing interests under the Concession Agreement must be applied to Outer Ring Section A in full. Construction funds raised by Outer Ring Company through bank loans must also be applied to the construction works of Outer Ring Section A.

Other major rights and obligations of the Transport Commission

Other major rights and obligations of the Transport Commission include:

- (1) To assist district governments or new district administration committees of districts along Outer Ring Section A with land consolidation and deliver land sites for construction work to Outer Ring Company according to confirmed plans;
- (2) To assist, to the extent of its scope of authority and jurisdiction, Outer Ring Company in obtaining necessary approvals and permissions in respect of the design, construction, operation, maintenance and management of Outer Ring Section A; and
- (3) To procure the construction, operation and maintenance of roads and other infrastructure facilities linked to Outer Ring Section A in a timely manner in coordination with relevant departments or units.

Other major rights and obligations of Outer Ring Company

Other major rights and obligations of Outer Ring Company include:

- (1) To accept the supervision and inspection by the Transport Commission in respect of the financing and tender activities relating to and the construction and operational management of Outer Ring Section A, and to accept audit of Outer Ring Section A by government audit authorities in accordance with the law;
- (2) To raise full funds required by the construction, operation and maintenance of Outer Ring Section A and to ensure completion of the construction of Outer Ring Section A as scheduled; and
- (3) To ensure compliance of Outer Ring Section A with relevant requirements in terms of prospecting design, project construction, inspection and acceptance upon delivery, inspection and acceptance upon completion, operation and toll collection, repair and maintenance, road administration, traffic administration, financial management and project delivery.

LETTER FROM THE BOARD

Other major provisions

During the concession period, if the Transport Commission deems it necessary for the interests of the public to build additional interchanges, driveways, toll stations and toll passages, through new construction or reconstruction works, beyond the scale of the original planning, requisite approvals must be sought and relevant costs shall be borne by the Transport Commission which may entrust Outer Ring Company to undertake the construction works on its behalf.

In the event of default by any party to the Concession Agreement, the demand for correction or rectification, payment of default penalty, work postponements and/or termination or revocation of the Concession Agreement may arise. In the event that the Concession Agreement requires to be terminated or revoked, the parties to the Concession Agreement shall jointly appoint a qualified appraiser to conduct an appraisal of the amount of investment made by Outer Ring Company, the conditions of Outer Ring Section A and the remaining concession period (if any). In the event of default by Outer Ring Company, the Transport Commission shall acquire Outer Ring Section A from Outer Ring Company at a consideration equivalent to 80% of the appraised value. In the event of default by the Transport Commission, the Transport Commission shall pay compensation based on the appraised value and compensation equivalent to 20% of the appraised value shall be payable.

Pre-conditions to the Concession Agreement

The Concession Agreement shall be conditional upon the following: (i) obtaining all necessary and proper approvals and authorisations for the transactions under the Concession Agreement by the parties to the Concession Agreement, including but not limited to authorisation of the Shenzhen Municipal People's Government and respective approvals of the Shareholders and the shareholders of SZ International; and (ii) the Joint Investment and Construction Agreement coming into effect.

THE JOINT INVESTMENT AND CONSTRUCTION AGREEMENT

Date

18 March 2016

Parties

SZCDGC, the Company and Outer Ring Company

SZCDGC is a limited company incorporated in the PRC principally engaged in the integrated development of parks and zones, urban unit development, construction of major urban infrastructure facilities, old town conversion and construction of social security houses, and it is the provider of the funds pooled by the government, which is arranged by the Shenzhen Municipal Government. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, SZCDGC and its ultimate beneficial owner are Independent Third Parties.

LETTER FROM THE BOARD

Joint investment in and construction of Outer Ring Section A

In accordance with Joint Investment and Construction Agreement, the Company and SZCDGC shall jointly invest funds in Outer Ring Company. Outer Ring Company shall utilize the funds invested by the Company and SZCDGC or arrange financing for the construction of Outer Ring Section A. The Company and Outer Ring Company shall in aggregate invest funds or arrange financing with an amount of RMB6.5 billion (approximately HK\$7.8 billion), while the balance amount to be contributed by SZCDGC.

According to the approval by Guangdong Provincial Transport Department, the preliminary design estimates of Outer Ring Section A amount to approximately RMB20.6 billion (approximately HK\$24.8 billion), comprising land consolidation costs of approximately RMB5.4 billion (approximately HK\$6.5 billion) and construction costs of approximately RMB15.2 billion (approximately HK\$18.3 billion). Such costs are subject to the audit or finalization by the relevant government authorities, prior to which the preliminary design estimates approved by Guangdong Provincial Transport Department shall be adopted for the time being as the basis for calculation. Hence, the amount of investment to be contributed by SZCDGC is tentatively determined at approximately RMB14.1 billion (approximately HK\$17.0 billion).

Of the RMB6.5 billion (approximately HK\$7.8 billion) to be jointly contributed or financed through arrangements by the Company and Outer Ring Company, RMB100 million (approximately HK\$120 million) has been contributed by the Company to Outer Ring Company as the registered capital. The remaining RMB6.4 billion (approximately HK\$7.7 billion) may be raised by Outer Ring Company by pledging the concession rights. Unless agreed by SZCDGC in writing, the interest rate of financing for the construction period shall be in principle not higher than the benchmark interest rate announced by the People's Bank of China for bank loans for the corresponding period.

Considering that the Group had cash and cash equivalents of approximately RMB6.181 billion (approximately HK\$7.447 billion) and unutilized banking facilities of approximately 5.43 billion (approximately HK\$6.542 billion) as at 31 December 2015, the Group has sufficient financial resource for the fund requirements. As at the Latest Practicable Date, the Group is still negotiating with financial institutions on other possible financing proposals to further optimize the financing structure and reduce financing costs.

Payment of investment amounts:

- (1) Funds for the payment of land consolidation costs shall be contributed to Outer Ring Company by SZCDGC according to the plans of various district governments or new district administration committees;
- (2) The Company (including Outer Ring Company) and SZCDGC shall contribute their respective investment amounts according to the annual investment plan for Outer Ring Section A approved by competent authorities under the Shenzhen Municipal Government. In the second half of each year of the construction period Outer Ring Company shall complete and submit the annual investment plan for Outer Ring Section A in respect of the following year to SZCDGC. The annual investment plan for Outer Ring Section A shall be approved by Shenzhen Development and Reform Commission. After Shenzhen Development and Reform Commission has approved the annual investment plan, SZCDGC will apply to the Finance Commission of Shenzhen Municipality for funds and the

LETTER FROM THE BOARD

Company will inject fund or arrange for financing according to such plan. The investment amounts to be set out in the annual investment plan will be determined with reference to the forecast construction costs to be incurred in respect of Outer Ring Section A for the following year. The investment amount to be contributed by the Company (including Outer Ring Company) and SZCDGC under the annual investment plan is planned to be in the proportion based on the proportion of the amount to be jointly contributed or financed through arrangements by the Company and Outer Ring Company to the balance to be contributed by SZCDGC. The amount of investment by the Company (including Outer Ring Company) will not exceed RMB6.5 billion (approximately HK\$7.8 billion). In the event that any party fails to make its fund contribution on schedule, the defaulting party shall indemnify the non-defaulting party and Outer Ring Company against the losses suffered by them arising from the delay. If the fund contribution is overdue by two months, Outer Ring Company and/or the non-defaulting party shall be entitled to terminate the Joint Investment and Construction Agreement and demand indemnification from the defaulting party.

The investment by SZCDGC in Outer Ring Company is subject to the receipt of funds by SZCDGC from relevant authorities under the Shenzhen Municipal Government. SZCDGC's contributions will be accounted for as payables in the Company's consolidated financial statements upon receipt and be deducted upon the payment of the construction costs of Outer Ring Section A. SZCDGC will not obtain any equity interest in Outer Ring Company for its contribution to the project.

Within 7 working days after the issuance of the audit report on the final accounts of Outer Ring Section A upon completion and the completion of audit and finalisation of the Construction Work-Controlled Amount by the Audit Bureau, SZCDGC and the Company shall complete confirmation of the respective outstanding investment amounts to be contributed by each of them. Unless otherwise stipulated by the government, if any party has not contributed the full amount of its agreed investment, it shall make up the amount falling short to Outer Ring Company within 15 working days from the date on which confirmation is completed. If any party has contributed amounts in excess of its agreed investment, Outer Ring Company shall refund the excess amount to such party.

Income allocation and assumption of risks:

Outer Ring Company shall be the entity for the construction and operation of Outer Ring Section A. It shall be fully in charge of the operation and management of construction, toll collection, facilities, road assets, finance, etc. of Outer Ring Section A and assume sole responsibility for its own profits or losses with independent operation. Outer Ring Company shall entrust the Company to manage the construction of Outer Ring Section A. For details, please refer to the section headed "Entrusted construction service fees" below.

During the concession period, Outer Ring Company shall be entitled to the operating rights in respect of Outer Ring Section A stipulated under the Concession Agreement and shall assume the costs, tax expenses, liability and risks associated with its operation, while the Company shall be entitled to shareholders' rights in accordance with the law. After the delivery of the construction works for Outer Ring Section A, SZCDGC shall cease to be entitled to the operating rights of Outer Ring Section A, and it shall also cease to assume any costs, tax expenses, liability and risks associated with its operation.

LETTER FROM THE BOARD

Other major provisions

During the construction period of Outer Ring Section A, SZCDGC shall have the right to supervise the construction and operation of Outer Ring Section A, enquire about the financing of the Company and Outer Ring Company, and carry out audit in respect of Outer Ring Section A. If the Company and Outer Ring Company fail to contribute funds or arrange financing as stipulated under the agreement, SZCDGC shall have the right to suspend payments.

The Company shall have the right to supervise the contribution of funds by SZCDGC as stipulated under the agreement, and to supervise the implementation of the financing plan by Outer Ring Company.

Outer Ring Company shall be responsible for obtaining all necessary approvals for Outer Ring Section A.

Prior to the completion of inspection, acceptance and handover procedures and final accounting procedures upon completion of Outer Ring Section A, the Company shall not assign or pledge its equity interests in Outer Ring Company without the consent of SZCDGC.

Entrusted construction service fees

Pursuant to the Joint Investment and Construction Agreement, the Company shall be responsible for the construction and management of Outer Ring Section A, and shall receive entrusted construction service fees.

Entrusted construction service fees shall include entrusted construction management fees and the performance-based bonuses or penalties (if any), subject to finalised figures audited by the Audit Bureau.

Entrusted construction management fees:

Entrusted construction management fees shall be calculated at 1.5% of the Clearance Budget (excluding compensation for land requisitioning, demolition and removal but including pipeline diversion and removal costs) of Outer Ring Section A. Prior to the audit and finalisation of the Clearance Budget, such fees are calculated for the time being on the basis of the construction cost of approximately RMB15.2 billion (approximately HK\$18.3 billion) of the preliminary design estimates, which amounts to approximately RMB228 million (approximately HK\$275 million). Entrusted construction management fees shall be payable by Outer Ring Company to the Company in cash by instalments:

- (i) 40% of the entrusted construction management fees shall be payable within 28 days upon the execution of the Joint Investment and Construction Agreement or the commencement of construction of Outer Ring Section A (whichever is later);
- (ii) 20% of the entrusted construction management fees shall be payable within 28 days upon the cost of construction works reaching 40% of the estimated construction cost of the project;
- (iii) 20% of the entrusted construction management fees shall be payable within 28 days upon the cost of construction works reaching 70% of the estimated construction cost of the project;

LETTER FROM THE BOARD

- (iv) 15% of the entrusted construction management fees shall be payable within 28 days upon the delivery, inspection and acceptance; and
- (v) the remaining entrusted construction management fees shall be settled in full within 28 days upon the expiry of the warranty period and the completion of audit on the final accounts upon completion.

Whilst the entrusted construction management fees would be payable by Outer Ring Company to the Company, given the source of funding such fee will ultimately come from the investment amount of Outer Ring Section A contributed by the Company (including Outer Ring Company) and SZCDGC as well as the amount to be jointly contributed or financed through arrangements by the Company and Outer Ring Company being RMB6.5 billion, subject to the audit and finalisation of the Clearance Budget upon which the entrusted construction management fees will be calculated and the audit of the Group's financial statements, it is expected that the entrusted construction management fees in the sum of approximately RMB228 million (which is calculated for the time being based on the construction cost of approximately RMB15.2 billion of the preliminary design estimates) would be recorded as revenue in the Group's consolidated financial statements.

Performance-based bonuses or penalties:

The performance-based bonuses or penalties to be granted to or borne by the Company shall mainly comprise the bonuses or penalties for construction costs control equivalent to 10% of the difference between the Construction Work-Controlled Amount and the project costs as per the final accounts. The bonuses for construction costs control (if any) shall be payable by Outer Ring Company to the Company in cash by instalments:

- (i) Upon the delivery of various construction works (such as road understructure, bridges and culverts), the Company shall conduct preliminary calculations of the aggregate costs of such works, on which basis the preliminary amount of the bonuses for construction costs control shall be calculated. Outer Ring Company shall pay 50% of the aforesaid preliminary amount within 30 days;
- (ii) After the opening of Outer Ring Section A, Outer Ring Company shall pay the second instalment of the award within 15 days after the delivery settlement amount has been audited and finalised by the Audit Bureau, whereby the aggregate amount paid shall be 80% of the bonuses for construction costs control calculated on the basis of the delivery settlement amount; and
- (iii) Outer Ring Company shall pay the remaining amount of the bonuses for construction costs control within 15 days after the final accounts of Outer Ring Section A upon completion has been audited and finalised.

In the event that the project costs as per the final account exceed the Construction Work-Controlled Amount, the Company shall be required to pay the penalties for construction costs control equivalent to 10% of the amount in excess.

LETTER FROM THE BOARD

In addition to the bonuses or penalties for construction costs control, the Company may also be entitled to other bonuses (if any) or subject to penalties (if any) in connection with quality management, safety management and construction schedule management. It is expected that such other bonuses (or penalties, as the case may be) will not have any material impact on the total amount of entrusted construction service fees.

Entrusted construction service fees may be increased or decreased as a result of changes in construction works, delays in the schedule of construction, and the performance of the Company in agreement. Based on the terms of the Concession Agreement and the Joint Investment and Construction Agreement and in view of the scale of Outer Ring Section A, the Directors are of the view that the total amount of entrusted construction service fees will not be more than RMB380 million (approximately HK\$460 million), subject to the finalised amount audited by the Audit Bureau.

Pre-conditions to the Joint Investment and Construction Agreement

The Joint Investment and Construction Agreement shall be conditional upon obtaining all necessary and proper approvals and authorisations for the transactions under the Joint Investment and Construction Agreement by the parties to the Joint Investment and Construction Agreement, including but not limited to respective approvals of the Shareholders and the shareholders of SZ International.

Information on Outer Ring Section A and related construction contracts

Shenzhen Outer Ring Expressway runs from east to west with its main portion located in northern Shenzhen, although some of its route locations are situated within Dongguan. It is an important component of the highway network planning of Shenzhen and Dongguan, as well as an enhancement route in the main framework of the Guangdong provincial expressway network comprising of “9 vertical roads + 5 horizontal roads + 2 ring roads.” Shenzhen Outer Ring Expressway starts in Bao’an District, Shenzhen connecting with Guangshen Coastal Expressway and ends in Dapeng New District, Shenzhen connecting with Yanba Expressway with a total mileage of approximately 93 km, comprising of approximately 76 km for the Shenzhen Section and approximately 17 km for the Dongguan Section. Outer Ring Section A starts in Bao’an District, Shenzhen connecting Guangshen Coastal Expressway and runs through Guangming New Area, Longhua New Area, Dongguan City (the Dongguan Section not being covered by this project), Longgang District and Pingshan New District, connecting with the planned Julong Road after the inter-connection with Shenzhen-Shantou Expressway. It provides 6 lanes in two directions with a length of approximately 60 km.

As at the Latest Practicable Date, the toll fee for Outer Ring Section A is yet to be approved by the relevant government authority. Prior to the opening of Outer Ring Section A, Outer Ring Company will prepare a toll fee standard with reference to the expressway toll standard of Guangdong Province and submit such toll fee standard to the authorities in charge of transport and commodity price and subsequently to Guangdong Provincial Government for approval. After the opening of Outer Ring Section A, toll will be collected according to the toll fee standard as approved by the Guangdong Provincial Government.

As at the Latest Practicable Date, tenders for the construction of a total of nine sections of Outer Ring Section A had completed. In respect of the five major sections of Outer Ring Section A (namely, the second, third, fourth, sixth and ninth sections), Outer Ring Company has entered into construction contracts

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(“Construction Contracts”) with China Railway 12th Bureau Group Co., Ltd., CCCC Second Highway Engineering Bureau Co., Ltd., CCCC Second Harbour Engineering Bureau Co., Ltd., China Railway 18th Bureau Group Co., Ltd. and CCCC Third Harbour Engineering Bureau Co., Ltd. (collectively, the “Construction Contractors”) for total contract prices of RMB1.167 billion (approximately HK\$1.406 billion), RMB1.237 billion (approximately HK\$1.490 billion), RMB956 million (approximately HK\$1.152 billion), RMB962 million (approximately HK\$1.159 billion) and RMB929 million (approximately HK\$1.119 billion) respectively. The total contract prices were determined based on the bid prices submitted by each of the Construction Contractors for the public tenders for the construction of the relevant sections of Outer Ring Section A conducted by Outer Ring Company.

A summary of the scope of construction responsibility of each Construction Contractors pursuant to the relevant Construction Contracts is as follows:

Name of Construction Contractor	Section of Outer Ring Section A	Pile No.	Approximate length
China Railway 12th Bureau Group Co., Ltd.	Second	K1+400~K8+678	7.3 km
CCCC Second Highway Engineering Bureau Co., Ltd.	Third	K8+678~K11+900	3.2 km
CCCC Second Harbour Engineering Bureau Co., Ltd.	Fourth	K11+900~K19+700	7.8 km
China Railway 18th Bureau Group Co., Ltd.	Sixth	K26+460~K35+580	9.1 km
CCCC Third Harbour Engineering Bureau Co., Ltd.	Ninth	K63+270~K68+000	8.5 km

The major construction works under the Construction Contracts include road foundation, bridges, caves, cross bridges, river and road alignment in relation to Outer Ring Section A, which shall be subject to the construction design plan. Unless otherwise agreed, the construction period under the Construction Contracts is 30 months from the commencement date specified in the work commencement notice to be issued by Outer Ring Company. To the best of the Directors’ knowledge, information and belief, all of the Construction Contractors are companies incorporated in the PRC, principally engaging in the construction of roads, bridges, railway, harbor engineering and/or municipal engineering. China Railway 12th Bureau Group Co., Ltd. and China Railway 18th Bureau Group Co., Ltd. are subsidiaries of China Railway Construction Corporation Limited (whose shares are listed on the Stock Exchange and Shanghai Stock Exchange and whose principal business is construction contracting, survey, design and consultancy operations, industrial manufacturing, logistics and goods and materials trade, capital operations, real estate development and other businesses.) and are Independent Third Parties. As CCCC Second Highway Engineering Bureau Co., Ltd., CCCC Second Harbour Engineering Bureau Co., Ltd. and CCCC Third Harbour Engineering Bureau Co., Ltd. are associates of CCCC-SHB Fifth Engineering Co. Ltd. (being a substantial shareholder holding 30% interest in the Company’s non-wholly owned subsidiary, Guizhou Guishen Investment Development Company Limited), they are connected persons of the Company at the subsidiary level. Further details of such transactions with the connected persons are set out in the Company’s announcement dated 24 March 2016.

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The payment arrangements under the Construction Contracts in respect of the above five major sections of Outer Ring Section A are as follows:

- (i) Outer Ring Company shall pay each Construction Contractor a total sum which is equivalent to 10% of the total contract prices as prepayment by installments. From the fourteenth day after the signing of the Construction Contracts, Outer Ring Company shall make such prepayment by installments in accordance with the progress of the projects and by the time when 25% of the project prices are paid, all prepayment would have been made by Outer Ring Company;
- (ii) from the second month following the work commencement date until the month of issuance of the hand-over certificate by Outer Ring Company to the Construction Contractor ("Hand-over Certificate), each Construction Contractor shall calculate the construction payments and other payable sums for the relevant month in accordance with the actual progress of their respective sections for that month, which will be paid by Outer Ring Company subject to its review. From the time when the cumulative payments reach 30% of the contract prices up to the time when the cumulative payments reach 80% of the contract prices, Outer Ring Company will deduct the prepayment already made by it from its monthly payables in a fixed proportion according to the progress of the construction;
- (iii) after the issuance of the Hand-over Certificate, the Construction Contractors shall, in accordance with the actual situation of their respective sections, calculate the construction payments and other payable sums as at the date of hand-over, which will be paid by Outer Ring Company subject to its review;
- (iv) upon expiry of the defect warranty period (which is two years commencing from the date of issue of the Hand-over Certificate), the Construction Contractors will calculate the total construction payments and other payable sums in accordance with all the works completed pursuant to the Construction Contracts, which will be paid by Outer Ring Company subject to its review.

Pursuant to the Construction Contracts, the Construction Contractors are required to prepare and submit detailed construction schedules once to Outer Ring Company for approval within 28 days of signing of the Construction Contracts. By having the construction schedules, Outer Ring Company will be able to monitor and control the progress of the contractors under the Construction Contracts on a monthly basis. If the construction progress lags behind construction schedules due to reasons attributable to the Construction Contractors, they are required under the Construction Contracts to adopt measures to speed up the construction progress and bear the additional expenses for speeding up the construction progress. If there is delay in completion of the construction due to reasons attributable to the Construction Contractors, they are required under the Construction Contracts to pay penalty, depending on the situation of such delay, not exceeding 10% of the total contract prices of the relevant Construction Contracts.

Reasons for and benefits of entering into the Concession Agreement and the Joint Investment and Construction Agreement

The investment, construction, operation and management of toll highways and roads is within the scope of the ordinary and usual business of the Company. Outer Ring Section A is an important component of the Guangdong provincial expressway network with distinctively advantageous route locations. The plan for the investment and construction and management of Outer Ring Section A (including investing or arranging

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financing for the amount of RMB6.5 billion (approximately HK\$7.8 billion) by the Company and Outer Ring Company) and the relevant terms are determined among the Company, Outer Ring Company, Transport Commission and SZCDGC after arm's length negotiations. When determining the relevant plan and terms, each party has taken into consideration multiple factors including but not limited to the valuation and consultation report prepared by DP International, the advantageous route locations, the strategic implication of investing in Outer Ring Section A for the Company, etc.

By entering into the Concession Agreement and the Joint Investment and Construction Agreement, the Company can acquire the concession rights of Outer Ring Section A with reasonable investments, which will allow the Company to enlarge the size of its assets, enhance the scope of development in future for its principal business and consolidate its market share in the expressway network of Shenzhen. Meanwhile, the management of the construction works for Outer Ring Section A will enable the Company to further develop its entrusted construction management business, utilise its proven expertise and experience in the construction management sector, further strengthen its construction management capabilities and receive reasonable income and return. Moreover, as the plan for the investment in and construction and management of Outer Ring Section A represents a toll highway project carried out by the Company and the Shenzhen Municipal Government under the PPP model, it can effectively achieve a balance between public interests of infrastructure facilities and reasonable return for commercial investments, so that the society, the government and the enterprises can all reap benefits. The execution of the Concession Agreement and the Joint Investment and Construction Agreement is consistent with the overall strategy of the Company to engage in the investment and construction, operation and management of toll highways and roads.

Valuation of the operating right for Outer Ring Section A

The Company has appointed DP International to carry out valuation and consultation of the operating right for Outer Ring Section A as at 31 December 2018. The benchmark date for valuation and consultation is 31 December 2018. The income approach is adopted in assessing the value of the operating right for Outer Ring Section A.

Key assumptions for this valuation and consultation (including commercial assumptions) mainly include:

- (1) there will be no material changes in future economic, market or social environment (such as national macro-economic policies, market supply and demand conditions, fiscal and taxation policies, domestic and foreign trade policies, environmental protection policies, financial and monetary policies, etc.);
- (2) there will be no material changes in the taxation and tax rate policies adopted by companies where the assets to be valued are located after the benchmark date;
- (3) there will be no material adverse effect on the assets to be valued arising from any force majeure after the benchmark date for valuation;
- (4) accounting policies adopted in respect of the assets to be valued after the benchmark date for valuation will remain consistent in all material aspects.
- (5) Outer Ring Section A will be completed and open to traffic on 31 December 2018;

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- (6) the concession period of Outer Ring Section A will be 25 years, commencing on 31 December 2018 and ending on 31 December 2043;
- (7) the future toll rates of Outer Ring Section A upon completion will be consistent with the Guangdong provincial expressway toll rates applicable as at 30 June 2015, and will remain unchanged during its concession period of 25 years;
- (8) the conditions of Outer Ring Section A after completion of the construction on the benchmark date for valuation are basically in consistence with the planning and design proposal as at the date of issue of the valuation and consultation report; and
- (9) when calculating the discount rate, the parameters of the discount rate are based on the data acquired as of 31 October 2015.

In addition, for the valuation and consultation, factors including the projected operation income of Outer Ring Section A, the historical industry cost and similar costs of the Company are taken into consideration, and the operation and cash flow of Outer Ring Section A in future has been estimated and calculated.

Based on the above assumptions, the valuation and consultation of the operating right for Outer Ring Section A as at the benchmark date for valuation and consultation, namely, 31 December 2018, is RMB6.51 billion (approximately HK\$7.84 billion).

The Board has reviewed the principal assumptions adopted in the valuation and consultation, and is of the view that the valuation and consultation has been made after due and careful enquiries. The calculation of discounted future estimated cash flows on which the valuation and consultation of DP International is based has been reviewed by PwC Zhong Tian LLP, the auditor of the Company. The letters from the Board and PwC Zhong Tian LLP are set out in Appendix V of this circular. Details of the valuation and consultation are set out in Appendix III of this circular.

FINANCIAL EFFECT OF THE CONCESSION AGREEMENT AND THE JOINT INVESTMENT AND CONSTRUCTION AGREEMENT

The financial statements of Outer Ring Company, as a subsidiary of the Company, are consolidated into the financial statements of the Company. According to the Joint Investment and Construction Agreement entered into with the government and the estimated funding requirements for the construction of Outer Ring Section A, it is expected that Outer Ring Company will be required to make capital contributions of approximately RMB758 million, RMB2,623 million, RMB2,259 million and RMB798 million, respectively, for 2016, 2017, 2018 and 2019 and beyond. Based on the audited financial statements of the Company as at 31 December 2015 and assuming that, out of the capital contribution of RMB6,500 million to be made by the Group, RMB6,400 million will be financed by borrowing, the amount of total liabilities and the amount of total assets of the Group will each increase by RMB6,400 million, and the aforesaid capital contribution will result in an increase in the Group's gearing ratio by not more than approximately 7.95%. Taking into account the estimated time of opening of Outer Ring Section A, the funding requirements of Outer Ring Company and the financial conditions of the Company, the transaction is not expected to have any material impact on the assets, liabilities and operating results of the Company for 2016.

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Information of the Company

The Company and its subsidiaries are principally engaged in the investment, construction, operation and management of toll highways and roads. The Company is a 50.889%-owned subsidiary of SZ International.

Information of Outer Ring Company

Outer Ring Company is a company established in the PRC and a wholly-owned subsidiary of the Company. It is mainly engaged in the development, construction, toll collection and management of Outer Ring Expressway (Shenzhen Section).

Listing Rules implications

As one applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Concession Agreement, the Joint Investment and Construction Agreement and the transactions contemplated thereunder is more than 25% but lower than 100%, the Concession Agreement, the Joint Investment and Construction Agreement and the transactions contemplated thereunder constitute a major transaction for the Company subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

AGM

Resolution(s) will be proposed for Shareholders' approval at the AGM whereby Shareholders will consider and, if thought fit, approve the Concession Agreement, the Joint Investment and Construction Agreement and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, none of the Shareholders is required to abstain from voting in respect of the resolution(s) approving the Concession Agreement, the Joint Investment and Construction Agreement and transactions contemplated thereunder at the AGM.

The AGM 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 2:00 p.m. on 19 May 2016 (Thursday). Pursuant to Rule 13.39(4) of the Listing Rules and the Articles of Association of the Company, voting at the AGM will be taken by poll.

The notice of the AGM, together with the reply slip and the proxy form have been published and despatched to the Shareholders on 1 April 2016. An extract of the said notice of the AGM are set out on pages AGM-1 to AGM-4 of this circular.

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

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RECOMMENDATION

The Board (including all the independent non-executive Directors) considers that the terms of the Concession Agreement and the Joint Investment and Construction Agreement and the transactions contemplated thereunder are fair and reasonable, and the entering into of the Concession Agreement and the Joint Investment and Construction Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to be proposed at the AGM to approve the Concession Agreement and the Joint Investment and Construction Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

A valuation and consultation on the operating right of Outer Ring Section A has been prepared by DP International, the text of which is set out in Appendix III to this circular.

A traffic study of Outer Ring Section A has been prepared by Guangdong Traffic, the text of which is set out in Appendix IV to this circular.

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

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

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

1. FINANCIAL SUMMARY OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2015 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sz-expressway.com):

- 1) the Company's annual report for the year ended 31 December 2013 published on 10 April 2014;
- 2) the Company's annual report for the year ended 31 December 2014 published on 10 April 2015; and
- 3) the Company's annual report for the year ended 31 December 2015 published on 12 April 2016.

2. WORKING CAPITAL

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

3. INDEBTEDNESS

As at 29 February 2016, being the latest practicable date for ascertaining certain information in this statement of indebtedness, the Group had outstanding loans of RMB8,590 million which included secured (or pledged) long-term loans of RMB1,981 million with the toll collection rights of Qinglian Project as security for long-term loans amounting to RMB1,981 million; non-secured and non-guaranteed compensation of RMB6,588 million regarding toll adjustment of Nanguang Expressway, Yanpai Expressway and Yanba Expressway prepaid by Shenzhen Government; as of 29 February 2016, the carrying value of compensation is RMB6,609 million.

The Group had 15-year-term secured corporate bonds in nominal value of RMB800 million which were guaranteed by China Construction Bank, Shenzhen Branch with a pledge of the Company's 100% interests in Shenzhen Meiguan Expressway Company Limited as counter-guarantee; as of 29 February 2016, the carrying value of corporate bonds was RMB796 million; 5-year-term unsecured and unguaranteed corporate bonds in nominal value of RMB1,500 million; and 3-year term unsecured and unguaranteed medium-term notes in nominal value of RMB1,900 million; as of 29 February 2016, the carrying values of corporate bonds and medium-term notes were RMB1,500 million and RMB1,895 million, respectively.

At the close of business on 29 February 2016, contingent liabilities of the Group comprised the following:

- 1) The Company was entrusted by Transport Commission to manage the construction of Nanping Phase II Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Transport Commission amounting to RMB15 million.
- 2) The Company was entrusted by Shenzhen Traffic Public Facilities Construction Center to manage the construction of Longda Municipal Section. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2 million.
- 3) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction of the Intersection of Dezheng Road in Shenzhen Longhua New Area with Shenzhen Longda Expressway and the construction of the extension of the eastern section of Dezheng Road. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB35.85 million.
- 4) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction of Guanlan People Road to Meiguan node. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB25.27 million.
- 5) Shenzhen Expressway Engineering Consulting Company Limited (“Consulting Company”), a subsidiary of the Company, was entrusted to carry out business regarding construction supervision, construction consulting, exploration and design, test and detection, etc. In accordance with relevant contracts, Consulting Company arranged with bank to issue irrevocable performance guarantees to the trustors amounting to RMB71.12 million.
- 6) Arbitration in progress

Upon the government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. In 2011, Qingyuan Fengyun Eco-tourism Development Company Limited sued against Qinglian Company in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Qinglian Company was judged to win in the first trial. Qingyuan Fengyun Eco-tourism Development Company Limited appealed to the High Court of Guangdong Province. The High Court of Guangdong Province judged a trial de novo executed by Qingyuan Intermediate Court and the Company still win in this trial de novo. As at 29 February 2016, the litigation was still in progress. Considering the nature of project and construction status of upgrading project, the Directors considered that the outcome of the litigation would not lead to any significant impact on the Company’s operating results.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 29 February 2016, any mortgages, charges, debentures, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowing including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase and finance lease commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECTS

The Group's operating revenue for 2015 decreased by 5.52%, year-on-year, to RMB3,420,578,000, while net profit attributable to the shareholders of the Company ("Net Profit") decreased by 29.0%, year-on-year, to RMB1,552,656,000 (2014: 2,186,883,000). During 2015, the Group acquired effective control over Qinglong Company and Consulting Company and consolidated their accounts into the financial statements of the Group. An investment gain of RMB904,017,000 arising from the fair-value revaluation of equity interests held prior to the date of acquisition was recorded. In addition, in view of the lower-than-expected operating performance of Qinglian Expressway, an impairment provision of RMB620,000,000 was charged against intangibles assets in respect of the concession rights for Qinglian Expressway, and deferred income tax assets relating to deductible losses on the book of Qinglian Company were written down by RMB45,934,000. The aforesaid investment gain and impairment loss in aggregate contributed to an increase of RMB513,817,000 in the Net Profit of the Group for 2015. Excluding the effect of the aforesaid investment gain and impairment loss, the after-tax gain from the disposal of assets relating to the toll-free section of Meiguan Expressway recognized for the same period of last year and the write-down of deferred income tax assets of Qinglian Company, Net Profit decreased by 5.10% in 2015, year-on-year. The year-on-year decreases in operating revenue and Net Profit were mainly attributable to the substantial year-on-year decrease in income generated from entrusted construction management services for 2015, as well as the certain decline in toll revenue from Qinglian Expressway and Yanpai Expressway owing to the diversion of road networks.

With the promotion and implementation of a range of government policies and measures to "stabilize growth, adjust structures, facilitate reforms, benefit people's livelihood and prevent risks," the domestic economy still has the driving force and potential to sustain medium to high growth rates. Such growth is expected to be of better quality, more stable and more sustainable. In the meantime, the internet economy is driving rapid development of the logistics industry, advancement of the urbanization process and growth in automobile possession. As such, the traffic flow on domestic highways is expected to sustain stable growth in the foreseeable future.

With the fast progress of urbanization, certain toll highways of the Group are under pressure of toll adjustment. The investment, construction and management of Outer Ring Section A, through an innovative investment and financing model, will provide a major boost to the future development of the Company's principal business. We believe that further reforms in investment in and financing of infrastructure and utilities projects, coupled with the ongoing urbanization process, will bring more business opportunities to the Group in future. The Company will continue consolidate and strengthen its ability to offer integrated solutions in investment/financing, construction, and operational

management. Appropriate business models will be selected and brought into effective integration with our corporate resources, with a view to delivering commercial value and realizing the sustainable development of the enterprise.

During the new strategic period for development, the Group will continue to develop and consolidate its principal toll highway business, while pursuing further resource integration and fully leveraging the availability of innovative business model in the financing sector. On the back of its ability to integrate and consolidate resources, the Group will vigorously advance and implement new industrial investments in order to attain healthy development in the long term.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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

The following unaudited pro forma financial information of the Group comprises the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2015 and the accompanying notes (collectively, the “**Unaudited Pro Forma Financial Information**”).

Pursuant to the Concession Agreement and Joint Investment and Construction Agreement entered on 18 March 2016, the Transport Commission of Shenzhen Municipality (“**Transport Commission**”) conditionally agreed to grant concession rights in respect of Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section) (“**Outer Ring Section A**”) to Shenzhen Outer Ring Expressway Investment Company Limited (“**Outer Ring Company**”), a wholly-owned subsidiary of the Company. The concession rights throughout the concession period includes the right to construct the Outer Ring Section A in a 38-month construction period and the right to operate and manage the Outer Ring Section A in a 25-year operation period. The Company, shall be entrusted to manage the construction of Outer Ring Section A. The total construction cost of Outer Ring Section A is estimated to be RMB20.6 billion and the Company and the Outer Ring Company shall contribute RMB6.5 billion to the total construction cost, regardless of any change in the estimated amount of the construction cost. The Concession Agreement and Joint Investment and Construction agreement are collectively referred to as the transaction (the “**Transaction**”). The Company and its subsidiaries together with the concession rights of Outer Ring Section A (the “**Target Asset**”) are collectively referred to as the Group for the purpose of preparing the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 4.29 and 14.67(6)(b)(ii) of the Listing Rules for the purpose of illustrating the effect of the Transaction on the Group as if the construction of Outer Ring Section A had been completed and the respective operation period of the Target Asset had commenced on 31 December 2015 for the purposes of preparing of the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group and based on the audited consolidated balance sheet of the Group for year ended 31 December 2015 as extracted from the Group’s published audited annual report for the year ended 31 December 2015.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Group that would have been attained had the Transaction was commenced on 31 December 2015 or any future dates, nor purport to give a true picture of the Group’s financial position or predict the future financial position of the Group.

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

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

**B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE GROUP**

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2015	Pro forma adjustments	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 2</i>	
CURRENT ASSETS			
Cash at bank and on hand	6,422,378	(100,000)	6,322,378
Accounts receivable	659,833	–	659,833
Advances to suppliers	242,116	–	242,116
Interest receivable	959	–	959
Other receivables	123,462	–	123,462
Inventories	648,713	–	648,713
Held for sale assets	169,004	–	169,004
Current portion of non-current assets	139,082	–	139,082
Other current assets	18,880	–	18,880
	<u>8,424,427</u>	<u>(100,000)</u>	<u>8,324,427</u>
TOTAL CURRENT ASSETS			
NON-CURRENT ASSETS			
Long-term prepayments	6,851	–	6,851
Available-for-sale financial assets	30,170	–	30,170
Long-term receivable	68,710	–	68,710
Long-term equity investments	1,982,890	–	1,982,890
Investment properties	14,102	–	14,102
Fixed assets	1,156,212	–	1,156,212
Construction in progress	29,456	–	29,456
Intangible assets	19,271,776	6,500,000	25,771,776
Goodwill	1,543	–	1,543
Long-term prepaid expenses	10,980	–	10,980
Deferred income tax assets	77,618	–	77,618
Other non-current assets	595,920	–	595,920
	<u>23,246,228</u>	<u>6,500,000</u>	<u>29,746,228</u>
TOTAL NON-CURRENT ASSETS			
	<u>31,670,655</u>	<u>6,400,000</u>	<u>38,070,655</u>
TOTAL ASSETS			

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2015	Pro forma adjustments	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 2</i>	
CURRENT LIABILITIES			
Accounts payable	182,024	–	182,024
Advances from customers	232,848	–	232,848
Employee benefits payable	154,056	–	154,056
Taxes payable	258,045	–	258,045
Interest payable	118,790	–	118,790
Other payables	1,325,054	–	1,325,054
Current portion of non-current liabilities	1,836,241	–	1,836,241
Deferred revenue	3,465	–	3,465
TOTAL CURRENT LIABILITIES	4,110,523	–	4,110,523
NON-CURRENT LIABILITIES			
Long-term borrowings	2,201,929	6,400,000	8,601,929
Bonds payable	2,690,330	–	2,690,330
Provisions	125,239	–	125,239
Deferred revenue	174,680	–	174,680
Deferred income tax liabilities	1,339,813	–	1,339,813
Other non-current liabilities	6,067,060	–	6,067,060
TOTAL NON-CURRENT LIABILITIES	12,599,051	6,400,000	18,999,051
TOTAL LIABILITIES	16,709,574	6,400,000	23,109,574

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. The audited consolidated statement of assets and liabilities of the Group as at 31 December 2015 is extracted from the Group's published audited consolidated financial statements for year ended 31 December 2015.
2. For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the construction of Outer Ring Section A had been completed and the respective operation period of the Target Asset had commenced on 31 December 2015.

The adjustments represent the recognition of the Target Asset as intangible assets amounting to RMB6.5 billion. Pursuant to the Joint Investment and Construction Agreement, the Company and Outer Ring Company shall in aggregate invest funds or arrange financing with an amount of RMB6.5 billion for the purpose of the construction of Outer Ring Section A, while the remaining balance of the construction cost would be contributed by SZCDGC. This RMB6.5 billion construction cost will be funded by bank borrowings of RMB6.4 billion and the available cash of the Group of RMB0.1 billion. The bank borrowings RMB6.4 billion may be raised by Outer Ring Company by pledging the concession rights. The Directors of the Company expect that there will be no repayment of bank borrowings during the construction period.

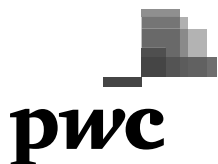
After the completion of the construction of Outer Ring Section A, the operation period will commence. In accordance with the Group's accounting policies on the recognition of concession intangible assets, concession intangible assets are measured at the actual cost to be borne by the Group, which comprises construction related costs and borrowing costs that are eligible for capitalisation and incurred before the toll roads are ready for their intended use. The construction cost of Outer Ring Section A of RMB6.5 billion is recognized as intangible assets accordingly.

For the purpose of preparing the Unaudited Pro Forma Financial Information, the entrusted construction service fee earned by the Company has not been taken into account as the entrusted construction service fee may be increased or decreased as a result of changes in construction works, delays in the schedule of construction, and the performance of the Company in agreement. Also, the directors of the Group estimate that the entrusted construction profit of Outer Ring Section A is insignificant after considering the management cost.

3. The transaction costs of the Transaction are immaterial and have not been taken into account for the purpose of preparing the Unaudited Pro Forma Financial Information.
4. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2015.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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



普华永道

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

To the Directors of Shenzhen Expressway Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shenzhen Expressway Company Limited (the “**Company**”) and its subsidiaries, and the concession rights (the “**Target Asset**”) of Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section) (the “**Outer Ring Section A**”) (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2015, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-4 of the Company’s circular dated 25 April 2016, in connection with the concession agreement entered on 18 March 2016 between the Transport Commission of Shenzhen Municipality and Shenzhen Outer Ring Expressway Investment Company Limited, a subsidiary of the Company, in respect of the Outer Ring Section A and the joint investment and construction agreement entered on 18 March 2016 among the Company, Shenzhen Outer Ring Expressway Investment Company Limited and Shenzhen SEZ Construction and Development Group Co., Ltd. (the “**Transaction**”). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group’s financial position as at 31 December 2015 as if the Transaction had taken place at 31 December 2015. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial statements for the period ended 31 December 2015, on which an audit report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

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

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

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

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

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

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

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

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

Opinion

In our opinion:

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

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

25 April 2016

The following is the valuation and consultation report prepared by DP International for the purpose of incorporation in this circular. The valuation and consultation report 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.

De Zheng Xin Zi Ping Bao Zi [2016] No.001

OPERATING RIGHT VALUE OF THE SHENZHEN SECTION OF THE OUTER RING EXPRESSWAY (THE COASTAL EXPRESSWAY – SHENSHAN EXPRESSWAY SECTION OF THE OUTER RING EXPRESSWAY FOR ABOUT 60 KILOMETERS) PROPOSED TO BE INVESTED AND CONSTRUCTED BY SHENZHEN EXPRESSWAY COMPANY LIMITED APPRAISAL AND CONSULTING REPORT

Shenzhen Expressway Company Limited :

DP International Appraisal Limited has been entrusted by your company, to appraise the market value of the operating right value of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) as of December 31, 2018 involved in the value your company intends to get to know, by reference to the relevant laws, regulations and assets appraisal standards, under the principle of independence, objectivity and justice, by using the income method and in accordance with the necessary appraisal procedures, and the assets appraisal and the appraisal and consulting result are hereby reported as follows:

1. OVERVIEW OF THE ENTRUSTING PARTY

Name of the entrusting party:	Shenzhen Expressway Company Limited (hereinafter referred to as “Shenzhen Expressway”);
Registered address:	Podium Level 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, China;
Legal representative:	Hu Wei;
Registered capital:	2,180.770326 million yuan;
Economic nature:	Listed Company Limited;
Operating period:	from December 30, 1996 to December 30, 2026
Business scope:	investment, construction management and operating management of highways and roads; import and export business (with credentials)

2. OTHER USERS OF THE APPRAISAL AND CONSULTING REPORT

Based on the introduction of the entrusting party, this Report is only limited to the use of Shenzhen Expressway.

3. APPRAISAL AND CONSULTING OBJECTIVE

Shenzhen Expressway intends to participate in the investment and construction of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) and will, based on the appraised operating right value, invest an equal amount of money. Therefore, we are entrusted to appraise the operating right value of the project for the next 25 years, to provide the reference opinions for Shenzhen Expressway to make investment decisions.

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

4. APPRAISAL AND CONSULTING OBJECT AND SCOPE OF APPRAISAL AND CONSULTING

The appraisal and consulting object is the operating right value of the Shenzhen Section of the Outer Ring Expressway proposed to be invested and constructed by Shenzhen Expressway; the appraisal and consulting scope corresponding to the appraisal and consulting object is the assets as a result of the completion of the project.

The Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) proposed to be invested and constructed by Shenzhen Expressway is located in the north and east of Shenzhen, and is a six-lane outer ring road running from west to east in Shenzhen and one of the lines in the Guangdong expressway backbone network “9 vertical lines, 5 horizontal lines and 2 loop lines”. The project will start from the Bao’an district of Shenzhen in the west, connect with the Coastal Expressway, run through Shajing, Guanlan, Dongguan Fenggang, Pingdi, Kengzi and Kuiyong in the east, and then connect with the Yanba Expressway. The Outer Ring Expressway will go across all the vertical expressways in Shenzhen, and then connect with the Around Pearl River Delta Expressway. The total length of the Outer Ring Expressway is about 93 kilometers, of which the Dongguan Section is about 17 kilometers and the Shenzhen Section is about 76 kilometers. Based on the requirements of the entrusting party, this time we need to appraise the operating right value of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers).

The construction of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) started from September 2014, and is estimated to be officially open to traffic on December 31, 2018 by Shenzhen Expressway. The estimated tolling period is 25 years, from December 31, 2018 to December 31, 2043.

5. VALUE TYPE AND THE DEFINITION THEREOF

The value type of this appraisal and consulting: the market value of the operating right value of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) proposed to be invested and constructed by Shenzhen Expressway, as of the date when the Expressway is estimated to be officially open to traffic by Shenzhen Expressway.

The so-called market value refers to the estimated value of an asset in a fair transaction reached by the willing buyer and the willing seller after the normal marketing on the base date of appraisal and consulting, provided that both parties shall proceed with caution and shall not be subject to any force to make a deal. That is the most possible price of an asset that can be reasonably achieved in the open market if such asset is traded under the following conditions.

- a) The asset is traded in a currency permitted by law;
- b) There are the willing buyer and the willing seller in the deal;
- c) The asset is paid in a lump sum and the transaction is completed without any attached conditions;
- d) Both parties have a full understanding of the current situation of the asset, market supply and demand, prices, etc. There are reasonable promotion, selection, negotiation, and economic environment and time for facilitating the transaction;
- e) The market conditions, price level and other conditions during the completion of the transaction, and no major changes on the base date of appraisal and consulting;
- f) Without regard to the arrangements for the transaction with some special interests, both parties freely conduct a transaction in a rational and optional market full of information.

6. BASE DATE OF APPRAISAL AND CONSULTING

The base date of appraisal and consulting of this project is the date when the Expressway is estimated to be officially open to traffic by Shenzhen Expressway. The date when the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) is estimated to be officially open to traffic by Shenzhen Expressway is December 31, 2018, therefore, the base date of appraisal and consulting of this project is December 31, 2018. All the tolling standards in this Report are the effective price standards on the base date.

The base date of appraisal and consulting is one of the important conditions for the establishment of the appraisal and consulting conclusion, therefore, if there is any change to the base date of appraisal and consulting, the appraisal and consulting conclusion will change correspondingly. The base date of appraisal and consulting of this project is determined by Shenzhen Expressway.

7. BASES OF APPRAISAL AND CONSULTING**1) Behavior basis**

The Assets Appraisal Engagement Letter signed by Shenzhen Expressway and our company.

2) Legal basis

- a) The Administrative Measures for the Appraisal of State-owned Assets ([1991] No. 91 Order) issued by the State Council of the People's Republic of China;
- b) The Rules for the Implementation of the Administrative Measures for the Appraisal of State-owned Assets (Guo Zi Ban Fa [1992] No. 36) issued by the former State-owned Assets Administration Bureau;
- c) The Notice on Forwarding the Opinions on Reforming the Administrative Measures for the Appraisal of State-owned Assets and Strengthening the Supervision and Management of Assets Appraisal Issued by the Ministry of Finance (Guo Ban Fa [2001] No.102) published by the General Office of the State Council and the Opinions on Reforming the Administrative Measures for the Appraisal of State-owned Assets and Strengthening the Supervision and Management of Assets Appraisal issued by the Ministry of Finance;
- d) The Provisions on Issues regarding the Appraisal and Management of State-owned Assets (No. 14 Order of the Minister) issued by the Ministry of Finance;
- e) The Interim Administrative Measures for the Appraisal and Management of State-owned Assets of Enterprises (No. 12 Order) issued by the State-owned Assets Supervision and Administration Commission of the State Council;
- f) The Company Law of the People's Republic of China;
- g) The current relevant tax laws and regulations of the State.

3) Professional norms

- a) The Notice on Printing and Distributing the Assets Appraisal Standards – Basic Standards and the Code of Professional Ethics for Assets Appraisal – Basic Code (Cai Qi [2004] No. 20) Issued by the Ministry of Finance of the People's Republic of China.
- b) The Assets Appraisal Standards – Appraisal Report (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
- c) The Assets Appraisal Standards – Appraisal Procedure (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.

- d) The Assets Appraisal Standards – Engagement Letter (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
- e) The Assets Appraisal Standards – Working Paper (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
- f) The Assets Appraisal Value Type Guidance (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
- g) The Assets Appraisal Standards – Corporate Value (Zhong Ping Xie [2011] No. 227) issued by the China Appraisal Society.
- h) The Guidelines for the Appraisal Report of State-owned Assets of Enterprises (Zhong Ping Xie [2008] No. 218) issued by the China Appraisal Society.
- i) The Notice on Printing and Distributing the Instructions for Certified Public Valuers to Pay Attention to the Legal Ownership of the Appraisal Object (Hui Xie [2003] No. 18) issued by the Chinese Institute of Certified Public Accountants.

4) Equity basis

- a) Relevant statements and commitments provided by Shenzhen Expressway.
- b) The relevant government approvals of the Shenzhen Outer Ring Expressway.

5) Basis of price determination and reference data

- a) The feasibility study report of the Shenzhen Outer Ring Expressway;
- b) The forecast report for the traffic volume and toll revenue of the Shenzhen Outer Ring Expressway;
- c) The relevant government approvals of the Shenzhen Outer Ring Expressway;
- d) The relevant financial data of listed companies in the same industry;
- e) Other relevant data obtained by public valuers through market research.

8. APPRAISAL AND CONSULTING METHOD

By reference to the Assets Appraisal Standards – Basic Standards, Certified Public Valuers shall select one or more basic methods for assets appraisal in accordance with appraisal object, value type, data collection and other relevant conditions, as well as the suitability of assets analysis-based method, income method and market method while performing the appraisal and consulting services.

The assets analysis-based method refers to the appraisal method of using the remaining balance of all the costs for repurchasing the appraised assets minus the devaluation by real degradation, devaluation by functional degradation and devaluation by economic degradation of the appraised assets, as the value of the appraised assets.

The income method refers to the appraisal method of capitalizing or discounting the prospective earnings of the assets to determine the value of the appraisal object.

The market method refers to the appraisal method of selecting several identical or similar assets as a reference, comparing the price of the appraised assets with that of each reference and making adjustments based on the various factors that may affect the value of the assets, and then comprehensively analyzing each adjustment result, to determine the value of the appraised assets.

1) Suitability analysis and selection of appraisal and consulting methods

Based on the actual situation of the project, the assets analysis-based method is not suitable for this appraisal as the repurchase costs of the appraised assets as of the base date of appraisal and consulting and other relevant data can not be obtained.

The appraised assets are the operating right of an expressway that has not yet completed, and although there is no historical operating data for reference, the revenues, costs and expenses of the assets can be reasonably predicted. The company's management can reasonably predict the conditions of operating right of such expressway in the future, therefore, the income method is suitable for this appraisal.

Since we could not collect the transaction data that can be compared with the business structure, assets size, scale of operation, profitability and other factors of the appraised assets, the market method is not suitable for this appraisal.

Based on the appraisal purpose, appraisal object, value types, data collection and related conditions of the project, the income method is used to appraise the value of the appraised assets.

2) Introduction of the income method

Based on the relevant government approvals, feasibility reports and traffic flow forecasts of the appraised assets, the free cash flow to firm (FCFF) discounting method is used in this project to appraise the value of the appraised assets. The basic idea is to estimate the operating free cash flow to firm (FCFF) created by the appraised assets and use an appropriate discount rate to calculate the value of the appraised assets.

The basic appraisal model: $P = \sum_{t=1}^n FCFF_t (1+r)^{-t}$

of which: P: Value of the appraised assets

FCFFt: Free cash flow to firm created by the appraised assets in the year of t

r: Discount rate

t: the continuous operating period in the future of the appraised assets

In this appraisal, the free cash flow to firm (FCFF) created by the assets is defined as:

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

Of which: FCFF = The expected free cash flow attributable to all the investors (shareholders and creditors)

NI = Net profit after tax

DEPR = Non-pocket expenses including depreciation and amortization

INT = Interest expenses after deducting income tax

CAPEX = Capital expenditures

NWC = Increase in net working capital

Income years: the income years of the appraised assets in this appraisal project is determined to be limited years.

Discount rate: in this appraisal, based on the calculation caliber of the free cash flow to firm (FCFF), the discount rate shall be determined based on the weighted average cost of capital (WACC). The rate of return of the interest-bearing debt capital shall be calculated based on the five-year loan interest rate published by the People’s Bank of China on October 31, 2015, and the rate of return of the shareholders’ equity capital shall be determined based on the capital asset pricing model (CAPM).

9. IMPLEMENTATION AND SITUATION OF THE APPRAISAL AND CONSULTING PROCEDURE**1) Starting and ending time of the appraisal and consulting work**

The appraisal and consulting work started from August 8, 2015 to the date when the Appraisal and Consulting Report is issued. The closing date of the field work is August 17, 2015.

2) The main appraisal and consulting procedure that has been implemented

- a) From August 8, 2015 to August 10, 2015: the preliminary survey of the project, including to get a full understanding of the appraisal and consulting purpose, appraisal and consulting object, scope of appraisal and consulting, and base date of appraisal and consulting, to accept the entrusted project, formulate the appraisal and consulting scheme and prepare the appraisal and consulting work plan.
- b) From August 10, 2015 to August 17, 2015: to collect the relevant government approvals, feasibility study reports, traffic flow forecasts and other data, and then analyze the collected data, to determine the appraisal method based on the analysis results to appraise and analyze the market value.
- c) From August 17, 2015 to the date when the Appraisal and Consulting Report is issued: to prepare the Appraisal and Consulting Report; and to issue the Appraisal and Consulting Report after the internal examination and approval of our company.

10. APPRAISAL AND CONSULTING ASSUMPTIONS

This appraisal is based on the following assumptions, therefore, any big change to the assumptions will have a significant impact on the appraisal and consulting result.

- a) Assuming that the economic environment, market environment, social environment (such as national macroeconomic policies, relation of market supply and demand, fiscal and tax policies, domestic and foreign trade policies, environmental protection policies, financial and monetary policies, etc.) and other factors will not be significantly changed in the future;
- b) Assuming that taxes and tax policies applicable to the company of the appraised assets will not be significantly changed after the base date of appraisal and consulting;
- c) Assuming that there will be no force majeure event that will have any significant adverse impact on the appraised assets after the base date of appraisal and consulting;
- d) Assuming that the management team of the appraised assets will be responsible and dutiful after the base date of appraisal and consulting;

- e) Assuming that all the operating activities of the appraised assets will be carried out in accordance with the relevant laws and regulations, industry standards and provisions on safe production and operation;
- f) Assuming that the appraised assets are obtained and used in accordance with the national laws, regulations and normative documents;
- g) Assuming that the accounting policies used for the appraised assets will be consistent in all material respects after the base date of appraisal and consulting;
- h) Assuming that the data provided by the entrusting party regarding this appraisal are true, accurate and complete;
- i) Assuming that the date when the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) will be officially open to traffic is December 31, 2018;
- j) Assuming that the tolling period of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) is 25 years, from December 31, 2018 to December 31, 2043;
- k) Assuming that the tolling standards of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) after such section is completed to be open to traffic, are consistent with the expressway tolling standards of Guangdong Province issued June 30, 2015, and remain unchanged during the 25-year operating period;
- l) Assuming that the completion status of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) as of the base date of appraisal and consulting is consistent with the planning and design plan as of the date when the Appraisal and Consulting Report is issued;
- m) Assuming that the time point for selecting all the parameters in the discount rate is October 31, 2015 while calculating the discount rate.

11. FORECAST, CALCULATION AND SELECTION OF IMPORTANT PARAMETERS IN THE APPRAISAL PROCESS

1) Income forecast

The appraisal and calculation is conducted on the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers). The Entrusting Party projects that the operating and tolling period of the Shenzhen Section of the Outer Ring Expressway is 25 years, from December 31, 2018 to December 31, 2043.

Based on the Forecast Report for the Traffic Volume and Toll Revenue of Shenzhen Outer Ring Expressway issued by the Guangdong Province Communications Planning and Design Institute Limited, we select the forecast data in the plan in the report. Operating revenue during the operating period is in the following table: (tolling revenue: 10,000 yuan):

Item/Year	2019	2020	2021	2022	2023	2024	2025
Tolling revenue	43,589.00	49,946.00	57,337.00	65,300.00	74,377.00	80,295.00	88,292.00
Growth rate	–	14.58%	14.80%	13.89%	13.90%	7.96%	9.96%
Item/Year	2026	2027	2028	2029	2030	2031	2032
Tolling revenue	95,773.00	103,901.00	106,655.00	111,453.00	116,496.00	120,354.00	124,342.00
Growth rate	8.47%	8.49%	2.65%	4.50%	4.52%	3.31%	3.31%
Item/Year	2033	2034	2035	2036	2037	2038	2039
Tolling revenue	128,465.00	132,726.00	137,132.00	139,428.00	141,766.00	144,145.00	145,129.00
Growth rate	3.32%	3.32%	3.32%	1.67%	1.68%	1.68%	0.68%
Item/Year	2040	2041	2042	2043			
Tolling revenue	146,123.00	147,126.00	148,139.00	149,161.00			
Growth rate	0.68%	0.69%	0.69%	0.69%			

2) Operating costs forecast

Operating costs of expressway companies generally include staff salaries, road maintenance fees and other out-of-pocket costs as well as depreciation, amortization and overhaul expenditures.

According to the statistics, the proportion of the out-of-pocket operating costs in the operating income of listed companies in the same industry for nearly four years is as follows:

NO.	1	2	3	4	5	6	7
Stock code	600548	000900	600012	600350	600033	000429	600377
Company name	Shenzhen Expressway	Xiandai Investment	Anhui Expressway	Shandong Expressway	Fujian Expressway	Guangdong Provincial Expressway	Jiangsu Expressway
2011	25%	21%	11%	13%	15%	22%	12%
2012	19%	16%	14%	14%	14%	23%	12%
2013	17%	15%	15%	13%	13%	19%	13%
2014	17%	15%	15%	13%	12%	19%	14%
Average	19.57%	16.49%	13.64%	13.26%	13.70%	20.70%	12.61%
No.	8	9	10	11	12	13	Average
Stock code	600035	600020	600269	601107	601188	000828	
Company name	Hubei Chutian Expressway	Henan Zhongyuan Expressway	Jiangxi Ganyue Expressway	Sichuan Expressway	Longjiang Transportation	Dongguan Development (Holdings)	
2011	18%	19%	19%	19%	13%	15%	16.95%
2012	18%	18%	17%	18%	18%	12%	16.51%
2013	19%	18%	15%	21%	21%	13%	16.30%
2014	18%	18%	16%	23%	16%	13%	16.03%
Average	18.08%	18.33%	16.80%	20.16%	17.09%	13.41%	16.45%

According to the relevant information, the operating costs of a listed company usually include the operating costs and overhead expenses of expressway project companies. The overhead expenses of expressway project companies generally account for about 3% of the income, and according to the above statistics, the out-of-pocket operating costs of an expressway project company account for about 13% of the income.

Based on the data showed by the Flush* software, the assessed trading cases of comparable expressway companies are as follows:

Trading case	Project	Base date	Out-of-pocket costs/income	Remarks
1	Acquisition of Hunan Licha Highway by Xiandai Investment	2013-12-31	11.40%	Including the out-of-pocket overhead expenses
2	Acquisition of Changsha-Xiangtan Expressway by Xiandai Investment	2012-12-31	8.41%	Including the out-of-pocket overhead expenses
	Average		9.91%	

* *Hithink Royal Flush Information Network Co., Ltd. is an internet financial information service provider whose shares are listed on the Shenzhen Stock Exchange (stock code: 300033). It provides financial information, data analysis and software system services for the capital markets in the PRC. It is one of the largest providers of online securities trading service, secured communication products and e-commerce software in the PRC.*

Based on the above data, we can see that the out-of-pocket costs (including the out-of-pocket overhead expenses) of listed expressway companies account for about 16% of the operating income; and the average out-of-pocket costs in the market trading cases account for about 10% of the operating income.

Besides, as far as we know that the proportion of out-of-pocket operating costs of the two expressway companies located in Shenzhen in the income is as follows:

Case	2011	2012	2013	2014
Company A	11.19%	11.87%	14.25%	14.01%
Company B	11.00%	9.98%	10.13%	10.57%
Average	11.10%	10.93%	12.19%	12.29%

The out-of-pocket operating costs of expressway companies in Shenzhen account for about 12% of the income,

Upon a comprehensive analysis, we believe that the data of expressway companies in Shenzhen is closer to the data of the project. Whereas the company is still at the early stage of operation, the company will need some time to improve its operation and management level. Therefore, we calculate the out-of-pocket operating costs in the initial phase at 16% of the operating income, and the out-of-pocket operating costs in the remaining years will be increased year by year based on the costs of the previous year.

Depreciation and amortization mainly involve road assets, complementary transportation projects, tolling system, houses, etc. Specifically, for road assets, forecast is conducted by using the units-of-production method; for complementary transportation projects, tolling system and houses, forecast is conducted by applying the straight-line method.

For road overhaul expenditures, overhaul fees as estimated in the Shenzhen Outer Ring Expressway Project Feasibility Study Report issued by Shenzhen Highway Engineering Consulting Co., Ltd. provided by the Entrusting Party in December 2013 will be used as overhaul expenditures during the tolling period of the Outer Ring Expressway, which will be recorded as main operating costs during that period when such overhaul expenditures occur.

The predicted annual operating costs are provided in the table below (Unit: ten thousand yuan):

Project/Year	2019	2020	2021	2022	2023
Out-of-pocket costs (excluding major repair expenditure)	6,974.24	7,368.28	7,861.64	8,444.06	9,072.50
Depreciation and amortization	13,193.38	14,559.78	16,154.18	17,880.76	19,852.33
Major repair expenditure	—	—	—	—	—
Total	<u>20,167.62</u>	<u>21,928.06</u>	<u>24,015.82</u>	<u>26,324.82</u>	<u>28,924.83</u>
Out-of-pocket costs (excluding major repair expenditure)/income	<u>16.00%</u>	<u>14.75%</u>	<u>13.71%</u>	<u>12.93%</u>	<u>12.20%</u>
Project/Year	2024	2025	2026	2027	2028
Out-of-pocket costs (excluding major repair expenditure)	9,750.83	10,443.12	11,189.68	11,995.13	12,864.53
Depreciation and amortization	21,097.43	20,759.54	22,391.89	24,167.31	24,790.26
Major repair expenditure	—	—	—	—	—
Total	<u>30,848.26</u>	<u>31,202.65</u>	<u>33,581.57</u>	<u>36,162.44</u>	<u>37,654.79</u>
Out-of-pocket costs (excluding major repair expenditure)/income	<u>12.14%</u>	<u>11.83%</u>	<u>11.68%</u>	<u>11.54%</u>	<u>12.06%</u>
Project/Year	2029	2030	2031	2032	2033
Out-of-pocket costs (excluding major repair expenditure)	13,234.87	13,620.21	14,021.27	14,438.77	14,873.48
Depreciation and amortization	25,856.73	26,978.15	27,822.99	28,696.76	29,600.27
Major repair expenditure	36,652.00	—	—	—	—
Total	<u>75,743.60</u>	<u>40,598.36</u>	<u>41,844.26</u>	<u>43,135.53</u>	<u>44,473.75</u>
Out-of-pocket costs (excluding major repair expenditure)/income	<u>11.87%</u>	<u>11.69%</u>	<u>11.65%</u>	<u>11.61%</u>	<u>11.58%</u>

Project/Year	2034	2035	2036	2037	2038
Out-of-pocket costs (excluding major repair expenditure)	15,326.22	15,797.82	16,061.48	16,329.89	16,438.21
Depreciation and amortization	30,534.56	31,500.97	32,014.29	32,537.18	33,069.62
Major repair expenditure	—	—	—	—	—
Total	<u>45,860.78</u>	<u>47,298.79</u>	<u>48,075.77</u>	<u>48,867.07</u>	<u>49,507.83</u>
Out-of-pocket costs (excluding major repair expenditure)/income	<u>11.55%</u>	<u>11.52%</u>	<u>11.52%</u>	<u>11.52%</u>	<u>11.40%</u>
Project/Year	2039	2040	2041	2042	2043
Out-of-pocket costs (excluding major repair expenditure)	16,520.40	16,603.00	16,686.02	16,769.45	16,853.30
Depreciation and amortization	33,299.21	33,530.93	33,764.76	34,000.99	34,239.34
Major repair expenditure	49,257.00	—	—	—	—
Total	<u>99,076.61</u>	<u>50,133.93</u>	<u>50,450.78</u>	<u>50,770.44</u>	<u>51,092.64</u>
Out-of-pocket costs (excluding major repair expenditure)/income	<u>11.38%</u>	<u>11.36%</u>	<u>11.34%</u>	<u>11.32%</u>	<u>11.30%</u>

3) Selection of income tax rate

In this appraisal, income tax will be calculated based on 25% of total profit.

4) Depreciation & amortization forecast

Calculated based on original book value, acquisition time, accounting depreciation & amortization years and residual value ratio of existing and future assets.

5) Calculation and selection of discount rate

This appraisal adopts the free cash flow from road assets as income. Therefore, weighted average cost of capital (WACC) is used as discount rate. Its calculation formula is as follows:

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

a) Capital structure D, E

Value of interest-paying debt D=0.

b) *Cost of equity K_e*

Cost of equity is estimated by using the capital asset pricing model (CAPM). Its formula is:

$$\text{Cost of equity } K_e = R_f + [R_m - R_f] \times \beta + R_c$$

In the formula: R_f : risk-free rate;
 $R_m - R_f$: risk premium;
 β : risk coefficient;
 R_c : adjustment coefficient of company-specific risks;

(1) *Risk-free rate R_f*

According to China's fixed interest rate yield curve on chinabond.com, as of 31 October 2015, 20-year treasury yield is 3.6813%, which is used as risk-free rate R_f .

(2) *Risk premium $R_m - R_f$*

According to statistics from Aswath Damodaran, historic risk premium in the US stock market is 6.20%, the volatility index of China relative to US S&P 500 is about 1.23, and the overall risk premium ($R_m - R_f$) is 7.64%.

(3) β

Risk coefficient β : Inquire the listed peer companies about their financial leverage-free risk coefficient β_u , use the arithmetic average of these β_u values as the β_u of the appraised assets and convert it into risk coefficient with financial leverage of the appraised assets based on the target capital structure of the appraised assets (D/E for listed peer companies as of 31 October 2015 is about 60%), which is used as β for this appraisal.

The conversion formula between β_u and β is: $\beta = \beta_u \times [1 + D/E \times (1 - T)]$, in which T is income tax rate.

In this appraisal, five comparable listed companies are selected. β_u of these companies are as follows, according to RoyalFlush's iFinD system:

No.	Stock code	Stock name	β_u
1	000429.SZ	Guangdong Provincial Expressway Development	0.4689
2	600033.SH	Fujian Expressway Development	0.6295
3	600269.SH	Jiangxi Ganyue Expressway	0.6238
4	600377.SH	Jiangsu Expressway	0.6209
5	600548.SH	Shenzhen Expressway	0.5863
	Mean		0.58588

β converted based on the target capital structure of the appraised assets
 $\beta = \beta_u \times [1 + D/E \times (1 - T)] = 0.8495$

(4) *Adjustment coefficient of company-specific risks*

Given the specific risks of the appraised assets by comparing it with reference companies in terms of scale, economic development in the region where it is located and other aspects, adjustment coefficient of risks specific to the project is 1.2%.

c) *After-tax cost of debt K_d*

After-tax cost of interest-paying debt $K_d = \text{interest rate of debt} \times (1 - \text{income tax rate } T)$

d) *Determination of WACC*

Put the aforementioned parameters into the calculation formula of WACC, we obtain:

Risk-free rate R_f	Risk premium (rm-rf)	β coefficient	Adjustment of specific risks	Cost of equity K_e
3.6813%	7.64%	0.8495	1.20%	11.37%
Pre-tax cost of debt	Income tax rate			After-tax cost of debt K_d
4.90%	25.00%			3.68%
Cost of equity K_e	After-tax cost of debt K_d	Interest-paying debt ratio $D\%$	Equity ratio $E\%$	Weighted average cost of capital WACC
11.37%	3.68%	60.00	100.00	8.49%

Based on the above calculations, the discount rate (WACC) of this project is 8.49%.

6) Sensitivity Analysis

a) *Sensitivity analysis of the income*

Assuming that the income will be increased respectively by 5%, 10%, -5% and -10% on the existing basis, the assessment results and the variations thereof will be as follows (Unit: ten thousand yuan):

Income	Assumption 1	Assumption 2	Assumption 3	Assumption 4
Growth rate	5%	10%	-5%	-10%
Assessment results	682,000.00	712,000.00	621,000.00	590,000.00
Assessment result variation	4.76%	9.37%	-4.61%	-9.37%

b) *Sensitivity analysis of the out-of-pocket operating costs (excluding major repair expenditure)*

Assuming that the out-of-pocket operating costs (excluding major repair expenditure) will be increased respectively by 5%, 10%, -5% and -10% on the existing basis, the assessment results and the variations thereof will be as follows (Unit: ten thousand yuan):

Out-of-pocket costs (excluding major repair expenditure)	Assumption 1	Assumption 2	Assumption 3	Assumption 4
Growth rate	5%	10%	-5%	-10%
Assessment results	646,000.00	640,000.00	657,000.00	662,000.00
Assessment result variation	-0.77%	-1.69%	0.92%	1.69%

c) *Sensitivity analysis of the discount rate*

Assuming that the discount rate will be increased respectively by 5%, 10%, -5% and -10% on the existing basis, the assessment results and the variations thereof will be as follows (Unit: ten thousand yuan):

Discount rate	Assumption 1	Assumption 2	Assumption 3	Assumption 4
Growth rate	5%	10%	-5%	-10%
Assessment results	624,000.00	599,000.00	680,000.00	710,000.00
Assessment result variation	-4.15%	-7.99%	4.45%	9.06%

d) *Comprehensive analysis*

Based on the above analyses, we can see that the income is the most sensitive factor for the assess results, followed by the discount rate and the least sensitive factor is the out-of-pocket operating costs.

12. APPRAISAL AND CONSULTING CONCLUSION

The operating right value of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) proposed to be invested and constructed by Shenzhen Expressway is 6,510.00 million yuan (Capital form: six billion, five hundred ten million) as of the base date of appraisal and consulting (December 31, 2018).

13. SPECIAL INSTRUCTIONS

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

- a) This Report is a consultant appraisal Report rather than a forensic appraisal report
- b) Major assumptions in this Report include:

The base date of appraisal and consulting is the date when the Expressway is officially open to traffic and the date when the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) will be officially open to traffic is December 31, 2018 as estimated by Shenzhen Expressway.

The tolling period of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) is 25 years, from December 31, 2018 to December 31, 2043.

The completion status of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) as of the base date of appraisal and consulting (December 31, 2018) is consistent with the current planning and design plan.

The tolling standards of the Shenzhen Section of the Outer Ring Expressway (the Coastal Expressway – Shenshan Expressway Section of the Outer Ring Expressway for about 60 kilometers) after such section is completed to be open to traffic, are consistent with the expressway tolling standards of Guangdong Province issued June 30, 2015, and remain unchanged during the 25-year operating period.

We hereby remind the users of this Report that the report conclusion is made based on the above assumptions.

- c) The relevant conclusions in the Forecast Report for the Traffic Volume and Toll Revenue of Shenzhen Outer Ring Expressway issued by the Guangdong Province Communications Planning and Design Institute Limited are quoted in this Appraisal and Consulting Report. We have fully understood the calculation and acquiring processes of the quoted report conclusions, and would assume the relevant responsibilities for the quoted report conclusions.

14. RESTRICTIONS ON THE USE OF THE APPRAISAL AND CONSULTING REPORT

1) Instructions for the use of the Appraisal and Consulting Report

- a) The use of this Report belongs to the entrusting party. The entrusting party or other users approved by the entrusting party to use the Assets Appraisal Report, shall carefully read and understand each part of this Report, and any exclusive use of each part of this Report, or any combined use of some parts, but not all, of the Report, is likely to cause the misunderstanding of the appraisal conclusion stated in the Report. Any exclusive use of, or any combined use (but not all) of any appraised value shown in the Appraisal Report beyond the scope of appraisal, will make such value invalid. The users of the Report shall pay special attention to the value definition, appraisal and consulting assumptions, appraisal and consulting bases, special instructions and commitment letter stated in the Report.
- b) In addition to the review and use of this Report by the assets appraisal authorities as required by laws and regulations or other agencies authorized by laws and regulations, without the written permission or consent of the entrusting party, our company will not provide or reveal all or part of the contents of this Report to others. In addition to the review and use of this Report by the assets appraisal authorities as required by laws and regulations or other agencies authorized by laws and regulations, our company has no obligation to explain this Report to any other third party.

2) Restrictions

- a) Any appraisal involving state-owned assets may be available for use after being filed with the relevant authorities for the record-filing.
- b) This Report may only be used for the appraisal and consulting purpose and use stated in the Report.

- c) This Report may only be used by the users of the Appraisal Report stated in the Report.
- d) Unless otherwise provided for by laws and regulations, or agreed by the relevant parties, without the consent of our company, the contents of the Appraisal Report shall not be excerpted, quoted or disclosed in the public media
- e) This Report is not a certificate of value for the appraisal object, but the appraisal and consulting opinions on the value of the appraisal object based on some appraisal and consulting basis and assumptions.

15. DATE OF THE APPRAISAL AND CONSULTING REPORT

This Report is mainly based on the data acquired during the period from the beginning of this appraisal and consulting project to the closing date of the field work. The closing date of the field work in this appraisal and consulting project is August 17, 2015 and the date of the Appraisal and Consulting Report is January 15, 2016.

DP International Appraisal Limited

Shenzhen, China
January 15, 2016

The following is the report on traffic flow and toll revenue projections of Outer Ring Section A prepared by Guangdong Traffic for the purpose of incorporation in this circular. The traffic study report 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.

Report on the Traffic flow and Toll Revenue Projections of Shenzhen Outer Ring Expressway

GuangDong Province Communications Planning & Design Institute Co., Ltd. (廣東省交通規劃設計研究院股份有限公司) (formerly 廣東省公路勘察規劃設計院股份有限公司) has been engaged by Shenzhen Expressway Company Limited to make projections on the traffic flow and toll revenue of Shenzhen Outer Ring Expressway (深圳外環高速公路).

1. BRIEF INFORMATION ON THE PROJECT

Shenzhen Outer Ring Expressway is located in the north of Shenzhen, cutting through northern Shenzhen from east to west as one of the horizontal expressways in the “7 horizontal and 13 vertical” expressways in the expressway network of Shenzhen. It starts at the northern side of Haishang Tianyuan, Shajing Town, Baoan District (connecting Guangzhou-Shenzhen Coastal Expressway), generally extending to the east through Shajing Street and Songgang Street in Baoan District, Guangming Street and Gongming Street in Guangming New District, Guanlan Street in Longhua New District, Tangxia Town, Qingxi Town and Fenggang Town in Dongguan (*Note: the Dongguan Section is not covered in this project*), Longcheng Street, Pingdi Street in Longgang District and Kengzi Street in Pingshan New District. After the connection with Shenzhen-Shantou Expressway opens, it will also be connected to the planned Julong Road. It provides 6 lanes in two directions with the main route running approximately 60 km, and its design speed is 120 km/hour. It is scheduled to open in 2019.

Table 1 – Project Overview

No.	Item	Shenzhen Outer Ring Expressway
1	Technical grade	Expressway
2	Management mode	Closed management
3	Mileage of the project (Shenzhen Section) (km)	60.0
4	Number of lanes	6
5	Design speed (km/h)	120
6	Opening	2019 (estimated)

2. RESEARCH TASKS

The subject matter of this research is a forecast of the traffic flow and toll revenue of Shenzhen Outer Ring Expressway in future years. The scope of research mainly includes the collection of basic information, on-site poll of vehicle flow, analysis of vehicle flow, projections of future vehicle flow and toll revenue. Major tasks performed include the following:

- 1) Review of existing planning reports and analysis reports relating to the subject of research;
- 2) Collection of information on the social and economic development of affected areas and analysis of the current conditions of and planning for social and economic development of affected areas;
- 3) Collection of information on the traffic and transportation development of affected areas and analysis of the current conditions of and planning for traffic and transportation development of affected areas;
- 4) Collection of information on relevant facilities relating to traffic flow, toll revenue, toll-free arrangements for holidays and weight-based toll;
- 5) Formulation of method for forecasting vehicle flow and toll revenue;
- 6) Consideration of the impact of future developments of and changes in the regional road network and forecast of traffic flow of the project;
- 7) Forecast of toll revenue for project based on projected traffic flow and current toll rates.

3. METHOD OF TRAFFIC FLOW PROJECTION

The “four-stage” method mainly comprises: forecast of economic development in the affected area; forecast of traffic demand; forecast of traffic distribution; and forecast of traffic allocation.

The method and process of forecast is as follows: first of all, a forecast on the economic growth rate of the affected area is made; then the elasticity coefficient calculations are applied based on the elasticity correlation between traffic and economic growth to forecast the concentration of traffic occurrence in traffic sub-districts; on the basis of the aforesaid, a forecast of traffic distribution is made using the Fratar model; and a forecast of traffic allocation is subsequently made.

The “four-stage” method, which is widely used in the highway industry domestic and overseas alike, is adopted in the following traffic flow projections. Specifically, the following principal technical processes are adopted:

(1) Organisation and verification of basic data

During this stage, existing information on the affected area is collected. Such information includes existing analysis, traffic statistics and poll data, toll statistics data, data of road network nodes, and socio-economic data, on the basis of which a basic trip matrix for the affected area is formed. Such basic trip matrix is verified against the latest section traffic flow to form a projected basic annual trip matrix.

(2) Traffic demand projections

Projected economic growth rates of the affected area for future periods under three scenarios (high, moderate and low) are arrived at based on the analysis of existing social and economic conditions and the research on development trends of the affected area. Projected total traffic demand of the affected area for future illustrative years are arrived at through elasticity coefficient calculations based on the elasticity correlation between traffic and economic growth, taking into account the effect of traffic policies of Shenzhen such as restrictions on the purchase of small passenger cars and on the entry of non-Shenzhen small passenger cars. Specifically, it includes economic growth projections, elasticity development analysis and projections, and projections of traffic generation and attraction.

The model formula for the forecast of traffic demand is expressed as:

$$P_i^f = P_i^0 \times (1 + E_i \times r_i)^n$$

Where:

P_i^f – future traffic generation volume (attraction volume) of traffic sub-district i ;

P_i^0 – existing traffic generation volume (attraction volume) of traffic sub-district i ;

E_i – Elasticity coefficient of traffic indicators versus economic versus of sub-district i ;

r_i – GDP growth rate (%) of traffic sub-district i ;

n – Applicable period of forecast (identifying the illustrative years);

(3) Projections of traffic distribution

Based on the basic trip matrix and projected traffic generation and attraction of the affected area, projections of the future traffic and trip distribution of the affected area are made using the Fratar model and double bind method.

The Fratar model of traffic distribution is expressed as:

$$Q_{ij}^{K+1} = Q_{ij}^K \times F_i^K \times F_j^K \times \frac{L_i + L_j}{2}$$

$$L_i = \frac{P_i^K}{\sum_{j=1}^n (Q_{ij}^K \times F_j^K)} \quad L_j = \frac{A_j^K}{\sum_{i=1}^n (Q_{ij}^K \times F_i^K)}$$

Where:

Q_{ij}^{K+1} – Traffic volume between District i and District j in future years;

Q_{ij}^K – Traffic volume between District i and District j in the basis year;

F_i^k, F_j^k – Multiples of growth in traffic generation volumes of District i and District j;

P_i^k – Traffic generation volume of District i in the basis year;

A_i^k – Traffic attraction volume of District i in the basis year;

K – Number of replacements;

n – Number of traffic sub-districts.

(4) Flow allocation

Flow allocation means the allocation of trip volumes between different districts to the road network to determine the traffic flow of particular road sections in the road network. The core issue of flow allocation is the choice of routes. Subject to consolidated costs such as road toll, road section mileage and time value and taking into account factors such as future changes in road sections and the impact of railway transport, the stochastic user equilibrium model has been adopted in this study to forecast the traffic flows of road sections.

The fundamental concept underlying the stochastic user equilibrium is that there are multiple trip routes between any two departure points and, because of the lack of complete understanding of the status of the road network and real time traffic conditions, as well as other non-quantifiable factors, each traveler's estimation about the trip resistance of each section in the road network is different from the others, and it can be approximated that he/she takes into account random variables with a certain probability distribution. Hence, every time a user goes on a trip, he/she tends to choose the route with the least resistance according to his/her estimation. As a result, when the traffic allocation is completed, no single user will be able to reduce such estimated resistance by unilaterally changing his/her route. The underlying assumptions for the establishment of this model are as follows:

- Actual traffic resistance exists in any section in the road network, and the traveler's estimation of the sectional resistance represents a random variable of the average value of actual traffic resistance in a section.
- The respectively probability distributions for estimated resistance in different road sections are independent from one another.
- The traveler chooses the route that he/she thinks will be met with the least estimated resistance.

The relevant formula is as follows:

Assuming C_k^{ij} is the estimated resistance between departure point i and destination j, and C_0^{ij} is an average value representing the random distribution of C_0 (C_0 being the trip resistance of the shortest route between i and j), then:

$$C_k^{ij} = C_0 + \varepsilon_k, \quad \varepsilon_k, \text{ being the random error.}$$

$$C_0 = \sum_k \left(Toll_s + \delta \times L_s + \psi \times t_s \times \left[1 + \alpha_s \times \left(\frac{x_s}{c_s} \right)^{\beta_s} \right] \right)$$

Where: C_0 , namely, the general cost for a section (k) of a specific route, which is the sum of fixed costs such as road and bridge tolls and operating costs ($\delta \times L$) and the value of time spent for the trip

$$\left(\psi \times t_s \times \left[1 + \alpha_s \times \left(\frac{x_s}{c_s} \right)^{\beta_s} \right] \right)$$

On this basis, the probability of the traveler choosing a specific route is arrived at as follows, using the utility theory:

$$P_k^{ij} = \frac{\exp(-\theta \times C_k^{ij})}{\sum_l \exp(-\theta \times C_l^{ij})}$$

Allocation is then carried out according to the aforesaid probability.

Key considerations in the process of road network allocation include:

- ✓ Trip modes, such as railway transport;
- ✓ Diversion by/conversion with new projects;
- ✓ Road toll;
- ✓ Accessibility;
- ✓ Design speed and delays in operation;
- ✓ Time value.

4. KEY BASIC ASSUMPTIONS

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

(1) Assumptions on economic growth

Under the moderate scenario, the economic growth rates of Shenzhen, the primary affected area, for the future periods are as follows: approximately 8.0% for 2016-2020; approximately 6.5% for 2021-2025; approximately 5.5% for 2026-2030; approximately 4% for 2031-2040; approximately 3.5% for 2041-2045.

(2) Assumptions on traffic elasticity

Passenger vehicle elasticity assumptions for Shenzhen, the primary affected area: 0.42 for 2016-2020; 0.40 for 2021-2025; 0.38 for 2026-2030; 0.35 for 2031-2040; 0.32 for 2041-2045; truck elasticity assumption: 0.40 for 2016-2020; 0.36 for 2021-2025; 0.32 for 2026-2030; 0.27 for 2031-2040; 0.24 for 2041-2045.

(3) Assumptions on road network changes

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

Table 2 – Future Construction Plans for Major Related Roads in the Affected Area

No.	Completed in:	Related highways	Remark
1	Early 2018	Longguan Expressway, Eastern Cross-border and Pingyan Corridor open	
2	Early 2019	Outer Ring Expressway opens	
3	Early 2020	Bulong Connection Lane of Guangqiao Avenue	
4	End 2023	Shenzhong Corridor opens	
5	End 2023	Longyan Expressway opens	
6	End 2027	Toll period of Jihe Expressway expires	

5. TRAFFIC FLOW PROJECTIONS

The “four-stage” method is adopted by the report. Taking 2014 as the basis point, forecasts of vehicle flow at Shenzhen Outer Ring Expressway over the years are made under the moderate, high and low scenarios. Results for the Shenzhen Section are set out as follows:

Table 3 – Projected traffic flow of Shenzhen Outer Ring Expressway, Shenzhen Section (standard car/day)

Year	Moderate	High	Low
2019	34,900	36,407	33,429
2020	40,048	41,910	38,186
2021	46,055	48,298	43,812
2022	52,560	55,194	49,941
2023	59,988	63,079	56,933
2024	64,679	68,103	61,312
2025	71,323	76,835	66,418
2026	77,473	83,883	71,632
2027	84,162	91,588	77,263
2028	86,509	94,620	78,853
2029	90,527	99,071	81,889
2030	94,752	103,753	85,059
2031	97,935	107,239	87,567
2032	101,227	110,843	90,150
2033	104,631	114,571	92,812
2034	108,151	118,426	95,553
2035	111,792	122,412	98,377
2036	113,726	123,575	99,714
2037	115,696	124,752	101,071
2038	117,702	125,942	102,448
2039	118,567	126,629	103,083
2040	119,440	127,322	103,724
2041	120,321	128,020	104,371
2042	121,211	128,725	105,023
2043	122,109	129,436	105,681

Note: The traffic flow set out in the above table represents the total traffic flow of the project including toll-free vehicles and green-passage vehicles.

6. TOLL REVENUE PROJECTIONS

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

(1) Toll rates adopted by the report

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

Table 4 – Current toll rates of 6-Lane Expressways

Vehicle type	Class I	Class II	Class III	Class IV	Class V
Toll rates (RMB/km)	0.60	0.90	1.20	1.80	2.10

(2) Results of toll revenue projections

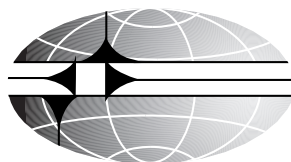
Forecast toll revenue of Shenzhen Outer Ring Expressway for future periods of operation:

Table 9 – Forecast toll revenue of Shenzhen Section of Shenzhen Outer Ring Expressway for the years indicated (RMB in ten thousands)

Year	Moderate	High	Low
2019	43,589	45,472	41,752
2020	49,946	52,269	47,624
2021	57,337	60,130	54,545
2022	65,300	68,573	62,047
2023	74,377	78,209	70,588
2024	80,295	84,546	76,115
2025	88,292	95,115	82,220
2026	95,773	103,697	88,552
2027	103,901	113,069	95,385
2028	106,655	116,653	97,216
2029	111,453	121,971	100,817
2030	116,496	127,563	104,578
2031	120,354	131,788	107,612
2032	124,342	136,155	110,736
2033	128,465	140,669	113,953
2034	132,726	145,335	117,265
2035	137,132	150,159	120,676
2036	139,428	151,503	122,249
2037	141,766	152,862	123,845
2038	144,145	154,236	125,464
2039	145,129	154,997	126,177
2040	146,123	155,765	126,896
2041	147,126	156,540	127,622
2042	148,139	157,322	128,354
2043	149,161	158,111	129,093
Total	2,797,449	3,012,709	2,501,382

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

**(I) LETTER FROM THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY
COMPANY LIMITED**



**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)

18 March 2016
The Listing Division
The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

Re: The operating right for the Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section)

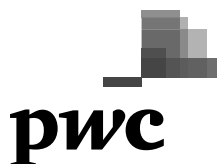
Reference is made to the valuation of the operating right for the Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section) as at 31 December 2018 set out in the valuation and consultation report dated 15 January 2016 prepared by DP International Appraisal Limited (“DP International”) (the “Valuation and Consultation Report”), an independent valuer appointed by Shenzhen Expressway Company Limited (“Company”). The valuation set out in the Valuation and Consultation Report constitutes a profit forecast (the “Profit Forecast”) under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have reviewed the Valuation and Consultation Report prepared by DP International and discussed relevant matters (including the bases and assumptions upon which the valuation and consultation have been prepared). We have also considered the letter from our auditor, PwC Zhong Tian LLP dated 18 March 2016 addressed to the Company regarding whether the valuation and consultation have been properly compiled so far as the calculations are concerned.

On the foregoing basis, we are of the view that the Profit Forecast set out in the Valuation and Consultation Report has been prepared by DP International after due and careful enquiries.

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

(II) LETTER FROM PRICEWATERHOUSECOOPERS ZHONG TIAN LLP



普华永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
CALCULATION OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION
WITH THE VALUATION OF OPERATING RIGHT OF SHENZHEN SECTION OF SHENZHEN
OUTER RING EXPRESSWAY (COASTAL EXPRESSWAY – SHENSHAN EXPRESSWAY
SECTION)****TO THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY COMPANY LIMITED**

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the valuation (the “Valuation”) dated 15 January 2016 prepared by DP International Appraisal Limited in respect of the appraisal of the fair value of operating right of Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section) (the “Outer Ring Section A”) (the “Target Asset”) as at 31 December 2018 is based. The Valuation is in connection with the announcement of Shenzhen Expressway Company Limited (the “Company”) dated 18 March 2016 (the “Announcement”) in relation to concession agreement to be entered between the Transport Commission of Shenzhen Municipality and Shenzhen Outer Ring Expressway Investment Company Limited, a subsidiary of the Company, in respect of the Outer Ring Section A. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the “Listing Rules”).

Directors' Responsibility for the Discounted Future Estimated Cash Flows

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

Reporting Accountant's Responsibilities

It is our responsibility to report, as required by paragraph 29(2) of Appendix 1B of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Asset.

We conducted our work in accordance with the China Standard on Other Assurance Engagements No.3101 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by Chinese Institute of Certified Public Accountant. This standard requires that we comply with ethical

requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out in the Valuation. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

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

PricewaterhouseCoopers Zhong Tian LLP

Certified Public Accountant: Zhou Wei Ran

Shanghai, the People's Republic of China
18 March 2016

Certified Public Accountant: Hou Ying Hua

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Long positions in ordinary shares of SZ International

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

Interests in share options of SZ International

Name	Share Option 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	1,050,000	Personal	Beneficial Owner
Zhong Shan Qun	1,050,000	Personal	Beneficial Owner

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company was interested in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors, supervisors or the chief executives were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

3. COMPETING INTEREST

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

4. INTERESTS IN 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 experts who have given opinion or advice contained in this circular:

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

- 2) As at the Latest Practicable Date, each of DP International, Guangdong Traffic and PwC Zhong Tian LLP had no 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 in any member of the Group.
- 3) Each of DP International, Guangdong Traffic and PwC Zhong Tian LLP has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter or report and references to its name in the form and context in which it is included.
- 4) As at the Latest Practicable Date, each of DP International, Guangdong Traffic and PwC Zhong Tian LLP 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 Agreement;

- 2) the Joint Investment and Construction Agreement;
- 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 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 to the Company entered into between the Company and Bank of Guizhou 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 Meiguan Company, a wholly-owned subsidiary of the Company, and Shenzhen International United Land Co., Ltd. (深圳市深國際聯合置地有限公司) on 24 June 2015;
- 8) the payment agreement entered into among Shenzhen Longhua New Area Administrative Committee (深圳市龍華新區管委會), SZ International and the Company in relation to, among others, the timing of signing of the land transfer agreement in respect of the Meilin Checkpoint Urban Renewal Project and the payment of land premium dated 10 September 2014; 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 SZ International 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):

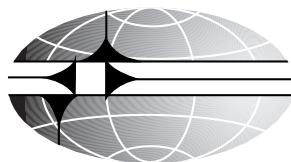
- 1) the articles of association of the Company and its attachments thereto;

- 2) the annual reports of the Company for the two years ended 31 December 2015;
- 3) the valuation and consultation report from DP International, the text of which is set out in Appendix III to this circular;
- 4) the traffic study report from Guangdong Traffic, the text of which is set out in Appendix IV to this circular;
- 5) the letters from PwC Zhong Tian LLP and the Company on the discounted future estimated cash flows in connection with the valuation of the operating right for Outer Ring Section A, the text of which is set out in Appendix V to this circular;
- 6) the letters of consent from each of the DP International, Guangdong Traffic and PwC Zhong Tian LLP;
- 7) the material contracts referred to in this Appendix; and
- 8) this circular.

11. MISCELLANEOUS

- 1) The joint company secretaries 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 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- 4) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text unless otherwise stated.

NOTICE OF THE AGM



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 2015 ANNUAL GENERAL MEETING

Notice is hereby given that the 2015 Annual General Meeting (“AGM”) of Shenzhen Expressway Company Limited (“Company”) will be held at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the People’s Republic of China on 19 May 2016 (Thursday) at 2:00 p.m. to consider and, if thought fit, pass the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors for the year 2015;
2. To consider and approve the report of the supervisory committee for the year 2015;
3. To consider and approve the audited accounts for the year 2015;
4. To consider and approve the proposed distribution scheme of profits for the year 2015 (including declaration of final dividend);
5. To consider and approve the budget report for the year 2016;
6. To consider and approve the resolution in relation to the investment in Outer Ring Section A: The concession agreement (the “Concession Agreement”, a copy of which has been tabled at the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) dated 18 March 2016 between Transport Commission of Shenzhen Municipality and Shenzhen Outer Ring Expressway Investment Company Limited (深圳市外環高速公路投資有限公司, “Outer Ring Company”) and the joint investment and construction agreement (the “Joint Investment and Construction Agreement”, a copy of which has been tabled at the meeting marked “B” and initialed by the chairman of the meeting for the purpose of identification) dated 18 March 2016 among Shenzhen SEZ Construction and Development Group Co., Ltd. (深圳市特區建設發展集團有限公司), the Company and the Outer Ring Company and the investment, construction and management proposal of Outer Ring Section A contemplated under the Concession Agreement and the Joint Investment and Construction Agreement be and are hereby approved, confirmed and ratified.

NOTICE OF THE AGM

SPECIAL RESOLUTIONS

7. To consider and approve by way of separate resolutions in relation to the grant of a general mandate to the board of directors of the Company to issue debentures, the board of directors of the Company be granted a general mandate (“General Mandate”) to issue debentures (“Debentures”) in one or more tranches from the date on which these resolutions are approved by the general meeting to the date on which the 2016 annual general meeting is held with a maximum outstanding repayment amount of the Debentures to be issued under this General Mandate not exceeding the equivalent of RMB6 billion in aggregate, the specific provisions are as follows:
- 7.01 Issue size and method: The maximum outstanding repayment amount of the Debentures to be issued under the General Mandate shall not exceed the equivalent of RMB6 billion in aggregate and the issue size for each category of the Debentures shall not exceed the limit of that category of the Debentures that may be issued under relevant national laws and regulations. The specific issue method is to be determined by the board of directors and the lead underwriter with reference to the market conditions before the issue.
- 7.02 Type of the Debentures: Including but not limited to medium-term notes (including perpetual medium-term notes), short-term commercial paper, extra-short-term commercial paper, asset-backed commercial paper, corporate bonds, private bonds, overseas bonds and other new types of domestic or overseas bonds, etc.
- 7.03 Maturity of the Debentures: Each term of maturity for short-term commercial paper and extra-short-term commercial paper shall not exceed 1 year, and each term of maturity for medium-term notes, asset-backed commercial paper, corporate bonds, private bonds and overseas bonds shall exceed 1 year, which may be issued under single category with one maturity term or mixed categories with different maturity terms. Specific terms are to be determined by the board of directors with reference to the market conditions and the Company’s needs for funding.
- 7.04 Target subscribers and arrangement for placement to shareholders: Target subscribers are investors in compliance with the requirements of relevant laws and regulations. The Debentures shall not be placed to the existing shareholders on a preferential basis.
- 7.05 Interest rate: It is expected that the interest rate will not exceed the rate for the comparable loans for the same maturity in the market at the time of issue. Actual interest rate is to be determined by the board of directors with reference to the market conditions at the time of issue.
- 7.06 Use of proceeds: Replenishment of the Company’s and/or its subsidiaries’ working capital and capital expenditure, repayment of the Company’s and/or its subsidiaries’ existing debts and capital requirements for new projects, etc.
- 7.07 Listing: To be determined by the board of directors with reference to the market conditions at the time of issue.

NOTICE OF THE AGM

- 7.08 Guarantee: The specific type of guarantee (if necessary) is to be determined by the board of directors with reference to the market conditions at the time of issue and approved within its authority.
- 7.09 Validity of the resolutions: From the date on which the resolutions are approved by the general meeting to the date on which the 2016 annual general meeting is held.
- 7.10 Authorisation arrangement: the board of directors or any two directors of the Company duly authorised by the board of directors are hereby generally and unconditionally authorised to determine and approve the specific terms, conditions and related matters of the Debentures to be issued under the General Mandate according to the needs of the Company and the market conditions and to prepare and execute all necessary documents, and make all necessary arrangement for the implementation of the issue and listing (if applicable) of relevant Debentures.

By Order of the Board
Hu Wei
Chairman

Shenzhen, PRC, 1 April 2016

Notes:

I. Eligibility for attending the AGM

Shareholders of the Company whose names appear on the registers of shareholders of the Company at the close of business on 18 April 2016 shall have the right to attend the AGM after complying with the necessary registration procedures.

II. Registration procedures for attending the AGM

1. Shareholders intending to attend the AGM should deliver to the Company, on or before 29 April 2016, either in person, by post or by fax, the reply slip (together with any required registration documents) for attending the AGM.
2. Holders of H shares of the Company please note that the register of holders of H shares of the Company shall be closed from 19 April 2016 to 19 May 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 AGM 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, no later than 4:30 p.m. on 18 April 2016.

III. Proxy

1. Shareholders entitled to attend and vote at the AGM are entitled to appoint, in written form, one or more proxies (whether a shareholder or not) to attend and vote on his behalf.
2. 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

NOTICE OF THE AGM

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 AGM. 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.

3. Shareholder or his proxy should produce identity proof when attending the AGM.

IV. Notice on relevant matters about final dividend

The board of directors recommended the payment of a final dividend of RMB0.34 (tax included) per share to all shareholders for the year ended 31 December 2015, subject to the approval by the shareholders at the AGM to be held on 19 May 2016 (Thursday).

The Company hereby further remind holders of H shares that the record date of the H shares of the Company for the final dividend for the year ended 31 December 2015 shall be 2 June 2016 (Thursday), and the register of holders of H shares of the Company will be closed from 25 May 2016 to 2 June 2016 (both days inclusive), during which period no transfer of H shares of the Company will be registered. In order to be qualified for the final dividend, all instruments of transfer, accompanied by the relevant share certificates of H shares of the Company must be delivered to the registrar of H shares of the Company, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 24 May 2016 (Tuesday).

Other matters related to the final dividend will be separately notified.

V. 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 AGM on the resolution set out in the notice of the AGM will be taken by poll.

VI. Other matters

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

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

Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

3. Address of the Company:

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

Tel.: (86) 755 – 8285 3339

Fax: (86) 755 – 8285 3411