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

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Shenzhen International Holdings Limited

深圳國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00152)

**MAJOR TRANSACTION
IN RELATION TO THE TOLL ADJUSTMENT AND COMPENSATION
ARRANGEMENTS REGARDING
LONGDA EXPRESSWAY, NANGUANG EXPRESSWAY,
YANPAI EXPRESSWAY AND YANBA EXPRESSWAY**

A notice convening a special general meeting of Shenzhen International Holdings Limited to be held at the conference room of the Company at Rooms 2206–2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 28 January 2016 at 11:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the enclosed proxy form and return it to the branch share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting(s) should you so wish.

12 January 2016

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DEFINITIONS

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

“Adjustment Agreements”	collectively, the Three Expressways Adjustment Agreement and the Longda Adjustment Agreement
“Adjustments”	collectively, the Three Expressways Adjustment and the Longda Adjustment
“Board”	the board of Directors
“Company”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“DZX”	DZX International Appraisal Limited (德正信國際資產評估有限公司), an independent institution established in PRC with the qualifications for assets valuation
“Fee Entitlement Right”	the right entitling the grantee of such right to charge fees in respect of an expressway, including toll fees, advertising fees and ancillary service facilities operation fees
“GPCP&D”	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 institution established in PRC with the qualifications for traffic consultancy
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual or a company which is independent of the Company and its connected persons (within the meaning of the Listing Rules)
“km”	kilometer(s)
“Latest Practicable Date”	7 January 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longda Adjustment”	pursuant to the Longda Adjustment Agreement, the toll adjustment of the Longda Shenzhen Section, the transfer of assets and the relevant compensation arrangement

DEFINITIONS

“Longda Adjustment Agreement”	the agreement entered into between Longda Company and the Transport Commission (on behalf of the Shenzhen government) on 30 November 2015 relating to the toll adjustment of the Longda Shenzhen Section, the transfer of assets and the relevant compensation arrangement
“Longda Company”	Shenzhen Longda Expressway Company Limited (深圳龍大高速公路有限公司), a company incorporated in the PRC with limited liability and held by the Company as to 89.93%
“Longda Expressway”	the 28.2 km expressway across Shenzhen and Dongguan that starts from Longhua street in Shenzhen, runs to Shiyan, Guangming, Gongming, Songgang and ends at Dalingshan in Dongguan
“Longda Land Use Rights”	the land use rights of Longda Shenzhen Section and any ancillary assets
“Longda New Toll Stations”	the new toll stations for the Longda Shenzhen Section to be set up by the Transport Commission
“Longda Shenzhen Section”	the 23.8 km section of the Longda Expressway from the starting point of the Longda Expressway to the Nanguang ramp
“Nanguang Expressway”	the 31 km expressway connecting Xili and Gongming in Shenzhen that starts from Qilin Road in Shenzhen, runs to Xili, Shiyan, Gongming and ends at Luotian, connected with Changhu expressway through the Longda Expressway
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“PwC”	PricewaterhouseCoopers, the auditor of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and if thought fit, approving, among others, the Adjustment Agreements and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“SZ Expressway”	Shenzhen Expressway Company Limited, a joint stock limited company incorporated in the PRC with limited liability and a 50.889%-owned subsidiary of the Company, the H shares of which are listed on the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange
“Three Expressways”	collectively, the Nanguang Expressway, the Yanpai Expressway and the Yanba Expressway
“Three Expressways Adjustment”	pursuant to the Three Expressways Adjustment Agreement, the toll adjustment of the Three Expressways, the transfer of assets and the relevant compensation arrangement
“Three Expressways Adjustment Agreement”	the agreement entered into between SZ Expressway and the Transport Commission (on behalf of the Shenzhen government) on 30 November 2015 relating to the toll adjustment of the Three Expressways, the transfer of assets and the relevant compensation arrangement
“Three Expressways Land Use Rights”	the land use rights of the Three Expressways and any ancillary assets
“Three Expressways New Toll Stations”	the new toll stations for the Three Expressways to be set up by the Transport Commission
“Transport Commission”	the Transport Commission of Shenzhen Municipality (深圳市交通運輸委員會)
“Yanba Expressway”	the 29.1 km expressway connecting Yantian and Bagang in Shenzhen, consisting of the section A from Yantian to Xichong, the section B from Xichong to Kuichong and the section C from Kuichong to Bagang
“Yanpai Expressway”	the 15.6 km expressway connecting Yantian and Paibang in Shenzhen that starts from Yantian, runs to Wutongshang and ends at Paibang Interchange, connected with Jihe expressway and Boshen expressway

Notes:

In this circular, the English names of certain PRC entities are translation of their Chinese names, and are included for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

In this circular, conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 to RMB0.82. This exchange rate has 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



Shenzhen International Holdings Limited
深圳國際控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00152)

Executive Directors:

Mr. Gao Lei
Mr. Li Jing Qi
Mr. Zhong Shan Qun
Mr. Liu Jun
Mr. Li Lu Ning

Non-executive Director:

Dr. Yim Fung, JP

Independent non-executive Directors:

Mr. Leung Ming Yuen, Simon
Mr. Ding Xun
Mr. Nip Yun Wing

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business:*

Rooms 2206–2208, 22nd Floor
Greenfield Tower, Concordia Plaza
No. 1 Science Museum Road
Tsimshatsui East
Kowloon
Hong Kong

12 January 2016

To the Shareholders

Dear Sirs or Madams,

**MAJOR TRANSACTION
IN RELATION TO THE TOLL ADJUSTMENT AND COMPENSATION
ARRANGEMENTS REGARDING
LONGDA EXPRESSWAY, NANGUANG EXPRESSWAY,
YANPAI EXPRESSWAY AND YANBA EXPRESSWAY**

INTRODUCTION

On 2 December 2015, the Board and the board of directors of SZ Expressway (a 50.889%-owned subsidiary of the Company) jointly announced that on 30 November 2015, (i) SZ Expressway and the Transport Commission entered into the Three Expressways Adjustment Agreement; and (ii) Longda Company (a non-wholly owned subsidiary of the Company) and the Transport Commission entered into the Longda Adjustment Agreement. The parties have agreed to implement toll-free for the Three Expressways (which consist of Nanguang Expressway, Yanpai Expressway and Yanba Expressway) and the Longda Shenzhen Section (namely, the 23.8 km section of the Longda Expressway from the starting

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point of the Longda Expressway to the Nanguang ramp) from 00:00 on 7 February 2016 in two phases, in exchange for cash compensation calculated based on adjustment mechanism by the Transport Commission.

The Adjustment Agreements (which consists of the Three Expressways Adjustment Agreement and the Longda Adjustment Agreement) will be implemented in two phases. During Phase 1, each of SZ Expressway and Longda Company will retain its Fee Entitlement Right and be responsible for the maintenance and repair of the Three Expressways and the Longda Shenzhen Section. The Transport Commission will engage the services of SZ Expressway and Longda Company and implement toll-free for the Three Expressways and the Longda Shenzhen Section in exchange for an amount of cash compensation. During Phase 2, the Transport Commission may, within 10 months before the end of Phase 1, elect to adopt either Option 1 or Option 2 to be effective from 00:00 on 1 January 2019. Under Option 1, the parties will continue to implement toll-free in the same manner in Phase 1. Under Option 2, the Fee Entitlement Right of the Three Expressways and the Longda Shenzhen Section will be returned to the Transport Commission in exchange for cash compensation and the Transport Commission will implement toll-free for the Three Expressways and the Longda Shenzhen Section. SZ Expressway and Longda Company will no longer retain its Fee Entitlement Right and be responsible for the maintenance and repair of the Three Expressways and the Longda Shenzhen Section.

The Adjustment Agreements and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules, which is subject to the approval of the Shareholders. The purpose of this circular is to provide you with, among other things, (i) details of the Adjustment Agreements and the transactions contemplated thereunder, (ii) a notice of the SGM at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Adjustment Agreements and the transactions contemplated thereunder, and (iii) other information required under the Listing Rules.

THE THREE EXPRESSWAYS ADJUSTMENT AGREEMENT

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

Date: 30 November 2015

Parties: SZ Expressway
the Transport Commission

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Transport Commission is a government body and an Independent Third Party.

LETTER FROM THE BOARD

The Three Expressways Adjustment

Pursuant to the Three Expressways Adjustment Agreement, SZ Expressway has agreed to implement toll-free for the Three Expressways (which consist of Nanguang Expressway, Yanpai Expressway and Yanba Expressway) from 00:00 on 7 February 2016 in two phases in exchange for cash compensation by the Transport Commission based on the adjustment mechanism set out below. Details of the implementation are as follows:

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

During Phase 1, SZ Expressway will implement toll-free for the Three Expressways in exchange for cash compensation from the Transport Commission. During this period, SZ Expressway will be responsible for the maintenance and repair of the Three Expressways. Before the Three Expressways New Toll Stations commence operation, the Three Expressways will be operated by card access and the toll of the Three Expressways will be exempted.

Phase 2 (from 00:00 on 1 January 2019):

Within 10 months before the end of Phase 1 (i.e. 31 December 2018), the Transport Commission will elect to adopt one of the following options to be effective from 00:00 on 1 January 2019:

Option 1 — SZ Expressway will continue to implement toll-free for the Three Expressways until the end of their respective operation periods in exchange for cash compensation from the Transport Commission. Under this option, SZ Expressway will continue to be responsible for the maintenance and repair of the Three Expressways.

Option 2 — The Fee Entitlement Right of the Three Expressways will be returned to the Transport Commission and the Transport Commission will implement toll-free for the Three Expressways. The Transport Commission will pay a one-off cash compensation (including the relevant taxes) to SZ Expressway. Under this option, the Transport Commission will be responsible for the maintenance and repair of the Three Expressways.

Compensation

If Option 1 is adopted by the Transport Commission in Phase 2, the tentative amount of total compensation is RMB9,688,000,000 (approximately HK\$11,815,000,000) which consists of: (1) tentative compensation amount for Phase 1: RMB1,975,000,000 (approximately HK\$2,409,000,000); and (2) tentative compensation amount for Phase 2: RMB7,713,000,000 (approximately HK\$9,406,000,000).

If Option 2 is adopted by the Transport Commission in Phase 2, the tentative amount of total compensation is RMB7,652,000,000 (approximately HK\$9,332,000,000) which consists of: (1) tentative compensation amount for Phase 1: RMB1,975,000,000 (approximately HK\$2,409,000,000); (2) compensation for Phase 2: RMB4,673,000,000 (approximately HK\$5,699,000,000); and (3) relevant tentative taxes: RMB1,004,000,000 (approximately HK\$1,224,000,000) (subject to adjustments based on the actual amount to be collected by the relevant tax authorities). (Note: Phase 2 compensation amount consists of compensation of RMB4,460,000,000 (approximately HK\$5,439,000,000) for the return of the Fee Entitlement Right to the Transport Commission and compensation of RMB213,000,000 (approximately HK\$260,000,000) for the increased operating cost due to the Three Expressways New Toll Stations).

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The above compensation amounts are tentative figures only and the final amount is subject to adjustments as set out in the paragraph headed “*Adjustments to the compensation*” under the section headed “*The Three Expressways Adjustment Agreement*”.

All compensation (not including compensation for the relevant taxes) payable by the Transport Commission to SZ Expressway are subject to additional interest payable by the Transport Commission to SZ Expressway to reflect the time value of the compensation for the period between the basis date of valuation and the date of payment. Such interest shall start to accrue from 1 December 2015 calculated based on the loan interest rate with the corresponding tenor published by the People’s Bank of China.

The compensation arrangement and other terms regarding the Three Expressways Adjustment are arrived at after arm’s length negotiations between SZ Expressway and the Transport Commission. SZ Expressway and the Transport Commission have taken into consideration a number of factors including, without limitation, valuation conducted by DZX, purpose and necessity for this adjustment, the reasons for and benefits of entering into the Three Expressways Adjustment Agreement as set out below and the impact on SZ Expressway, etc. SZ Expressway has appointed DZX to carry out the valuation of the Three Expressways. DZX has conducted a valuation of the income (including toll revenue for Phase 1 and toll revenue or net free cash flow generated for Phase 2) of the Three Expressways as at 30 November 2015 by adopting the income approach. The key assumptions of such valuation are set out in Appendix II to this circular.

Adjustments to the compensation

The parties will engage Shenzhen City Transport Planning Study Centre Co., Ltd. to audit the actual amount of toll revenue in each of the financial years during Phase 1 according to the agreed approach under the Three Expressways Adjustment Agreement. Based on actual number of vehicle passage each year, the audit will take into account factors such as economic growth, changes in road network and transferred or induced traffic volume due to toll free arrangement, etc. in the comprehensive consideration. The adjustment mechanism consists of a traffic model based on the “four-stage” theory commonly adopted in the industry. Relevant parameters for each year will be set and the traffic model will also be updated and optimized according to the actual conditions of the Three Expressways. The optimized model will be applied for each year to evaluate the traffic flow of the Three Expressways and to calculate the actual toll revenue. For details of the adjustment mechanism, please refer to the appendix to this letter.

If the actual toll revenue deviates equal or less than 3% from the estimated figure stipulated under the Three Expressways Adjustment Agreement, the amount of compensation payable by the Transport Commission will not be adjusted. If the actual toll revenue deviates more than 3% from the estimated figure stipulated under the Three Expressways Adjustment Agreement, the amount of compensation payable by the Transport Commission will be adjusted upward or downward (as the case may be) by the amount in excess of 3%. Such adjustment will be settled between the parties in the following manner:

- For each of the financial years ending 31 December 2016 and 31 December 2017, any toll revenue adjustment will be calculated and paid by 31 January in the following year after the end of the respective financial year; and
- For the financial year ending 31 December 2018, any toll revenue adjustment will be added to or deducted from the unpaid balance of the compensation.

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

In addition, any additional operating expenses incurred by SZ Expressway due to the delay in the actual operation date of the Three Expressways New Toll Stations shall be calculated in accordance with the Three Expressways Adjustment Agreement and such amount shall be payable by the Transport Commission to SZ Expressway. According to the current working schedule, the Three Expressways New Toll Stations are expected to commence operation on 1 January 2018.

Although the final amount of the compensation is subject to adjustments in Phase 1 and Phase 2 as described above, the Company estimated that it will not be materially different from the tentative figures stipulated under the Three Expressways Adjustment Agreement. If the actual final amount of the compensation in Phase 2 (assuming Option 1 is adopted) exceeds or falls below 3% of the tentative figures stipulated under the Three Expressways Adjustment Agreement, the Company will comply with the requirements as appropriate under the Listing Rules.

Payment of the compensation

The Transport Commission shall make a first payment of RMB6,588,000,000 (approximately HK\$8,034,000,000) to SZ Expressway in cash within 30 days after the date of the Three Expressways Adjustment Agreement.

The Transport Commission will determine whether to adopt Option 1 or Option 2, and the balance of the compensation will be calculated and confirmed by the parties within 10 months before the end of Phase 1 (i.e. 31 December 2018). The balance of the compensation, any settlement balance and all interests accrued shall be paid by the Transport Commission to SZ Expressway in cash within 30 working days after the amount is confirmed by the parties. Relevant taxes will be paid within 30 working days after the date of payment of the relevant taxes.

Transfer of assets

Upon the Three Expressways Adjustment Agreement becoming effective, the parties have agreed that starting from 00:00 on 7 February 2016, (i) the Three Expressways Land Use Rights will be transferred to the Transport Commission; and (ii) SZ Expressway will be entitled to use the land on which the expressway infrastructure and ancillary facilities are located for no consideration until either the end of the respective operation periods of the Three Expressways or the return of its Fee Entitlement Right to the Transport Commission.

After the commencement of operation of the Three Expressways New Toll Stations, SZ Expressway shall be responsible for demolishing all the attachments of the existing toll stations and transferring any ancillary facilities of the existing toll stations to the Transport Commission within three months after the demolition.

In case the Transport Commission elects to adopt Option 2 in Phase 2, SZ Expressway shall, within three months before the end of Phase 1, start to transfer to the Transport Commission any data and information of the Three Expressways, and, at the end of Phase 1, transfer to the Transport Commission assets of the Three Expressways.

LETTER FROM THE BOARD

Tax liability

During Phase 1, any relevant tax arising from the Three Expressways Adjustment Agreement shall be borne by SZ Expressway.

During Phase 2, any relevant tax shall also be borne by SZ Expressway if Option 1 is adopted. If Option 2 is adopted, SZ Expressway shall be responsible for paying any tax to the relevant tax authorities and be compensated as set out in the paragraph headed “*Compensation*” under the section headed “*The Three Expressways Adjustment Agreement*”. The actual tax amount in excess of the estimated compensation figure will be further paid up to SZ Expressway whereas the actual tax amount falling short of the estimated tax figure will be refunded to the Transport Commission.

Conditions Precedent

The Three Expressways Adjustment Agreement shall become effective after the parties have signed the Three Expressways Adjustment Agreement and the following conditions have been satisfied: (i) the Three Expressways Adjustment Agreement being approved by the Shenzhen government, and the Transport Commission having obtained the approval documents from the Shenzhen government authorizing it to sign the Three Expressways Adjustment Agreement; (ii) SZ Expressway having obtained all necessary approvals, authorization, consent and permit (including but not limited to the approval of the controlling shareholders of SZ Expressway in respect of the Three Expressways Adjustment Agreement) and performed relevant procedures as required under the applicable laws, rules and regulations of the jurisdiction where its securities are listed and the Listing Rules.

As at the date of this circular, the shareholders’ approval of each of the Company and SZ Expressway has yet to be obtained for the effectiveness of the Three Expressways Adjustment Agreement. Pursuant to the Three Expressways Adjustment Agreement, there is neither a specific timeframe nor a long-stop date for the fulfilment of the conditions above. If any of the conditions above is not satisfied, the Three Expressways Adjustment Agreement shall lapse and SZ Expressway and the Transport Commission shall resolve by amicable negotiation. If no consensus can be reached, SZ Expressway shall be entitled to receive toll revenue for the Three Expressways. SZ Expressway shall return to the Transport Commission all compensation paid by the Transport Commission (including all interests accrued based on the bank lending rate for the same period up to the day of repayment), and receive any loss in toll revenue due to the implementation of toll free in respect of the Three Expressways.

Liability for Breach

Any failure to perform the obligations of the Three Expressways Adjustment Agreement by any party would constitute a breach of contract. If SZ Expressway fails to transfer assets of the Three Expressways in accordance with the Three Expressways Adjustment Agreement due to its own default, the defaults charges shall be paid to the Transport Commission calculated at RMB100,000 per day subject to a maximum amount of RMB5,000,000. If the Transport Commission delays the payment of the compensation and interests, the defaults charges shall be paid to SZ Expressway calculated at RMB100,000 per day subject to a maximum amount of RMB5,000,000. If the abovementioned delay is 60 days or more, the defaulting party shall make compensation for the loss of the other party and the other party is entitled to terminate the Three Expressways Adjustment Agreement.

LETTER FROM THE BOARD

Others

In order to maintain the integrity of expressway toll networks of Guangdong province, the Shenzhen government will set up the Three Expressways New Toll Stations. The Transport Commission will be responsible for the construction and related costs of the Three Expressways New Toll Stations, and the ownership of the Three Expressways New Toll Stations vests with the Transport Commission. SZ Expressway will be entitled to use the Three Expressways New Toll Stations for no consideration until either the end of the operation periods of the Three Expressways or the return of their Fee Entitlement Rights to the Transport Commission.

THE LONGDA ADJUSTMENT AGREEMENT

The principal terms of the Longda Adjustment Agreement are as follows:

Date: 30 November 2015

Parties: Longda Company
the Transport Commission

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Transport Commission is a government body and an Independent Third Party.

The Longda Adjustment

Pursuant to the Longda Adjustment Agreement, Longda Company has agreed to implement toll-free for the Longda Shenzhen Section (namely, the 23.8 km section of the Longda Expressway from the starting point of the Longda Expressway to the Nanguang ramp) from 00:00 on 7 February 2016 in two phases in exchange for cash compensation by the Transport Commission based on the adjustment mechanism set out below. The toll of the remaining section of the Longda Expressway with a mileage of 4.4 km will remain unchanged. Details of the implementation are as follows:

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

During Phase 1, Longda Company will implement toll-free for the Longda Shenzhen Section in exchange for cash compensation from the Transport Commission. During this period, Longda Company will be responsible for the maintenance and repair of the Longda Shenzhen Section. Before the Longda New Toll Stations commence operation, the Longda Shenzhen Section will be operated by card access and the toll of the Longda Shenzhen Section will be exempted.

Phase 2 (from 00:00 on 1 January 2019):

Within 10 months before the end of Phase 1 (i.e. 31 December 2018), the Transport Commission will elect to adopt one of the following options to be effective from 00:00 on 1 January 2019:

Option 1 — Longda Company will continue to implement toll-free for the Longda Shenzhen Section until the end of the operation period in exchange for cash compensation from the Transport Commission. Under this option, Longda Company will continue to be responsible for the maintenance and repair of the Longda Shenzhen Section.

LETTER FROM THE BOARD

Option 2 — The Fee Entitlement Right of the Longda Shenzhen Section will be returned to the Transport Commission and the Transport Commission will implement toll-free for the Longda Shenzhen Section. The Transport Commission will pay a one-off cash compensation (including the relevant taxes) to Longda Company. Under this option, the Transport Commission will be responsible for the maintenance and repair of the Longda Shenzhen Section.

Compensation

If Option 1 is adopted by the Transport Commission in Phase 2, the tentative amount of total compensation is RMB4,259,000,000 (approximately HK\$5,194,000,000) which consists of: (1) tentative compensation amount for Phase 1: RMB1,178,000,000 (approximately HK\$1,437,000,000); and (2) tentative compensation amount for Phase 2: RMB3,081,000,000 (approximately HK\$3,757,000,000).

If Option 2 is adopted by the Transport Commission in Phase 2, the tentative amount of total compensation is RMB3,840,000,000 (approximately HK\$4,683,000,000) which consists of: (1) tentative compensation amount for Phase 1: RMB1,178,000,000 (approximately HK\$1,437,000,000); (2) compensation for Phase 2: RMB1,977,000,000 (approximately HK\$2,411,000,000); and (3) relevant tentative taxes: RMB685,000,000 (approximately HK\$835,000,000) (subject to adjustments based on the actual amount to be collected by the relevant tax authorities). (Note: Phase 2 compensation amount consists of compensation of RMB1,819,000,000 (approximately HK\$2,218,000,000) for the return of the Fee Entitlement Right to the Transport Commission and compensation of RMB158,000,000 (approximately HK\$193,000,000) for the increased operating cost due to the Longda New Toll Stations).

The above compensation amounts are tentative figures only and the final amount is subject to adjustments as set out in the paragraph headed “*Adjustments to the compensation*” under the section headed “*The Longda Adjustment Agreement*”.

All compensation (not including compensation for the relevant taxes) payable by the Transport Commission to Longda Company are subject to additional interest payable by the Transport Commission to Longda Company to reflect the time value of the compensation for the period between the basis date of valuation and the date of payment. Such interest shall start to accrue from 1 December 2015 calculated based on the loan interest rate with the corresponding tenor published by the People’s Bank of China.

The compensation arrangement and other terms regarding the Longda Adjustment are arrived at after arm’s length negotiations between the Company and the Transport Commission. The Company and the Transport Commission have taken into consideration a number of factors including, without limitation, valuation conducted by DZX, purpose and necessity for this adjustment, the reasons for and benefits of entering into the Longda Adjustment Agreement as set out below and the impact on Longda Company and the Company, etc. Longda Company has appointed DZX to carry out the valuation of the Longda Shenzhen Section. DZX has conducted a valuation of the income (including toll revenue for Phase 1 and toll revenue or net free cash flow generated for Phase 2) of the Longda Shenzhen Section on 30 November 2015 by adopting the income approach. The key assumptions of such valuation are set out in Appendix II to this circular.

Adjustments to the compensation

The parties will engage Shenzhen City Transport Planning Study Centre Co., Ltd. to audit the actual amount of toll revenue in each of the financial years during Phase 1 according to the agreed approach under the Longda Adjustment Agreement. Based on actual number of vehicle passage each year, the relevant auditor will take into account factors such as economic growth, changes in road

LETTER FROM THE BOARD

network and transferred or induced traffic volume due to toll free arrangement, etc. in the comprehensive consideration. The adjustment mechanism consists of a traffic model based on the “four-stage” theory commonly adopted in the industry. Relevant parameters for each year will be set and the traffic model will also be updated and optimized according to the actual conditions of the Longda Shenzhen Section. The optimized model will be applied for each year to evaluate the traffic flow of the Longda Shenzhen Section and to calculate the actual toll revenue. For details of the adjustment mechanism, please refer to the appendix to this letter.

If the actual toll revenue deviates equal or less than 3% from the estimated figure stipulated under the Longda Adjustment Agreement, the amount of compensation payable by the Transport Commission will not be adjusted. If the actual toll revenue deviates more than 3% from the estimated figure stipulated under the Longda Adjustment Agreement, the amount of compensation payable by the Transport Commission will be adjusted upward or downward (as the case may be) by the amount in excess of 3%. Such adjustment will be settled between the parties in the following manner:

- For each of the financial years ending 31 December 2016 and 31 December 2017, any toll revenue adjustment will be calculated and paid by 31 January in the following year after the end of the respective financial year; and
- For the financial year ending 31 December 2018, any toll revenue adjustment will be added to or deducted from the unpaid balance of the compensation.

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

In addition, any additional operating expenses incurred by Longda Company due to the delay in the actual operation date of the Longda New Toll Stations shall be calculated in accordance with the Longda Adjustment Agreement and such amount shall be payable by the Transport Commission to Longda Company. According to the current working schedule, the Longda New Toll Stations are expected to commence operation on 1 January 2018.

Although the final amount of the compensation is subject to adjustments in Phase 1 and Phase 2 as described above, the Company estimated that it will not be materially different from the tentative figures stipulated under the Longda Adjustment Agreement. If the actual final amount of the compensation in Phase 2 (assuming Option 1 is adopted) exceeds or falls below 3% of the tentative figures stipulated under the Longda Adjustment Agreement, the Company will comply with the requirements as appropriate under the Listing Rules.

Payment of the compensation

The Transport Commission shall make a first payment of RMB3,125,000,000 (approximately HK\$3,811,000,000) to Longda Company in cash within 30 days after the date of the Longda Adjustment Agreement.

The Transport Commission will determine whether to adopt Option 1 or Option 2, and the balance of the compensation will be calculated and confirmed by the parties within 10 months before the end of Phase 1 (i.e. 31 December 2018). The balance of the compensation, any settlement balance and all

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interests accrued shall be paid by the Transport Commission to Longda Company in cash within 30 working days after the amount is confirmed by the parties. Relevant taxes will be paid within 30 working days after the date of payment of the relevant taxes.

Transfer of assets

Upon the Longda Adjustment Agreement becoming effective, the parties have agreed that starting from 00:00 on 7 February 2016, (i) the Longda Land Use Rights will be transferred to the Transport Commission; and (ii) Longda Company will be entitled to use the land on which the expressway infrastructure and ancillary facilities are located for no consideration until either the end of the operation period of the Longda Shenzhen Section or the return of its Fee Entitlement Right to the Transport Commission.

After the commencement of operation of the Longda New Toll Stations, Longda Company shall be responsible for demolishing all the attachments of the existing toll stations and transferring any ancillary facilities of the existing toll stations to the Transport Commission within three months after the demolition.

In case the Transport Commission elects to adopt Option 2 in Phase 2, Longda Company shall, within three months before the end of Phase 1, start to transfer to the Transport Commission any data and information of the Longda Shenzhen Section, and, at the end of Phase 1, transfer to the Transport Commission assets of the Longda Shenzhen Section.

Tax liability

During Phase 1, any relevant tax arising from the Longda Adjustment Agreement shall be borne by Longda Company.

During Phase 2, any relevant tax shall also be borne by Longda Company if Option 1 is adopted. If Option 2 is adopted, Longda Company shall be responsible for paying any tax to the relevant tax authorities and be compensated as set out in the paragraph headed "*Compensation*" under the section headed "*The Longda Adjustment Agreement*". The actual tax amount in excess of the estimated compensation figure will be further paid up to Longda Company whereas the actual tax amount falling short of the estimated tax figure will be refunded to the Transport Commission.

Conditions Precedent

The Longda Adjustment Agreement shall become effective after the parties have signed the Longda Adjustment Agreement and the following conditions have been satisfied: (i) the Longda Adjustment Agreement being approved by the Shenzhen government, and the Transport Commission having obtained the approval documents from the Shenzhen government authorizing it to sign the Longda Adjustment Agreement; (ii) shareholders or the actual controlling shareholders of Longda Company having obtained all necessary approvals, authorization, consent and permit (including but not limited to the approval by the actual controlling shareholders of Longda Company at a shareholders' meeting) and performed relevant procedures as required under the applicable laws, rules and regulations of the jurisdiction where its securities are listed and the Listing Rules.

As at the date of this circular, the shareholders' approval of the Company has yet to be obtained for the effectiveness of the Longda Adjustment Agreement. Pursuant to the Longda Adjustment Agreement, there is neither a specific timeframe nor a long-stop date for the fulfilment of the conditions above. If any of the conditions above is not satisfied, the Longda Adjustment Agreement shall lapse and

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Longda Company and the Transport Commission shall resolve by amicable negotiation. If no consensus can be reached, Longda Company shall be entitled to receive toll revenue for the Longda Shenzhen Section. Longda Company shall return to the Transport Commission all compensation paid by the Transport Commission (including all interests accrued based on the bank lending rate for the same period up to the day of repayment), and receive any loss in toll revenue due to the implementation of toll free in respect of the Longda Shenzhen Section.

Liability for Breach

Any failure to perform the obligations of the Longda Adjustment Agreement by any party would constitute a breach of contract. If Longda Company fails to transfer assets of the Longda Shenzhen Section in accordance with the Longda Adjustment Agreement due to its own default, the defaults charges shall be paid to the Transport Commission calculated at RMB100,000 per day subject to a maximum amount of RMB5,000,000. If the Transport Commission delays the payment of the compensation and interests, the defaults charges shall be paid to Longda Company calculated at RMB100,000 per day subject to a maximum amount of RMB5,000,000. If the abovementioned delay is 60 days or more, the defaulting party shall make compensation for the loss of the other party and the other party is entitled to terminate the Longda Adjustment Agreement.

Others

In order to maintain the integrity of expressway toll networks of Guangdong province, the Shenzhen government will set up the Longda New Toll Stations. The Transport Commission will be responsible for the construction and related costs of the Longda New Toll Stations, and the ownership of the Longda New Toll Stations vests with the Transport Commission. Longda Company will be entitled to use the Longda New Toll Stations for no consideration until either the end of the operation period of the Longda Shenzhen Section or the return of its Fee Entitlement Right to the Transport Commission.

INFORMATION OF THE THREE EXPRESSWAYS (COMPRISING THE NANGUANG EXPRESSWAY, THE YANPAI EXPRESSWAY AND THE YANBA EXPRESSWAY)

Nanguang Expressway is a dual six-lane expressway with toll mileage of 31 km. The construction of Nanguang Expressway was completed and put into operation in January 2008 with a concession up to 30 January 2033. The average daily mixed traffic flow of Nanguang Expressway for 2013, 2014 and first nine months of 2015 was 75,000, 87,000 and 95,000 vehicles, respectively, and the average daily toll revenue was RMB787,000, RMB840,000 and RMB866,000, respectively.

Yanpai Expressway is a dual six-lane expressway with toll mileage of 15.6 km. The construction of Yanpai Expressway was completed and put into operation in May 2006 with a concession up to 12 March 2027. The average daily mixed traffic flow of Yanpai Expressway for 2013, 2014 and first nine months of 2015 was 50,000, 57,000 and 57,000 vehicles, respectively, and the average daily toll revenue was RMB541,000, RMB584,000 and RMB458,000, respectively.

Yanba Expressway consists of section A from Yantian to Xichong, section B from Xichong to Kuichong and section C from Kuichong to Bagang. It is a dual six-lane expressway with toll mileage of 29.1 km. The construction of section A, section B and section C of Yanba Expressway was completed and put into operation in March 2001, June 2003 and March 2010, respectively, with a concession up to 31 March 2026 for section A, up to 30 June 2028 for section B and up to 31 March 2035 for section C. The average daily mixed traffic flow of Yanba Expressway for 2013, 2014 and first nine months of 2015 was 31,000, 36,000 and 38,000 vehicles, respectively, and the average daily toll revenue was RMB444,000, RMB493,000 and RMB487,000, respectively.

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Based on the unaudited financial statements of SZ Expressway for the nine months ended 30 September 2015, the original book value and net book value of each of the Three Expressways as at 30 September 2015 are as follows:

Unit: RMB'000

	Nanguang Expressway	Yanpai Expressway	Yanba Expressway
Original book value	3,150,182	1,044,965	1,555,992
Net book value	2,605,036	621,407	1,102,305

SZ Expressway has not separately prepared financial statements for the Three Expressways. Based on revenue and costs recorded in the audited financial statements of SZ Expressway for the two years ended 31 December 2013 and 2014 and the unaudited financial statements of SZ Expressway for the nine months ended 30 September 2015, and in accordance with the cost allocation method in line with the accounting policies of SZ Expressway, the net profits of the Three Expressways, before taxation and after taxation, for the two years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015 based on simulation calculation are estimated as follows:

Unit: RMB'000

	For the nine months ended 30 September 2015	For the year ended 31 December 2014	For the year ended 31 December 2013
Nanguang Expressway			
Net profits (before taxation)	103,994	135,744	134,071
Net profits (after taxation)	77,996	101,807	100,553
Yanpai Expressway			
Net profits (before taxation)	63,555	113,822	102,591
Net profits (after taxation)	47,668	85,368	76,943
Yanba Expressway			
Net profits (before taxation)	43,228	65,253	58,782
Net profits (after taxation)	34,575	48,940	44,086

INFORMATION OF THE LONGDA SHENZHEN SECTION

Longda Expressway (from Longhua, Shenzhen to Dalingshan, Dongguan) is a dual six-lane expressway with toll mileage of 28.2 km. The construction of the Shenzhen section and Dongguan section of Longda Expressway was completed and put into operation in October 2005 and January 2007, respectively, with a concession up to 9 October 2027. The average daily mixed traffic flow of Longda Expressway for 2013 and 2014 was 131,000 and 140,000 vehicles, respectively, and the average daily toll revenue was RMB1,356,000 and RMB1,374,000, respectively.

The Longda Shenzhen Section is not accounted by the Company and Longda Company separately. Based on the audited financial statements of Longda Company for the two years ended 31 December 2013 and 2014, and the operation rights premium of Longda Expressway arising from the acquisition of

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the equity interest in Longda Company by the Company in the past and the preliminary estimates made based on actual conditions e.g. traffic volume, highway mileage, distribution of material structures and ancillary facilities, the original book value and net book value as at 31 December 2014 of the Longda Shenzhen Section are as follows:

Unit: RMB'000

	Longda Shenzhen Section
Original book value	1,302,220
Net book value	753,745

Based on the audited financial statements of Longda Company for the two years ended 31 December 2013 and 2014, the net profits of the Longda Shenzhen Section, before taxation and after taxation, for the two years ended 31 December 2013 and 2014 are estimated as follows:

Unit: RMB'000

Longda Shenzhen Section	For the year ended 31 December 2014	For the year ended 31 December 2013
Net profits (before taxation)	266,553	269,641
Net profits (after taxation)	199,816	201,593

FINANCIAL EFFECTS OF THE ADJUSTMENTS BASED ON THE ADJUSTMENT AGREEMENTS

During Phase 1, the Group will retain its Fee Entitlement Right of the Three Expressways and the Longda Shenzhen Section and recognize it as intangible assets according to the accounting standards, the accounting treatment of toll revenue, cost and profit in respect of the Three Expressways and the Longda Shenzhen Section will remain unchanged. Also, it is estimated that the Adjustments will not have material financial effect on the revenue and profits of the Group. Meanwhile, the Transport Commission will make the first payment of RMB9,713,000,000 (approximately HK\$11,845,000,000) in total (comprising compensation of RMB6,588,000,000 for the Three Expressways and RMB3,125,000,000 for the Longda Shenzhen Section) to the Group in cash within 30 days after the date of the Adjustment Agreements (i.e. no later than 31 December 2015). Such cash payment will significantly increase the cash flow of the Group, which is favourable to the financial condition of the Group.

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During Phase 2, the financial effect on the Group will be similar to that in Phase 1 if Option 1 is adopted, which will not have material financial effect on the revenue and profit of the Group. If Option 2 is adopted, according to the current preliminary estimates, the total net book value of the Three Expressways and the Longda Shenzhen Section as at 1 January 2019 will be approximately RMB4,200,000,000¹. Based on the relevant compensation arrangement and after taking into account factors such as the compensation amount for the return of the Fee Entitlement Right to the Transport Commission, interest of such compensation from the payment date to 31 December 2018, the net book value of the Three Expressways and the Longda Shenzhen Section as at 1 January 2019 and other expenses, it is expected that the profits from disposal of assets will increase by approximately RMB3,100,000,000² (after taxation) in 2019 and the net assets will increase by approximately RMB3,100,000,000 accordingly. Meanwhile, the Three Expressways and the Longda Shenzhen Section will no longer contribute to the toll revenue for the Group, accordingly future toll revenue, profit and operating cash flow of the Group will be reduced.

The abovementioned information is based on preliminary estimates. The final effects are subject to and dependent on whether the Transport Commission adopts Option 1 or Option 2 in Phase 2 of the Three Expressways Adjustment and the Longda Adjustment and audit by the Company's auditor.

The proceeds received by the Group under the Adjustments will mainly be used to provide funding for general operation purposes (including repayment of borrowings and payment of tax (if any)). The final use of proceeds will be subject to the financial condition and business strategy of the Group, including but not limited to any potential investment or acquisition in relation to its main businesses and related businesses. At the date of this circular, the Group has not identified any specific investment target or reached any investment agreement using the net proceeds arising from the Three Expressways Adjustment Agreement and the Longda Adjustment Agreement.

INFORMATION OF THE COMPANY, SZ EXPRESSWAY AND LONGDA COMPANY

The Company and its subsidiaries are principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as provision of various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.

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

Longda Company is held by the Company as to 89.93%. The major assets and business of Longda Company are investment, operation and management of the Longda Expressway.

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

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

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INFORMATION OF THE TRANSPORT COMMISSION

The Transport Commission is the competent department of the Shenzhen government in charge of transportation. It is mainly responsible for policy making, development planning, supervision and coordination of transportation in Shenzhen and the construction and maintenance of relevant facilities.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ADJUSTMENT AGREEMENTS

Based on the overall demand of economic development and transportation planning, the Shenzhen government intends to adjust the toll of each of the Three Expressways and Longda Expressway and make a compensation to the Group which is reasonable in the prevailing market. The Adjustments meet the objective needs of Shenzhen's economic development and urbanization to a certain stage, which will lower the transportation and logistics costs of the Shenzhen citizens, improve the efficiency of the transport system and enhance the urban traffic service capacity, form a more reasonable traffic pattern, as well as release the land along the expressways, promote intensive land development and industrial upgrade in the region, and Shenzhen's urban transformation and the integration of internal and external development will be accelerated.

The Three Expressways Adjustment and compensation arrangement would enable SZ Expressway to improve its financial position and enhance its ability and room for future sustainable development through the cashflow to be generated by future revenue and/or income and the relatively large amount of first payment to be received at a reasonable cost. SZ Expressway will fully grasp opportunities to acquire main business projects and develop new industries, with a view to overall improving asset structure for long-term development and achieving new industry layout as soon as possible. SZ Expressway will also take this opportunity to endeavour for further understanding and support of Shenzhen government, to create a more favorable external environment for the development of enterprises, to seek good assets and business opportunities with good business prospects, for new momentum for the sustainable and healthy development of enterprise. Based on the in-depth study of the changes in both internal and external environment, SZ Expressway formulated the "2015–2019 Development Strategies" in June 2015, details of which were set out in the Interim Report 2015 of SZ Expressway. However, as at the date of this circular, save as disclosed, SZ Expressway has not identified any specific investment target or reached any investment agreement so far as the new industry is concerned. In addition, as SZ Expressway is a subsidiary of the Company, the Company will benefit from the reduction in the debt level of SZ Expressway and the improvement in its ability for future sustainable development pursuant to the Three Expressways Adjustment and the transactions contemplated thereunder.

The Longda Adjustment and compensation arrangement would enable the Company to further strengthen its financial position and enhance its ability to further develop its logistics business (including the development of its "China Urban Integrated Logistics Hub" projects) through the cashflow to be generated by future revenue and/or income and the relatively large amount of first payment to be received at a reasonable cost. This effectively creates a favourable condition for the Company to implement its strategy of further developing its logistics business.

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

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The Board considers that the terms of the Adjustment Agreements are fair and reasonable and the Adjustment Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Adjustment Agreements and the transactions contemplated thereunder is more than 25% but less than 75%, the Adjustment Agreements and the transactions contemplated thereunder constitute a major transaction of the Company under the Listing Rules, and are therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

SGM

The Company will convene the SGM at the conference room of the Company at Rooms 2206–2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 28 January 2016 at 11:00 a.m.. Pursuant to Rule 13.39(4) of the Listing Rules, voting at the SGM will be taken by poll. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders is required to abstain from voting at the SGM in respect of the resolution(s) approving the Adjustment Agreements and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed. Whether or not Shareholders are able to attend the meeting, they are requested to complete and return the enclosed form of proxy to the branch share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the meeting or any adjournment thereof should they wish to do so.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose name appear on the Company's register of members on Thursday, 28 January 2016, will be eligible for attending and voting at the SGM. The Company's register of members and books of transfer will be closed from Wednesday, 27 January 2016 to Thursday, 28 January 2016, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible for attending and voting at the SGM, all transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 January 2016.

RECOMMENDATION

The Board considers that the terms of the Adjustment Agreements and the transactions contemplated thereunder are fair and reasonable, and the entering into of the Adjustment Agreements 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 SGM to approve the Adjustment Agreements and the transactions contemplated thereunder.

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FURTHER INFORMATION

A report on the business valuation of each of the Three Expressways and the Longda Shenzhen Section has been prepared by DZX, a summary of which is set out in Appendix II to this circular.

A forecast report on traffic flow and toll revenue of each of the Three Expressways and the Longda Shenzhen Section has been prepared by GPCP&D, a summary of which is set out in Appendix III to this circular.

As the valuation of each of the Three Expressways and the Longda Shenzhen Section is prepared on the basis of discounted cash flow method, the valuation has been deemed as a profit forecast under the Listing Rules. A letter from PwC relating to discounted future estimated cash flows in connection with the business valuation of the Three Expressways and Longda Shenzhen Section, which is prepared pursuant to Rules 14.62 and 14.71 of the Listing Rules, is set out in Appendix IV to this circular. A letter from the Board confirming they have made the forecast after due and careful enquiry is also set out in Appendix I to the joint announcement of the Company and SZ Expressway dated 2 December 2015.

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

Yours faithfully,
By Order of the Board
Gao Lei
Chairman

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APPENDIX TO THE LETTER FROM THE BOARD — ADJUSTMENT MECHANISM OF COMPENSATION UNDER THE ADJUSTMENT AGREEMENTS

Pursuant to the Adjustment Agreements, the parties will engage Shenzhen City Transport Planning Study Centre Co., Ltd. during Phase 1 to audit the actual amount of toll revenue for the Three Expressways and the Longda Shenzhen Section in each of the financial years during Phase 1 and Phase 2 (if Option 1 is elected) according to the agreed approach (Please refer to the letter from the Board for more details). Based on actual number of vehicle passage each year, the audit will take into account factors such as economic growth, changes in road network and transferred or induced traffic volume due to toll free arrangement, etc. in the comprehensive consideration. The adjustment mechanism consists of a traffic model based on the “four-stage” theory commonly adopted in the industry. Relevant parameters for each year will be set and the traffic model will also be updated and optimized according to the actual conditions of the Three Expressways and the Longda Shenzhen Section. The optimized model will be applied for each year to evaluate the traffic flow of the Three Expressways and the Longda Shenzhen Section and to calculate the actual toll revenue. The specific steps and methods are set out as follows:

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

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

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

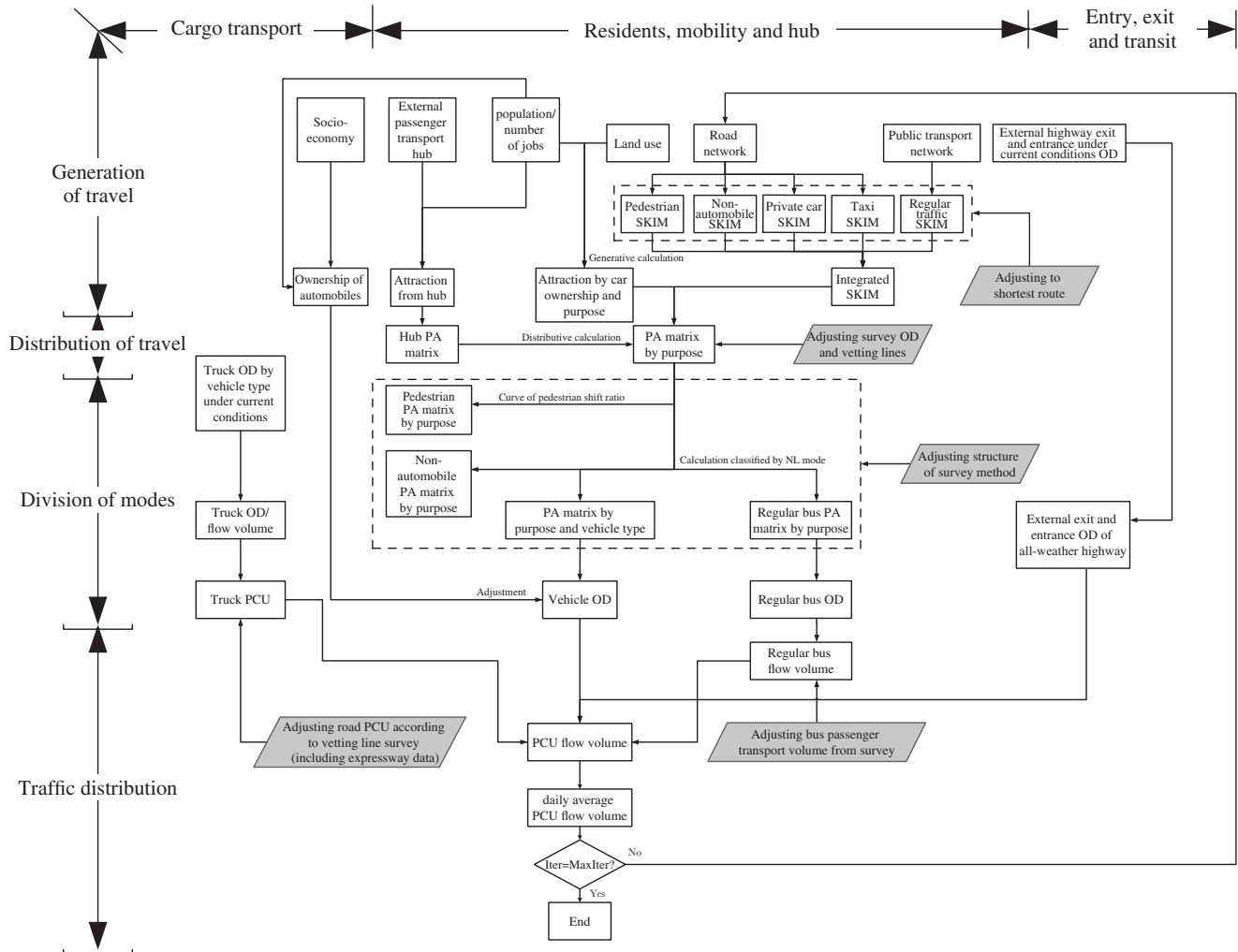
Put in the simplest terms, from a micro-perspective, the generation of travel is related to factors of personal attributes (e.g. age, profession, income, car ownership, residential location, degree of transport convenience). From a regional perspective, the generation of travel is related to the economy,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

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

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

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



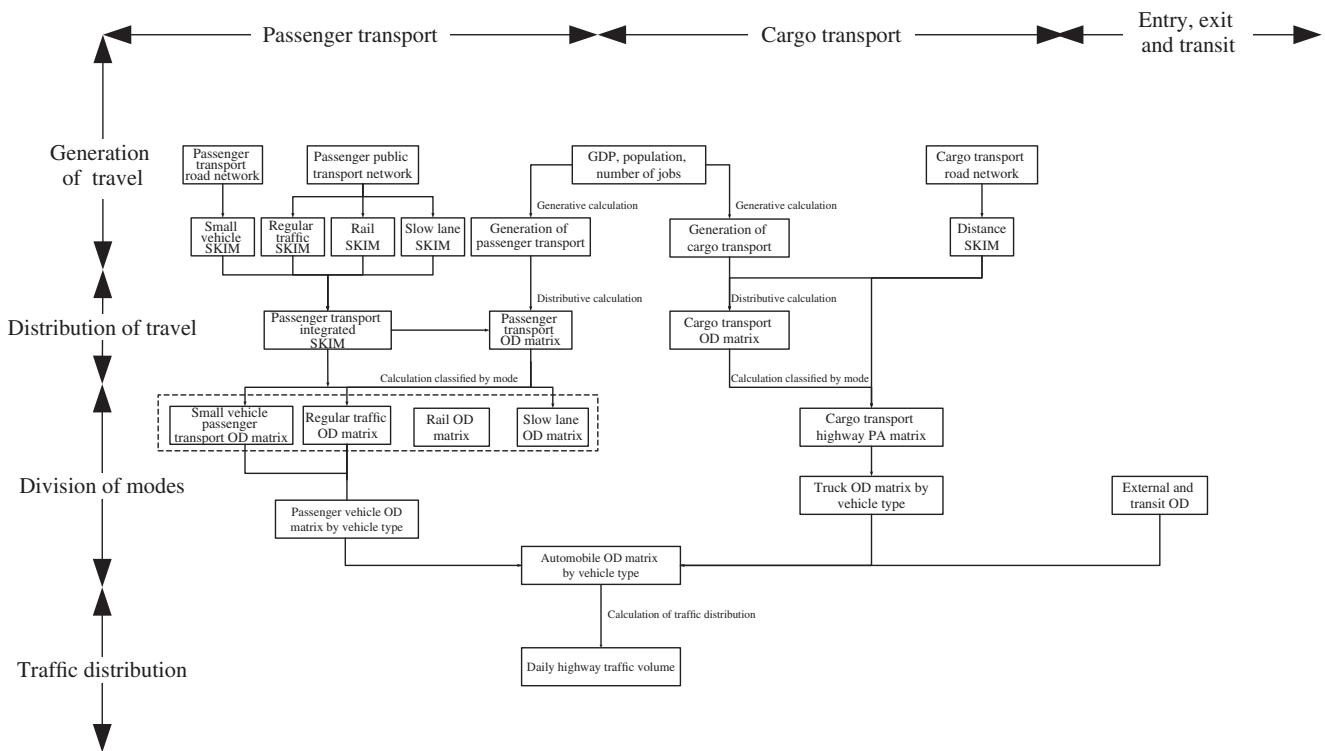
- OD: the volume of travel between the point of origin and the destination, where “O” denotes the ORIGIN and “D” signifies the DESTINATION of the travel.
- PA: “P” denotes Production and “A” denotes Attraction, corresponding to the concepts of the volume of travel generation and the volume of travel attraction.
- Travel generation: volume of travels from one end (“O” or “D,” namely the home can be the origin or the destination) in all HB (Home Based) travels and volume of travels from “O” in NHB (Non Home Based, namely neither end of the travel is home) travels.
- Travel attraction: volume of travels from the non-home end (“O” or “D”) in all HB (Home Based) travels and volume of travels from “D” in NHB (Non Home Based, namely neither end of the travel is home) travels.
- SKIM: the process of resistance (duration and costs, etc) against accessing alternate routes.

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- PCU: Passenger Car Unit, or passenger car equivalent, is the traffic flow rate arrived at by applying a discount coefficient to the actual traffic volume of all motor and non-motor vehicles. Such discount coefficient has been provided for in the “Highway Engineering Technical Standards” and “City Road Design Conventions” of China.

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

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



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

(4) *Illustration — Nanguang Expressway under different scenarios in 2016*

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

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for (i) the two years ended 31 December 2014 and 31 December 2013 are disclosed in the annual report of the Company for the year ended 31 December 2014 from pages 66 to 132; (ii) the year ended 31 December 2012 is disclosed in the annual report of the Company for the year ended 31 December 2012 from pages 62 to 138, all of which have been published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.szihl.com>).

2. FINANCIAL AND TRADING PROSPECTS

The business environment is expected to be more complicated, as uncertainties will persist in the global economy while economic growth in China will remain subject to the pressure of a downturn. Nevertheless, the wide range of new policies launched by the PRC government, including the “One Belt, One Road”, “Free Trade Zone Development” and the “Internet Plus” strategies are set to drive the long-term growth of the Chinese economy, and are expected to create enormous opportunities and growth potential for the Group’s business development. Emboldened by the macro-economic policies described above, the Group endeavours to continue to expand its scale of operations and increase its efforts in development in a vigorous move to advance investments in logistics businesses in major cities in the PRC according to prescribed strategies.

The Group will accelerate its investment in and construction of the “China Urban Integrated Logistics Hub” projects, as well as making vigorous efforts to drive upgrades and improvements at its existing logistics parks. In 2016, the key tasks of the Group will include endeavours to invest in Zhengzhou, Guizhou, Chongqing, Chengdu, Guangzhou, Xi’an and Yantai for the “China Urban Integrated Logistics Hub” projects, and to acquire land use rights for the Liguang land parcels in Longhua New Area in Shenzhen and commence preparatory work for project construction. The Liguang land parcels will be developed into a logistics park with a gross floor area of 250,000 square metres to serve as a local node in Shenzhen of the “China Urban Integrated Logistics Hub”, which is expected to further consolidate our market share in the logistics market of Shenzhen.

The rapid growth of cross-border e-commerce will present opportunities as well as challenges to the Group. In June 2015, the “Qianhai (Global) Cross-border e-Commerce Industry Park” (前海(全球)跨境電子商務產業園) planned by the Group was granted the status of a “National Exemplary e-Commerce Base” by the Ministry of Commerce. Leveraging on this advantage, the Group will be engaged in active development of a smart cross-border e-commerce industry park, based on the logistics park and supported by modern logistics services, which will offer ancillary e-commerce and supply-chain management services in a safe, efficient, low-carbon and environmentally-friendly setting and thereby facilitating the ongoing development of the Group with a new driving force. Moreover, the Group will actively identify suitable opportunities in Hong Kong for development and acquisition to link up its logistics business in the PRC and Hong Kong.

In September 2015, the Group entered into a land consolidation and preparation framework agreement (the “Framework Agreement”) with Urban Planning Land and Resources Commission of the Shenzhen Municipality (深圳市規劃和國土資源委員會) (“Shenzhen UPLRC”) and Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone of Shenzhen (深圳市前海深港現代服務業合作區管理局) (“Qianhai Authority”). Pursuant to the Framework Agreement, Shenzhen UPLRC and Qianhai Authority have agreed to arrange a land site with an area of approximately 38,800 square metres at Block 6, Unit 19 of Qianhai Shenzhen-Hong Kong Cooperation Zone (前海深港合作區19單元6街坊) as the site for the Group’s Start-up Project (the “Start-up Project”). The Start-up Project site is located within Land Parcel No. T102-0069, one of the 5 land parcels currently owned by the

Group, the land use of which has been changed from solely logistics warehousing to integrated land use comprising primarily office buildings complemented by high-end commercial and residential space. The gross floor area of the Start-up Project will be approximately 100,000 square metres, and the total gross floor area will be up to approximately 160,000 square metres including basement commercial space and other underground space such as carparks. The Start-up Project has been designated by Qianhai Authority as a key construction project of Qianhai Free Trade Zone (前海自貿新城) and its construction was commenced in early December 2015.

The Group will continue to monitor closely any changes in toll road policies, conduct in-depth researches on changes in road network and vehicle flows, adopt target-specific promotion and marketing strategies for its road network and pursue active development of new entrusted construction business, in a bid to enhance the operating performance of its toll road business.

The Group will seek to achieve long-term business development and sustainable growth by seizing opportunities in an active approach to keep pace with market developments, while seeking to enhance its operating efficiency, expand its network coverage and identify suitable targets for acquisition through diligent implementation of its development strategies.

3. INDEBTEDNESS OF THE GROUP

At the close of business on 30 November 2015, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following borrowings totalling approximately HK\$14,940,685,000:

- (1) secured non-current bank borrowings of approximately HK\$3,175,480,000, which were secured by the toll collection rights of Qinglian and Shuiguan Projects;
- (2) unsecured non-current bank borrowings of approximately HK\$1,137,932,000;
- (3) secured current bank borrowings of approximately HK\$475,706,000 which were secured by the toll collection rights of Qinglian and Shuiguan Projects;
- (4) unsecured current bank borrowings of approximately HK\$1,778,624,000;
- (5) secured corporate bonds with carrying value of approximately RMB795,546,000 (equivalent to HK\$963,948,000) and a nominal value of RMB800,000,000 (equivalent to HK\$969,344,000) for a term of 15 years from August 2007 which were guaranteed by China Construction Bank, Shenzhen Branch with a pledge of SZ Expressway's 100% equity interest in Shenzhen Meiguan Expressway Company Limited as counter-guarantee;
- (6) unsecured corporate bonds with carrying value of approximately RMB1,499,997,000 (equivalent to HK\$1,817,517,000) with face value of RMB1,500,000,000 (equivalent to HK\$1,817,521,000) for a term of 5 years from August 2011;
- (7) unsecured senior notes in an aggregate principal amount of USD300,000,000 (equivalent to HK\$2,325,300,000) and with carrying value of approximately HK\$2,326,718,000 for a term of 5 years from April 2012;
- (8) medium-term notes with carrying value of approximately RMB1,894,545,000 (equivalent to HK\$2,295,583,000) and a nominal value of RMB1,900,000,000 (equivalent to HK\$2,302,193,000) for a term of 3 years from May 2014 and August 2015 respectively; and

- (9) private placement notes amounting to RMB800,000,000 (equivalent to HK\$969,344,000) and with carrying value of approximately RMB799,862,000 (equivalent to HK\$969,177,000) for a term of 3 years from December 2012.

At the close of business on 30 November 2015, the Group had the following contingent liabilities:

- (1) SZ Expressway signed a construction management service contract with the Transport Commission under which SZ Expressway was entrusted to manage the construction project of Nanping Phase II Project. Pursuant to the contract, SZ Expressway arranged with a bank to issue irrevocable performance guarantees to the Transport Commission amounting to RMB15,000,000 (equivalent to HK\$18,175,000).
- (2) SZ Expressway signed a construction management service contract with Shenzhen Traffic Public Facilities Construction Center and was entrusted to manage the construction project of municipal facilities of Dalang Section of Longda Expressway. Pursuant to the contract, SZ Expressway arranged with a bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000 (equivalent to HK\$2,423,000).
- (3) SZ Expressway signed a construction management service contract with Shenzhen Longhua New Area Construction Management Center under which SZ Expressway was entrusted to manage the construction project of the Interchange of Dezheng Road in Shenzhen Longhua New Area with Longda Expressway and the construction project of the extension of the eastern section of Dezheng Road. Pursuant to the contract, SZ Expressway arranged with a bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to approximately RMB35,850,000 (equivalent to HK\$43,439,000).
- (4) SZ Expressway signed a construction management service contract with Shenzhen Longhua New Area Construction Management Center under which SZ Expressway would be entrusted to manage the construction project of the Intersection of Renmin Road in Shenzhen Guanlan Area with Shenzhen Meiguan Expressway. Pursuant to the contract, SZ Expressway had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to approximately RMB25,270,000 (equivalent to HK\$30,619,000).
- (5) Shenzhen Expressway Engineering Consulting Company Limited (the “Consulting Company”), a subsidiary of SZ Expressway is entrusted by external parties with businesses, such as project engineering, construction, projecting, design, testing and examinations. In accordance with the related entrusting contract, the Consulting Company provides the entrusting party with an irrevocable performance bank guarantee amounting to approximately RMB83,628,000 (equivalent to HK\$101,330,000).
- (6) Shenzhen International United Land Co.,Ltd. (“United Land Company”), a subsidiary of the Company, entered into the land transfer agreements with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal and executed the Meilin Checkpoint Urban Renewal Project. In accordance with the related project contracts, United Land Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New District City Construction Bureau amounting to RMB46,200,000 (equivalent to HK\$55,980,000).

(7) Litigation in progress

Upon the government approval, Guangdong Qinglian Highway Development Company Limited, a subsidiary of SZ Expressway, 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 Guangdong Qinglian Highway Development Company Limited in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Guangdong Qinglian Highway Development Company Limited was judged to win in the first trial. Qingyuan Fengyu Eco-tourism Development Company Limited appealed to the High court of Guangdong Province. The High court of Guangdong Province judged a trial de novo executed by Qingyuan Intermediate Court and Guangdong Qinglian Highway Development Company Limited still win in this trial de novo. As at 30 November 2015, the litigation was still in progress. Having considered the nature and construction status of the project, the Group expects that the outcome of the litigation would not have any significant impact on the Group's operating results.

For the purpose of preparing the indebtedness of the Group, translation of amounts in RMB into HK\$ and USD into HK\$ have been made at the exchange rates of HK\$1 = RMB0.8253 and HK\$7.751 = USD1, the respective closing rates as at 30 November 2015.

Save as aforesaid, and apart from the intra-group liabilities, the Group did not have any mortgages, charges, debentures, outstanding loans, overdrafts or other similar indebtedness, liabilities under acceptances or acceptance credits or any guarantees, finance leases or hire-purchase commitments or other material contingent liabilities as at the close of business on 30 November 2015.

4. WORKING CAPITAL SUFFICIENCY OF THE GROUP

Taking into account the effect of the transaction under the Adjustment Agreements and the financial resources available to the Group, including internally generated funds and 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 next 12 months from the date of this circular.

The following is an extract of the asset appraisal report prepared by DZX. The asset appraisal report was prepared in Chinese only and set out below is an English translation of the relevant extract from the asset appraisal report. In case of any discrepancies between the Chinese and the English summaries of the asset appraisal report, the Chinese version shall prevail.

DZX Zong Ping Bao Zi [2015] No.077

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

Appraisal Report

Shenzhen Expressway Company Limited:

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

1. OVERVIEW OF SHENZHEN EXPRESSWAY

Name of the entrusting party: Shenzhen Expressway Company Limited;

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

Legal representative: Hu Wei;

Registered capital: RMB2,180.770326 million;

Economic nature: Listed Company (with limited liability);

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

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

2. OVERVIEW OF NANGUANG, YANBA AND YANPAI EXPRESSWAYS

(1) Overview of Nanguang Expressway

(1) Basic information of Nanguang Expressway

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

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

Nanguang Expressway was officially open to traffic in January 2008.

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

(2) Historical operation situation

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

Unit: RMB Million

Type of assets	Original book value	Net book value
Fixed assets	344.65	171.16
Intangible assets	2,805.48	2,461.53
Total	3,150.13	2,632.69

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

Unit: RMB Million

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

(2) Overview of Yanba Expressway

(1) Basic information of Yanba Expressway

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

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

(2) *Historical operation*

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

Unit: RMB Million

Name of assets	Original book value	Net book value
Fixed assets	299.16	137.58
Intangible assets	1,256.76	980.82
Total	1,555.92	1,118.40

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

Unit: RMB Million

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

(3) **Overview of Yanpai Expressway**(1) *Basic information of Yanpai Expressway*

Yanpai Expressway is also known as Jihe Expressway Yantian Extension and is a part of the National Highway G25 (Changchun-Shenzhen Expressway). It is one of the north-south lines in the Shenzhen's "Seven East-West and Thirteen North-South" highway network and is also an important evacuating channel from the Yantian Harbor District of Shenzhen. Yanpai Expressway starts from Yantian Harbor District, running to the northwest and passing through Wutong Mountain through a tunnel, intersecting with Longgang Avenue and Shuiguan Expressway and is then connected to Jihe Expressway and Boshen Expressway through Paibang Interchange. Yanpai Expressway has a total length of 15.6 kilometers and is a dual six-lane expressway with a design speed of 80 km/h. Yanpai Expressway started its construction in December 2003 and was officially opened to traffic in May 2006.

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

(2) *Historical operation situation*

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

Unit: RMB Million

Name of assets	Original book value	Net book value
Fixed assets	133.50	44.12
Intangible assets	911.45	590.42
Total	1,044.95	634.54

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

Unit: RMB Million

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

3. OTHER USERS OF THE APPRAISAL REPORT

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

4. APPRAISAL PURPOSE

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

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

5. APPRAISAL OBJECT AND SCOPE OF APPRAISAL

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

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

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

Unit: RMB Million

Name of assets	Nanguang Expressway		Yanba Expressway		Yanpai Expressway	
	Original book value	Net book value	Original book value	Net book value	Original book value	Net book value
Fixed assets	344.65	171.16	299.16	137.58	133.50	44.12
Intangible assets	2,805.48	2,461.53	1,256.76	980.82	911.45	590.42
Total	3,150.13	2,632.69	1,555.92	1,118.40	1,044.95	634.54

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

6. VALUATION TYPE AND THE DEFINITION THEREOF

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

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

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

7. VALUATION DATE OF ASSETS APPRAISAL

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

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

8. BASIS OF ASSETS APPRAISAL

(1) Behavior basis

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

(2) Legal basis

- (1) The Administrative Measures for the Appraisal of State-owned Assets ([1991] No. 91 Order) issued by the State Council of the People's Republic of China;
- (2) The Rules for the Implementation of the Administrative Measures for the Appraisal of State-owned Assets (Guo Zi Ban Fa [1992] No. 36) issued by the former State-owned Assets Administration Bureau;
- (3) The Notice on Forwarding the Opinions on the Reform of the Administrative Measures for the Appraisal of State-owned Assets and the Strengthening of Supervision and Management of Assets Appraisal from the Ministry of Finance (Guo Ban Fa [2001] No.102) issued by the General Office of the State Council and the Opinions on the

Reform of the Administrative Measures for the Appraisal of State-owned Assets and the Strengthening of Supervision and Management of Assets Appraisal issued by the Ministry of Finance;

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

(3) Professional regulations

- (1) The Notice on Printing and Distributing the Assets Appraisal Standards — Basic Standards and the Code of Professional Ethics for Assets Appraisal — Basic Code (Cai Qi [2004] No. 20) issued by the Ministry of Finance of the People's Republic of China.
- (2) The Assets Appraisal Standards — Appraisal Report (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
- (3) The Assets Appraisal Standards — Appraisal Procedure (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
- (4) The Assets Appraisal Standards — Engagement Letter (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.
- (5) The Assets Appraisal Standards — Working Paper (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society.

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

(4) Equity basis

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

(5) Basis of price determination and reference data

- (1) Detailed statement of examination, declaration and appraisal of Nanguang, Yanba and Yanpai expressways provided by Shenzhen Expressway.
- (2) Historical financial statements and relevant audit reports provided by Shenzhen Expressway.
- (3) The “Forecast Report on Traffic Volume and Toll Revenue of Shenzhen Nanguang Expressway”, the “Forecast Report on Traffic Volume and Toll Revenue of Shenzhen Yanba Expressway”, and the “Forecast Report on Traffic Volume and Toll Revenue of Shenzhen Yanpai Expressway” issued by the Guangdong Province Communications Planning and Design Institute Co., Ltd in October 2015.
- (4) The “Planning and Research Report for Pavement Preventive Maintenance” issued by Shenzhen Expressway Engineering Consultants Co., Ltd. in April 2011, which was provided by Shenzhen Expressway.
- (5) Financial data terminal by HiThink RoyalFlush Information Network Co., Ltd.
- (6) Other relevant information.

9. APPRAISAL METHOD

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

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

Introduction of the income approach

Basic formula for the income approach

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

Whereas : F_t : The future income created by the highway assets in the year of t

r: Discount rate

t: The future continuous operation period of the appraised expressways

About income source:

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

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

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

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

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

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

Whereas: $FCFF$ = Expected free cash flow attributable to assets

NI = Net profit after tax

$DEPR$ = Non-cash expenses including depreciation and amortization

INT = Interest expenses after deducting income tax benefits

$CAPEX$ = Capital expenditures

NWC = Increase in net working capital

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

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

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

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

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

If the government continues to apply service concession agreement for both Phase 1 and 2, the income source is from toll revenue and the corresponding final settlement shall be conducted based on the actual income every year in the future. Therefore, there is no significant uncertainty in the expected return in these two phases, which means that the present value equals to the future toll incomes are being paid in advance on the valuation date of assets appraisal. We determined Discount Rate 1 and 2 based on the lending interest rate in recent years.

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

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

10. IMPLEMENTATION AND SITUATION OF THE APPRAISAL PROCEDURE

(1) Starting and ending time of the appraisal work

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

(2) Main appraisal procedure that has been implemented

- (1) From October 8, 2015 to October 9, 2015: preliminary survey of the project, including to gain a full understanding of the appraisal purpose, appraisal object, scope of appraisal, and valuation date of assets appraisal, to accept the entrusted project, formulate the appraisal scheme and prepare the appraisal work plan.

- (2) From October 9, 2015 to October 16, 2015: to check the physical assets and relevant records on the field, collect relevant legal documents and other data, and then to analyze collected data for determining appraisal approach based on analysis results to appraise and analyze the market value.
- (3) From October 16, 2015 to the date when the appraisal report is issued: to prepare assets appraisal report and to issue the appraisal report after internal examination and approval of our company.

11. APPRAISAL ASSUMPTIONS

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

- (1) Assuming that the economic environment, market environment, social environment (such as China's macroeconomic policies, relationship between market supply and demand, fiscal and tax policies, domestic and foreign trade policies, environmental protection policies, financial and monetary policies, and etc.) and other factors will not be significantly changed in the future;
- (2) Assuming that tax policies applicable to the company of the appraised assets will not be significantly changed;
- (3) Assuming that there will be no force majeure event that will have significant adverse impact on the appraised assets after the valuation date of assets appraisal;
- (4) Assuming that the management team of the appraised assets will be responsible and dutiful after the valuation date of assets appraisal;
- (5) Assuming that all operating activities of appraised assets will be carried out in accordance with the provisions of the relevant laws and regulations, the relevant industry standards and the relevant provisions on safe production and operation;
- (6) Assuming that the appraised assets are obtained and used in accordance with the national laws, regulations and normative documents;
- (7) Assuming that all the relevant assets of the appraised expressways have been presented or specially explained to us, and there will be no other assets or contingent assets, or other relevant rights/contingent rights and obligations/contingent obligations;
- (8) Assuming that the accounting policies used for the appraised assets will be consistent in all material respects;
- (9) Assuming that the data provided by the entrusting party regarding this appraisal are true, accurate and complete;

- (10) Except as otherwise stated in this report, the following conditions are assumed to be in normal state:
- (1) All hidden assets or assets inconvenient for observation or any part thereof (such as the foundation and pipe network of buildings buried in the ground, facilities and equipment placed near the high voltage lines, or assets that should not be opened), and the assets that are operated in another place or have not been operated when we check on the field, shall be considered to be normal.
 - (2) The internal structure, performance, quality, character and function of all the physical assets shall be assumed to be normal.
 - (3) All the appraised assets shall be assumed to be recorded, kept and stored in accordance with the requirements of the relevant laws or professional standards, to be in a secure, economical and reliable environment, therefore, its risk factors that may exist or may not exist are not listed in the scope of investigation of valuers and its adverse or favorable impact on the appraised value is not considered.

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

12. ADJUSTMENT OPTIONS

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

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

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

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

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

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

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

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

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

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

(I) Revenue projections

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

Projections on other revenue are primarily based on historical information.

Projected future operating revenue and growth rates of Nanguang Expressway are shown as follows:

Unit: RMB Million

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

Projected future operating revenue and growth rates of Yanba Expressway are shown as follows:

Unit: RMB Million

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

Projected future operating revenue and growth rates of Yanpai Expressway are shown as follows:

Unit: RMB Million

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

(II) Projected cash-settled costs and expenditures

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

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

Costs for the first three years: according to the toll adjustment plan, income for Phase 1 comprises toll revenue. Hence, no cost estimates are conducted in respect of the first three years.

(III) Selection of income tax rate

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

(IV) Projected depreciation and amortization

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

(V) Estimation and selection of discount rates

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

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

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

(1) *Capital structure D and E*

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

(2) *Equity capital cost Ke*

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

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

Where:

R_f: Risk-free return rate;

R_m-R_f: Market risk premium;

β: Risk coefficient;

R_c: Enterprise-specific risk adjustment coefficient;

(1) Risk-free return rate (R_f)

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

(2) Market risk premium (R_m-R_f)

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

(3) β value

Risk coefficient β: A search on the risk coefficient without financial leverage (β_u) of listed companies in the industry is conducted and the arithmetic average of the β_u values of such companies is adopted as the β_u of the appraised assets. The capital structure of the appraised assets is then converted into the risk coefficient with financial leverage as the β value for this evaluation.

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

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

No.	Stock name	β_u	No.	Stock name	β_u
1	Shenzhen Expressway 深高速	0.5774	5	Guangdong Expressway 粵高速A	0.4605
2	Jiangxi Ganyue Expressway 贛粵高速	0.6014	6	Xiandai Investment 現代投資	0.5704
3	Jiangsu Expressway 寧滬高速	0.6158	7	Zhongyuan Expressway 中原高速	0.5121
4	Sichuan Expressway 四川成渝	0.5572	8	Fujian Expressway 福建高速	0.6222
	Average value				0.5646

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

(4) Enterprise-specific risk adjustment coefficient

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

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

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

(4) *Determination of WACC*

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

4. Discount Rate 4, which discounts the present value of income in Phase 2 (discounted to the start of Phase 2) to the valuation benchmark date of the project, further discounts the present value of Phase 2 to be estimated three years later (representing a 3.08-year interval from the valuation benchmark date). Hence we have adopted the 5% interest rate applicable to 3-year to 5-year loans currently quoted by PBOC as the discount rate under this approach.

14. APPRAISAL CONCLUSION

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

Unit: RMB Million

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

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

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

15. SPECIAL INSTRUCTIONS

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

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

16. RESTRICTIONS ON THE USE OF THE APPRAISAL REPORT

(1) Instructions for the use of the appraisal report

- (1) The use of this report belongs to the entrusting party. The entrusting party or other users approved by the entrusting party to use the assets appraisal report, shall carefully read and understand every part of this report, and any exclusive use of each part of this report, or any combined use of some parts, but not all, of the report, is likely to cause the misunderstanding of the appraisal conclusion stated in the report. The users of the report shall pay special attention to the value definition, appraisal assumptions, appraisal basis, special instructions, and the commitment letter of the enterprise to be appraised, stated in the report.
- (2) In addition to the review and use of this report by the assets appraisal authorities as required by laws and regulations or other agencies authorized by laws and regulations, without the written permission or consent of the entrusting party, our company will not provide or reveal all or part of the contents of this report to others. In addition to the review and use of this report by the assets appraisal authorities as required by laws and regulations or other agencies authorized by laws and regulations, our company has no obligation to explain this report to any other third party.

(2) Restrictions

- (1) Any appraisal involving state-owned assets may be available for use after being filed with the relevant authorities for the record.
- (2) This report may only be used to evaluate the appraise purpose and use stated in the report.
- (3) This report may only be used by the users of the appraisal report stated in the report.

- (4) Unless otherwise provided for by laws and regulations, or agreed by the relevant parties, without the consent of our company, the content of the appraisal report shall not be excerpted, quoted or disclosed in the public media.
- (5) This report is not a certificate for the value of the appraisal object, but the advisory opinions on the value of the appraisal object based on some appraisal basis and assumptions.

(3) Period of use of the appraisal conclusion

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

17. DATE OF THE APPRAISAL REPORT

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

DZX International Appraisal Limited
Shenzhen, China
October 20, 2015

Legal representative : Wang Mingzhi
Chinese CPV: Wang Mingzhi
Chinese CPV: Huang Qiong

The following is an extract of the asset appraisal report prepared by DZX. The asset appraisal report was prepared in Chinese only and set out below is an English translation of the relevant extract from the asset appraisal report. In case of any discrepancies between the Chinese and the English summaries of the asset appraisal report, the Chinese version shall prevail.

DZX Zong Ping Bao Zi [2015] No.078

Shenzhen Longda Expressway Company Limited:
Present Value of Income from the Shenzhen Section of Longda Expressway under the
Toll Adjustment Arrangements Proposed by the Shenzhen Municipal Government

Appraisal Report

Shenzhen Longda Expressway Company Limited:

DZX International Appraisal Limited accepted the engagement by Shenzhen Longda Expressway Company Limited (hereinafter referred to as “Shenzhen Longda”), to appraise the present value of income from the 23.8-kilometers long section of Longda Expressway, calculated from the starting point of Longda Expressway (boundary marker k0+000) to the ramp access point of Nanguang Expressway (boundary marker k23+800) (hereinafter referred to as “Shenzhen section of Longda Expressway”) as of November 30, 2015 under the toll adjustment arrangements proposed by the Shenzhen Municipal Government. The appraisal was conducted by using income approach, with the necessary appraisal procedures in accordance with relevant laws, regulations and assets appraisal standards, under the principles of independence, objectiveness and fairness. The assets appraised and the appraisal results are hereby reported as follows:

1. OVERVIEW OF SHENZHEN LONGDA

Name of the entrusting party: Shenzhen Longda Expressway Company Limited;

Registered address: First Floor, No. 1 Complex Building, Shenzhen Longda Expressway Songgang Luotian Directorial Area, Bao’an District, Shenzhen;

Legal representative: Zhou Qingming

Registered capital: RMB200 million;

Economic nature: limited liability company;

Operating period: 30 years (from June 17, 2005 to June 17, 2035);

Business scope: Operation and maintenance of Longda Expressway (excluding national restricted projects); development of enterprises (subject to approval)

2. OVERVIEW OF LONGDA EXPRESSWAY

(1) Basic information of Longda Expressway

The section in Shenzhen of Longda Expressway was completed and opened to traffic on September 30, 2005 and was put into operation at 12:45 am on October 8 2005. The section in Dongguan of Longda Expressway was completed and opened to traffic on January 12, 2007, which means the entire Longda Expressway was completed. Longda Expressway has a total length of 28.2 kilometers with a design speed of 100km per hour. It has Langtian toll station, four ramp toll stations (namely Shilongzai, Guangming, Loucun and Songgang) and Luotian toll station. The section of Longda Expressway from the starting point to the Henglong interchange is a dual eight-lane expressway with the roadbed width of 41 meters, and the remaining section is a dual six-lane expressway with the roadbed width of 33 meters. Longda Expressway has a total of 10 interchanges.

Longda Expressway was approved in an official document (Yue Ji Jiao [1995] No. 142) issued on March 16, 1995 by the Planning Commission of Guangdong Province to be initiated in accordance with the standards for first-class special-purpose highways for automobiles in plain and tiny hillock areas. Such project was approved in an official document (Yue Ban Han [2004] No. 146) issued on May 8, 2004 by the Guangdong Provincial People's Government to be an toll highway project for business profitability, and the section of Longda Expressway from Shenzhen Longhua to Dongguan Dalingshan was approved in an official document (Yue Ban Han [2006] No. 330) issued on June 5, 2006 by the Guangdong Provincial People's Government to have a concession of 22 years starting from October 9, 2005. The Project was jointly invested and constructed by Shenzhen Baotong Highway Construction and Development Limited and Dongguan Dalingshan Asset Management Co., Ltd.

Longda Expressway is one of the key projects in the Shenzhen's "One East-West and Eight North-South" expressway network and is also an important part of the Shenzhen's "Seven East-West and Thirteen North-South" trunk road network. Longda Expressway is a north-south major trunk road between Shenzhen and Dongguan, and is one of the important passageways to exit Shenzhen and into Dongguan and the Pearl River Delta. Longda Expressway is conformed to the road network planning and regional economic development needs of Guangdong Province and Shenzhen, and improved the highway network between Shenzhen and Dongguan.

(2) Historical operation

The assets of the Shenzhen section of Longda Expressway as of June 30, 2015 are as follows:

Unit: RMB Million

Item	Entire Longda Expressway		Shenzhen section of Longda Expressway	
	Original book value	Net book value	Original book value	Net book value
Fixed assets	134.7375	47.4905	113.7146	40.0806
Construction in progress	12.8733	12.8733	10.8647	10.8647
Intangible assets	1,320.6936	902.4128	1,114.6279	761.6108
Long-term prepaid expenses	107.9286	44.7336	91.0887	37.7539
Total	1,576.2330	1,007.5102	1,330.2959	850.3100

Note: the assets details of the Shenzhen section of Longda Expressway in the above table is calculated from the entire Longda Expressway multiplied by the proportion of mileage of the Shenzhen section to the entire Longda Expressway (23.8km/28.2km).

The income statement of Shenzhen Longda for the last five years is as follows:

Unit: RMB Million

Item/year	2010	2011	2012	2013	2014	2015 from January to June
Operating income	478.6140	495.6173	472.9828	496.5743	502.6815	237.9200
Less: operating costs	112.0144	127.3555	101.7527	119.5114	129.3257	59.9741
Business tax and surcharges	15.1837	16.7634	15.9926	16.7816	16.9572	8.0196
Administration expense	11.9950	12.5675	12.4848	12.3436	14.0369	5.5416
Financial expense	38.4189	38.5239	33.4227	28.8071	30.0622	14.5226
Operating profit	301.0020	300.4069	309.3299	319.1306	312.2995	149.8621
Plus: non-operating income	0.0262	0.0239	0.0124	0.5280	3.5515	0.0030
Less: non-operating expense	0.3282	0.6381	0.0037	0.1782	0.0294	3.2717
Total profit	300.7000	299.7926	309.3386	319.4804	315.8217	146.5934
Less: income tax expense	65.9230	71.8945	77.4203	80.6258	79.0723	36.6483
Net profit	234.7770	227.8981	231.9183	238.8546	236.7493	109.9450

Note: 2010–2014 financial information is extracted from the annual audited report of Shenzhen Longda issued by Shenzhen Yiyuntian Accounting Firm and financial information for the six months ended June 30, 2015 has not been audited. The income statement accounts for the operation of the entire Longda Expressway.

3. OTHER USERS OF THE APPRAISAL REPORT

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

4. APPRAISAL PURPOSE

Since the Shenzhen Municipal Government proposed to adjust the highway tolling scheme, it is required to compensate the Shenzhen Longda that is involved in the adjustment. This appraisal evaluated the present value of income from the Shenzhen section of Longda Expressway during the period from 00:00 on February 7, 2016 to the end of concession. This appraisal serves as reference for Shenzhen Longda to provide the present value of income of the above Shenzhen section of Longda Expressway in this toll adjustment arrangements.

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

5. APPRAISAL OBJECT AND SCOPE OF APPRAISAL

Appraisal object: the present value of income from the Shenzhen section of Longda Expressway.

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

Scope of appraisal: the assets of the Shenzhen section of Longda Expressway related to the income from operation, including intangible assets, buildings (structures), transportation facilities, electronic equipment and others of the expressway. Please see the following table for the book value of assets of the expressway as of June 30, 2015.

Unit: RMB Million

Item	Entire Longda Expressway		Shenzhen section of Longda Expressway	
	Original book value	Net book value	Original book value	Net book value
Fixed assets	134.7375	47.4905	113.7146	40.0806
Construction in progress	12.8733	12.8733	10.8647	10.8647
Intangible assets	1,320.6936	902.4128	1,114.6279	761.6108
Long-term prepaid expenses	107.9286	44.7336	91.0887	37.7539
Total	1,576.2330	1,007.5102	1,330.2959	850.3100

Note: the assets details of the Shenzhen section of Longda Expressway in above table is calculated from the entire Longda Expressway multiplied by the proportion of mileage of the Shenzhen section to the entire Longda Expressway (23.8km/28.2km).

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

6. VALUATION TYPE AND THE DEFINITION THEREOF

The type of valuation used in the assets appraisal is the market value of the present value of income as of the valuation date of assets appraisal from the Shenzhen section of Longda Expressway based on the different adjustment options.

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

- (1) The asset is traded in a currency permitted by law;
- (2) There are willing buyer and willing seller in the deal;

- (3) The asset is paid in a lump sum and the transaction is completed without any conditions attached;
- (4) Both parties have a full understanding of the current situation of the asset, market supply and demand as well as prices etc. There are reasonable promotion, selection, negotiation, and economic environment and time to facilitate the transaction;
- (5) The market conditions, price levels and other conditions during the completion of the transaction have no major changes than those on the valuation date of assets appraisal;
- (6) Without regard to the arrangements for the transaction with special interests, both parties freely conduct a transaction in a rational and optional market full of information.

7. VALUATION DATE OF ASSETS APPRAISAL

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

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

8. BASIS OF ASSETS APPRAISAL

(1) Behavior basis

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

(2) Legal basis

- (1) The Administrative Measures for the Appraisal of State-owned Assets ([1991] No. 91 Order) issued by the State Council of the People's Republic of China;
- (2) The Rules for the Implementation of the Administrative Measures for the Appraisal of State-owned Assets (Guo Zi Ban Fa [1992] No. 36) issued by the former State-owned Assets Administration Bureau;
- (3) The Notice on Forwarding the Opinions on the Reform of the Administrative Measures for the Appraisal of State-owned Assets and the Strengthening of Supervision and Management of Assets Appraisal from the Ministry of Finance (Guo Ban Fa [2001] No.102) issued by the General Office of the State Council and the Opinions on the Reform of the Administrative Measures for the Appraisal of State-owned Assets and the Strengthening of Supervision and Management of Assets Appraisal issued by the Ministry of Finance;
- (4) The Provisions on Issues regarding the Appraisal and Management of State-owned Assets (No. 14 Order of the Minister) issued by the Ministry of Finance;
- (5) The Interim Administrative Measures for the Appraisal and Management of State-owned Assets of Enterprises (No. 12 Order) issued by the State-owned Assets Supervision and Administration Commission of the State Council;

- (6) The Highway Law of the People's Republic of China ([2014] No. 19 Order) issued by the President of the People's Republic of China;
- (7) The Administrative Measures for the Compensated Transfer of Highway Operation Right ([1996] No.9 Order) issued by the Ministry of Transport of the People's Republic of China;
- (8) The Regulations on the Administration of Toll Roads ([2004] No.417 Order) issued by the State Council of the People's Republic of China;
- (9) The Measures for the Assignment of Interests of Toll Roads ([2008] No. 11 Order) issued by the Ministry of Transport of the People's Republic of China, the National Development and Reform Commission and the Ministry of Finance of the People's Republic of China;
- (10) The Notice on Issues regarding the Management of Assignment of Interests of Toll Roads (Jiao Cai Fa [2008] No.315) issued by the Ministry of Transport of the People's Republic of China;
- (11) Other current relevant laws and regulations of the State.

(3) Professional regulations

- (1) The Notice on Printing and Distributing the Assets Appraisal Standards — Basic Standards and the Code of Professional Ethics for Assets Appraisal — Basic Code (Cai Qi [2004] No. 20) Issued by the Ministry of Finance of the People's Republic of China;
- (2) The Assets Appraisal Standards — Appraisal Report (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society;
- (3) The Assets Appraisal Standards — Appraisal Procedure (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society;
- (4) The Assets Appraisal Standards — Engagement Letter (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society;
- (5) The Assets Appraisal Standards — Working Paper (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society;
- (6) The Asset Appraisal Valuation Type Guidance (Zhong Ping Xie [2007] No. 189) issued by the China Appraisal Society;
- (7) The Guidelines for the Appraisal Report of State-owned Assets of Enterprises (Zhong Ping Xie [2008] No. 218) issued by the China Appraisal Society;
- (8) The Notice on Printing and Distributing the Instructions for Certified Public Valuers about the Legal Ownership of the Appraisal Object (Hui Xie [2003] No. 18) issued by the Chinese Institute of Certified Public Accountants.

(4) Equity basis

- (1) Copies of the approval documents for the construction of important assets, the approval document for road tolls, service concession contract and other relevant documents of Longda Expressway.
- (2) Vehicle driving license, invoices and etc.
- (3) Other relevant ownership certificates.

(5) Basis of price determination and reference data

- (1) Detailed statement of examination, declaration and appraisal of Longda Expressway provided by Shenzhen Longda.
- (2) Historical financial statements and relevant audit reports provided by Shenzhen Longda.
- (3) The “Forecast Report on Traffic Volume and Toll Revenue of Shenzhen Longda Expressway” issued by the Guangdong Province Communications Planning and Design Institute Co., Ltd in October 2015.
- (4) The “Comparison and Selection of 2013–2027 Protective Maintenance Plan and Overhaul Plan for Longda Expressway” provided by Shenzhen Longda.
- (5) Financial data terminal by HiThink RoyalFlush Information Network Co., Ltd.
- (6) Other relevant information.

9. APPRAISAL METHOD

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

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

Introduction of the income approach

Basic formula for the income approach

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

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

About income source:

While the income approach is used for the appraisal of present value of income from Longda Expressway, the income source will be different based on the different adjustment plan for the tolling scheme for different time period (Please see Part 12 “Adjustment Plans for the Highway Tolling Scheme” for more details).

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

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

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

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

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

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

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

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

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

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

- (1) Discount Rate 1 corresponding to Phase 1 (to be used to discount to the valuation date of assets appraisal);
- (2) Discount Rate 2 corresponding to the scenario whereas the service concession agreement is continued in Phase 2 (to be used to discount to the beginning of Phase 2);

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

If the government continues to apply service concession agreement for both Phase 1 and 2, the income source is from toll revenue and the corresponding final settlement shall be conducted based on the actual income every year in the future. Therefore, there is no significant uncertainty in the expected return in these two phases, which means that the present value equals to the future toll income are being paid in advance on the valuation date of assets appraisal. We determined Discount Rate 1 and 2 based on the lending interest rate in recent years.

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

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

10. IMPLEMENTATION AND SITUATION OF THE APPRAISAL PROCEDURE

(1) Starting and ending time of the appraisal work

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

(2) Main appraisal procedure that has been implemented

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

11. APPRAISAL ASSUMPTIONS

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

- (1) Assuming that the economic environment, market environment, social environment (such as China's macroeconomic policies, relationship between market supply and demand, fiscal and tax policies, domestic and foreign trade policies, environmental protection policies, financial and monetary policies, and etc.) and other factors will not be significantly changed in the future;
- (2) Assuming that tax policies applicable to the company of the appraised assets will not be significantly changed;
- (3) Assuming that there will be no force majeure event that will have significant adverse impact on the appraised assets after the valuation date of assets appraisal;
- (4) Assuming that the management team of the appraised assets will be responsible and dutiful after the valuation date of assets appraisal;
- (5) Assuming that all operating activities of appraised assets will be carried out in accordance with the provisions of the relevant laws and regulations, the relevant industry standards and the relevant provisions on safe production and operation;
- (6) Assuming that the appraised assets are obtained and used in accordance with the national laws, regulations and normative documents.
- (7) Assuming that all the relevant assets of the appraised expressways have been presented or specially explained to us, and there will be no other assets or contingent assets, or other relevant rights/contingent rights and obligations/contingent obligations;
- (8) Assuming that the accounting policies used for the appraised assets will be consistent in all material respects;
- (9) Assuming that the data provided by the entrusting party regarding this appraisal are true, accurate and complete.
- (10) Except as otherwise stated in this report, the following conditions are assumed to be in normal state:
 - (i) All hidden assets or assets inconvenient for observation or any part thereof (such as the foundation and pipe network of buildings buried in the ground, facilities and equipment placed near the high voltage lines, or assets that should not be opened), and the assets that are operated in another place or have not been operated when we check on the field, shall be considered to be normal.
 - (ii) The internal structure, performance, quality, character and function of all the physical assets shall be assumed to be normal.

- (iii) All the appraised assets shall be assumed to be recorded, kept and stored in accordance with the requirements of the relevant laws or professional standards, to be in a secure, economical and reliable environment, therefore, its risk factors that may exist or may not exist are not listed in the scope of investigation of valuers and its adverse or favorable impact on the appraised value is not considered.

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

12. ADJUSTMENT OPTIONS

In accordance with the adjustment options for the toll adjustment arrangements contemplated by the Shenzhen Municipal Government and Shenzhen Longda,

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

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

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

There are two adjustment options in Phase 2: (1) the continuation of service concession agreement by the government; (2) the repurchase of rights and interests of the Shenzhen section of Longda Expressway.

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

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

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

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

13. PROJECTIONS AND SELECTED ESTIMATIONS OF KEY PARAMETERS IN THE VALUATION**Revenue projections**

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

Projections on other operation revenue are primarily based on historical information.

Projected future operating revenue and growth rates of Shenzhen Section of Longda Expressway are shown as follows:

Unit: RMB Million

Project/year	February 7, 2016 to year-end	2017	2018	2019	2020	2021
Operating revenue	383.6446	440.3194	451.4659	489.8561	502.3882	513.3659
Growth rate		14.77%	2.53%	8.50%	2.56%	2.19%
Project/year	2022	2023	2024	2025	2026	2027/10/9
Operating revenue	524.6162	536.1143	538.6706	546.1892	550.4890	424.1341
Growth rate	2.19%	2.19%	0.48%	1.40%	0.79%	-22.95%

Projected cash-settled costs and expenditures

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

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

Costs for the first three years: according to the toll adjustment plan, income for Phase 1 comprises toll revenue. Hence, no cost estimates are conducted in respect of the first three years.

Selection of income tax rate

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

Projected depreciation and amortization

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

Estimation and selection of discount rates

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

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

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

Capital structure D and E

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

Equity capital cost Ke

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

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

Where: R_f: Risk-free return rate;
R_m-R_f: Market risk premium;
β: Risk coefficient;
R_c: Enterprise-specific risk adjustment coefficient;

Risk-free return rate (Rf)

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

Market risk premium (R_m-R_f)

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

β value

Risk coefficient β: A search on the risk coefficient without financial leverage (β_u) of listed companies in the industry is conducted and the arithmetic average of the β_u values of such companies is adopted as the β_u of the appraised assets. The capital structure of the appraised assets is then converted into the risk coefficient with financial leverage as the β value for this evaluation.

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

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

No.	Stock name	β _u	No.	Stock name	β _u
1	Shenzhen Expressway 深高速	0.5774	5	Guangdong Expressway 粵高速A	0.4605
2	Jiangxi Ganyue Expressway 贛粵高速	0.6014	6	Xiandai Investment 現代 投資	0.5704
3	Jiangsu Expressway 寧滬高速	0.6158	7	Zhongyuan Expressway 中原高速	0.5121
4	Sichuan Expressway 四川成渝	0.5572	8	Fujian Expressway 福建 高速	0.6222
	Average value				0.5646

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

Enterprise-specific risk adjustment coefficient

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

After-tax capital cost of liabilities K_d

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

Determination of WACC

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

- Discount Rate 4, which discounts the present value of income in Phase 2 (discounted to the start of Phase 2) to the valuation benchmark date of the project, further discounts the present value of Phase 2 to be estimated three years later (representing a 3.08-year interval from the valuation benchmark date). Hence we have adopted the 5% interest rate applicable to 3-year to 5-year loans currently quoted by PBOC as the discount rate under this approach.

14. APPRAISAL CONCLUSION

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

Unit: RMB Million

Name	Appraisal result by phases				Appraisal result of the present value of income (total value of Phase 1 & 2) discounted to 2015/11/30
	Phase 1 (Under Service Concession)	Phase 2 (Continuing service concession or repurchase of the rights and interests of toll highways)			
	Present value of income (Discounted to 2015/11/30)	Option	Present value of income (Discounted to 2018/12/31)	Present value of income (Discounted to 2015/11/30)	
Shenzhen section of Longda Expressway	1,177.5173	Service concession	3,580.0335	3,080.0192	4,257.5364
		Repurchase of the rights and interests of highway	2,111.6510	1,816.7220	2,994.2393

Based on the option that the government retains service concession agreement for both Phase 1 and 2, the present value of income on the valuation date of assets appraisal from the Shenzhen section of Longda Expressway is RMB4,257.5364 million.

Based on the option that the government retains service concession agreements during Phase 1 and will repurchase the rights and interests of toll highways in Phase 2, the present value of income on the valuation date of assets appraisal from the Shenzhen section of Longda Expressway is RMB2,994.2393 million.

15. SPECIAL INSTRUCTIONS

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

- (1) In this appraisal, we cited the “Forecast Report on Traffic Volume and Toll Revenue of Shenzhen Longda Expressway” issued by the Guangdong Province Communications Planning and Design Institute Co., Ltd in October 2015, and also cited the “Comparison and Selection of 2013–2027 Protective Maintenance Plan and Overhaul Plan of Longda Expressway” provided by Shenzhen Longda. Our company has understood the estimates of and the procedure for getting the cited report conclusions, and would bear the responsibilities related to citing conclusions from these reports.
- (2) The property certificates of land and some buildings involved in the Shenzhen section of Longda Expressway have not been handled yet.
- (3) The impact of transaction taxes on the appraisal result is not considered in this appraisal.
- (4) The income from billboard leasing is not calculated in this appraisal. This is a reminder for the users of the report to pay attention to this issue.

16. RESTRICTIONS ON THE USE OF THE APPRAISAL REPORT**(1) Instructions for the use of the appraisal report**

- (1) The use of this report belongs to the entrusting party. The entrusting party or other users approved by the entrusting party to use the assets appraisal report, shall carefully read and understand every part of this report, and any exclusive use of each part of this report, or any combined use of some parts, but not all, of the report, is likely to cause the misunderstanding of the appraisal conclusion stated in the report. The users of the report shall pay special attention to the value definition, appraisal assumptions, appraisal basis, special instructions, and the commitment letter of the enterprise to be appraised, stated in the report.
- (2) In addition to the review and use of this report by the assets appraisal authorities as required by laws and regulations or other agencies authorized by laws and regulations, without the written permission or consent of the entrusting party, our company will not provide or reveal all or part of the contents of this report to others. In addition to the review and use of this report by the assets appraisal authorities as required by laws and regulations or other agencies authorized by laws and regulations, our company has no obligation to explain this report to any other third party.

(2) Restrictions

- (1) Any appraisal involving state-owned assets may be available for use after being filed with the relevant authorities for the record.

- (2) This report may only be used to evaluate the appraisal purpose and use stated in the report.
- (3) This report may only be used by the users of the appraisal report stated in the report.
- (4) Unless otherwise provided for by laws and regulations, or agreed by the relevant parties, without the consent of our company, the content of the appraisal report shall not be excerpted, quoted or disclosed in the public media.
- (5) This report is not a certificate of value for the appraisal object, but the advisory opinions on the value of the appraisal object based on some appraisal basis and assumptions.

(3) Period of use of the appraisal conclusion

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

17. DATE OF THE APPRAISAL REPORT

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

DZX International Appraisal Limited
Shenzhen, China
October 20, 2015

Legal representative: Wang Mingzhi
Chinese CPV: Wang Mingzhi
Chinese CPV: Mao Yuan

The following is a summary of the forecast reports prepared by GPCP&D on traffic flow and toll revenue of Nanguang Expressway, Yanpai Expressway and Yanba Expressway. The forecast reports were prepared in Chinese only and set out below is an English translation of the relevant extract from the forecast reports. In case of any discrepancies between the Chinese and the English summaries of the forecast reports, the Chinese version shall prevail.

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

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

1. INTRODUCTION OF THE PROJECTS

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

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

Located in the coastal region of eastern Shenzhen, Yanba Expressway starts from Yantian in the west and ends at Bagang in the east, with its course largely spanning from east to west. It constitutes an important part of Huizhou-Shenzhen Coastal Expressway, numbering S30 as Guangdong Expressway. Having a total length of 29.1 km, it is a dual six-lane expressway with a design speed of 80 km/hour. Yanba Expressway is the main passage between the coastal area in the east of Shenzhen and its surrounding areas, playing an important role in the economic development of the eastern area of Shenzhen and the integration of Shenzhen and Huizhou. The construction of Yanba Expressway is divided into three sections, comprising sections A, B and C. Section A of Yanba Expressway starts from Yantian in the west and ends at Xichong in the east, with a total length of 10.38 km; it commenced operation in March 2001, with its concession expiring in March 2026. Section B of Yanba Expressway starts from Xichong in the west and ends at Kuichong in the east, with a total length of 9.19 km; it

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

Table 1: Overview of the Projects

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

2. CONTENT OF WORK

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

- (1) To review available planning and analysis reports related to the expressways under study;
- (2) To collect the socio-economic development data of the regions under study and analyse its current status and planning;
- (3) To collect the traffic and transportation development data of the regions under study and analyse its current status and planning;
- (4) To collect relevant infrastructure data such as traffic flows, toll revenue, free-toll during holidays and toll-by-weight;
- (5) To determine the traffic flow and toll revenue forecast methodology;
- (6) To consider effects of future changes in regional road network development and forecast the projects' traffic flow;
- (7) To forecast the projects' toll revenue based on the forecasted traffic flow and current toll standards.

3. TRAFFIC FLOW FORECAST METHODOLOGY

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

(1) Sorting and verification of basic data

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

(2) Traffic demand forecast

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

(3) Traffic distribution forecast

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

(4) Allocation of traffic flow

Allocation of traffic flow refers to allocation of travel volume among different regions to road network, to generate traffic flow of different road sections in the road network. The core to the allocation of traffic flow is the selection of routes. The Stochastic User Equilibrium has been adopted in this study to forecast the traffic flows of road sections after taking into account factors such as future changes in road sections and effect of rail transits and on the precondition that comprehensive costs such as road toll, mileage of the road sections and time value have been taken into consideration, during which the followings have been mainly considered:

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

4. KEY BASIC ASSUMPTIONS

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

(1) Economic growth assumption

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

(2) Traffic elasticity assumption

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

(3) Assumption on road network changes

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

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

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

5. TRAFFIC FLOW FORECAST

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

Table 3: Traffic Flow Forecast for Nanguang Expressway*(standard vehicle/day)*

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

Notes:

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

Table 4: Traffic Flow Forecast for Yanpai Expressway

(standard vehicle/day)

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

Table 5: Traffic Flow Forecast for Yanba Expressway

(standard vehicle/day)

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

6. TOLL REVENUE FORECAST

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

(1) Toll rates adopted in the report

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

Table 6: Toll Rates of Nanguang Expressway

Unit: RMB Yuan / vehicle per trip

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

Table 7: Toll Rates of Yanpai Expressway

Unit: RMB Yuan / vehicle per trip

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

Paibang (connection
point with Jihe East)

Table 8: Toll Rates of Yanba Expressway

Unit: RMB Yuan / vehicle per trip

Yantian		Dameisha		Xiaomeisha		Xichong		Tuyang		Kuichong		Bagang	
Vehicle class	Amount	Distance (km)	Amount	Distance (km)	Amount	Distance (km)	Amount	Distance (km)	Amount	Distance (km)	Amount	Distance (km)	Amount
1	2												
2	3												
3	4												
4	5												
5	7	3.4											
1	4		2										
2	5		3										
3	8		4										
4	10		5										
5	13		5										
1	5	6.3	3.2										
2	9		4		3								
3	12		5		4								
4	18		9		5								
5	22		10		9								
1	9	10.3	7.1		4.8								
2	13		5		5		3						
3	15		10		8		4						
4	25		13		10		5						
5	30		20		15		8						
1	10	14.2	11.1		8.7		4.4						
2	15		9		7		5		2				
3	20		13		10		7		3				
4	32		17		15		9		4				
5	37		25		22		14		7				
1	15	17.6	14.5		12.1		7.8		3.6				
2	25		15		13		10		8		6		
3	33		20		20		15		10		9		
4	49		29		25		20		15		10		
5	55		39		30		24		19		19		
1	15	27.3	24.2		21.9		17.5		13.4		10.3		
2	25		15		14		10		9		7		1
3	35		23		20		17		14		10		2
4	50		30		28		23		18		15		3
5	60		47		43		35		25		20		4
1	29.1	29.1	26.0		23.7		19.3		15.1		12.1		2.4
2													
3													
4													
5													

Baishawan
(connection
point with
Huishen
Coastal
Expressway)

(2) The forecast results are set out as follows:

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

(RMB'0,000)

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

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

(RMB'0,000)

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

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

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

(RMB'0,000)

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

Notes:

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

The following is a summary of the forecast report prepared by GPCP&D on traffic flow and toll revenue of Longda Expressway. The forecast report was prepared in Chinese only and set out below is an English translation of the relevant extract from the forecast report. In case of any discrepancies between the Chinese and the English summaries of the forecast report, the Chinese version shall prevail.

SUMMARY OF THE FORECAST REPORT ON TRAFFIC FLOW AND TOLL REVENUE OF LONGDA EXPRESSWAY

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

1. INTRODUCTION OF THE PROJECT

Longhua, Shenzhen-Dalingshan, Dongguan Expressway (hereinafter referred to as “Longda Expressway”) is an important main-line highway connecting Shenzhen City and Dongguan City, and is located in northwest part of Shenzhen and southern part of Dongguan with a north-south direction. It originates from Longhua, Shenzhen and links up with Bulong Class I Highway, Jihe Expressway and Fulong Freeway, passing through Shiyan, Guangming, Gongming, Songgang and ending at Dalingshan, Dongguan. It connects with Hugang Expressway in Dongguan. It has a total length of 28.2 km with a design speed of 100 km/hour, its construction was undertaken by two stages. The Shenzhen section of Longda Expressway has a length of 25.514 km and its construction was commenced in December 2001 and completed in August 2005, operation commenced on 8 October 2005. The Dongguan section of Longda Expressway has a length of 2.686 km and its construction was commenced in September 2005 and operation commenced on 12 January 2007. Longda Expressway was granted a concession of 22 years commencing from 9 October 2005 and ending on 9 October 2027.

Table 1: Overview of the Project

No.	Name	Major indicator
1	Technical grade	Expressway
2	Access Control	Controlled Access
3	Mileage (km)	28.2
4	Number of lanes	6
5	Design speed (km/h)	100
6	Date of commencing operation	Shenzhen section of Longda Expressway: October 2005 Dongguan section of Longda Expressway: January 2007
7	Expiry date of concession	October 2027

2. CONTENT OF WORK

This study aims to forecast the traffic flow and toll revenue of Longda Expressway for future years and the scope mainly includes collection of basic information, on-site survey of traffic flow, analysis of traffic flow and forecast on future traffic flow and toll revenue. The work of this study mainly includes:

- (1) To review available planning and analysis reports related to the expressway under study;
- (2) To collect the socio-economic development data of the regions under study and analyse its current status and planning;
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This stage is to collect available information of the regions under study, including, among others, available analysis reports, traffic statistics and survey data, toll statistics, road network node data and socio-economic data to form the basic travel data of the regions under study, and to form the forecasted base year data through verification of the latest traffic flow of the relevant road sections.

(2) Traffic demand forecast

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

restrictions on non-local vehicles. Specifically, the forecast includes, among others, economic growth forecast, elasticity development analysis and forecast as well as traffic generation and attraction forecasts.

(3) Traffic distribution forecast

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

(4) Allocation of traffic flow

Allocation of traffic flow refers to allocation of travel volume among different regions to road network, to generate traffic flow of different road sections in the road network. The core to the allocation of traffic flow is the selection of routes. The Stochastic User Equilibrium has been adopted in this study to forecast the traffic flows of road sections after taking into account factors such as future changes in road sections and effect of rail transits and on the precondition that comprehensive costs such as road toll, mileage of the road sections and time value have been taken into consideration, during which the followings have been mainly considered:

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

4. KEY BASIC ASSUMPTIONS

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

(1) Economic growth assumption

Under the comprising 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.

(2) Traffic elasticity assumption

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

(3) Assumption on road network changes

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

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

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

5. TRAFFIC FLOW FORECAST

In this report, the traffic flow forecast for Longda Expressway for future years has been prepared by using the four-stage model with 2014 as the base year under three scenarios, namely basic scenario, moderate scenario and optimistic scenario. The forecast results of the 23.8 km section of Longda Expressway from the starting point of Longda Expressway to the Nanguang ramp (the “Longda Shenzhen Section”) are set out as follows:

Table 3: Traffic Flow Forecast for Longda Shenzhen Section*(standard vehicle/day)*

Year	Moderate scenario	Optimistic scenario	Basic scenario
2016	87,431	88,699	86,976
2017	90,325	92,177	88,744
2018	92,764	95,649	90,185
2019	100,996	105,016	96,977
2020	103,800	109,022	98,579
2021	106,156	111,887	100,421
2022	108,567	114,829	102,300
2023	111,036	117,851	104,216
2024	111,657	118,926	104,388
2025	113,501	121,276	105,726
2026	114,481	122,484	106,479
2027	115,477	123,710	107,243

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

6. TOLL REVENUE FORECAST

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

(1) Longda Expressway toll rates adopted in the report

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

Table 4 Toll Rates of Longda Expressway

Unit: RMB Yuan / vehicle per trip

Langtian													
Vehicle class	Amount												
1	3												
2	4												
3	6												
4	9												
5	10												
Distance (km)	5.5	Amount											
1	3	1											
2	5	2											
3	7	2											
4	10	2											
5	10	2											
				Shilongzai									
Distance (km)	6.7	1.8		Amount									
1	9	6		5									
2	13	8		7									
3	17	11		10									
4	26	17		14									
5	30	20		17									
				Guangming									
Distance (km)	14.3	9.4		8.0		Amount							
1	10	8		7		3							
2	17	12		10		4							
3	22	16		15		6							
4	33	24		22		9							
5	39	28		25		10							
						Loucun							
Distance (km)	18.5	13.6		12.1		4.9		Amount					
1	14	10		10		6		4					
2	20	17		15		9		6					
3	28	23		20		12		7					
4	43	34		31		18		10					
5	50	39		36		21		13					
								Songgang (connection point with Nanguang Expressway)					
Distance (km)	23.7	18.8		17.3		10.1		6.1		Amount			
1	15	14		13		9		6		3			
2	25	20		20		13		10		5			
3	34	28		26		18		13		6			
4	50	42		39		26		19		9			
5	59	49		46		30		22		11			
Distance (km)	28.2	23.3		21.8		14.6		10.7		5.3		Luotian (connection point with Changhu Expressway)	

(2) The forecast results of Longda Shenzhen Section are set out as follows:

Table 5: Toll Revenue Forecast for Longda Shenzhen Section for Future Years

(RMB'0,000)

Year	Moderate scenario	Optimistic scenario	Basic scenario
2016	42,642	43,261	42,421
2017	43,982	44,884	43,212
2018	45,097	46,499	43,844
2019	48,936	50,882	46,985
2020	50,189	52,715	47,666
2021	51,287	54,056	48,517
2022	52,412	55,434	49,385
2023	53,561	56,847	50,270
2024	53,817	57,321	50,312
2025	54,569	58,309	50,833
2026	54,999	58,845	51,155
From January to 9 October 2027	42,376	45,397	39,356

The following is the text of the report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATION OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE TOLL ADJUSTMENT AND COMPENSATION ARRANGEMENTS REGARDING NANGUANG EXPRESSWAY, YANPAI EXPRESSWAY, YANBA EXPRESSWAY AND LONGDA EXPRESSWAY

TO THE BOARD OF DIRECTORS OF SHENZHEN INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 20 October 2015 prepared by DZX International Appraisal Limited in respect of the appraisal of the fair value of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway as at 30 November 2015 is based. Nanguang Expressway, Yanpai Expressway and Yanba Expressway are owned by Shenzhen Expressway Company Limited, a subsidiary of Shenzhen International Holdings Limited (the "Company") while Longda Expressway is owned by the Company. The Valuation is set out in Appendix II of the circular of the Company in connection with the toll adjustment and compensation arrangements regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway dated 12 January 2016 (the "Circular"). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 on pages II-1 to II-38 of the Circular. 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.

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 Hong Kong Institute of Certified Public Accountants (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 Responsibility

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.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKCIPA. This standard requires that we 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 on pages II-1 to II-38 of the Circular. 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 on pages II-1 to II-38 of the Circular.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 January 2016

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 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 (the “Model Code”) contained in the Listing Rules were as follows:

Long positions in the shares of the Company

Name of Directors	Number of shares held	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Gao Lei	130,000	Beneficial owner	Personal	0.01%
Li Jing Qi	864,840	Beneficial owner	Personal	0.05%
Liu Jun	900,000	Beneficial owner	Personal	0.05%
Li Lu Ning	130,000	Beneficial owner	Personal	0.01%

Long positions in the underlying shares of the Company

Name of Directors	Number of unlisted share options (physically settled equity derivative) held	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Gao Lei	1,400,000	Beneficial owner	Personal	0.07%
Li Jing Qi	1,330,000	Beneficial owner	Personal	0.07%
Zhong Shan Qun	1,050,000	Beneficial owner	Personal	0.06%
Liu Jun	1,050,000	Beneficial owner	Personal	0.06%
Li Lu Ning	1,050,000	Beneficial owner	Personal	0.06%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors 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 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. Messrs. Gao Lei, Li Jing Qi, Li Lu Ning and Liu Jun are the directors of Ultrarich International Limited which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTEREST

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

4. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was 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.

5. DIRECTORS' INTERESTS IN ASSETS

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

6. MATERIAL ADVERSE CHANGE

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

7. 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.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Group which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

9. EXPERT

- (a) The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

Name	Qualifications
DZX	an independent qualified valuer in the PRC engaged in valuation
PwC	Certified Public Accountants, Hong Kong
GPCP&D	traffic consultants

- (b) As at the Latest Practicable Date, each of PwC, DZX and GPCP&D had no beneficial shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- (c) Each of the PwC, DZX and GPCP&D has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter/report and references to its name in the form and context in which it is included.
- (d) As at the Latest Practicable Date, each of PwC, DZX and GPCP&D was not interested, directly or indirectly, in any assets which had since 31 December 2014 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.
- (e) A summary of the reports from DZX dated 20 October 2015 is set out in Appendix II to this circular.
- (f) A summary of the reports from GPCP&D issued in October 2015 is set out in Appendix III to this circular.
- (g) The text of the letter from PwC dated 12 January 2016 is set out in Appendix IV to this circular.

10. 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:

- (a) the share subscription agreement dated 23 December 2015 entered into between SZ Expressway and Bank of Guizhou Co., Ltd., in relation to the subscription of shares in Bank of Guizhou Co., Ltd., details of which are set out in the announcement of the Company dated 23 December 2015;
- (b) the Three Expressways Adjustment Agreement;
- (c) the Longda Adjustment Agreement;

- (d) the share transfer agreement dated 30 October 2015 entered into among Mei Wah Industrial (Hong Kong) Limited (a subsidiary of the Company), Sumgreat Investments Limited, Shenzhen Huayu Investment & Development (Group) Co., Ltd., and Mr. Chen Yangnan in relation to the sale and purchase of the entire issued share capital of Fameluxe Investment Limited, details of which are set out in the announcement of the Company dated 30 October 2015;
- (e) the agreement dated 10 September 2014 entered into between Shenzhen Longhua New Area Administrative Committee (深圳市龍華新區管委會) (“Longhua Committee”), the Company and SZ Expressway in relation to, among other things, the payment of the land premium in respect of the Meilin Checkpoint land parcels, being the amount of RMB3,566,700,000 (subject to final adjustments), details of which are set out in the Company’s announcement and circular dated 10 September 2014 and 22 October 2014 respectively; and
- (f) the Agreement on the Toll Adjustment and Compensation and the Transfer of Assets Regarding Meiguan Expressway (梅觀高速公路調整收費補償及資產移交協議) dated 27 January 2014 entered into among (i) SZ Expressway, (ii) Shenzhen Meiguan Expressway Company Limited (深圳市梅觀高速公路有限公司), a subsidiary of the Company, (iii) the Transport Commission, and (iv) the Longhua Committee in relation to, among other things, the toll adjustment of Meiguan Expressway and the relevant arrangements as regards compensation to the Group of approximately RMB1,597,950,000 and (subject to adjustments) other relevant costs/expenses for approximately RMB1,102,370,000, details of which are set out in the announcement of the Company dated 27 January 2014.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Rooms 2206–2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in this Appendix;
- (c) the annual reports of the Company for each of the financial years ended 31 December 2013 and 2014 (each of which contains the audited financial statements of the Group for the respective year);
- (d) the letters of consent from each of PwC, DZX and GPCP&D;
- (e) the business valuation report of each of the Three Expressways and the Longda Shenzhen Section prepared by DZX, a summary of which is set out in Appendix II to this circular;
- (f) the forecast report on traffic flow and toll revenue of each of the Three Expressways and the Longda Shenzhen Section prepared by GPCP&D, a summary of which is set out in Appendix III to this circular; and
- (g) the letter from PwC on the discounted future estimated cash flows in connection with the business valuation of the Three Expressways and the Longda Shenzhen Section, the text of which is set out in Appendix IV to this circular.

12. MISCELLANEOUS

The company secretary of the Company is Ms. Tam Mei Mei. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is at Rooms 2206–2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text except for the English names of certain PRC entities which are translated from their Chinese names and are included herein for identification purpose only, in which case their Chinese names shall prevail.

NOTICE OF SGM



Shenzhen International Holdings Limited
深圳國際控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00152)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of Shenzhen International Holdings Limited (the “Company”) will be held at the conference room of the Company at Rooms 2206–2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong at 11:00 a.m. on Thursday, 28 January 2016 for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**

- (a) the agreement dated 30 November 2015 (the “Three Expressways Adjustment Agreement”) entered into between Shenzhen Expressway Company Limited (a 50.889% subsidiary of the Company) and the Transport Commission of Shenzhen Municipality and the proposed toll adjustment, compensation arrangement and other matters contemplated under the Three Expressways Adjustment Agreement be and are hereby approved, ratified and confirmed; and
- (b) the board of directors of the Company be and is hereby authorised to do all such acts and things as it considers necessary or expedient to implement or give effect to the Three Expressways Adjustment Agreement including without limitation to the execution, amendment, supplement, delivery, waiver, submission and implementation of any further documents or agreements.”

2. **“THAT**

- (a) the agreement dated 30 November 2015 (the “Longda Adjustment Agreement”) entered into between Shenzhen Longda Expressway Company Limited and the Transport Commission of Shenzhen Municipality and the proposed toll adjustment, compensation arrangement and other matters contemplated under the Longda Adjustment Agreement be and are hereby approved, ratified and confirmed; and

NOTICE OF SGM

- (b) the board of directors of the Company be and is hereby authorised to do all such acts and things as it considers necessary or expedient to implement or give effect to the Longda Adjustment Agreement including without limitation to the execution, amendment, supplement, delivery, waiver, submission and implementation of any further documents or agreements.”

By Order of the Board
Shenzhen International Holdings Limited
Tam Mei Mei
Company Secretary

Hong Kong, 12 January 2016

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him in accordance with the Company's Bye-Laws. A proxy need not be a member of the Company but must be present in person to represent the member.
3. To be valid, a form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should they so wish, and in such event, the instrument appointing a proxy shall be revoked.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
6. Shareholders whose name appear on the Company's register of members on Thursday, 28 January 2016, will be eligible for attending and voting at the SGM. The Company's register of members will be closed from Wednesday, 27 January 2016 to Thursday, 28 January 2016, both days inclusive, during which no transfer of shares will be registered. In order to be eligible for attending and voting at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 January 2016.