THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Zhejiang Expressway Co., Ltd., you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

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

(Stock code: 0576)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 100% EQUITY INTEREST IN DEVELOPMENT CO
AND
(2) PROPOSED ISSUE OF H SHARE CONVERTIBLE BONDS UNDER GENERAL MANDATE
AND
(3) INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30 JUNE 2016
AND
(4) PROPOSED APPOINTMENT OF SUPERVISOR
AND
(5) PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION
AND
(6) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders of
Zhejiang Expressway Co., Ltd. in relation to the Disposal

TC CAPITAL

TC Capital International Limited

A letter from the Board is set out on pages 5 to 17 of this circular.

A letter from the Independent Board Committee is set out on page 18 of this circular.

A letter from TC Capital International Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Disposal is set out on pages 19 to 31 of this circular.

A notice for convening the extraordinary general meeting (the "EGM") of the Company to be held at 10 a.m. on 28 December 2016 at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, the People's Republic of China is set out on pages 90 to 92 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. In case of H Shares, the proxy form shall be lodged with the Company's H Shares Registrar, Hong Kong Registrars Limited, Room 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the EGM (or any adjournment thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

9 November 2016

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In this circular, unless the context specifies otherwise, the following expressions shall have the meanings stated below:

"Advertising Co"	浙江高速廣告有限責任公司(Zhejiang Expressway Advertising Co., Ltd.) is a company incorporated in the PRC and a 70% owned subsidiary of Development Co
"Articles of Association"	the articles of association of the Company
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the Board of Directors
"Business Day"	any day other than a Saturday or Sunday or a public holiday in the PRC, on which banks are generally open for business in the PRC
"Communications Group"	浙江省交通投資集團有限公司(Zhejiang Communications Investment Group Co., Ltd.*), a wholly State-owned enterprise established in the PRC, and the controlling shareholder of the Company
"Company"	Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Stock Exchange
"Completion"	completion of the Disposal pursuant to the Share Purchase Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Conversion Shares"	H Shares which fall to be allotted and issue upon exercise of the conversion rights attached to the H Share Convertible Bonds
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會) of the PRC
"Deloitte"	Deloitte Touche Tohmatsu, the auditors of the Company
"Development Co"	浙江高速投資發展有限公司(Zhejiang Expressway Investment Development Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of the Company

"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of 100% equity interest in Development Co by the Company in accordance with the Share Purchase Agreement
"EGM"	the extraordinary general meeting of the Shareholders of the Company to be convened for the purposes of, among other things, the approval by the Independent Shareholders of the Share Purchase Agreement and of the special resolution regarding the proposed issue of H Share Convertible Bonds, the notice of which is set out on pages 90 to 92 of this circular
"General Mandate"	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 6 May 2016 to allot, issue and/or deal with additional H Shares representing up to the limit of 20% of H Shares in issue on the date of the passing of the relevant resolution
"Group"	the Company and its subsidiaries
"H Shares"	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1 per share, which are listed on the main board of the Stock Exchange
"H Share Convertible Bonds"	the convertible bonds with an aggregate principal amount of up to USD400 million proposed to be issued by the Company, which are convertible into H Shares.
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Zhou Jun, Mr. Pei Ker-Wei and Ms. Lee Wai Tsang Rosa
"Independent Financial Adviser"	TC Capital International Limited, a licensed corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Purchase Agreement

"Independent Shareholders"	Shareholders who are independent within the meaning of the relevant provisions of the Listing Rules, and, in relation to the approval of the Share Purchase Agreement and the transactions contemplated thereunder at the EGM, means the Shareholders other than Communications Group and its associates
"Independent Third Party"	a party independent and not connected with the Company, any of its subsidiaries or any of their respective directors or substantial shareholders
"Latest Practicable Date"	7 November 2016, being the latest practicable date for ascertaining certain information in this circular
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"percentage ratio"	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
"PRC"	the People's Republic of China (for the purpose of this circular, excludes Hong Kong, Macau and Taiwan)
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the share(s) of the Company
"Share Purchase Agreement"	the agreement dated 17 October 2016 entered into between the Company and Zhejiang Communications Investment, pursuant to which the Company conditionally agreed to dispose of 100% equity interest in Development Co to Zhejiang Communications Investment
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"USD"	United States dollars, the law currency of the United States of America
"Valuation Report"	the valuation report dated 25 September 2016 prepared by the Valuer

"Valuer"	Tian Yuan Asset Appraisal Limited, the qualified independent valuer appointed by the Company in respect of Development Co
"Zhejiang Communications Investment"	浙江交通投資集團實業發展有限公司(Zhejiang Communications Investment Group Industrial Development Co., Ltd.*), a company incorporated in the PRC and a wholly-owned subsidiary of Communications Group
"%"	per cent.

* English names are for reference only.

In this circular, the translation of RMB into HK$ is based on the exchange of rate of HK$1 to RMB0.8552. Such conversion shall not be construed as a representation that amounts in RMB were or may have been converted into HK$ using such exchange rate or any other exchange rate or at all.

浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 0576)

Executive Directors:
Mr. Zhan Xiaozhang *(Chairman)*
Mr. CHENG Tao
Ms. Luo Jianhu

Non-executive Directors:
Mr. Wang Dongjie
Mr. DAI Benmeng
Mr. ZHOU Jianping

Independent Non-executive Directors:
Mr. Zhou Jun
Mr. Pei Ker-Wei
Ms. LEE Wai Tsang Rosa

Registered address:
12th Floor, Block A
Dragon Century Plaza
1 Hangda Road
Hangzhou
Zhejiang Province 310007
The People's Republic of China

9 November 2016

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 100% EQUITY INTEREST IN DEVELOPMENT CO
AND
(2) PROPOSED ISSUE OF H SHARE CONVERTIBLE BONDS UNDER GENERAL MANDATE
AND
(3) INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30 JUNE 2016
AND
(4) PROPOSED APPOINTMENT OF SUPERVISOR
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(5) PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION
AND
(6) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is, among other things, to give you notice of the EGM and to provide you with information in relation to certain resolutions to be proposed at the EGM to enable you to make an informed decision on whether to vote for or against those resolutions at the EGM.

2. DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 100% EQUITY INTEREST IN DEVELOPMENT CO

On 17 October 2016, the Company as vendor and Zhejiang Communications Investment as purchaser entered into the Share Purchase Agreement pursuant to which the Company conditionally agreed to sell and Zhejiang Communications Investment conditionally agreed to purchase 100% equity interest in Development Co at a cash consideration of RMB249,660,000 (equivalent to approximately HK$291,931,712).

Set out below is a summary of the principal terms of the Share Purchase Agreement.

Share Purchase Agreement

Date

17 October 2016

Parties

Vendor: The Company

Purchaser: Zhejiang Communications Investment

Assets to be disposed of

100% equity interest in Development Co

Consideration and payment terms

The consideration for 100% equity interest in Development Co is RMB249,660,000 (equivalent to approximately HK$291,931,712), which will be payable by Zhejiang Communications Investment in cash within 10 Business Days after the Share Purchase Agreement becomes effective (i.e. all conditions precedent have been fulfilled).

Conditions precedent

Completion of the Share Purchase Agreement is subject to the fulfilment of the following conditions precedent:

(1) approval of the Share Purchase Agreement by the Board;

(2) approval of the Share Purchase Agreement by the Independent Shareholders;

(3) approval of Share Purchase Agreement by the board of directors of Zhejiang Communications Investment; and

(4) approval of the Share Purchase Agreement by the board of directors of Communications Group.

As at the date of the Latest Practicable Date, the conditions under paragraphs 1, 3 and 4 above have been satisfied.

Effective date

The Share Purchase Agreement will become effective upon satisfaction of all the conditions mentioned under the section headed "Conditions precedent" above. The parties have agreed, however, that if at any time after the Share Purchase Agreement becomes effective any relevant PRC governmental department with authority over the Share Purchase Agreement seeks to revoke such agreement so as to render performance of the Share Purchase Agreement impossible, the parties will terminate the Share Purchase Agreement and the Company will be required to repay all amounts already paid by Zhejiang Communications Investment under the Share Purchase Agreement together with interest at the benchmark bank lending interest rate for the same period.

Basis of the Consideration

The consideration of RMB249,660,000 (equivalent to approximately HK$291,931,712) under the Share Purchase Agreement was determined based on arm's length negotiations between the Company and Zhejiang Communications Investment. A number of factors were considered by the parties when determining the consideration for the equity interest in Development Co, including, amongst others, the Valuation Report prepared by the Valuer.

The Company relied on the Valuation Report in determining the consideration under the Share Purchase Agreement, pursuant to which the appraised value of the entire equity interest of Development Co as at 31 July 2016 was RMB259,800,000. Taking into account the dividend of RMB10,140,297.98 paid by Development Co to the Company pursuant to a shareholders resolution of Development Co dated 21 September 2016, the consideration was determined to be RMB249,660,000. Having considered the valuation of Development Co as determined by the Valuer in the Valuation Report, the Directors (including the independent non-executive Directors) consider that the consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Principal assumptions for the income approach adopted for the Valuation Report

The appraised value of the entire equity interest of Development Co under the Valuation Report was prepared using the income approach, through the use of the discounted cash flow method. As a result, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Therefore, this circular is subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast.

As required under Rule 14.62(1) of the Listing Rules, details of the key assumptions used in determining the value of the entire equity interest in Development Co upon which the Valuation Report was issued are set out below:

Basic assumptions

- There will be no great changes in national macroeconomic situations, current bank interest rate, tax policies, etc.;
- There will be no great changes in economic, political and social situations of the region where Development Co is located;
- Operators of Development Co are responsible persons and the management of Development Co are competent at their jobs;
- Development Co fully complies with all applicable laws and regulations;
- The accounting policies to be adopted by Development Co in the future will be basically consistent with those used for the preparation of this report in all major respects;
- On the basis of the existing management methods and management level, Development Co keeps its business scope and operating mode consistent with the current orientation of development;
- There are no great adverse effects caused by other unpredictable factors and force majeure.

Specific assumptions

- There will be no great changes in national basic policies on operation of service area, and future development of the industry will be stably connected with overall changes of national economy;
- Human resources, management team and business management of Development Co in the future will remain at the current level, except for what have clearly adjusted;
- All cash flow relating to business operation occurs at the same time with the relevant incomes and expenses;
- During the toll period of Shanghai-Hangzhou-Ningbo expressway and Shangyu-Sanmen expressway, Development Co always owns the right to manage the service areas located in Jiaxing, Changan, Shaoxing, Yuyao, Shengzhou, Xinchang and Tiantai, and will not be subject to additional expense or income caused by the management right in the subsequent business operation;
- Main costs and expenses of Development Co's service areas have a stable structure, and will not be subject to an increase or decrease that is caused by transfer of shares.

Various factors were considered by the Directors in assessing the fairness and reasonableness of the assumptions in relation to the Valuation Report. In relation to the assumptions and forecast relating to revenue growth and the operating costs, the Directors have reviewed the past financial statements and financial data of Development Co and took the view that the assumptions and forecast as to the revenue and cost of the principal business of Development Co including all the operation and management expenses to be incurred would not differ substantially from the current basis in terms of the percentage to revenue and would continue to maintain a similar trend as in the past few years.

In relation to the assumptions and forecast made on staff remuneration, the Directors have reviewed Development Co's human resources policies, existing salaries, number of employees and growth rates of employees in the past years, as well as the breakdown of such expenses (including welfare, social security and housing provident fund) and assessed the fairness based on their management experience and the market standard in the PRC. In relation to the capital expenditure, the Directors have reviewed the historical figures of Development Co and they were aware that the forecast figures were made on the basis of sustaining the operation of the existing business of Development Co and did not take into account the fixed asset investment which might be required for materially expanding its business operation. The Directors considered this to be consistent with the strategy of the Group in focusing on its core business of developing and operating high-grade roads. In relation to finance cost and tax expenses, the Directors have reviewed the financial position of Development Co in the past years and, having also considered the expected growth of and profit level of Development Co, took the view that such cost and expenses would remain steady and consistent with its growth in the past few years.

Having reviewed the assumptions in relation to the Valuation Report and considered the above factors, the Directors are of the view that the assumptions are necessary and appropriate. The Directors confirmed that the assumptions made by the Valuer in the Valuation Report were made after due and careful enquiry and are fair and reasonable.

Deloitte, acting as the reporting accountants of the Company, has examined the calculations of the discounted future estimated cash flows in which the Valuation Report is based, which do not involve the adoption of accounting policies in its preparation.

The Directors confirm that the valuation of 100% equity interest of Development Co in the Valuation Report, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry.

A letter from Deloitte in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules are included in Appendix II to this circular.

To the best of the Directors' knowledge, information and belief, Deloitte is an Independent Third Party.

Information on Development Co

Development Co is a limited liability company incorporated in the PRC on 28 May 2003. Development Co is principally engaged in the operation of service areas as well as roadside advertising along the expressways operated by the Group. As of the date of this circular, Development Co is a wholly-owned subsidiary of the Company and upon Completion, the Company will cease to hold any interest in Development Co and Development Co will cease to be a subsidiary of the Company.

According to the audited financial statements of Development Co prepared in accordance with generally accepted accounting principles in the PRC which was audited by the PRC statutory auditor of Development Co, the net asset value of Development Co as at 31 December 2015 and 31 July 2016 was RMB362,861,274.05 and RMB201,162,954.67, respectively. The main reason attributable to the decrease in net asset value of Development Co as at 31 July 2016 compared to the net asset value as at 31 December 2015 is the declaration of dividend in respect of Development Co by the Company in July 2016. On 15 July 2016 and 31 July 2016, the Company, as the shareholder of the Development Co, resolved to distribute a dividend in respect of Development Co in the sum of RMB15,000,000 and RMB152,177,425.70, respectively and paid to the Company on 29 July 2016 and 25 August 2016, respectively. According to the audited financial statements of Development Co prepared in accordance with generally accepted accounting principles in the PRC which was audited by the PRC statutory auditor of Development Co, the net asset value of Development Co as at 31 July 2016 was approximately RMB201.2 million. A summary of the financial information of Development Co for the financial years ended 31 December 2014 and 2015 according to the PRC audited financial statements is set out below:

	As at 31 December	
	2014	**2015**
	RMB'000	*RMB'000*
	(audited)	(audited)
Net profit before taxation and extraordinary items	84,134	67,349
Net profit after taxation and extraordinary items	61,291	47,252

Transactions with Development Co and its subsidiaries after Completion

Upon Completion, Development Co will be a wholly-owned subsidiary of Communications Group, so Development Co and its subsidiaries will become the connected persons of the Company upon Completion. As a result, should the Company enter into any new transactions or continue any existing transactions with Development Co and/or its subsidiaries after Completion, such transactions would constitute connected transactions or continuing connected transactions for the Company upon and following Completion.

The Company is negotiating with Advertising Co (a 70% owned subsidiary of Development Co) for an arrangement which would allow Advertising Co for the term of 3 years, to continue to use the land along the Shanghai-Hangzhou-Ningbo expressway and Shangsan expressway operated by the Company and its subsidiaries to conduct its advertising related business.

The Company is also negotiating with Development Co for a leasing agreement which would allow Development Co to lease from the Company an office located in Hangzhou for the period of 3 years.

The Company intends to enter into the above-mentioned agreements with Development Co or Advertising Co (as the case may be) upon Completion. Each of them will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. It is expected that the highest applicable percentage ratios under the Listing Rules for these agreements (whether on a standalone basis or in aggregate) would be less than 0.1%, so each of them will be exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further announcements will be made by the Company (if required) as and when appropriate in accordance with all application requirements of the Listing Rules.

3. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board has considered the financial performance of Development Co in recent years and the prevailing challenging operating environment affecting it, and believes that its growth prospects to be limited. The Board therefore considers that the Disposal will allow the Company to focus on the expressway operation business, and will streamline the Company's existing business segments and operations, and sharpen the Company's strategic focus on its core business. In addition, the Disposal allows the Company to realise its investment and retrieve its invested capital. Therefore, the Company entered into the Share Purchase Agreement and carry out the Disposal.

Based on the Hong Kong Financial Reporting Standards, it is expected that the Group will derive a gain of approximately RMB67,300,000 from the Disposal. Such gain represents the amount by which the consideration for the Disposal in the sum of RMB249,660,000 exceeds the net book value of Development Co in the sum of approximately RMB182.4 million, being the audited net asset value of Development Co as at 31 July 2016 of approximately RMB192.5 million minus the dividend of approximately RMB10.1 million in respect of Development Co further declared by the Company in its capacity as the shareholder of Development Co on 21 September 2016 and paid on 18 October 2016. The actual gain or loss as a result of the Disposal to be recorded by the Company will be assessed and calculated based on the net book value of Development Co at the actual completion date and subject to audit and will be assessed after Completion.

The Group intends to apply the sale proceeds as its general working capital.

As the principal business of the Company is investing in, developing and operating of high-grade roads in the PRC, the entering into of the Share Purchase Agreement for the purposes of the Disposal is not considered to be part of the Company's ordinary and usual course of business in that context. The Directors (including the independent non-executive Directors) consider that, the Share Purchase Agreement is on normal commercial terms based on arm's length negotiations between the parties and that the Disposal is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

4. INFORMATION ON THE PARTIES TO THE SHARE PURCHASE AGREEMENT

The Company is a joint stock company established under the laws of the PRC with limited liability on 1 March 1997, the H Shares of which are listed on the Main Board of the Stock Exchange. It is principally engaged in investing in, developing and operating high-grade roads in the PRC. The Group also carries on certain other businesses such as operation of gas stations, restaurants and shops in service areas, advertising at expressway interchanges and external road maintenance, as well as securities related business.

Zhejiang Communications Investment is a company incorporated in the PRC on 23 October 2003, which is wholly owned by Communications Group, the controlling shareholder of the Company. Zhejiang Communications Investment is principally engaged in investing in real estate and assets, catering service, automobile repair service, etc.

5. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal is over 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In addition, as at the Latest Practicable Date, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a controlling shareholder of the Company. Therefore, Zhejiang Communications Investment, as a wholly-owned subsidiary of Communications Group, is a connected person of the Company and as a result, the Disposal also constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Mr. Zhan Xiaozhang, Mr. Wang Dongjie, Mr. Dai Benmeng and Mr. Zhou Jianping holds certain senior position in Communications Group, so they have abstained from voting on the board resolution with respect to the approval of the Share Purchase Agreement. Save for Mr. Zhan Xiaozhang, Mr. Wang Dongjie, Mr. Dai Benmeng and Mr. Zhou Jianping, none of the Directors has any material interest in Share Purchase Agreement or is required to abstain from voting on the relevant Board resolutions to approve the same.

As at the Latest Practicable Date, Communications Group holds approximately 67% of the issued share capital of the Company. In view of the interest of Communications Group in the Share Purchase Agreement, Communications Group and its associates will abstain from voting at the EGM on the resolutions in relation to the Share Purchase Agreement and the transaction contemplated thereunder.

6. PROPOSED ISSUE OF H SHARE CONVERTIBLE BONDS UNDER GENERAL MANDATE

Reference is made to the Company's announcement dated 30 September 2016.

To satisfying the operation needs of the Company, adjusting the debt structure, replenishing general working capital and project investments, the Company is considering issuing H Share Convertible Bonds at an appropriate time. The issue size will be up to USD400 million or its equivalent, subject to the capital demand and market conditions at the time of issuance. The Conversion Shares will be issued pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 6 May 2016 to allot and issue additional H Shares. The specific issue plan and authorisations to be sought from the Shareholders (the "**Authorisation**") are as follows:

The major terms of the proposed issuance of H Share Convertible Bonds

a. The issuance of H Share Convertible Bonds of principal amount not more than USD400 million (or its equivalent) can be issued one-off within the definite validity period as stated in item (h) below;

b. Upon the request of share conversion applied by holders of convertible bonds, the converted new H Shares may be issued under the relevant general mandate considered and approved at the general meeting of the Company;

c. The currency of issuance shall be determined based on the overseas bond market conditions at the time of the issuance of H Share Convertible Bonds;

d. The method of issuance shall be determined based on the overseas bond market conditions at the time of the issuance of H Share Convertible Bonds;

e. The term and interest rate of issuance shall be determined based on the overseas bond market conditions at the time of the issuance of H Share Convertible Bonds;

f. The issuer will be the Company;

g. The H Share Convertible Bonds to be issued are proposed to be listed on the Stock Exchange or another foreign stock exchange;

h. The Authorisation will be valid from the approval date of the Authorisation at the EGM to the date for convening the 2016 annual general meeting of the Company ("**Validity Period**"), at which the Shareholders may vote to continue or revoke the Authorisation. In the event that the Company has resolved to carry out any issuance of H Share Convertible Bonds within the Validity Period and the Company has obtained the approval, permit or registration in relation to such issuance from the regulatory authorities, the Company may complete such issuance so far as such approval, permit or registration remains valid; and

i. Any H Share to be issued upon conversion of the H Share Convertible Bonds will rank *pari passu* with, and within the same class as, the H Shares in issue on the relevant conversion date in all respects, save in respect of entitlements to dividends and other distributions which will depend on the conversion date(s) of the H Share Convertible Bonds and the date for the payment of the dividends or other distributions with respect to the H Shares after conversion.

Use of proceeds

The use of proceeds from the issuance of H Share Convertible Bonds will be used for satisfying the operation needs of the Company, adjusting the debt structure, as well as replenishing working capital and project investments etc.

Conditions to the issue

The Company expects the issue of H Share Convertible Bonds will be conditional upon the following:

- the consideration and approval by way of special resolution at the EGM of the issue of H Share Convertible Bonds;

- the obtaining of all necessary approval/consents from the relevant PRC regulatory authorities including the China Securities Regulatory Commission;

- the granting of the listing of the H Share Convertible Bonds by the Stock Exchange or another foreign stock exchange (as the case may be) on which the H Share Convertible Bonds are to be listed; and

- the granting of approval for the listing of and permission to deal in the H Shares to be issued upon conversion of the H Share Convertible Bonds by the Stock Exchange.

Authorisation matters in relation to the H Share Convertible Bonds Issuance

It is proposed to be submitted to the Shareholders for consideration and approval the granting of authority to the Board to deal with all matters relating to the proposed issue and (if required) listing of H Share Convertible Bonds in the absolute discretion of the Board in accordance with the applicable laws and regulations and the Articles of Association, including, but not limited to the following:

(1) to formulate specific plan and terms for the issue of H Share Convertible Bonds according to the requirements of the relevant laws and regulations, the Shareholders' resolutions passed at the EGM and market conditions, including but not limited to the issue size, maturity, type of bonds, interest rate and method of determination, timing of issue, security plan, whether to allow repurchase and redemption, use of proceeds, rating, subscription method, term and method of repayment of principal and interests, listing and all other matters relating to the issue and (if required) listing of H Share Convertible Bonds;

(2) to make corresponding amendments to the Articles of Association as it thinks fit so as to reflect the new capital structure upon the allotment and issuance of Conversion Shares; and

(3) to deal with other matters in relation to the issue of H Share Convertible Bonds.

The authorisation to be sought from the Shareholders will be put forward to the EGM by way of special resolution for approval by Shareholders in accordance with the applicable PRC laws and regulations and the Articles of Association.

Others

As at the Latest Practicable Date, the Company had approached the relevant investment banks to explore the feasibility relating to the issue of H Share Convertible Bonds but the Company did not have any concrete plan or timetable regarding the issue of H Share Convertible Bonds. The Board will comply with all the relevant requirements of the Listing Rules (including issue of an announcement pursuant to Chapter 13 of the Listing Rules), the Articles of Association and the relevant laws and regulations of the PRC when exercising its power for the proposed issue of H Share Convertible Bonds within the Validity Period.

7. INTERIM DIVIDEND FOR THE YEAR ENDED 30 JUNE 2016

Reference is made to the announcement of the Company dated 18 August 2016 in relation to, among other things, the Board's recommendation of the payment of an interim dividend of RMB6 cents to the Shareholders. Such proposed payment of interim dividend is subject to the approval of the Shareholders at the EGM. Subject to the approval by the Shareholders having been obtained at the EGM, the interim dividend is expected to be paid to the Shareholders on or about 25 January 2017.

8. PROPOSED APPOINTMENT OF SUPERVISOR

Reference is made to the announcement of the Company dated 18 August 2016 in relation to, among other things, the resignation of Mr. Wu Yongmin as an independent supervisor of the Company.

Ms. He Meiyuan is the newly nominated candidate for election as independent supervisor of the Company.

Details of Ms. He, which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules are set out as follows:

Ms. He Meiyun, born in 1964, is a senior economist. She graduated from the Zhejiang University in 1986 and later received an Executive Master of Business Admiration (EMBA) in Cheung Kong Graduate School of Business (長江商學院).

Ms. He had served as the Secretary of Youth League Committee at the Hangzhou Business School (杭州商業學校) and as a deputy general manager, general manager and vice chairman at Baida Group Co., Ltd. (百大集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600865). Ms. He currently serves as a general manager of Ping An Securities Company Limited, Zhejiang branch. She is also a vice chairman of the Professional Committee of the Board Secretary of Listed Company Association of Zhejiang (浙江省上市公司協會).

Ms. He has yet to enter into any service contract with the Company or its subsidiaries. Ms. He does not receive any fixed remuneration from the Company, though she will be provided with allowances that are subject to her performances in discharging her duties in the Company as determined by the Board at their discretion.

It is proposed that Ms. He will be appointed to hold office until the expiration of the term of the seventh session of the board of supervisors, being 30 June 2018.

Save as disclosed above, as at the Latest Practicable Date, Ms. He (i) had not held any other directorships in any listed public companies in Hong Kong or overseas, in the last three years nor has held any other positions with the Group; (ii) has not had any relationship with any Directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company; and (iii) had not had any interests in the Shares of the Company within the meaning of the meaning of Part XV of the SFO.

Save as disclosed herein, as at the Latest Practicable Date, there were no other matters relating to the proposed appointment of Ms. He that need to be brought to the attention of the Shareholders nor was there any information to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

9. PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION

According to the Companies Law of the PRC, joint stock limited companies incorporated in the PRC are required to establish a supervisory committee, which must consist of no less than three members and the representative of the staff and workers of the company must represent no less than one-third of the committee.

Currently, Article 111 of the articles of association of the Company provides that the supervisory committee shall include at least three independent supervisors and one representative of the staff and workers of the Company. In order to be consistent with the Companies Law of the PRC, the Company proposes to amend the articles of association of the Company accordingly. The proposed amendment to the articles is set out in Appendix IV to this circular. According to the articles of association of the Company and the relevant laws and regulations, the proposed amendment to the articles are subject to the approval of the Shareholders by way of special resolution at the EGM.

The legal advisers to the Company as to Hong Kong laws and laws of the PRC have respectively confirmed that the proposed amendment to the articles of association of the Company comply with the requirements of the Listing Rules and the applicable laws of PRC. The Company has confirmed that there is nothing unusual about the proposed amendments for a company incorporated in the PRC and listed on the Stock Exchange.

10. EGM

You will find on pages 90 to 92 of this circular a notice of the EGM to be held at 10 a.m. on 28 December 2016 at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, the People's Republic of China.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. In case of H Shares, the proxy form shall be lodged with the Company's H Shares Registrar, Hong Kong Registrars Limited, Room 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the EGM (or any adjournment thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

11. CONCLUSIONS AND RECOMMENDATIONS

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Zhou Jun, Mr. Pei Ker-Wei and Ms. Lee Wai Tsang Rosa, has been formed to consider the Share Purchase Agreement, and TC Capital International Limited has been appointed as the Company's Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Share Purchase Agreement are fair and reasonable and whether the transactions contemplated under the Share Purchase Agreement are in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Share Purchase Agreement and the transactions contemplated thereunder at the EGM.

The text of the letter from Independent Board Committee is set out on page 18 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 19 to 31 of this circular.

The Directors (including the independent non-executive Directors) consider that (i) the terms of the proposed issue of H Share Convertible Bonds are on normal commercial terms and are fair and reasonable and; (ii) the payment of interim dividend; (iii) the appointment of Ms. He Meiyun and (iv) the proposed amendment to the articles of association of the Company are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the relevant resolution relating to these matters to be proposed at the EGM.

12. OTHER INFORMATION

Your attention is also drawn to the appendices to this circular and the notice of the EGM.

Yours faithfully,
For and on behalf of
Zhejiang Expressway Co., Ltd.
ZHAN Xiaozhang
Chairman

浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 0576)

9 November 2016

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 100% EQUITY INTEREST IN DEVELOPMENT CO

We refer to the circular of the Company dated 9 November 2016 to the Shareholders (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you as to the fairness and reasonableness of the terms of the Share Purchase Agreement and whether the transactions contemplated under the Share Purchase Agreement are in the interests of the Company and the Shareholders as a whole. TC Capital International Limited has been appointed as the independent financial adviser to advise you and us in this regard. Details of the recommendations from TC Capital International Limited are set out in its letter of advice on pages 19 to 31 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 17 of the Circular and the additional information set out in the appendices to the Circular.

As the principal business of the Company is investing in, developing and operating of high-grade roads in the PRC, the entering into of the Share Purchase Agreement for the purposes of the Disposal is not considered to be part of the Company's ordinary and usual course of business in that context. Having considered the terms of the Share Purchase Agreement, and taken into account the advice from TC Capital International Limited and in particular the principal factors and reasons considered by TC Capital International Limited as set out in its letter of advice, we are of the view that (i) the terms of the Share Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Share Purchase Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
Independent Board Committee

Mr. ZHOU Jun	**Mr. PEI Ker-Wei**	**Ms. LEE Wai Tsang Rosa**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders relating to the terms of the Share Purchase Agreement and the transactions contemplated thereunder, prepared for the purpose of incorporation in this circular:

TC CAPITAL

9 November 2016

The Independent Board Committee and the Independent Shareholders of
Zhejiang Expressway Co., Ltd.

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF 100% EQUITY INTEREST IN DEVELOPMENT CO

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Purchase Agreement, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular dated 9 November 2016 issued by Zhejiang Expressway Co., Ltd. (the "**Company**") to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 17 October 2016, the Company as vendor and Zhejiang Communications Investment, a wholly-owned subsidiary of Communications Group, as purchaser entered into the Share Purchase Agreement, pursuant to which the Company conditionally agreed to sell and Zhejiang Communications Investment conditionally agreed to purchase 100% of the equity interest held by the Company in Development Co at a cash consideration of RMB249,660,000 (the "**Consideration**").

As at the Latest Practicable Date, Communications Group held approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a controlling shareholder of the Company. Therefore, Zhejiang Communications Investment, as a wholly-owned subsidiary of Communications Group, is a connected person of the Company. As a result, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the Disposal is over 5% but less than 25%, the Disposal also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Disposal shall therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Each of Mr. Zhan Xiaozhang, Mr. Wang Dongjie, Mr. Dai Benmeng and Mr. Zhou Jianping holds certain senior position in Communications Group, so they have abstained from voting on the board resolutions with respect to the approval of the Share Purchase Agreement. Save for Mr. Zhan Xiaozhang, Mr. Wang Dongjie, Mr. Dai Benmeng and Mr. Zhou Jianping, none of the Directors has any material interest in the Share Purchase Agreement or is required to abstain from voting on the relevant Board resolutions to approve the same.

In view of the interest of Communications Group in the Share Purchase Agreement, Communications Group and its associates will abstain from voting at the EGM on the resolutions in relation to the Share Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Zhou Jun, Mr. Pei Ker-Wei and Ms. Lee Wai Tsang Rosa, has been established to make recommendation to the Independent Shareholders in relation to the Share Purchase Agreement. Our role as the Independent Financial Adviser is to provide independent opinion and recommendation to the Independent Board Committee and Independent Shareholders on whether the terms of the Share Purchase Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to two occasions as detailed in the circulars of the Company dated 28 August 2015 and 6 November 2015. Given (i) our independent role in the engagement; and (ii) our fees for the engagement represented an insignificant percentage of our revenue, we consider the engagement would not affect our independence to form our opinion in respect of the Share Purchase Agreement.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Circular; (ii) the Share Purchase Agreement; (iii) the annual reports of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**") and interim reports of the Company for the six months ended 30 June 2016 (the "**2016 Interim Report**"); (iv) the audited report of Development Co prepared in accordance with generally accepted accounting principles in the PRC for the year ended 31 December 2015 (the "**Development Co 2015 Audited Report**"); (v) the unaudited financial statements of Development Co for the six months ended 30 June 2016 (the "**Development Co 2016 Interim Financial Statements**"); and (vi) the Valuation Report. We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, nor have we conducted an independent investigation into the business affairs, operations, financial position or future prospects of the Group, Zhejiang Communications Investment, Communications Group and Development Co, their respective subsidiaries, and/or their associated companies.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations in respect of the Share Purchase Agreement, we have taken into consideration the following principal factors and reasons:

I. Background information of the parties to the Share Purchase Agreement and Development Co

a) The Group

As stated in the Letter from the Board, the Group is principally engaged in investing in, developing and operating high-grade roads in the PRC. The Group also carries on certain other businesses such as operation of gas stations, restaurants and shops in service areas, advertising at expressway interchanges and external road maintenance, as well as securities related business.

The table below shows certain financial information of the Group for the years ended 31 December 2014 and 2015 ("**FY2014**" and "**FY2015**", respectively) and the six months ended 30 June 2015 and 2016, as extracted or calculated from the 2015 Annual Report and the 2016 Interim Report and certain financial information of Development Co for FY2014, FY2015 and the six months ended 30 June 2015 and 2016, as extracted or calculated from the Development Co 2015 Audited Report and the Development Co 2016 Interim Financial Statements:

	For the year ended 31 December		**For six months ended 30 June**	
	2014	**2015**	**2015**	**2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(unaudited)	(unaudited)
Toll road operation	4,662,897	4,961,928	2,379,853	2,537,806
Toll related operation (included gas station operation and advertisement)	2,379,051	1,842,417	936,885	532,106
Securities operation	2,418,360	5,660,628	2,861,871	2,152,380
Others	–	42,421	7,266	114,828
Total Revenue	9,460,308	12,507,394	6,185,875	5,337,120
Net profit	2,745,972	4,029,780	2,035,931	1,698,126
Net profit/(loss) contributed by Development Co	57,216	43,199	15,002	(8,218)
% of net profit contributed by Development Co	2.1%	1.1%	0.7%	N/A

We note from the table above that the revenue contributed by toll related operation (included gas station operation and advertisement) decreased by approximately 22.6% from approximately RMB2,379.1 million for FY2014 to approximately RMB1,842.4 million for FY2015 and decreased by approximately 43.2% from approximately RMB936.9 million for the six months ended 30 June 2015 to approximately RMB 532.1 million for the six months ended 30 June 2016. The profit contributed by Development Co decreased by approximately 24.5% from approximately RMB57.2 million for FY2014 to approximately RMB43.2 million for FY2015 mainly due to several reductions in the retail prices of domestics refined oil products. We also note from the table above that the net profit contributed by Development Co to the Company accounted approximately 2.1%, 1.1% and 0.7% of the total net profit of the Company for FY2014, FY2015 and for the six months ended 30 June 2015. We consider profit contributed by Development Co for FY2014, FY2015 and for the six months ended 30 June 2015 to the Company is relatively small as compared to the profit of the Company. For the six months ended 30 June 2016, Development Co recorded a loss of approximately RMB 8.2 million.

b) Zhejiang Communications Investment

As stated in the Letter from the Board, Zhejiang Communications Investment is a company incorporated in the PRC on 23 October 2003, which is wholly owned by Communications Group, the controlling shareholder of the Company. Zhejiang Communications Investment is principally engaged in investing in real estate and assets, catering service, automobile repair service, etc.

c) Development Co

The management of the Company advised that Development Co is principally engaged in (i) the operations of 20 service areas in the expressways; and (ii) roadside advertising along the expressways. As at the Latest Practicable Date, seven service areas were owned by Development Co and 13 service areas were leased from other parties. As at the Latest Practicable Date, Development Co was a wholly owned subsidiary of the Company. Development Co held 70% of the equity interest in Advertising Co, which is principally engaged in roadside advertising along expressways. Upon Completion, the Company will cease to hold any interest in Development Co and Development Co will cease to be a subsidiary of the Company.

The table below shows certain financial information of Development Co extracted from the Development Co 2015 Audited Report and the Development Co 2016 Interim Financial Statements:

	For the year ended 31 December		For six months ended 30 June	
	2014	2015	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	2,411,384	1,892,060	955,372	598,437
Net profit/(loss)	61,291	47,252	16,806	(7,752)
Profit/(loss) attributable to owners of Development Co	57,216	43,199	15,002	(8,218)

	As at 31 December		As at 30 June
	2014	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	(audited)	(audited)	(unaudited)
Net assets	369,663	362,861	354,644
Equity attributable to the owners of Development Co	369,663	362,861	354,644

The revenue of Development Co decreased by approximately 21.5% from approximately RMB2,411.4 million for FY2014 to approximately RMB1,892.1 million for FY2015. Net profit of Development Co decreased by approximately 22.9% from approximately RMB61.3 million for FY2014 to approximately RMB47.3 million for FY2015. As advised by the management of the Company, the decrease of revenue of Development Co for FY2015 was mainly attributed to (i) the decrease in sale of petroleum due to the significant decrease of oil price in 2015; and (ii) Zhejiang Province took action in 2014 to remove billboards from along sides of the expressways, which gradually narrowed the advertising business of Development Co. Moreover, the decrease in net profit of Development Co for FY2015 was mainly due to (i) the decrease in revenue as mentioned above; and (ii) the loss of approximately RMB10.5 million from an associate company, Zhejiang Concord Property Investment Co., Ltd. (浙江協安實業投資有限公司) ("**Zhejiang Concord Property**"), which is principally engaged in the investment and real estate development, as compared with a profit of approximately RMB6.1 million from Zhejiang Concord Property for FY2014.

As at 31 December 2015, the net asset value of Development Co was approximately RMB362.9 million, decreased by approximately 1.8% from RMB369.7 million as at 31 December 2014 and further decreased by approximately 2.3% to approximately RMB354.6 million as at 30 June 2016. As stated in the Letter from the Board, on 15 July 2016 and 31 July 2016, the Company, as the shareholder of Development Co, resolved to distribute a dividend in respect of Development Co in the sum of RMB15,000,000 and RMB152,177,425.70, respectively and paid to the Company on 29 July 2016 and 25 August 2016, respectively. According to the audited financial statements of Development Co prepared in accordance with generally accepted accounting principles in the PRC which was audited by the PRC statutory auditor of Development Co, the net asset value of Development Co as at 31 July 2016 was approximately RMB201.2 million. As stated in the Letter from the Board, the main reason attributable to the decrease in net asset value of Development Co as at 31 July 2016 compared to the net asset value as at 31 December 2015 is the declaration of dividend in respect of Development Co by the Company in July 2016.

According to the Development Co 2016 Interim Financial Statements, Development Co was recorded turnover for the six months ended 30 June 2016 of approximately RMB598.4 million, representing a decrease of approximately 37.4% as compared to that of the corresponding period of 2015. Such decrease in turnover was mainly due to Development Co has agreed to (i) contract out the operation of the gas stations in the seven service areas owned by Development Co; and (ii) lease the relevant buildings, facilities and equipment in connection with the gas stations in the seven service areas to a connected person, Zhejiang Expressway Petroleum Development Co., Ltd. (浙江高速石油發展有限公司) at an annual rental of RMB260 per ton times the annual petroleum sales volume of the gas stations in the seven service areas, in May 2016, details of which are set out in the announcement of the Company dated 27 May 2016. During the period, net loss of Development Co of approximately RMB7.8 million was recorded as compared to a net profit of approximately RMB16.8 million of Development Co for the corresponding period of 2015. Net loss of Development Co for the six months ended 30 June 2016 was mainly due to a loss of approximately RMB27.9 million recognized from Zhejiang Concord Property. During the period, to concentrate on its business on service areas in expressways, Development Co transferred all its 45% interests in Zhejiang Concord Property to the Company at the then net asset value.

II. Principal terms of the Share Purchase Agreement

According to the Share Purchase Agreement, Zhejiang Communications Investment has conditionally agreed to acquire the 100% equity interest in Development Co held by the Company at a consideration of RMB249,660,000.

The Share Purchase Agreement is conditional upon:

(i) approval of the Share Purchase Agreement by the Board;

(ii) approval of the Share Purchase Agreement by the Independent Shareholders;

(iii) approval of the Share Purchase Agreement by the board of directors of Zhejiang Communications Investment; and

(iv) approval of the Share Purchase Agreement by the board of directors of Communications Group; and

As at the Latest Practicable Date, the conditions under paragraphs i, iii and iv above have been satisfied. The Share Purchase Agreement will become effective upon satisfaction of all the conditions precedent above.

III. Reasons and benefits for entering into of the Share Purchase Agreement

As stated in the Letter from the Board, the Board considers that the Disposal will allow the Company to focus on the expressway operation business, and will streamline the Company's existing business segments and operations, and sharpen the Company's strategic focus on its core business. In addition, the Disposal allows the Company to realise its investment and retrieve its invested capital. Therefore, the Company entered into the Share Purchase Agreement and carry out the Disposal.

According to the 2015 Annual Report, "Within our expressway business, to ensure our position as the industry leader, we will focus on improving our management and operations by streamlining and standardizing our processes, enhancing technological deployment, and reinforcing cost controls". The management of the Company advised that one of the strategies for maintaining the leading position of expressway business is streamlining the business. As discussed in the paragraph headed "Background information of the parties to the Share Purchase Agreement and Development Co" above, the net profit contributed by Development Co to the Company accounted approximately 2.1%, 1.1% and 0.7% of the total net profit of the Company for FY2014, FY2015 and for the six months ended 30 June 2015. Development Co recorded a loss of approximately RMB8.2 million for the six months ended 30 June 2016. As stated in the Letter from the Board, the Board has considered the financial performance of Development Co in recent years and the prevailing challenging operating environment affecting it, and believes that its growth prospects to be limited. As advised by the Directors, the unsatisfaction of operation prospects of Development Co was mainly due to (i) the increase of labor cost due to the increasing demand for service on service stations; (ii) the operation cost of rented service stations increase due to the increase of rental fee; (iii) the removal of billboards from along sides of its expressways; and (iv) the rental agreement of certain service stations has been or will be expired. Based on the discussion with the management of the Company and after reviewing the financial information of the Development Co for the FY2014, FY2015 and the six months ended 30 June 2015 and 2016, we are of the view that the aforesaid reason has affected the future financial performance of Development Co. The management of the Company advised that the Disposal will be beneficial to the Company as the Company is able to realize return from the investment in Development Co and better reallocate resources in its core business.

Therefore, after considering (i) the business strategies of the Company; (ii) the financial performance prospects of Development Co; and (iii) the expected gain of approximately RMB67,300,000 recorded from the Disposal as stated in the paragraph headed "Financial effects of the Disposal on the Group – Earnings" below, which will strengthen the Company's capital base, we are of the view that, despite the entering into the Share Purchase Agrement is not in the ordinary and usual course of business of the Group, the entering into of the Share Purchase Agreement is in the interests of the Company and its Shareholders as a whole.

IV. Consideration

The Consideration for 100% equity interest in Development Co is RMB249,660,000. As set out in the Letter from the Board, the entire Consideration will be payable by Zhejiang Communications Investment in cash within 10 Business Days after the Share Purchase Agreement becomes effective.

As set out in the Letter from the Board, the Consideration was determined based on arm's length negotiations between the Company and Zhejiang Communications Investment. A number of factors were considered by the parties when determining the consideration for the equity interest in Development Co, including, among others, (i) the Valuation Report prepared by the Valuer; and (ii) the distribution of dividend (the "**Dividend**") pursuant to a shareholders resolution of Development Co dated 21 September 2016. According to the Valuation Report, the appraised value of the entire equity interest of Development Co as at 31 July 2016 was RMB259,800,000 (the "**Valuation**"). The Consideration of RMB249,660,000 was determined based on the Valuation of RMB259,800,000 net of the Dividend of RMB10,140,297.98.

In order to assess the basis in determining the Consideration, we have reviewed the Valuation Report produced by the Valuer and discussed with the Valuer.

We have reviewed and enquired the Valuer's qualification and experience in relation to the performance of the valuation. As shown on the website of the State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province (浙江省人民政府國有資產監督管理委員會), the Valuer is in the list of 浙江省國資委關於公布2016年委托資產評估中介機構庫名單的通知 (the notice of 2016 asset appraisal firm announced by the State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang province*). The Valuer has many years of experience in valuing target companies in transactions. We further understand that the Valuer is independent from the Company and the other parties involved in the Disposal. In addition, we have also reviewed the terms of the engagement of the valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and the Valuer is qualified for valuing Development Co.

The Valuation Report

a) Methodologies

We understand that the Valuer has considered three generally accepted approaches, namely market approach, cost approach and income approach in arriving at the Valuation. The Valuer considers that the market approach is inappropriate for valuing Development Co as the market approach requires market transactions of comparable assets as an indication of value but they have not identified any current market transactions which are comparable. The assets and liabilities provided by Development Co are definite, and they can be verified through financial information, purchase information and on-site survey. Development Co engaged in the business has been for many years, and the future benefits and risks of Development Co can be reasonably predicted.

Thus in the Valuation Report, cost approach and income approach are used to evaluate all equity value of shareholders of Development Co. According to the object, purpose of the valuation and applicable value types, the Valuer, after the comparative analysis, finds out that the valuation result of income approach can reflect all shareholders' equity value in a more comprehensive and reasonable way. Therefore, the Valuer takes the valuation results of income approach as the final conclusion of shareholders' equity value of Development Co. We further understand from the Valuer that the above valuation method of Development Co is in line with the industry practice. Based on the previously mentioned analysis, we concur with the views of the Valuer that the income approach is the most appropriate method in valuing Development Co as the income approach is the most commonly used valuation method in valuing revenue driven's business.

b) Discount rate

When applying the discounted cash flow method, it is necessary to determine an appropriate discount rate for the assets under review. We note that the Valuer has used the Capital Assets Pricing Model ("**CAPM**") to estimate the required rate of return on equity of Development Co. We understand that the CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company's required rate of return on equity. In arriving at the discount rate, the Valuer has taken into account a number of factors including (i) risk free rate; (ii) market return; (iii) company specific risk; (iv) beta, a measure of non-diversifiable risk, of a number of comparable companies; and (v) the target debt to equity ratio. Such comparable companies are listed companies and engaged in highway operation business as there is no listed company which is principally engaged in the operation of the service areas in the expressways. As such, we are of the view that it is fair and reasonable to derive beta from these peer companies.

The Valuer also conducted sensitivity analysis and profile the results based on a +5%, +10%, +15%, -5%, -10% and -15% variations from the derived discount rate of 11.29%. To ascertain the reasonableness of the selection of the range for discount rate, we discussed with the Valuer and were informed that the range is in line with the industry practice and consistent with their experience in other similar transactions. We have interviewed the Valuer to assess the fairness and reasonableness of the discount rate and concur with the view of the Valuer that the factors for the discount rate used in the Valuation are in line with market practice.

c) Revenue forecast and other relevant assumptions

As discussed with the Valuer, they believe the forecast data, such as revenue, cost of goods sold and other operation expenses, provided by the Company are reasonable after considering (i) the historical performance of Development Co and Advertising Co, such as the historical growth of sales, cost of good sold and other operation expense of each of the service areas and billboards; and (ii) the future trend of the industry and its relevant policy. In order to understand the relevant assumptions used in the Valuation, we have interviewed the Valuer regarding the basis of projecting financial data of Development Co and Advertising Co and other relevant assumption as stated in the Valuation Report. To assess fairness, reasonableness and completeness of the relevant assumptions and projections used in the Valuation, we have performed the following steps:

(i) discussed with the Valuer and reviewed on the major items of the projection (including but not limited to the forecasted revenue, cost of goods sold, other administrative cost) provided by the Company;

(ii) reviewed the projection schedules built by the Company and the related breakdowns; and

(iii) reviewed the Development Co 2015 Audited Report and the Development Co 2016 Interim Financial Statements and the related financial breakdown; and reviewed other relevant assumptions in the Valuation.

In regards to the major items of the projection provided by the Company, for the revenue projection, the Company did not include the Five Service Areas and the Stall (as defined below) since their rental agreements have been or will be expired in 2016. As a result, the Company included the expected revenue generated from the rest of the 13 service areas. As advise by the Company and the Valuer, the incomes generated from the service areas tends to be stable with few changes as most of the service areas the Company operated are located in the expressways which have been used for years and the passenger flow and consumers are relatively stablized.

As stated in the Letter from the Board, in relation to the assumptions and forecast relating to the operating costs, the Directors have reviewed the past financial statements and financial data of Development Co and took the view that the assumptions and forecast as to cost of the principal business of Development Co including all the operation and management expenses to be incurred would not differ substantially from the current basis in terms of the percentage to revenue and would continue to maintain a similar trend as in the past few years. In relation to the assumptions and forecast made on staff remuneration, the Directors have reviewed Development Co's human resources policies, existing salaries, number of employees and growth rates of employees in the past years, as well as the breakdown of such expenses (including welfare, social security and housing provident fund) and assessed the fairness based on their management experience and the market standard in the PRC. In relation to the capital expenditure, the Directors have reviewed the historical figures of Development Co and they were aware that the forecast figures were made on the basis of sustaining the operation of the existing business of Development Co and did not take into account the fixed asset investment which might be required for materially expanding its business operation. The Directors considered this to be consistent with the strategy of the Group in focusing on its core business of developing and operating high-grade roads. In relation to finance cost and tax expenses, the Directors have reviewed the financial position of Development Co in the past years and, having also considered the expected growth of and profit level of Development Co, took the view that such cost and expenses would remain steady and consistent with its growth in the past few years.

We noted that the historical growth rate of revenue of Development Co and Advertising Co as well as the historical cost structure and growth trend of cost of Development Co and Advertising Co supported the projection of revenue and operation expenses of the Valuation.

The Valuer has adopted the cost approach to derive a net asset value of the five service areas and a stall rented by Development Co which their rental agreements have been or will be expired in 2016 (the "**Five Service Areas and the Stall**"). Since it is uncertain that the Five Service Areas and the Stall can be continued operating and the future leasing cost is unpredictable, the Valuer believed using cost approach to evaluate the Five Service areas and the Stall is more appropriate. We have reviewed the net asset value of each of the Five Service areas and the Stall. We understand from the Valuer that the valuation method of the Five Service areas and the Stall is in line with the industry practice and thus concur such valuation is appropriate.

Given that the Valuation involves the use of discounted cashflow under the income approach, it is regarded as a profit forecast under Rule 14.61 and 14.62 of the Listing Rules. As stated in the Letter from Deloitte set out in Appendix II to the Circular, Deloitte, the auditors of the Company, has examined the calculations of the discounted future estimated cash flows on which the Valuation was based. Deloitte is of the opinion that, so far as the calculation is concerned, the discounted future estimated cash flows have been properly complied, in all material respects, in accordance with the assumptions set out in the Valuation Report. Furthermore, the Board has reviewed the bases and assumptions of the Valuation Report and confirmed that the Valuation Report and the valuation therein prepared by the Valuer have been made after due and careful enquiry. Letters from Deloitte and the Company relating to the discounted future estimated cash flows are set out in Appendix II to the Circular.

Based on the work performed as set out above, we are not aware of any factors which would cause us to doubt the fairness, reasonableness and completeness on the relevant assumptions and projections used in the Valuation. Accordingly, we are of the view that the Valuation Report has been reasonably prepared and is normal in nature without any unusual assumptions, and the bases of the the Valuation Report are fair and reasonable.

Given that (i) the Consideration is similar to the Valuation of RMB259,800,000 net of the Dividend of RMB10,140,297.98; and (ii) the Valuation is fair and reasonable, we are of the view that the terms of the Share Purchase Agreement are on the normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

V. Financial effects of the Disposal on the Group

Set out below is the financial effects of the Disposal upon the Completion:

a) Earnings

As stated in the Letter from the Board, based on the Hong Kong Financial Reporting Standards, the Group is expected to record a gain of approximately RMB67,300,000 from the Disposal. Such gain represents the amount by which the Consideration for the Disposal in the sum of RMB249,660,000 exceeds the net book value of Development Co in the sum of approximately RMB182.4 million, being the audited net asset value of Development Co as at 31 July 2016 of approximately RMB192.5 million minus the Dividend of approximately RMB10.1 million in respect of Development Co further declared by the Company in its capacity as the shareholder of Development Co on 21 September 2016 and paid on 18 October 2016. The actual gain or loss as a result of the Disposal to be recorded by the Company will be assessed and calculated based on the net book value of Development Co at the actual completion date and subject to audit and will be assessed after Completion. Upon the Completion, earnings of the Group will increase by the estimated gain from the Disposal of approximately RMB67,300,000. The actual amount of the gain from the Disposal will be calculated based on the carrying amount of the Group's interest in Development Co as at the date of the Completion.

b) Net assets

Upon the Completion, net assets of the Group will be increased by the estimated gain from the Disposal of approximately RMB67,300,000 as mentioned above. The actual amount of the gain from the Disposal will be calculated based on the carrying amount of the Group's interest in Development Co as at the date of the Completion.

c) Working capital

As set out in the Letter from the Board, the Consideration of RMB249,660,000 will be settled by cash. It is expected the Group's bank balances and cash would be increased by the amount of the Consideration upon the Completion.

Given that there will be possible improvement in the Group's earnings, net assets and working capital as a result of the Disposal, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon the Completion.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that, despite the entering into of the Share Purchase Agreement is not in the ordinary and usual course of the business of the Group, the terms of the Share Purchase Agreement are on normal commercial terms and fair and reasonable and in the interests of the Shareholders. Therefore, we advise (i) the Independent Board Committee to recommend to the Independent Shareholders that they vote in favor of the relevant resolution to approve the Share Purchase Agreement and the transactions contemplated thereunder at the EGM; and (ii) the Independent Shareholders to vote in favor of the relevant resolution to approve the Share Purchase Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edward Wu
Chairman

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the SFO since 2005. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

The following is the valuation report dated 25 September 2016 on 100% equity interest in Development Co for incorporation in this circular.

VALUATION REPORT CONSIDERING

THE FAIR VALUE

OF

100 PERCENT EQUITY INTEREST

IN

ZHEJIANG EXPRESSWAY INVESTMENT DEVELOPMENT Co., Ltd.

Client	**:**	**Zhejiang Expressway Co., Ltd.**
Ref. No.	**:**	**TYVBZ [2016] NO. 0295S**
Report Date	**:**	**25 September 2016**

25 September 2016

The Board of Directors
Zhejiang Expressway Co., Ltd.
12th Floor, Block A
Dragon Century Plaza 1 Hangda Road
Hangzhou, 310007
The People's Republic of China

Dear Sirs,

INTRODUCTION

In accordance with your instructions, we have undertaken an investigation and analysis to express an independent opinion of the fair value of 100 percent equity interest in Zhejiang Expressway Investment Development Co., Ltd. ("Investment Co" or "the Company") as at 31 July 2016 (the "Valuation Date"). The report which follows is dated 25 September 2016 (the "Report Date").

The purpose of this valuation is a circular reference for share transfer.

Our valuation was carried out on a fair value basis. Fair value is defined as "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*."

In arriving at our assessed value for the equity interest, we have considered three generally accepted approaches, namely, market approach, cost approach and income approach. In our opinion, the market approach is inappropriate for valuing the subject asset. The market approach requires market transactions of comparable assets as an indication of value. However, we have not identified any current market transactions which are comparable. We have therefore relied on the cost approach and the income approach. But the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset, so the valuation conclusion of the income approach is the final selection, and thus here we describe solely the process of the income approach.

As part of our analysis, we have been furnished with information prepared by the Company regarding the subject business. We have relied to a considerable extent on such information in arriving at our opinion of value.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on our use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the businesses. Further, while the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Tianyuan Appraisal Co., Ltd.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the fair value of 100 percent equity interest in the Company as at the Valuation Date is reasonably stated as below:

Valuation Date	Fair Value of 100 Percent Equity Interest
31 July 2016	**RMB259,800,000**

In accordance with the resolution of the shareholders' meeting, Investment Co transferred the statutory reserve fund with a mount of RMB30 million yuan into capital, which leads to the increasing of the registered capital from RMB120 million yuan to RMB150 million yuan. Meanwhile, the distribution of dividends to shareholders is RMB10,140,297.98. The impact on the valuation conclusion of this matter was not considered.

The following pages are edited excerpts from the valuation report (Reference number: TYVBZ [2016] NO.0295), outlining the factors considered, methodologies and assumptions employed in formulating our opinions and conclusions. The detailed content must be according to the valuation report (Reference number: TYVBZ [2016] NO.0295) if contradictions occur.

Yours faithfully,
For and on behalf of
Tianyuan Appraisal Co., Ltd.

YouYan Qian
Legal Representative

INTRODUCTION

This report has been prepared in accordance with instructions from Zhejiang Expressway Co., Ltd. ("Zhejiang Expressway") to express an independent opinion of the fair value of 100 percent equity interest in Zhejiang Expressway Investment Development Co., Ltd. ("Investment Co" or "the Company") as at 31 July 2016 (the "Valuation Date"). The report day which follows is dated 25 September 2016 (the "Report Date").

PURPOSE OF VALUATION

The purpose of this valuation is a circular reference for Company.

BASIS OF VALUE

Our valuation was carried out on a fair value basis. Fair value is defined as "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*."

BACKGROUND

(1) Overview of Zhejiang Expressway Investment Development Co., Ltd.

Zhejiang Expressway Investment Development Co., Ltd., a company jointly invested by Zhejiang Expressway Co., Ltd. and 11 natural persons including Qiuxia Huang, was registered with Zhejiang Administration for Industry & Commerce on 28 May 2003, obtaining a Business License for Enterprise as a Legal Person with registration No.: 330000000047932. The registered capital of the Company was originally 80 million Yuan, in which 40.8 million Yuan was contributed by Zhejiang Expressway Co., Ltd., taking up 51% of the registered capital; 39.2 million was contributed by 11 natural persons including Qiuxia Huang, taking up 49% of the registered capital.

In February 2012, subject to a resolution of the shareholders' meeting of the Company, natural person shareholders transferred all their shares in the Company to Zhejiang Expressway Co., Ltd.

The Company comprises of 6 departments at its top management level, namely, General Affairs Department, Finance Department, Development Department, Security Department, Business Operation Department and Service Center, under which it has 20 service areas (or parking areas), including 14 service areas (or parking areas) in Zhejiang Province, which are located in Jiaxing, Chang'an, Shaoxing, Shengzhou, Xinchang, Tiantai, Yuyao, Pinghu, Jiashaonan, Bei'an, Xiangshan, Chaiqiao, Cicheng and Zhenhai; and 6 service areas (or parking areas) outside Zhejiang Province, which are located in Tanghe in Henan Province, Sicundian and Wangqingtuo in Tianjin and Changqing, Pingyin and Shahe in Shandong Province.

The number of staff of the Company is 1,069 in total, in which that of persons at the top management level is 51, including 5 persons who are taking the leadership; the number of employees in various service areas is 1,018.

(2) Status of Main Businesses and Assets

The Company is mainly engaged in the operation of expressway service areas, including lease of premises for operation of service area, catering business and operation of convenience stores. Previous, it was also engaged in gas station business in service area, which has been transferred to another company since May 2016.

The Company now runs 20 service areas (parking areas), in which part of house and land assets of the seven service areas located in Jiaxing, Chang'an, Shaoxing, Shengzhou, Xinchang, Tiantai and Yuyao are owned by the Company; the rest of service areas are leased from other owners of property rights as listed below:

Name of Service Area	Leasor	Lease Term Starts From	To
Bei'an Service Area	Ningbo Hangzhou Bay Bridge Development Co., Ltd.	1 January 2014	31 December 2025
Jiashaonan Service Area	Shaoxing Jiashao River-spanning Bridge South Connecting Line Investment Co., Ltd.	23 November 2013	22 November 2016
Cicheng Service Area	Ningbo Datong Shares Development Co., Ltd.	28 May 2013	27 July 2018
Chaiqiao Service Area	Ningbo Chuanshanshugang Expressway Co., Ltd.	28 September 2013	27 September 2016
Yangbei Service Area	Ningbo Xiangshan Harbour Bridge Development Co., Ltd.	28 September 2013	27 September 2016
Pinghu Service Area	Zhejiang Hangpu Expressway Co., Ltd.	1 August 2013	31 July 2023
Tanghe Service Area	Henan Expressway Development Co., Ltd.	31 March 2015	31 March 2020
Changqing Service Area	Shandong Jihe Expressway Co., Ltd., Shandong Jihe Expressway Service Co., Ltd.	1 August 2013	31 July 2016
Pingyin Service Area and Shahe Service Area	Shandong Jihe Expressway Petroleum, Oil and Gas Management Co., Ltd.	1 September 2015	31 December 2017
Tianjin Section (Wangqingtuo and Sicundian) Service Areas	Sinopec Group, Tianjin Branch	1 February 2008	1 February 2017
Zhenhai Service Area	Ningbo East Section Loop Expressway Co., Ltd.	8 August 2012	8 August 2016

INFORMATION AND DOCUMENTS

In conducting our valuation of the Company, we have reviewed information from several sources, including but not limited to:

1. Valuation Declaration Form;

2. Official comments on relevant economic activities;

3. Annual audit reports from 2013 to 2015 and the report of asset and capital verification at the Valuation Date;

4. Asset ownership certifications and property right certifications;

5. Important contracts, agreements, etc.;

6. Materials for business predictions;

7. Other relevant materials.

METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely, market approach, cost approach and income approach.

Market Approach refers to get conclusion after compared the object with comparable listed companies or comparable trading cases.

Income Approach refers to get conclusion of the object after capitalized or discounted expected earnings.

Cost Approach refers to get conclusion evaluated assets and liabilities of the Company, based on the financial statements at the valuation date.

Selection of Valuation Approach and Methodology

According to the purpose and object of valuation, value type, data collection and other related conditions, we analyzed the applicability of the three basic asset valuation approaches (market approach, income approach and cost approach).

The market approach requires market transactions of comparable assets as an indication of value. However, we have not identified any current market transactions which are comparable.

The assets and liabilities provided by the Company are definite, and they can be verified through financial information, purchase information and on-site survey.

The Company engaged in the business has been for many years, and the future benefits and risks of the Company can be reasonably predicted.

In this report, cost approach and income approach are used to evaluate all equity value of shareholders of the Company.

According to the object, purpose of the valuation and applicable value types, we, after the comparative analysis, find out that the valuation result of income approach can reflect all shareholders' equity value in a more comprehensive and reasonable way. Therefore, we take the valuation results of income approach as the final conclusion of shareholders' equity value of the evaluated company.

MAJOR ASSUMPTIONS

This valuation is based on a series of prerequisites and assumptions, which are mainly as follows:

1. Basic assumptions

(1) There will be no great changes in national macroeconomic situations, current bank interest rate, tax policies, etc.;

(2) There will be no great changes in economic, political and social situations of the region where the evaluated company is located;

(3) Operators of the company are responsible persons and the management of the Company are competent at their jobs;

(4) The Company fully complies with all applicable laws and regulations;

(5) The accounting policies to be adopted by company in the future will be basically consistent with those used for the preparation of this report in all major respects;

(6) On the basis of the existing management methods and management level, the Company keeps its business scope and operating mode consistent with the current orientation of development;

(7) There are no great adverse effects caused by other unpredictable factors and force majeure.

2. Specific assumptions

(1) There will be no great changes in national basic policies on operation of service area, and future development of the industry will be stably connected with overall changes of national economy;

(2) Human resources, management team and business management of the Company in the future will remain at the current level, except for what have clearly adjusted;

(3) All cash flow relating to business operation occurs at the same time with the relevant incomes and expenses;

(4) During the toll period of Shanghai-Hangzhou-Ningbo Expressway and Shangyu-Sanmen Expressway, the Company always owns the right to manage the service areas located in Jiaxing, Chang'an, Shaoxing, Yuyao, Shengzhou, Xinchang and Tiantai, and will not be subject to additional expense or income caused by the management right in the subsequent business operation;

(5) Main costs and expenses of the Company's service areas have a stable structure, and will not be subject to an increase or decrease that is caused by transfer of shares.

MACRO AND INDUSTRY ANALYSIS

1. Analysis of macro-economy

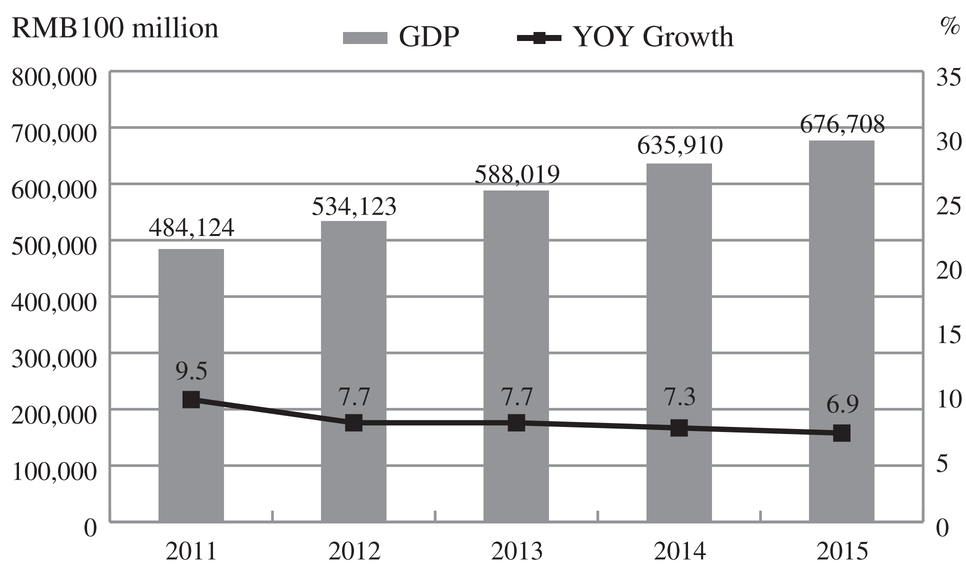
In 2015, facing the complexity of the international situation and arduousness of the domestic reform, development and stability, the Party Central Committee and the State Council united with and lead the Chinese people of all ethnic groups in firmly establishing and implementing the development concept of innovation, coordination, green, openness and sharing, adapting to the new normal of economic development and persisting in the reform and opening up, in accordance with the total requirements by the general plan of "Five-in-One" and the strategic layout of "Four-Pronged Comprehensive Strategy". Adhering to the overall keynote of making progress while maintaining stability, steady growth, restructuring, benefiting people, preventing risk, the Party Central Committee and the State Council continued to innovate the ideas and methods of macro-control, deeply promote the structural reform and mass entrepreneurship and innovation, strive to maintain the medium-and-high speed economic growth heading toward higher level, and accelerate the speed of transformation and upgrading, so as to continuously deepen the reform and opening up, make the sustained progress in the people's livelihood, and push the economic and social development to a new level.

Based on the preliminary calculation, the GDP amounted to RMB67,670.8 billion, representing an increase of 6.9% as compared to last year. Among which, the increases in the primary industry, the second industry and the tertiary industry were RMB6,086.3 billion, RMB27,427.8 billion and RMB34,156.7 billion, respectively, representing increases of 3.9%, 6.0% and 8.3%, respectively.

The increases in the primary industry, the second industry and the tertiary industry accounted for 9.0%, 40.5% and 50.5% of the GDP, among which, the tertiary industry broke 50% for the first time. The GDP per capita was RMB49,351 for the year, an increase of 6.3% over the previous year, while the GNI was RMB67,302.1 billion for the year.

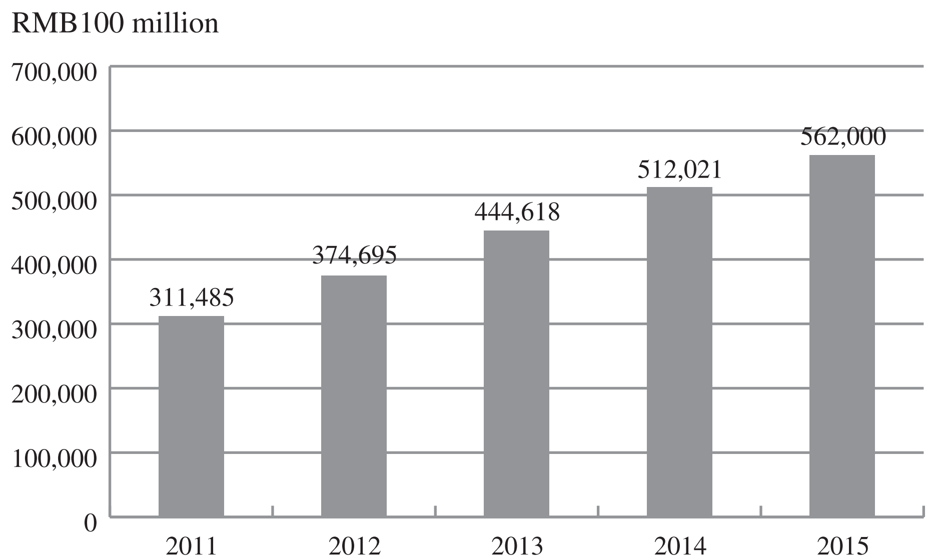
During the first half of 2016, the GDP was RMB34,063.7 billion. In particular, in terms of comparable price, it rose by 6.7% over the corresponding period; in terms of quarter, the first quarter and second quarter grew by 6.7% and 6.7% respectively over the same period of last year; in terms of industry, the increases of the primary industry, the second industry and the tertiary industry were RMB2,209.7 billion, RMB13,425.0 billion and RMB18,429.0 billion,respectively, representing increases of 3.1%, 6.1% and 7.5%, respectively over the previous year. The GDP rose by 1.8% in the second quarter in terms of year-on-year growth.

Figure 1 : The GDP and its Growth Rate from 2011 to 2015



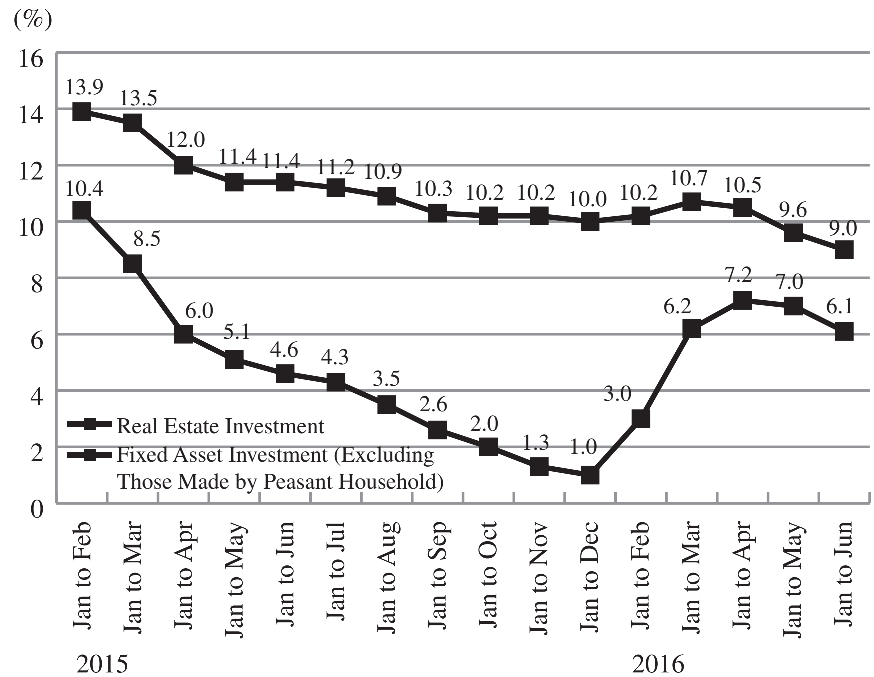
In 2015, the total fixed asset investment amounted to RMB56,200.0 billion, an increase of 9.8% over the previous year. The real growth rate was 11.8% after deducting the price factor, among which, the fixed asset investment (excluding those made by peasant household) was RMB55,159.0 billion, an increase of 10.0%.

Figure 2: Total Fixed Asset Investment from 2011 to 2015



During the first half of 2016, the national fixed asset investment (excluding those made by peasant household) was RMB25,836.0 billion, representing a nominal increase of 9.0% (real increase by 11.0% after excluding the price factor) than the corresponding period, down 1.7 percent as compared to the first quarter. In particular, the State-owned holding investment and the private investment were RMB9,108.9 billion and RMB15,879.7 billion, respectively, representing increases of 23.5% and 2.8%, respectively, accounting for 61.5% in total of the total investment. In terms of industry, the primary industry investment, the second industry investment and the tertiary industry investment amounted to RMB746.0 billion, RMB10,170.2 billion, and RMB14,919.8 billion, respectively, representing increases of 21.1%, 4.4% and 11.7%, respectively than the last year. The infrastructure investment (exclusive of electric power, heating power, fuel gas, and water production and supply) was RMB4,908.5 billion, an increase of 20.9%. From the perspective of the available funds, the available funds in the first half of 2016 amounted to RMB28,244.3 billion, representing an increase of 8.0% compared to those in the previous year. The State budgetary funds, domestic loan and self-raised funds increased by 21.8%, 12.4% and 1.4%, while the utilization of foreign investment decreased by 7.2%. During the first half of the year, the total proposal investment of newly-commenced projects amounted to RMB24,020.2 billion, a year-on-year increase of 25.1%. In June, the fixed asset investment (excluding those made by peasant household) grew by 0.45%.

Figure 3: Fixed Asset Investment (Excluding Those Made by Peasant Household) and Growth of Real Estate Investment (CAGR)



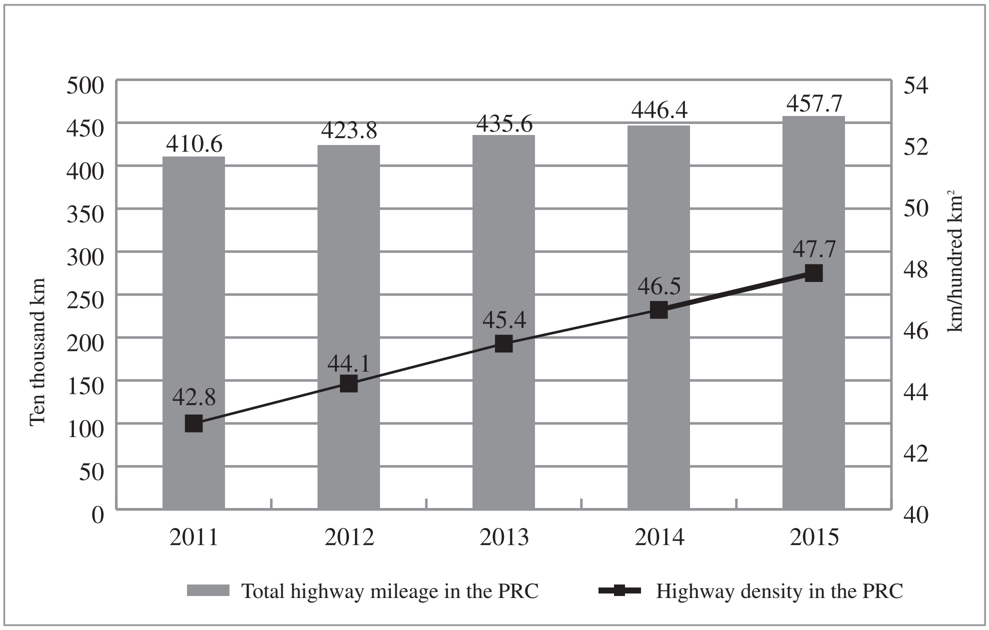
Note: Date are from Latest bulletin

2. The Analysis of Actuality and Prospect of the Industry where the Company Operates

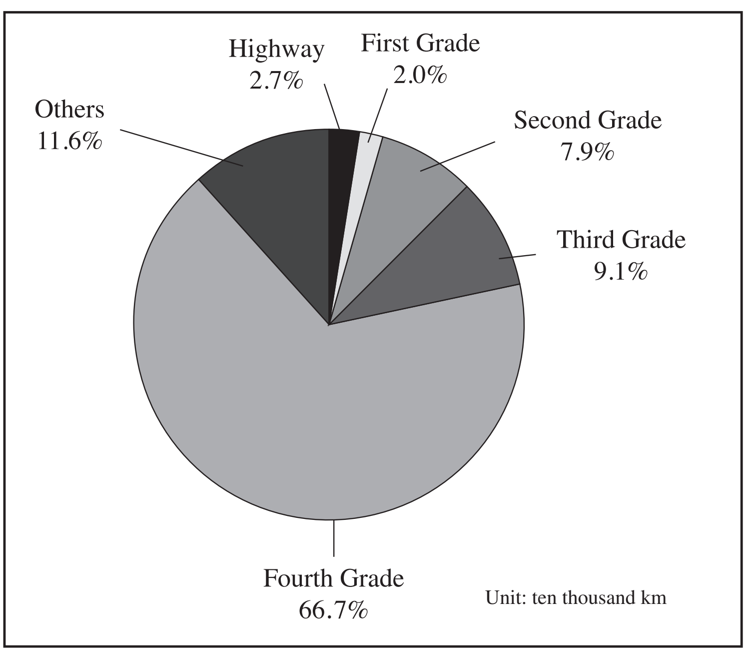
(1) The Industry Actuality of Highway Service Area

1) National Highway Overview

According to 2015 Statistical Bulletin of Highway and Waterway Transportation Sectors Development released by Ministry of Transport of the People's Republic of China, by the end of 2015, the total mileage of the highways nationwide was 4,577,300 km, an increase of 1,134,00 km than the last year. The highway density was 47.68 km per one hundred square kilometers, up 1.18 km per one hundred square kilometers. The highway maintenance mileage was 4,465,600 km, accounting for 97.6% of the total highway mileage.



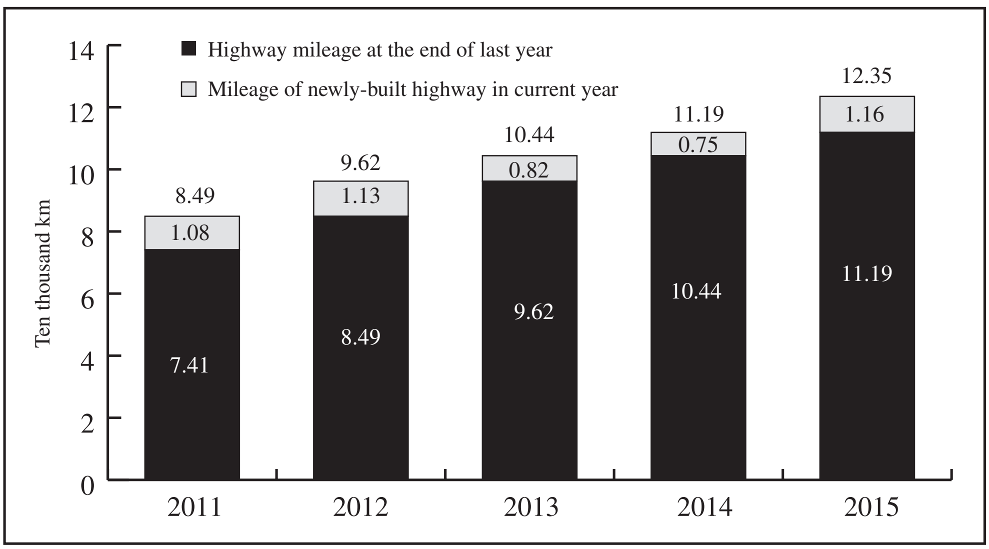
The grade highway mileage in the PRC was 4,046,300 km, an increase of 145,500 km as compared to last year. The grade highway accounted for 88.4% of the total highway mileage and rose by 1.0 percentage. Grade Two and above highway mileage was 574,900 km and increased by 29,200 km, accounting for 12.6% of the total highway mileage, up 0.3 percentage.



Highway	First Grade	Second Grade	Third Grade	Fourth Grade	Others
12.35	9.10	36.04	41.82	305.32	53.10

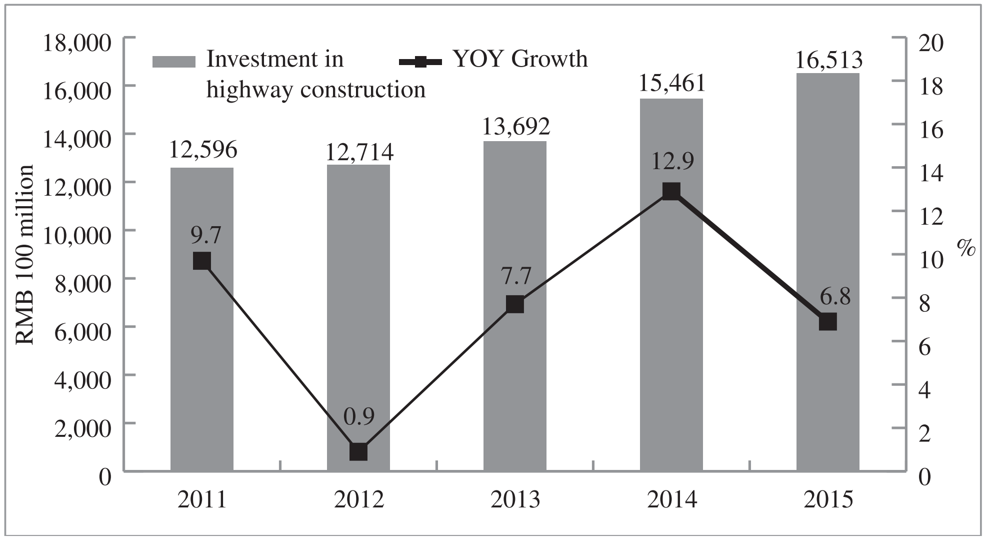
The various administrative grade highway mileage were composed of national highway of 185,300 km (of which the common national highway accounted for 105,800 km), provincial highway of 329,700 km, prefectural highway of 554,300 km, township highway of 1,113,200 km and accommodation highway of 81,700 km, representing increases of 6,100 km, 6,900 km, 2,300 km, 8,100 km and 1,400 km compared to those by the end of last year.

The total highway mileage in the PRC reached 123,500 km, an increase of 11,600 km over that by the end of last year. Among which, national highway covered 79,600 km, an increase of 6,500 km. The highway lane mileage nationwide amounted to 548,400 km, an increase of 52,800 km.



2) *Highway Construction*

2014 year witnessed the highway construction investment of RMB1,651.330 billion, an increase of 6.8% as compared to last year. In particular, investment of RMB794.997 billion was injected into the expressway construction, an increase of 1.7%. The general national and provincial highway attracted investment of RMB533.607 billion, an increase of 15.7%. The rural highway construction took up an investment of RMB322.727 billion, an increase of 6.5%, and the new built or renovated rural highway amounted to 252,800 km. 505 poverty-stricken counties, which were included in *Contiguous Poor Areas Transportation Construction Poverty Alleviation Plan Outline (2011-2020)*, completed the highway construction investment of RMB347.472 billion, an increase of 0.9%, accounting for 21.0% of the PRC highway construction investment.



3) *Traffic Flow of National Trunk Highway*

In 2015, the annual average daily traffic for motor vehicles in the national highway network throughout the country was 15,424 units, an increase of 2.5% over the previous year. These areas had the larger traffic flows, primarily covering Beijing, Tianjin, Hebei, Shanghai, Jiangsu, Zhejiang, Shandong, Henan and Guangdong, where the annual average daily traffic in the national highway network exceeded 20,000 units. The average daily travelling volume for motor vehicle in the national highway network nationwide amounted to 1,944,400,000 vehicle kilometers, an increase of 1.6%. The annual traffic congestion of the national highway network in the country was 0.48, an increase of 1.3%. In particular, the average daily traffic of the national expressway amounted to 23,818 units, the average daily travelling volume amounted to 1,014,220,000 vehicle kilometers, and the annual traffic congestion 0.39, representing an increase of 1.9%, 1.8% and 1.3%, respectively. In contrast, the average daily traffic of the general national highway was 11,128 units, the average daily travelling volume was 928,950,000 vehicle kilometers, and the annual traffic congestion 0.64, representing an increase of 2.6%, 1.2% and 1.6%, respectively.

The average daily traffic of the highway throughout the country was 22,334 units, the average daily travelling volume was 1,257,660,000 vehicle kilometers, and the annual traffic congestion 0.37, representing an increase of 2.5%, 2.4% and 2.2%, respectively than last year.

4) Highway-operated Motor Vehicle

China had 14,731,200 highway-operated motor vehicles by the end of 2015, a decrease of 4.2% compared with that by the end of 2014. There were 839,300 passenger vehicles and 21,485,800 rated seats, a decrease of 0.8% and 1.9%, respectively than last year. In particular, there were 304,900 large-sized passenger vehicles and 13,243,100 rated seats, a decrease of 0.6% and 0.1%, respectively. There were 13,891,900 trucks and 103,665,000 tonnages, 4.4% down and 0.7% up over those by the end of last year. In particular, the general wagons amounted to 10,118,700 units, having 49,825,000 tonnages, a decrease of 7.3% and 4.9%, respectively; and the special wagons amounted to 484,000 units, having 5,030,900 tonnages, an increase of 6.2% and 2.5%.

(2) Prospect of the National Highway Sector

The transportation industry is the basic industry for the social and economic development in our country, creating strong impetus for economic growth and social progress in the PRC. In turn, the rapidly developing social economy also demands for the well-established traffic and transport system to match with its growth. In recent years, China witnessed the booming highway development, incrementing at a speed of thousands of miles each year. At present, the highway construction has been one of the important factors to stimulate the domestic demand and promote the rapid development of national economy, as a result, it has been highly valued by government at all levels. The highway's constant extension has further provided favorable condition for the rapid growth of the road transport. During the last ten years, the vehicle replacement and upgrading had been accelerated, and the high-grade passenger vehicles and large-tonnage trucks had been increase, which cause the transport efficiency, service level and road transport to gain an unprecedented status in the national economy. With the continuous development in the PRC economy as well as the increasing establishment and expansion of the expressway network, the growth of expressway will promote the development of a series of industries such as economy, logistics, culture, automobile and tourism in the PRC. Nowadays, the development of expressway has become a standard to measure the nation's modernization, therefore, the development of the expressway must promote the social and economic growth in China.

In accordance with the moderate advance requirement raised by the Central Government, traffic and transportation is still at its crucial stage of great construction and development. By the end of 2015, the total highway mileage in the PRC reached 4,577,300 km. In the next five years, China will continue to push expressway construction, speed up the construction of the remaining sections and bottle neck sections across the expressway network. The national expressway network will be basically completed, and the completed expressway would exceed 90%. As the domestic expressway network improves day by day, the expressways connecting major cities had been well established. The expressway construction will stretch into the western region in the future, where the construction cost of expressway is higher, the collecting cycle is longer, and the investor entities have less active participation in investing in the expressway construction than before.

(3) Actuality of Service Area in Expressway

Expressway is an important product of transportation modernization, also a significant symbol of indicating the prosperity and development of national economy. The growth of expressway not only shortens the time-space distance, but also promotes the economic and social flourish and development, and greatly changes the lifestyle of the social public. The service area, serving as the "station" and "window" of the expressway, guarantees the safe, convenient and comfortable travel provided by the expressway, and also give a full picture of the service ability and management level of the expressway. Operation and manage of China's service area has been growing gradually with the construction and development of the expressway. Starting from the opening of Jingquan Service Area of Shen (yang) Da (lian) Expressway on 25 October 1988, it experienced such changes from zero starting, gradual improvement and innovative enhancement. By the end of 2014, the number of the total expressway service areas has already reached almost 2,000 pairs. Over the twenty years, the various traffic and transport authorities, focusing on the idea of better serving the social public to travel, have actively explored and improved the service measures, continued to enhance the service quality, and played an important role in providing the safe and easy travel for the general public, as well as the economic and social development.

(4) Prospect and Growth of Expressway Service Area

In 2015, the national expressway network has been substantially established and the total expressway mileage reached 123,500 km. There will be around 2,000 pairs of expressway service areas in the country. Based on the current average calculation, it is predicted that expressway service areas will simply arise a consumption demand of over RMB200 billion per annum, demonstrating its huge potential in the market.

With the persistent overheating of the expressway construction, the number of service areas will inevitably continue to grow, which will lead to the service area industry ushering in a period of vigorous development. As the focus of expressway efforts is shifted from the construction to operation and manage, the service area will be given more and more attention in terms of size, facility, function and service quality.

CASH FLOW FORECAST

Revenue and cost

(1) Prediction of business income and operating cost

1) *Main business income and main business cost*

A. Analysis of the enterprise's main business revenue, cost, gross profit in recent years

The Company is mainly engaged in the operation of the expressway service area, including rental of the service area's operating rooms, catering business and convenience store business. The Company also operated area gas station business before, but this part of business has been transferred to other company since April 2016. Therefore, the gross profit analysis will eliminate the cost and income of the gas station business.

The income, cost and gross margin of main businesses excluding gas station business from 2013 to the Valuation Date as shown in the following table:

Currency Unit: Yuan

Item/Year	2013	2014	2015	January to July 2016
Main business income	279,632,521.18	299,087,214.64	293,553,948.05	170,002,453.39
Main business cost	109,287,918.33	106,800,551.73	104,829,400.55	57,366,851.32
Gross margin	60.92%	64.29%	64.29%	66.26%
Growth rate of revenue		6.96%	–1.85%	–0.72% (simulated on a yearly basis)

The Company's main business is divided into catering business, convenience store business, rice dumplings selling, rental income, and share revenue of renting sites to other company or individual operating catering business and other income.

According to the analysis of historical data, the revenue of service area's self-operating catering, convenience stores, rice dumplings selling is more stable. In 2003, most service areas have carried out transformation and upgrading, introducing a number of middle-end or high-end brands (such as Starbucks coffee, etc.), which results in the fact that the renting sites revenue, share revenue of renting sites to other company or individual operating catering business in 2014 is much more highly than those in 2013. Because of the fact that most of service areas the Company operated are located in the expressways which have been used for years, the passenger flow and consumers are relatively stabilized. As a result, after 2014, the main business revenue tends to be stable with few changes.

The Company's main business costs are costs in catering business and convenience store goods. Due to the reason that prices and cost fluctuations are highly related, the company's gross profit margin is relatively stable.

B. Forecast of annual revenue and cost in main business in the future

In the calculation process adopting the income approach, our report does not include the rented service areas whose rental will be expired in 2016. The specific service areas that have not been included are listed below:

Name of Service Area	Leasor	Lease Term Starts From	To
Jiashaonan Service Area	Shaoxing Jiashao River-spanning Bridge South Connecting Line Investment Co., Ltd.	23 November 2013	22 November 2016
Chaiqiao Service Area	Ningbo Chuanshanshugang Expressway Co., Ltd.	28 September 2013	27 September 2016
Yangbei Service Area	Ningbo Xiangshan Harbour Bridge Development Co., Ltd.	28 September 2013	27 September 2016
Changqing Service Area	Shandong Jihe Expressway Co., Ltd., Shandong Jihe Expressway Service Co., Ltd.	1 August 2013	31 July 2016
Zhenhai Service Area	Ningbo East Section Loop Expressway Co., Ltd.	8 August 2012	8 August 2016

The specific service areas that have been included in the calculation adopting income approach are listed below:

Name of Service Area	Property Right Owner	Valuation remaining valid until
Bei'an Service Area	Ningbo Hangzhou Bay Bridge Development Co., Ltd.	December 2025
Cicheng Service Area	Ningbo Datong Shares Development Co., Ltd.	July 2018
Pinghu Service Area	Zhejiang Hangpu Expressway Co., Ltd.	January 2018
Tanghe Service Area	Henan Expressway Development Co., Ltd.	March 2020
Pingyin Parking Area and Parking Service Area	Shandong Jihe Expressway Petroleum, Oil and Gas Management Co., Ltd.	December 2017
Tianjin Section (Wangqingtuo and Sicundian) Service Areas	Sinopec Group, Tianjin Branch	February 2017
Jiaxing Service Area	Zhejiang Expressway Investment Development Co., Ltd.	December 2028
Chang'an Service Area	Zhejiang Expressway Investment Development Co., Ltd.	December 2028
Shaoxing Service Area	Zhejiang Expressway Investment Development Co., Ltd.	May 2027
Yuyao Service Area	Zhejiang Expressway Investment Development Co., Ltd.	May 2027
Shengzhou Service Area	Zhejiang Expressway Investment Development Co., Ltd.	December 2030
Xinchang Service Area	Zhejiang Expressway Investment Development Co., Ltd.	December 2030
Tiantai Service Area	Zhejiang Expressway Investment Development Co., Ltd.	December 2030

According to the above analysis of the industry and the market, the incomes are not likely to have a sharp increase/decrease under the current conditions, due to that the Company's main services areas are located in the expressways which have been operating for many years, where the passenger flow and consumers are relatively stable, and to that part of the service areas during peak hours are already saturated, the possibility for the sharp and sudden increase or decline of income is quite little. Therefore, we use the company subordinate service areas' all kinds of business operation condition in the past few years as the basis, according to the income changes in history and the interview of the Company's service areas' management, to analyze and verify the Company's main business income.

The company's main business costs are catering business costs and convenience store goods costs. Due to the sales price and cost fluctuations are highly related, the company's gross profit margin is relatively stable.

The company's main business revenue, cost and gross profit margin in the future are as follows:

Currency Unit: ten thousand Yuan

Item/Year	August to December 2016	2017	2018	2019	2020
Main business income	12,421.03	28,166.73	26,598.48	25,877.02	25,821.01
Main business cost	4,173.42	9,822.98	9,547.19	9,403.43	9,289.51
Gross profit margin	66.40%	65.13%	64.11%	63.66%	64.02%

Continued

Item/Year	2021	2022	2023	2024	2025
Main business income	25,869.22	26,028.05	26,169.60	26,315.41	26,465.58
Main business cost	9,243.80	9,243.80	9,243.80	9,243.80	9,243.80
Gross profit margin	64.27%	64.49%	64.68%	64.87%	65.07%

Continued

Item/year	2026	2027	2028	2029	2030
Main business income	24,605.49	20,660.09	17,886.72	6,353.16	6,404.23
Main business cost	8,994.46	7,248.64	6,001.61	2,427.93	2,427.93
Gross profit margin	63.45%	64.91%	66.45%	61.78%	62.09%

2) *Forecast on costs and revenues of other business*

Other business income of the company, including income in rental of seven pairs of its own service areas' gas stations, equipment rental and oil sales royalty, etc.. Rental income and royalty income are net incomes, As a result, other business costs will not be considered or included in this part of the report.

In April 2016, the Agreement on the Lease of Management Right of Gas Stations, the Contract for the Lease of Premises for Business Operation as well as the Facilities and Equipment Lease Contract were made by and between Zhejiang Expressway Investment Development Co., Ltd. and Zhejiang Expressway Petroleum Development Co., Ltd. According to these contracts, the Company will lease out the management right of 7 pairs of service area gas stations along Shanghai-Hangzhou-Ningbo Expressway and Shangyu-Sanmen Expressway to Zhejiang Expressway Investment Development Co., Ltd. The term of lease will start from the day when the 7 pairs of gas stations have completed procedures for change of business license and are prepared for lease and operation to 31 December 2018. In consideration of the management right, Zhejiang Expressway Investment Development Co., Ltd. will, according to actual oil sales of the 7 pairs of service areas along Shanghai-Hangzhou-Ningbo Expressway and Shangyu-Sanmen Expressway in each month, pay the Company 230 Yuan for each ton of oil that is sold, as well as RMB5,548,800 Yuan and RMB1,920,000 Yuan each year as the rental of the premises for business operation and the facilities and equipment of the 7 pairs of service area gas stations, respectively.

In addition, the Company rents the venue to the Zhejiang provincial Expressway Advertising Co., Ltd. to do advertising. According to Zhejiang Province Expressway Advertising Co., Ltd.'s future rent estimation, the income amount will be RMB2,200,000 Yuan per year.

In the calculation, the agreed amount (of money) is taken as the amount of incomes from other business during the entire period of calculation and the specific prediction results are as follows:

Currency Unit: ten thousand Yuan

Item/year	**August to December 2016**	**2017**	**2018**	**2019**	**2020**
Other business income	2,210.12	6,525.46	6,525.46	6,525.46	6,525.46

Continued

Item/year	**2021**	**2022**	**2023**	**2024**	**2025**
Other business income	6,525.46	6,525.46	6,525.46	6,525.46	6,525.46

Continued

Item/year	**2026**	**2027**	**2028**	**2029**	**2030**
Other business income	6,525.46	6,366.31	4,379.65	1,931.52	1,931.52

Business Tax and Surplus

The Company's sales taxes and duties include value-added tax, urban maintenance and construction tax, education surcharge and local education surcharge, among which the value-added tax rate is 6%. The urban maintenance and construction tax rate is 7% of the turnover tax. The education surcharge rate is 3% of the turnover tax. The local education surcharge is 2% of turnover tax.

The business tax and surplus is calculated by the applicable actual tax rate of the main business income and other business income.

The prediction of sales tax and duties for the future years is as follows:

Unit: ten thousand Yuan

Item/year	**August to December 2016**	**2017**	**2018**	**2019**	**2020**
Main business income	12,421.03	28,166.73	26,598.48	25,877.02	25,821.01
Other business income	2,210.12	6,525.46	6,525.46	6,525.46	6,525.46
Sales taxes and surcharge	927.56	2,199.35	2,099.93	2,054.19	2,050.64

Continued

Item/year	**2021**	**2022**	**2023**	**2024**	**2025**
Main business income	25,869.22	26,028.05	26,169.60	26,315.41	26,465.58
Other business income	6,525.46	6,525.46	6,525.46	6,525.46	6,525.46
Sales taxes and surcharge	2,053.70	2,063.77	2,072.74	2,081.99	2,091.51

Continued

Item/year	**2026**	**2027**	**2028**	**2029**	**2020**
Main business income	24,605.49	20,660.09	17,886.72	6,353.16	6,404.23
Other business income	6,525.46	6,366.31	4,379.65	1,931.52	1,931.52
Sales taxes and surcharge	1,973.58	1,713.37	1,411.60	525.22	528.46

Sales Cost

The Company's sales cost mainly includes staff salaries on the Company level and for those in the subordinate service areas, depreciation, amortization and renovation costs of utilities, the maintenance costs, cleaning fees, security fees and taxes (property tax, land use tax), property management fees, fees for the lease and operation of some of the service areas as well as other fees.

1) Staff salary：Including staff wages, employee benefits, social security costs, housing fund, labor union funds and staff education fees, etc. When prediction of salaries is being made, the calculation will be done respectively in each service area comparing the current situations with the historical data. The salary is predicted to increase 5% per year under the premise of the existence of profit in the service area. The rest employees' salary prediction is calculated by proportion of the salary;

2) Amortization of depreciation and renovation: It is confirmed by the amount that included in the business cost of each service area, where amortize the balance of the cost of renovation to zero;

3) Health cleaning fee and cost for security and fire control: the calculation is up to the calculation period end with the agreed amount signed in the contract with each security company and cleaning company;

4) Property management fee, part of the service areas' operating lease fee: the calculation is up to the calculation period end with the agreed amount signed in rental contract;

5) Utilities, maintenance costs, taxes and other expenses: determined by the average occurrence amount of two years;

6) At the end of the forecast period, reduce the business cost calculation in the level as part of service areas stop prediction.

Business cost prediction result is shown as below:

Currency Unit: ten thousand Yuan

Item/Year	August to December 2016	2017	2018	2019	2020
Business income	14,631.15	34,692.19	33,123.94	32,402.48	32,346.47
Business cost	8,715.95	16,932.06	15,270.49	14,907.23	15,031.97
Ratio to income	59.57%	48.81%	46.10%	46.01%	46.47%

Continued

Item/Year	2021	2022	2023	2024	2025
Business income	32,394.68	32,553.51	32,695.06	32,840.87	32,991.04
Business cost	15,210.54	15,452.76	15,914.21	16,419.61	16,554.12
Ratio to income	46.95%	47.47%	48.67%	50.00%	50.18%

Continued

Item/Year	2026	2027	2028	2029	2030
Business income	31,130.95	27,026.40	22,266.37	8,284.68	8,335.75
Business cost	15,536.07	13,590.62	11,369.12	5,728.65	5,948.34
Ratio with income	49.91%	50.29%	51.06%	69.15%	71.36%

Management costs

Management costs mainly include staff salaries, office expenses, business entertainment expenses, vehicle use fees, depreciation charges, office venue rental fees, office renovation expenses amortization and rent, etc.. Management cost is only confirmed in the Company's level.

1) Staff salary: Including staff wages, employee benefits, social security costs, housing fund, labor union funds and staff education fees, etc. The prediction of future salary will calculate every service area's data with historical data. The salary is predicted to increase 5% per year under the premise of the existence of profit in the service area. The rest employees' salary prediction is calculated by proportion of the salary;

2) Depreciation: is confirmed by the depreciation amount included in the business cost in 2015;

3) Office venue rent: is confirmed by both the predicted rental period and the rent price level;

4) Office renovation expense: is confirmed by the original occurrence renovation expense and the predicted amortization period analysis;

5) Rent: the Company's management department has been renting the affiliated company's house property for office, but has never paid the rent. From the rationality of consideration, combined with the current management department office's location, the size of the area, the grade of the office and the surrounding similar housing rental, the rent is expected to be 3 million Yuan per year. Therefore, during the calculation period, the rent of the Company's office venue is confirmed as 3 million Yuan;

6) Other fee Items is confirmed by the average occurrence amount of two years;

7) At the end of the forecast period, reduce the management cost calculation in the level as part of service areas stop prediction.

The result is shown as below:

Currency Unit: ten thousand Yuan

Item/Year	**August to December 2016**	**2017**	**2018**	**2019**	**2020**
Business income	14,631.15	34,692.19	33,123.94	32,402.48	32,346.47
Management cost	908.01	2,343.65	2,428.96	2,518.56	2,612.66
Ratio with income	6.21%	6.76%	7.33%	7.77%	8.08%

Continued

Item/Year	**2021**	**2022**	**2023**	**2024**	**2025**
Business income	32,394.68	32,553.51	32,695.06	32,840.87	32,991.04
Management cost	2,693.38	2,771.93	2,880.82	2,995.17	3,115.25
Ratio with income	8.31%	8.51%	8.81%	9.12%	9.44%

Continued

Item/Year	**2026**	**2027**	**2028**	**2029**	**2030**
Business income	31,130.95	27,026.40	22,266.37	8,284.68	8,335.75
Management cost	3,240.69	3,372.14	2,677.18	1,905.78	1,971.44
Ratio with income	10.41%	12.48%	12.02%	23.00%	23.65%

Finance Cost & Borrowing

Financial expenses mainly include interest income and bank charges and other expenses.

Because that only the minimum cash is retained in the calculation, which is tiny, and that the excess part is considered as excess cash, we do not consider the interest income in the calculation process.

The bank charges and other fees' amount is relative small at the valuation date, so the report does not do the forecast during the prediction period.

Non-operating revenue and expenses

Non-operating incomes mainly include governmental subsidy gains, long-term and short-term loans, road asset compensation income, gains from fines and confiscation and other incomes, etc.; Non-operating expenses mainly includes amount to be paid as the foundation for water works, net loss in the disposal of fixed assets and other expenses, etc.

0.007% of the business revenue shall be paid as the foundation for water works.

Other non-operating incomes and expenses will not be predicted in future years due to their small amount and uncertainty. Operating incomes and expenses are predicted as follows:

Currency Unit: ten thousand Yuan

Item/Year	**August to December 2016**	**2017**	**2018**	**2019**	**2020**
Non-operating expense	10.24	24.28	23.19	22.68	22.64

Continued

Item/Year	**2021**	**2022**	**2023**	**2024**	**2025**
Non-operating expense	22.68	22.79	22.89	22.99	23.09

Continued

Item/Year	**2026**	**2027**	**2028**	**2029**	**2030**
Non-operating expense	21.79	18.92	15.59	5.80	5.84

Income Tax Expenses

For the prediction of considering income tax adjustment factor, the calculation formula is:

Income tax = (total profit + tax adjustment) × income tax rate

Total profit = operating income – operating costs – business tax and surcharges – selling expenses – management expenses – financial expenses + non-operating income – non-operating expenses

The applicable income tax rate is 25% for the Company's assessment base date and the forecast period thereafter.

Based on the above-mentioned forecasted profit conditions and the income tax rate, it is estimated that the future income tax expenses for each year are as follows:

Unit: ten thousand Yuan

Item/Year	**August to December 2016**	**2017**	**2018**	**2019**	**2020**
Income tax expense	–26.01	842.47	938.54	874.10	834.76

Continued

Item/Year	**2021**	**2022**	**2023**	**2024**	**2025**
Income tax expense	792.65	749.61	640.15	519.33	490.82

Continued

Item/Year	**2026**	**2027**	**2028**	**2029**	**2030**
Income tax expense	341.09	270.68	197.82	–	–

Capital Expenditure, Working Capital

(1) Capital expenditure mainly includes the new investment expenditure and the maintenance of the simple production update. Renewal of expenditure refers to the expenditure on asset renewal which occurs in the maintenance of the sustainable management of the enterprise.

Of which seven pairs of service area assets, since the end of the remaining ten years from the measurement period, the housing land can be effectively used to the end of the calculation period without the need to re-purchase, so the housing land does not consider updating the expenditure. For the fixed assets such as equipment that need to be updated in the forecasting period, the fixed assets shall be calculated according to the use of the fixed assets and the valid useful life after the end of the charging period, and the annual capital expenditure shall be calculated.

Currency Unit: ten thousand Yuan

Item/Year	August to December 2016	2017	2018	2019	2020
New capital expenditure					
Update capital expenditure	440.18	853.70	720.07	805.67	802.42
Total capital expenditure	440.18	853.70	720.07	805.67	802.42

Continued

Item/Year	2021	2022	2023	2024	2025
New capital expenditure					
Update capital expenditures	711.53	801.34	711.53	801.34	801.34
Total capital expenditure	711.53	801.34	711.53	801.34	801.34

Continued

Item/Year	2026	2027	2028	2029	2030
New capital expenditure					
Update capital expenditures	543.35	470.72	418.85	123.88	123.88
Total capital expenditure	543.35	470.72	418.85	123.88	123.88

(2). Forecast of additional working capital

Working capital refers to the operating capital of an enterprise that needs to be invested in order to maintain its normal operation without changing its current capital turnover capacity. Such as maintaining the cash required to maintain the daily payment, the funds occupied by safety stock, as well as procurement, sales, payment and other business to get other people's business credit and reduce the occupation of funds. Additional working capital is defined as the operational capital input for the realization of the future production and operation, with the change of income and cost, the calculation formula is:

Additional working capital of the year = working capital at the end of the year – working capital at the end of last year

Working capital at the end of period = operating current assets at the end of the period – operating interest-free current liabilities at the end of the period

According to the analysis, the necessary cash for business operation is determined according to the one-month cost of the enterprise forecast period. The present cost is calculated after deducting depreciation and amortization based on the total cost of operating costs, business tax and surcharges, selling expenses, management expenses and income tax expenses of the enterprise forecast period.

Forecast of future working capital are as follows:

Unit: ten thousand Yuan

Item/Year	August to December 2016	2017	2018	2019	2020
Working capital	–6,571.99	–6,209.60	–6,133.09	–6,046.59	–5,936.57
Changes in working capital	85.81	362.39	76.50	86.50	110.02

Continued

Item/Year	2021	2022	2023	2024	2025
Working capital	–5,877.43	–5,849.11	–5,800.16	–5,747.07	–5,724.34
Changes in working capital	59.14	28.32	48.95	53.10	22.72

Continued

Item/Year	2026	2027	2028	2029	2030
Working capital	–5,615.23	–4,392.36	–3,672.21	–1,449.68	–1,425.39
Changes in working capital	109.11	1,222.87	720.16	2,222.53	24.29

(3). Recovery of working capital

On 31 December 2030, Shanghai-Hangzhou-Ningbo Expressway and Shangyu-Sanmen Expressway toll period will have expired, highway-related assets will be transferred free of charge, the other working capital and monetary funds can be recovered or paid. It is estimated that as at 31 December 2030, there will be a working capital of RMB14,011,000 to be paid.

Depreciation and Amortization

The depreciation of fixed assets is composed of two parts, namely, the depreciation of existing fixed assets (stock assets) at the base date on the basis of enterprise accounting depreciation (straight-line method), after the base date of the new fixed assets Amount of assets), according to the completion of the year or the mid-purchase of fixed assets as the beginning of the depreciation of the date.

Annual depreciation = the original value of fixed assets × annual depreciation rate

The amortization of long-term deferred expenses is the amortization of the decoration expenses of all service areas and the amortization of land, and the amortization method is used to estimate the amortization value according to the remaining amortization value.

Depreciation and amortization of fixed assets during the forecast period are shown in the following table:

Currency Unit: ten thousand Yuan

Item/Year	**August to December 2016**	**2017**	**2018**	**2019**	**2020**
Depreciation and amortization	972.33	2,130.83	1,997.20	1,992.99	1,989.74

Continued

Item/Year	**2021**	**2022**	**2023**	**2024**	**2025**
Depreciation and amortization	1,678.96	1,570.43	1,550.52	1,550.52	1,550.52

Continued

Item/Year	**2026**	**2027**	**2028**	**2029**	**2030**
Depreciation and amortization	1,291.90	1,045.73	870.55	249.30	249.30

Net Cash Flow

Based on the above forecast, we can get the net cash flow from equity in the forecast period, specific see table below:

Net cash flow forecast for future operating period

Currency Unit: ten thousand Yuan

Item		August to December 2016	2017	2018	2019	2020
1.	Operating income	14,631.15	34,692.19	33,123.94	32,402.48	32,346.47
	Less: operating costs	4,173.42	9,822.98	9,547.19	9,403.43	9,289.51
	Less: business taxes and surcharges	927.56	2,199.35	2,099.93	2,054.19	2,050.64
	Less: selling expenses	8,715.95	16,932.06	15,270.49	14,907.23	15,031.97
	Less: management expenses	908.01	2,343.65	2,428.96	2,518.56	2,612.66
	Less: financial expenses					
2.	Operating profit	–93.79	3,394.14	3,777.36	3,519.06	3,361.68
	Plus: non-operating income	–	–	–	–	–
	Less: non-operating expenses	10.24	24.28	23.19	22.68	22.64
3.	Total profit	–104.03	3,369.86	3,754.17	3,496.38	3,339.04
4.	Taxable income	–104.03	3,369.86	3,754.17	3,496.38	3,339.04
	Less: income tax	–26.01	842.47	938.54	874.10	834.76
5.	Net profit	–78.02	2,527.39	2,815.63	2,622.28	2,504.28
	Plus: depreciation and amortization	972.33	2,130.83	1,997.20	1,992.99	1,989.74
	Less: capital expenditures (update)	440.18	853.70	720.07	805.67	802.42
	Less: changes in working capital	85.81	362.39	76.50	86.50	110.02
	Plus: recovery of working capital					
6.	Free cash flow to equity	368.32	3,442.13	4,016.26	3,723.10	3,581.58

Currency Unit: ten thousand Yuan

Item		2021	2022	2023	2024	2025
1.	Operating income	32,394.68	32,553.51	32,695.06	32,840.87	32,991.04
	Less: operating costs	9,243.80	9,243.80	9,243.80	9,243.80	9,243.80
	Less: business taxes and surcharges	2,053.70	2,063.77	2,072.74	2,081.99	2,091.51
	Less: selling expenses	15,210.54	15,452.76	15,914.21	16,419.61	16,554.12
	Less: management expenses	2,693.38	2,771.93	2,880.82	2,995.17	3,115.25
	Less: financial expenses					
2.	Operating profit	3,193.26	3,021.24	2,583.48	2,100.29	1,986.35
	Plus: non-operating income	–	–	–	–	–
	Less: non-operating expenses	22.68	22.79	22.89	22.99	23.09
3.	Total profit	3,170.58	2,998.45	2,560.59	2,077.30	1,963.26
4.	Taxable income	3,170.58	2,998.45	2,560.59	2,077.30	1,963.26
	Less: income tax	792.65	749.61	640.15	519.33	490.82
5.	Net profit	2,377.93	2,248.84	1,920.44	1,557.97	1,472.44
	Plus: depreciation and amortization	1,678.96	1,570.43	1,550.52	1,550.52	1,550.52
	Less: capital expenditures (update)	711.53	801.34	711.53	801.34	801.34
	Less: changes in working capital	59.14	28.32	48.95	53.10	22.72
	Plus: recovery of working capital					
6.	Free cash flow to equity	3,286.22	2,989.61	2,710.48	2,254.05	2,198.90

Unit: ten thousand Yuan

Item		2026	2027	2028	2029	2030
1.	Operating income	31,130.95	27,026.40	22,266.37	8,284.68	8,335.75
	Less: operating costs	8,994.46	7,248.64	6,001.61	2,427.93	2,427.93
	Less: business taxes and surcharges	1,973.58	1,713.37	1,411.60	525.22	528.46
	Less: selling expenses	15,536.07	13,590.62	11,369.12	5,728.65	5,948.34
	Less: management expenses	3,240.69	3,372.14	2,677.18	1,905.78	1,971.44
	Less: financial expenses					
2.	Operating profit	1,386.15	1,101.62	806.86	–2,302.90	–2,540.42
	Plus: non-operating income					
	Less: non-operating expenses	21.79	18.92	15.59	5.80	5.84
3.	Total profit	1,364.36	1,082.70	791.27	–2,308.70	–2,546.26
4.	Taxable income	1,364.36	1,082.70	791.27	–2,308.70	–2,546.26
	Less: income tax	341.09	270.68	197.82		
5.	Net profit	1,023.27	812.02	593.45	–2,308.70	–2,546.26
	Plus: depreciation and amortization	1,291.90	1,045.73	870.55	249.30	249.30
	Less: capital expenditures (update)	543.35	470.72	418.85	123.88	123.88
	Less: changes in working capital	109.11	1,222.87	720.16	2,222.53	24.29
	Plus: recovery of working capital					–1,401.10
6.	Free cash flow to equity	1,662.71	164.16	324.99	–4,405.81	–3,846.23

DISCOUNT RATE

The discount rate which is also known as the expected rate of return on investment. The discount rate depends fundamentally on the implied risk of future cash flow. Income approach requires the valuation of the company keeping consistent with income type as well as the discount rate. This valuation has chosen the cost of equity capital as the discount rate.

We have used Capital Assets Pricing Model (the "CAPM") to estimate the required return on equity capital, and the formula is as follows:

$$R_E = R_f + \beta \times ERP + R_S$$

In the formula:		
	R_E	Cost of equity capital
	R_f	Risk-free rate of return
	β	Systematic risk coefficient of equity
	ERP	Market excess return
	R_S	Company-specific risk excess return

(1) Risk-free rate of return (R_f)

Because of the much more active market that book-entry treasury bonds have, the liquidity risk is generally not included in the consideration. Moreover, the national credit rating is high, there is little risk that the debt cannot be paid at maturity, and generally the risk of default is not taken into account either. While the long-term Treasury bond rate contains the market's expectations for future inflation. Therefore, we choose book-entry treasury bonds from the assessment date to the national debt maturity date remaining in the year 12 to 14, and calculate the yield to maturity, as the assessment of risk-free rate of return, the calculated risk-free rate of return is 4.21%.

(2) Excess Risk Premium (ERP)

Risk premium (ERP) is the investor's investment in the stock market expected more than the risk-free rate part, namely:

Risk premium (ERP) = return on investment (R_m) expected by the market as a whole – risk-free rate of return (R_f)

According to the current domestic assessment of the industry's approach, to calculate ERP based on the following way:

A. Determination of the index of the stock market: To estimate the return on investment in the stock market first need to determine a measure of the volatility of the stock market index, according to the experience of relevant US institutions to estimate the United States ERP when select Standard & Poor's 500 index, the Shanghai and Shenzhen 300 Index is selected.

B. Selection of calculation period: China's stock market began in the early 90s of last century, but the development of the first few years was non-standard, it gradually took to the formal until 1996 to 1997, Taking into account the above situation, we calculate the Chinese stock market ERP calculation time from 2001, that is, we estimate the time interval from 31 December 2001 to 31 December 2015.

C. Determination of index constituent stock: The Shanghai and Shenzhen 300 Index constituent stocks are changing each year, so we use the constituent stock of the Shanghai and Shenzhen 300 at the end of each year when estimating. For 2001 to 2005 before the introduction of the Shanghai and Shenzhen 300, use the extrapolation, that is, constituent stocks from 2001 to 2005 are the same as the end of 2005.

D. Data collection: The ERP calculation with the help of the data system of Wind information provided by the transaction closing price of the selected stocks at the end of the year. Since the constituent stock returns should include the proceeds of annual dividends, dividend payout and bonus shares, so the selected year-end closing price is the right transaction closing price of Wind data from 31 December 2001 to 31 December 2015, the price has been effectively put every year due to dividends, dividend payout and proceeds reflected in prices.

E. Geometric mean value calculation method is adopted in the calculation of annual profit rate:

Set the geometric mean from first year to year i as Ci, thus:

$$Ci = \sqrt[(i-1)]{\frac{P_i}{P_1}} - 1 (i=2,3,\cdots n)$$

Pi is the closing price of the end of year i (after rehabilitation)

By estimating the 2001-2015 annual market risk of excess return, with the annual average return of the stocks of the Shanghai and Shenzhen 300 index as R_m, deducted the annual risk-free rate calculated in accordance with the above method, the calculated average ERP is 6.95%.

(3) Company-specific risk excess return (R_s)

The use of capital pricing models is generally considered to be a combination of the estimated income of a portfolio, for a single company's investment risk is generally considered to be higher than the risk of a portfolio, Therefore, consideration should be given to the excess return required to compensate for the company's unique risks when considering the investment returns of individual companies or stocks.

The individual risks of enterprises mainly include business risk. The main factors affecting business risk are: The operating stage of the enterprise; the historical operating status; the distribution of the business operations, products and regions of the enterprise; internal management and control mechanisms; management and qualifications of managers; dependence on key customers and suppliers and so on.

Based on the above considerations, we have determined the company-specific risk excess return to be 2%.

(4) Parameters for CAPM (Re)

In determining the discount rate for the Company, the following parameters have been used as at the Valuation Date:

$$\begin{aligned} R_E &= R_f + \beta \times ERP + R_s \\ &= 4.21\% + 0.7313 \times 6.95\% + 2\% \\ &= 11.29\% \end{aligned}$$

RISK FACTORS

The main risks in the future development of Investment Co are listed as following:

1) The Effect of Operating Characteristics of Highways on Business Operation

Investment Co is mainly engaged in the management of highway service areas. Due to the characteristics of highways, the normal regular daily maintenance will affect the normal traffic of highway and geology, climate and other unpredictable factors will cause temporarily unable to pass through or damages of highway facilities. All these above situations will have effect on the passenger flow. In addition, the opening of the new highways and bridges will also cause diversion of the original highway, thus affecting the company's operating conditions.

2) Operational Risks of the Highway Service Areas

The highway service area is the ancillary facility of highway, so the property right is therefore unable to be transferred and only the management rights is able to be transferred. Furthermore, after the expiration of the prescribed charge period all the property rights as well as assets of highway will be nationalized, which result in the impossibility of long-term firm operation.

OPINION OF VALUE

As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, Item documentation and other pertinent data concerning the Item as has been made available to us. Such information and the lists of assets and liabilities involved in the valuation have been provided by the Company.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. We also consider the potential impact of various risks and uncertainties on the Company. We determine the prerequisites, assumptions for the report is true at the Valuation Date. When the future economic environment changes greatly, we don't take the responsibility that different evaluation results are derived due to the different prerequisites, assumptions.

During the valuation work, we followed the relevant laws, regulations and valuation standards of China, with the principle of independence, objectivity, and impartiality. Based on the information we collected in the valuation process, the statements in this valuation report are objective, and we are legally responsible for the reasonableness of the valuation conclusion. However, the valuation opinion should not be considered as an assurance to the assessable price.

Based on the results of our investigation and analysis outlined in the report, we are of the opinion that as at 31 July 2016, the fair value of 100 percent equity interest in the Company is reasonably stated as follows:

Valuation Date	Fair Value of 100 Percent Equity Interest
31 July 2016	**RMB259,800,000**

Yours faithfully,
For and on behalf of
Tianyuan Appraisal Co., Ltd.

YouYan Qian
Legal Representative

EXHIBIT A – LIMITING CONDITIONS

The use of this valuation report is subject to the following restrictions：

1. According to the current national assets management system, the valuation report needs to be approved or put on record, and after that it will be used together with the approval document or the record form.

2. The valuation report is prepared solely for the disclosed report users in the valuation report for the specified purpose. The Certified Public Valuers and their appraisal agency shall not assume the responsibility for the consequences resulting from the improper use of the valuation report.

3. Once all or part of the contents of the evaluation report is copied, quoted or disclosed in the public media, needs the appraisal agency to review the related contents, except laws and regulations as well as related parties as agreed upon.

4. The valuation conclusions are established solely as at the valuation date which is specified in the valuation report. The valid use period of the valuation conclusions should be determined in accordance with the changes of the asset status and the market after the valuation date. When the changes of the assets status and the market are small, the validity of the valuation conclusions is within one year of the valuation date, namely, from 31 July 2016 to 30 July 2017.

5. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in arriving at our calculation of value. Since predictions relate to the future, there will usually be differences between predictions and actual results and in some cases, and those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

EXHIBIT B –DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.

The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

The reported analyses, opinions, and conclusions are independent and objective.

The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.

The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the Chinese Valuation Standards published by the Chinese Valuation Standards Council.

The under mentioned persons provided professional assistance in the compilation of this report.

Youyan Qian
Legal Representative

Xuenan LU
Chief Valuer

Yuxiu Liu
Quality Control Manager

Guixian Gu
Vice General Manager

Xiongwei Chen
Manager

Chen Qu
Assistant Manager

Fengbo Wang
Assistant

Jingcheng Sui
Assistant

Chen Liu
Assistant

Chen Zhou
Assistant

EXHIBIT C – VALUATION MODEL

1. Selection of the income approach model

According to the investigation situation, asset structure and the main business trait, assets usage status,capital structure as well as future business model and development trend of profits of the valuation subject, Free Cash Flow to Equity Model has been applied in this valuation. The basic idea is to predict the value of business asset value of the valuation object plus values of other non-operating or excess assets (liabilities) as the value of all shareholders' equity, which based on the free cash flow of equity.

In summary, the following formula has applied in this income approach:

All equity value of shareholders = Valuation value of equity cash flow + Value of non-operating assets – Value of non-operating liabilities + Value of excess assets – Value of excess liabilities

According to the field surveys and interviews, we have understood the industry characteristics, the competitive advantages and disadvantages as well as the analysis of future prospects of Investment Co, which shows that Investment Co has continued viability. At the same time, the relevant assets of highways will be transferred gratis when the highway toll period expires. Therefore, we have selected discounted cash flow model within a finite period in this valuation. The basic formula is:

$$P = \sum_{t=}^{n} \frac{F_t}{(1+r)^t} + \frac{P_n}{(1+r)^n} + \Sigma^C$$

In the formula:

P	Valuation value of all shareholders' equity
F_t	Equity cash flow in the future t-th earning period
r	Discount rate, consistent with the cash flow, using CAPM
t	Future t-th earning period
n	Forecast period
P_n	Value of recoverable assets in the end of prediction
Σ^C	Value of excess assets or non-operating assets (liabilities) as at valuation date

2. Calculation of all

(1) Net Excess Asset and Non-Operating asset (ΣC)

Excess asset represents such asset in excess of those necessary for the daily operation in the entity, not being directly related to the entity's revenue. The non-operating asset (liability) represents those assets (liabilities) that have no involvement in the entity's daily operation.

Based on the information provided by the Company and the review on the major asset and liability, the excess asset and non-operating asset on the Company's appraisal benchmark date are as follows:

Currency Unit: ten thousand Yuan

Item	Original Book Value	Assessed Value	Remark
Monetary fund	5,112.36	5,112.36	Excess asset
Long-term equity investment	1,136.29	4,123.99	Non-operating asset
Construction in progress	68.63	47.53	Non-operating asset
Other non-current asset (Linquan)	133.36	133.36	Non-operating asset
Dividend receivable (Advertising Agency)	6,450.26	6,450.26	Non-operating asset
Other receivables			
Of: Equity transfer payment received from Zhejiang Expressway Co., Ltd.	1,073.57	1,073.57	Non-operating asset
Entrusted loan received from Xiean Estate	7,077.61	7,077.61	Non-operating asset
Service area asset not included in income approach assessment			
Of: Chaiqiao Service Area	–23.22	–11.45	Non-operating asset
Jiashaonan Service Area	18.78	–38.41	Non-operating asset
Changqing Service Area	74.27	–15.20	Non-operating asset
Zhenhai Service Area	24.92	50.74	Non-operating asset
Yangbei Service Area	–114.18	–22.31	Non-operating asset
Westsea Food Plaza	5.54	0.65	Non-operating asset
Sub-total of non-operating asset	**15,925.83**	**18,870.34**	
Total of excess asset and non-operating asset	**21,038.19**	**23,982.70**	
Dividend payable	**15,217.74**	**15,217.74**	Non-operating liability
Total of net excess asset and non-operating asset	**5,820.45**	**8,764.96**	

(2) Shareholder's Total Equity Value

The formula will be applied with the free cash flow to equity, discount rate, excess and non-operating asset value in the exact forecast period to calculate the shareholder's total equity value on the appraised entity's appraisal benchmark date. The present value of the free cash flow to equity will be as follows:

Currency Unit: ten thousand Yuan

Item	August–December 2016	2017	2018	2019	2020
Free cash flow to equity	368.32	3,442.13	4,016.26	3,723.10	3,581.58
Discount rate	11.29%	11.29%	11.29%	11.29%	11.29%
Discount factor	0.9780	0.9066	0.8146	0.7320	0.6577
Discount amount	360.20	3,120.63	3,271.75	2,725.26	2,355.71

Continued

Item	2021	2022	2023	2024	2025
Free cash flow to equity	3,286.22	2,989.61	2,710.48	2,254.05	2,198.90
Discount rate	11.29%	11.29%	11.29%	11.29%	11.29%
Discount factor	0.5910	0.5310	0.4772	0.4288	0.3853
Discount amount	1,942.17	1,587.63	1,293.38	966.46	847.17

Continued

Item	2026	2027	2028	2029	2030
Free cash flow to equity	1,662.71	164.16	324.99	–4,405.81	–3,846.23
Discount rate	11.29%	11.29%	11.29%	11.29%	11.29%
Discount factor	0.3462	0.3111	0.2795	0.2512	0.2257
Discount amount	575.61	51.06	90.84	–1,106.54	–868.00
Appraised value of the free cash flow to equity			17,213.33		

Shareholder's total equity value = Present value of free cash flow to equity + excess or non-operating asset value – non-operating liability value

= 17,213.33 + 23,982.70 – 15,217.74

= 259,800,000 (rounding)

EXHIBIT D – SENSITIVITY ANALYSIS

A sensitivity analysis was prepared to profile the results based on a 5%, 10% and 15% variations from the derived discount rate of 10%. The following table summarizes the resulting values of the Company:

Discount Rate(%)	Base	+5%	+10%	+15%
	11.29%	11.85%	12.42%	12.98%
100% Equity Value (Currency Unit: ten thousand Yuan)	25,980	25,730	25,470	25,230

Discount Rate(%)	Base	–5%	–10%	–15%
	11.29%	10.73%	10.16%	9.60%
100% Equity Value (Currency Unit: ten thousand Yuan)	25,980	26,230	26,500	26,760

EXHIBIT E –BETA CALCULATION

Beta risk factor is considered to be the indicator of measuring the entity's relative risk. During this evaluation, we selected the listed companies in the expressway industry as the comparable companies. *Beta coefficients* of the comparable listed companies were arrived at after inspecting WIND's financial terminal. The forementioned *Beta coefficients* were also effected by the financial leverages in the comparable companies. We shall first disregard the financial leverages in the comparable companies, then consider the Company's financial leverage based on its objective capital structure. The calculation formula of *Beta coefficient* with or without financial leverage is as follows:

$$\text{Beta coefficient without financial leverage} = \frac{\text{Beta coefficient with financial leverage}}{1 + \dfrac{\text{Debt Capital}}{\text{Equity Capital}} \times 100\% \times (1 - \text{Income tax rate})}$$

Beta coefficient of 6 comparable listed companies is as follows:

No.	**Stock Code**	**Stock Name**	**Beta (no exclusion)**	**Capital structure (D/E)**	**T(%)**	**Beta (exclusion)**
1	000429.SZ	Yue Expressway A	0.9922	41.07%	25.00	0.7585
2	600012.SH	Wantong Expressway	0.9327	8.19%	25.00	0.8788
3	600033.SH	Fujian Expressway	1.0050	77.46%	25.00	0.6357
4	600035.SH	Fantian Expressway	1.1487	45.33%	25.00	0.8573
5	600269.SH	Gangyue Expressway	0.9969	95.95%	25.00	0.5797
6	600350.SH	Shandong Expressway	1.0056	46.63%	25.00	0.7450
7	600377.SH	Ninghu Expressway	0.7441	15.08%	25.00	0.6685
8	601518.SH	Jilin Expressway	1.0681	62.60%	25.00	0.7268
	Average		**0.9867**	**49.04%**		**0.7313**

The average Beta coefficient without financial leverage is 0.7313.

EXHIBIT F – SPECIAL MATTERS

1. The Company is operating in seven pairs of highway service areas located in Jiaxing, Chang'an, Shaoxing, Shengzhou, Xinchang, Yuyao and Tiantai for its owns as of valuation date. Of which: Jiaxing and Chang'an service areas are located in the Shanghai Hangzhou Highway, Shaoxing and Yuyao service areas are located in the Hanghzou Ningbo Highway. According to the document " The Approval of the Management Rights and Ownership Issues of Hangzhou Ningbo and Shanghai Hangzhou Highways"(J.C. No. [1997] 46), which released by the Ministry of Transportation, the operation period of vehicle tolls is for 30 years. The calculation of the duration of operation of the toll of Hangzhou Ningbo Highway is from the date (15 May 1997) that Zhejiang Expressway issued H shares listed on the Hong Kong Stock Exchange, while the calculation of operating period of the toll of Shanghai Hangzhou Highway is from the date of the completion of the opening (29 December 1998). Based on the document " The Approval of the Issues about the Toll Rights and the Arrangement of Investment Funds in the line of Shangyu Sanmen Special vehicle highway"(J. C. No. [1997] 694), which issued by the Ministry of Transportation, the duration of vehicle toll of Shengzhou, Xingchang and Tiantai service areas which located in Shangyu Sanmen Highway is calculated from the capital increase date of Zhejiang Expressway for 30 years.

   The forecast period of income approach was calculated in the accordance with the approval period from the highway where the service area located in in this valuation report, namely, the forecast period of Shaoxing and Yuhang service areas is calculated from the valuation date to 15 May 2027, and Jiangxing and Chang'an service areas is from the valuation date to end of December 2028, while the forecast period of other three service areas which located in Shengzhou, Xinchang and Tiantai in accordance with the introduction of the client is from the valuation date to end of December 2030.

2. According to the information and documents provided by Investment Co, the issues of thirteen service areas (or parking areas), which were leased, were listed below:

   (1) Changqing service area leased from Shangdong Jinan Heze Expressway Co., Ltd and Shangdong Jinan Heze Expressway Service Co., Ltd was expired on end of July 2016. The property owner is understood to be planning to rebid the management right of Changqing service area on October of 2016. Investment Co can follow the successful bid to continue to operate in the presence of uncertainty and it is unavailable to predict the new leasing cost.

   (2) Chaiqiao service area leased from Ningbo Chuanshan Shugang Expressway Co., Ltd is expired on 27 September 2016 and Investment Co has decided to give up to continue operating.

   (3) Yangbei service area leased from Ningbo City Xiangshan Harbour Bridge Development Co., Ltd is expired on 27 September 2016 and the lease agreement has not been renewed. It is uncertain that Investment Co can renew the lease agreement and the new leasing cost is not available to estimate.

(4) Zhenhai service area leased from Eastern Section of Ningbo Ring Expressway Co. Ltd is expired on 8 August 2016 and the lease agreement has not been renewed. It is uncertain that Investment Co can renew the lease agreement and the new leasing cost is not available to estimate.

(5) South Jiashao service area leased from Shaoxing Jiashao Cross River Bridge South Junction Investment Co., Ltd is expired on 22 November 2016 and the lease agreement has not been renewed. It is uncertain that Investment Co can renew the lease agreement and the new leasing cost is not available to estimate.

(6) Area of 543 square meters of stalls and sites of Xihai service area leased from Liaoning Expressway Development Industrial General Cooperation is expired on 31 December 2016. Investment Co has not done the operating income prediction of this business in the valuation.

Because it is uncertain that the service areas can be continued operating and the future leasing cost is unpredictable, Investment Co has not done the operating income prediction of the relevant leased service areas (or parking areas) in this valuation. cost approach was applied for these service areas (or parking areas) in the valuation and the difference between the assets and liabilities is reflected in the valuation conclusion of income approach as non-operating assets.

Meanwhile, for the rest of the service areas (or parking areas), due to the uncertainty of renewing the leasing agreement and the rental rate after the expiration, Investment Co according to the term of the lease contract to be as the forecast period. This valuation has not considered the impact on the valuation conclusion of the income approach from operating income which may continue after the expiration of the existing lease agreement of this part of the service areas (or parking areas).

3. The assessment based on the premise that the dispute of the ownership of land use rights and housing buildings do not exist and the impact on the valuation conclusion of the cost of the relevant warrants or changes has not been considered. Besides, the obtained land use warrants included the parts aside from the service areas therefor the land use warrants cannot be divided or clearly correspond to the actual area of the service areas and the impact on the assessment of income approach of this matter as well as the involved cost expense has not been considered.

4. Investment Co has the ownership of forest in Longgang town of the western Lin'an to be settled which the book amount is RMB 1,333,620.99 and the forest ownership was transferred from Zhejiang Dongshan Food Co., Ltd as the payment of its debit. The authority number of the forest ownership is Z.L.C.Z(2004)No.3300115037 and the area declared in the certificate of the forest ownership is 7,000 mu. According to the valuation report, Z.X.V.B.Z(2015)No. 050, issued by Zhejiang Xinlin Appraisal Co., Ltd, the appraisal value of this forest ownership was Rmb 3,752,400. The forest ownership is listed on the sale and has not been transferred as of the valuation date.

5. Due to the economic disputes of the sale contracts of wrapped rice dumplings (Zongzi), Jiangxing City Zhenzhen Laolao Food Co., Ltd and Investment Co subordinate Cicheng and Pinghu service areas were sued to the court, of which RMB2,422,726.02 was involved. This case has not come to trail yet. This litigation matter has not been considered in this assessment, which may have effect on the valuation conclusion.

6. In accordance with the resolution of the shareholders' meeting, Investment Co transferred the statutory reserve fund with a mount of RMB30 million yuan into capital, which leads to the increasing of the registered capital from RMB120 million yuan to RMB150 million yuan. Meanwhile, the distribution of dividends to shareholders is RMB10,140,297.98. The impact on the valuation conclusion of this matter was not considered.

7. Liquidity factors, control of equity and minority equity and other factors that may have a premium or discount were not considered in this assessment.

   The report users shall pay attention to the impact of the above issues on the assessment results and the economic behavior.

Set out below are the text of the letter from the Board and the text of the letters received from the reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, both relating to the discounted future estimated cash flows, for, amongst other purposes, incorporation in the announcement of the Company dated 17 October 2016 published in connection with the Disposal.

A. LETTER FROM THE BOARD ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 100% EQUITY INTEREST OF DEVELOPMENT CO

Listing Division
The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre,
1 Harbour View Street, Central,
Hong Kong

17 October 2016

Dear Sirs,

Discloseable and Connected Transaction – Disposal of 100% Equity Interest in Development Co

We refer to the valuation report dated 25 September 2016 (the "Valuation Report") and prepared by Tian Yuan Asset Appraisal Limited* (天源資產評估有限公司), (the "Valuer") in relation to the valuation of 100% equity interest of Zhejiang Expressway Investment Development Co., Ltd. (浙江高速投資發展有限公司) ("Development Co"), the valuation of which constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

We have reviewed and discussed the bases and assumptions upon which the valuation of 100% equity interest of Development Co has been made with the Valuer, and reviewed the valuation for which the Valuer is responsible.

We have also considered the report from, Deloitte Touche Tohmatsu, dated 17 October 2016 regarding whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions set out in the Valuation Report. We have noted that the discounted future estimated cash flows do not involve the adoption of accounting policy.

On the basis of the foregoing, we are of the opinion that Valuation Report and the valuation therein prepared by the Valuer have been made after due and careful enquiry.

Yours faithfully,

On behalf of the Board
ZHEJIANG EXPRESSWAY CO., LTD.
ZHAN Xiaozhang
Chairman

B. REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 100% EQUITY INTEREST OF DEVELOPMENT CO

17 October 2016

The Directors
Zhejiang Expressway Co. Ltd.
5/F, Block 2, Pearl International Business Center
199 Wuxing Road
Hangzhou City, Zhejiang Province
PRC 310020

INDEPENDENT ASSURANCE REPORT ON CALCULATION OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE 100% EQUITY INTEREST IN ZHEJIANG EXPRESSWAY INVESTMENT DEVELOPMENT CO., LTD. ("DEVELOPMENT CO")

TO THE DIRECTORS OF ZHEJIANG EXPRESSWAY CO., LTD. (THE "COMPANY")

We have examined the calculation of the discounted future estimated cash flows on which the valuation prepared by Tian Yuan Asset Appraisal Limited (天源資產評估有限公司) dated 25 September 2016, in respect of the entire equity interest in Development Co as at 31 July 2016 (the "Valuation") is based. Development Co is a company established in the People's Republic of China whose principal assets are the operational assets acquired for operation of service areas as well as roadside advertising along the expressways operated by the Company and its subsidiaries (the "Group"). 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") and will be included in an announcement dated 17 October 2016 to be issued by the Company in connection with the disposal of 100% equity interest in Development Co (the "Announcement").

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 set out in the section headed "Principal assumptions for the income approach adopted for the Valuation Report" of the Announcement (the "Assumptions"). 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 requirements 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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" 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 accountants' responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculation of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Development Co.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculation is concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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 Company. 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 OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

(a) Interests in the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company had an interest or short position in any shares, underlying shares or equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which is 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 and short positions which the Directors, supervisors or chief executives of the Company was 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 Companies.

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

(b) Other interests

As at the Latest Practicable Date, so far is known to the Directors, none of the Directors and supervisors of the Company was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which was subsisting and significant in relation to the business of the Group taken as a whole.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executives of the Company, no other person had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Name of Shareholder	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (domestic shares)
Communications Group	Beneficial owner	2,909,260,000	100%

Name of Shareholder	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company H shares)
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	157,497,768 (L) 5,520,000 (S) 75,762,886 (P)	10.98% (L) 0.38% (S) 5.28% (P)
BlackRock, Inc.	Interest of controlled corporation	129,988,369 (L) 5,962,000 (S)	9.07% (L) 0.42% (S)
The Bank of New York Mellon Corporation	Interest of controlled corporation	74,989,261 (L) 69,658,505 (P)	5.23% (L) 4.86% (P)

The letter "L" denotes a long position. The letter "S" denotes a short position. The letter "P" denotes interest in a lending pool.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

5. INTEREST IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors and supervisors of the Company had any direct or indirect interest in any contract, transaction or assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Group were made up.

6. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors and supervisors of the Company entered or proposed to enter into any service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest published audited accounts of the Company were made up.

8. EXPERTS AND CONSENTS

The following is the qualification of the expert who has been named in this circular or have given opinion or advice contained in this circular:

Name	**Qualification**
TC Capital International Limited	a licensed corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte	certified public accountants
Tian Yuan Asset Appraisal Limited	a PRC qualified independent valuer

TC Capital International Limited, Tian Yuan Asset Appraisal Limited and Deloitte are referred to as the "**Experts**" hereinafter.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2015, the date to which the latest published audited accounts of the Group was made up.

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) or report(s) in the form and context in which they are included.

The letter and recommendation from TC Capital International Limited are set out on pages 19 to 31 of this circular and are given as at the date of this circular for incorporation herein.

The report from Tian Yuan Asset Appraisal Limited is set out in Appendix I of this circular and is given as at the date of this circular for incorporation herein.

The letter from Deloitte is set out in Appendix II of this circular and is given as at the date of this circular for incorporation herein.

9. DOCUMENTS FOR INSPECTION

A copy of the following documents will be available for inspection at the office of Herbert Smith Freehills at 23rd Floor, Gloucester Tower, 15 Queen's Road Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date hereof:

(a) the memorandum and articles of association of the Company;

(b) the audited consolidated accounts of the Group for each of the two financial years ended 31 December 2014 and 2015;

(c) the Share Purchase Agreement;

(d) the letter from the Independent Board Committee, as set out on page 18 of this circular;

(e) the letter from the Independent Financial Adviser, as set out on pages 19 to 31 of this circular;

(f) the Valuation Report, the text of which are set out in Appendix I to this circular;

(g) the letter from the Board and Deloitte on discounted future estimated cash flows in connection with 100% equity interest in Development Co, the text of each is set out in Appendix II to this Circular

(h) the written consents referred to in the paragraph headed "Experts and Consents" in this Appendix; and

(i) this circular.

Amend Article 111 of the Articles by deleting Article 111 in its entirety and substituting therefor the following new Article 111:

"The supervisory committee shall include at least two independent supervisors and two representative of the staff and workers of the Company. The representative of the staff and workers shall be elected and removed democratically by the staff and workers; whereas all the other supervisors shall be elected and removed in the shareholders' general meeting."

浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 0576)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the "**EGM**") of Zhejiang Expressway Co., Ltd. (the "**Company**") will be held at 10 a.m. on Wednesday, 28 December 2016 at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, the People's Republic of China (the "**PRC**"), for the purpose of considering and, if thought fit, passing with or without modification or amendment the following resolutions:

AS ORDINARY RESOLUTIONS

"1. **THAT**:

(a) the agreement dated 17 October 2016 (the "**Share Purchase Agreement**") entered into between the Company and Zhejiang Communications Investment Group Industrial Development Co., Ltd. (a copy of which is produced to the EGM marked "A" and initialed by the chairman of the EGM for the purpose of identification), and the terms and conditions thereof and the transactions contemplated thereunder and the implementation thereof be and are hereby approved and confirmed;

(b) the authorisation to any one of the directors of the company (the "**Director(s)**"), or any other person authorised by the Board from time to time, for and on behalf of the Company, among other matters, to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and to do all such acts, matters and things and take all such steps as he or she or they may in his or her or their absolute discretion consider to be necessary, expedient, desirable or appropriate to give effect to and implement the Share Purchase Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection thereto, including agreeing and making any modifications, amendments, waivers, variations or extensions of the Share Purchase Agreement or the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

2. **THAT** an interim dividend of RMB6 cents per share in respect of the six months ended 30 June 2016 be and is hereby approved and declared; and

3. to elect Ms. He Meiyun as independent supervisor of the Company. "

AS SPECIAL RESOLUTION

"4. to approve and confirm the proposed issue of H share convertible bonds ("**H Share Convertible Bonds**") by the Company with an aggregate principal amount up to USD400 million (or its equivalent) and the granting of authority to the board of directors of the Company (the "**Board**") to deal with all matters relating to the proposed issue and listing of H Share Convertible Bonds in the absolute discretion of the Board in accordance with the applicable laws and regulations and the Articles of Association, including, but not limited to following:

(1) to formulate specific plan and terms for the issue of H Share Convertible Bonds according to the requirements of the relevant laws and regulations, the Shareholders' resolutions passed at the EGM and market conditions, including but not limited to the issue size, maturity, type of bonds, interest rate and method of determination, timing of issue, security plan, whether to allow repurchase and redemption, use of proceeds, rating, subscription method, term and method of repayment of principal and interests, listing and all other matters relating to the issue and (if required) listing of H Share Convertible Bonds;

(2) to make corresponding amendments to the articles of association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment and issuance of H Shares upon exercise of the conversion rights attached to the H Share Convertible Bonds; and

(3) to deal with other matters in relation to the issue of H Share Convertible Bonds.

5. **THAT** the proposal by the Board to amend the articles of association of the Company in the manner as set out in the circular of the Company dated 9 November 2016 to the shareholders of the Company, of which this notice forms part, be and is hereby approved, and the Board be and is hereby authorised to do all such things as necessary in respect of the amendments pursuant to the requirements (if any) under domestic or overseas laws or under the rules of any stock exchange on which any securities of the Company are listed."

By order of the Board
ZHEJIANG EXPRESSWAY CO., LTD.
Tony Zheng
Company Secretary

Hangzhou, PRC
9 November 2016

Notes:

1. **The above mentioned ordinary resolution in relation to the Share Purchase Agreement shall be approved by independent shareholders as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Communications Group and its associates will abstain from voting in relation to such resolution. Details regarding such resolution are set out in the circular of the Company dated 9 November 2016.**

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

(1) Holders of H shares of the Company ("**H Shares**") and domestic shares of the Company ("**Domestic Shares**") intending to attend the EGM should return the reply slip for attending the EGM to the Company by post or by facsimile (address and facsimile numbers are shown in paragraph 7(2) below) such that the same shall be received by the Company on or before 8 December 2016.

(2) A shareholder or his/her/its proxy should produce proof of identity when attending the EGM. If a corporate shareholder appoints its legal representative to attend the meeting, such legal representative shall produce proof of identity and a copy of the resolution of the board of directors or other governing body of such shareholder appointing such legal representative to attend the meeting.

3. **Proxy**

(1) A shareholder eligible to attend and vote at the EGM is entitled to appoint, in written form, one or more proxies to attend and vote at the EGM on behalf of him/her/it. A proxy need not be a shareholder of the Company.

(2) A proxy shall be appointed by a written instrument signed by the appointor or an attorney authorised by him/her/it for such purpose. If the appointor is a corporation, the same shall be affixed with the seal of such corporation, or signed by its director(s) or duly authorised representative(s). If the instrument appointing a proxy is signed by a person authorised by the appointor, the power of attorney or other authorisation document(s) shall be notarised.

(3) To be valid, the power of attorney or other authorisation document(s) (which have been notarised) together with the completed form of proxy must be delivered, in the case of holders of Domestic Shares, to the Company at the address shown in paragraph 7(2) below and, in the case of holders of H Shares, to Hong Kong Registrars Limited at Room 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Hong Kong, at least 24 hours before the time designated for holding of the EGM.

(4) Any vote of the shareholders of the Company present in person or by proxy at the EGM must be taken by poll.

4. **Book Closing Period**

For the purpose of the EGM and to determine the shareholders who qualify for the proposed interim dividend, the register of members holding H Shares will be closed from 28 November 2016 to 27 December 2016 (both days inclusive) and from 4 January 2017 to 9 January 2017 (both days inclusive), respectively.

5. **Last day of transfer and record date**

Holders of H Shares who intend to attend the EGM and qualify for the proposed interim dividend must deliver all transfer instruments and the relevant shares certificates to Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Hong Kong, at or before 4:30 p.m. on 25 November 2016 and 3 January 2017, respectively. For the purpose of the EGM and qualify for the proposed interim dividend, the record date will be 3 December 2016 and 9 January 2017, respectively.

6. **Dividend payable date**

Upon relevant approval by shareholders at the EGM, the interim dividend is expected to be paid out on 25 January 2017.

7. **Miscellaneous**

(1) The EGM will not last for more than one day. Shareholders who attend shall bear their own traveling and accommodation expenses.

(2) The principal place of business address of the Company is:

5/F, No. 2 Mingzhu International Business Center
199 Wuxing Road
Hangzhou City, Zhejiang 310020
People's Republic of China
Telephone No.: (+86)-571-8798 7700
Facsimile No.: (+86)-571-8795 0329

As at the date of this notice, the executive directors of the Company are: Mr. ZHAN Xiaozhang, Mr. CHENG Tao and Ms. LUO Jianhu; the non-executive directors of the Company are: Mr. WANG Dongjie, Mr. DAI Benmeng and Mr. ZHOU Jianping; and the independent non-executive directors of the Company are: Mr. ZHOU Jun, Mr. PEI Ker-Wei and Ms. LEE Wai Tsang Rosa.