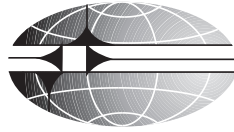


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**深圳高速公路股份有限公司**  
**SHENZHEN EXPRESSWAY COMPANY LIMITED**

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

**(Stock code: 548)**

**Financial Adviser to Shenzhen Expressway Company Limited**

**GD Guangdong Securities Limited**

**PROPOSED FURTHER ACQUISITION OF QINGLIAN COMPANY  
MAJOR AND CONNECTED TRANSACTION**

The Directors are pleased to announce that on 8 February 2006, the Company entered into the Transfer Agreement with the Yueqing Liquidation Committee for the acquisition of Yueqing's 20.09% equity interest in Qinglian Company, together with all its shareholder's loan and all other distributable (but not yet distributed) interests in Qinglian Company at a cash consideration of RMB484,000,000 (approximately HK\$465,384,615). Upon completion of the SE Acquisition, the Company will be directly and indirectly holding 76.37% equity interest in Qinglian Company and Qinglian Company will be accounted for as a subsidiary of the Company.

The SE Acquisition constitutes a major transaction for the Company under the Listing Rules. Since Yueqing is an associate of GDRB Company, which is a promoter of the Company, Yueqing is considered as a connected person of the Company and the SE Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The SE Acquisition is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules. Since GDRB Company is a promoter of the Company holding approximately 2.96% equity interest in the Company, GDRB Company and its associates will abstain from voting at the extraordinary general meeting on the relevant resolution approving the SE Acquisition. Apart from GDRB Company and its associates, no other Shareholder is required to abstain from voting at the relevant general meeting, which will be carried out by way of poll.

The Company has formed an independent board committee comprising all independent non-executive Directors to advise the independent Shareholders with respect to the SE Acquisition contemplated thereunder. An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders in respect of the SE Acquisition thereafter. A SE Circular containing, among other things, details of the SE Acquisition, the recommendation from the independent board committee in relation to the SE Acquisition, the opinion from the independent financial adviser and a notice of extraordinary general meeting will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

## **TRANSFER AGREEMENT**

Yueqing authorized Guangzhou Assets Transfer Centre (廣州產權交易所) to sell its 20.09% shareholder's interest (including all the capital investment, shareholder's loan and interest, and all other rights) in Qinglian Company on 27 June 2005. The minimum price for the sale was set at RMB484,000,000 (approximately HK\$465,384,615). A notice for the intended sale of the 20.09% interest in Qinglian Company was posted through Guangzhou Assets Transfer Centre (廣州產權交易所) on 3 July 2005. Pursuant to the Provisional Rules for the transfer and management of state assets of enterprises (企業國有產權轉讓管理暫行辦法), the transfer of state assets by enterprises shall be openly conducted through assets transfer centre with certain exceptions. As Yueqing is a state-owned company and its interest in Qinglian Company is considered as "state assets", Yueqing has to engage an assets transfer centre to conduct the transfer of its interest in Qinglian Company. During the auction period, save and except the bidding offer from the Company, there was no other bidding offer for the auction. Since Yueqing is in the process of liquidation, the Yueqing Liquidation Committee has been set up and it has the authority to deal with the assets of Yueqing. Against this background, the Company entered into the Transfer Agreement with the Yueqing Liquidation Committee.

Guangzhou Assets Transfer Centre (廣州產權交易所) is a regional institution approved by the provincial and city people's governments to engage in assets dealings, public auctions and ancillary services.

### **Date of Transfer Agreement**

8 February 2006

### **Parties**

- (1) the Company; and
- (2) the Yueqing Liquidation Committee.

On 8 February 2006, the Company entered into the Transfer Agreement with Yueqing Liquidation Committee for the acquisition of Yueqing's 20.09% equity interest in Qinglian Company, together with RMB198,809,120 (approximately HK\$191,162,615) shareholder's loan previously extended by Yueqing to Qinglian Company and all other distributable (but

not yet distributed) interests (including, but not limited to, the accrued interest of shareholder's loan as of 31 December 2005 of approximately RMB17,257,541 (approximately HK\$16,593,789) as per the unaudited management accounts of Qinglian Company) in Qinglian Company.

GDRB Company (the promoter of the Company holding approximately 2.96% equity interest of the Company) holds more than 50% equity interest in Yueqing . Yueqing is an investment holding company whose major asset is the 20.09% equity interest in Qinglian Company. Yueqing contributed RMB241,080,000 (approximately HK\$231,807,692) as registered capital in Qinglian Company and RMB198,809,120 (approximately HK\$191,162,615) as shareholder's loan to Qinglian Company. Since Yueqing is in the process of liquidation, the Yueqing Liquidation Committee has been set up and it has the authority to sell the assets of Yueqing.

### **Consideration**

The consideration for the SE Acquisition is RMB484,000,000 (approximately HK\$465,384,615) payable within 12 working days upon conditions precedent stated in the Transfer Agreement being fulfilled and that the registration of the equity transfer under the Transfer Agreement being completed with the original registration authority (i.e. the Administrative Bureau of Industry and Commerce of Qingyuan City (清遠市工商行政管理局)).

In case the Company defaults in payment of the consideration pursuant to the Transfer Agreement, the Company is liable to pay a daily default payment of 0.03% of the unpaid portion of the consideration from the date of default to the Yueqing Liquidation Committee.

The consideration of the SE Acquisition is the minimum bidding price set by Yueqing through Guangzhou Assets Transfer Centre (廣州產權交易所). The minimum bidding price is mainly based on Yueqing's investment contribution of RMB 241,080,000 (approximately HK\$231,807,692) and the shareholder's loan of RMB198,809,120 (approximately HK\$191,162,615), a total of RMB439,889,120 (approximately HK\$422,970,308), being the total amount invested by Yueqing into the Qinglian Company with a premium of approximately 10% to the aggregate amount invested. The minimum bidding price was set by Yueqing and the Company offered this price which in return was the consideration pursuant to the SE Acquisition.

The consideration represents a premium of 181.7% to the unaudited net asset value of Qinglian Company of approximately RMB171,843,029 (approximately HK\$165,233,682) as at 31 December 2005 attributable to the 20.09% equity interest of Qinglian Company (based on the PRC Generally Accepted Accounting Principles). The consideration will be satisfied in cash by internal resources and bank borrowings of the Company. The Transfer Agreement was entered into on normal commercial terms after arm's length negotiation between the parties. The Directors including the independent non-executive Directors consider that the terms of the SE Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

There is no restriction in the Transfer Agreement restricting any party from subsequent sale of its equity interest in Qinglian Company.

## **Conditions Precedent**

The Transfer Agreement is conditional upon the following conditions precedent:

- (a) debtors of Yueqing (including but not limited to the taxation authority, employees and others debtors of Yueqing) do not object to the transfer of interests under the Transfer Agreement in accordance with the liquidation procedure under the Company Law of the PRC; and that the shareholders of Yueqing have given approval for the liquidation proposal of Yueqing (including but not limited to the disposal of interests under the Transfer Agreement) at a general meeting;
- (b) approval of the Shareholders at a general meeting of the Company being given for the Transfer Agreement and the transaction contemplated thereunder; and
- (c) all other necessary third party consents, approvals and filings for the Transfer Agreement being obtained, including but not limited to the issue of the certificate of approval of foreign investment by the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳).

Should any of the aforesaid conditions not be fulfilled on or before 31 December 2006, the Transfer Agreement shall automatically lapse. The Company shall have the rights at its absolute discretion to waive any of the above conditions precedent. As at the date of this announcement, the Company has no intention to waive any of the above conditions.

## **Guarantee**

GDRB Company agrees to guarantee, inter alia, (1) the performance of obligations of the Yueqing Liquidation Committee under the Transfer Agreement; (2) the board of directors of Qinglian Company to approve the transfer under the Transfer Agreement; and (3) the other shareholders of Qinglian Company to waive their pre-emptive right in purchasing the 20.09% equity interest held by Yueqing, by a letter of guarantee executed on 8 February 2006.

Although the subject matter of the above guarantee is not in the control of GDRB Company, being the majority shareholder of Yueqing, it will procure the relevant parties to perform under the Transfer Agreement as mentioned above.

## **REASONS AND BENEFITS FOR THE SE ACQUISITION**

The Directors consider that the SE Acquisition is consistent with the Company's overall business strategy to invest in toll road projects. As stated in the interim report 2005 of the Company dated 26 August 2005, the Pearl River Delta Region has been one of the fastest growing regions in China and commands a leading position in terms of urbanization, individuals' income level and per capita automobile ownership. Located in the northern part of the Guangdong Province, the Directors believe that Qinglian Highways will prosper as a result of continued economic growth of the Pearl River Delta region. Since the Company's business strategy is to strengthen the operational management of toll road projects to cover a steady growth of income, the Directors believe that the SE Acquisition will consolidate the Company's core strengths in highway investment, management and operation.

Qinglian Highways are part of the National Highway 107, one of the major highways connecting Shenzhen and Beijing. Qinglian Highways include Qinglian Class One Highway and Qinglian Class 2 Road. Qinglian Class One Highway, a first grade highway having four lanes, connects Qing Yuan City (清遠市) in Guangdong Province and Fengtoulung of Lian Zhou City (連州市) in Guangdong Province, the boundary of Hunan Province. Qinglian Class 2 Road, a road with two lanes, acts as an auxiliary line to Qinglian Class One Highway. Qinglian Class One Highway together with Qinglian Class 2 Road collectively constitute a major highway transport corridor connecting the less developed areas in the northwestern part of Guangdong Province with the developed areas of the Pearl River Delta region.

Pursuant to the First Acquisition, the Company together with its wholly owned subsidiary, Mei Wah acquired a total of 56.28% equity interest in Qinglian Company at an aggregate consideration of RMB1,839,200,000 (approximately HK\$1,768,461,538). The aggregate consideration of the First Acquisition represented a premium of 579.4% to the audited net asset value of Qinglian Company of approximately RMB270,719,182 (approximately HK\$260,306,906) as at 31 December 2004 attributable to the 56.28% equity interest in Qinglian Company (based on the Hong Kong Generally Accepted Accounting Principles) and the consideration of the SE Acquisition represents a premium of 181.7% to the unaudited net asset value of Qinglian Company of approximately RMB171,843,029 (approximately HK\$165,233,682) as at 31 December 2005 attributable to the 20.09% equity interest of Qinglian Company (based on the PRC Generally Accepted Accounting Principles). Pursuant to the articles of Qinglian Company, all major resolutions shall be passed by majority vote of the board of directors, namely more than two-third of the directors' vote. Since the Group has the right to appoint 9 directors to the board of Qinglian Company, which comprise 15 members, the Group does not exercise control over the board of directors of Qinglian Company and Qinglian Company is therefore accounted for as an associated company of the Company. The Group, after holding approximately 76.37% equity interest in Qinglian Company (assuming completion of the SE Acquisition), will have the right to appoint 12 directors (instead of 9 directors as at the date of this announcement) to the board of Qinglian Company which comprises a total of 15 members. Upon completion of the SE Acquisition, the Company will be able to exercise control over Qinglian Company and Qinglian Company will become a subsidiary of the Company and its operating results will be consolidated with that of the Group. The Directors consider that the SE Acquisition is desirable and represents a valuable opportunity for the Company to strengthen its control over the operation and management of Qinglian Company. In addition, upon completion of the SE Acquisition, the Group will become the single largest shareholder of Qinglian Company and all the major decisions will therefore be swiftly executed. This will ensure the smooth and efficient commencement of reconstruction work of Qinglian Class One Highway into expressway. The Directors including the independent non-executive Directors consider that the SE Acquisition is in the interest of the Company and the Shareholders as a whole.

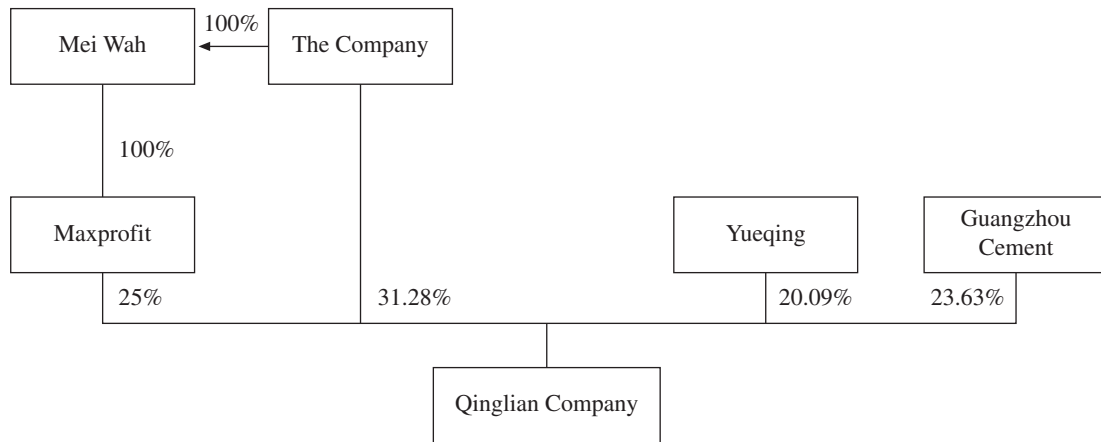
## **INFORMATION ON THE COMPANY**

The Company is principally engaged in the investment, construction, operation and management of toll highways and roads in the PRC.

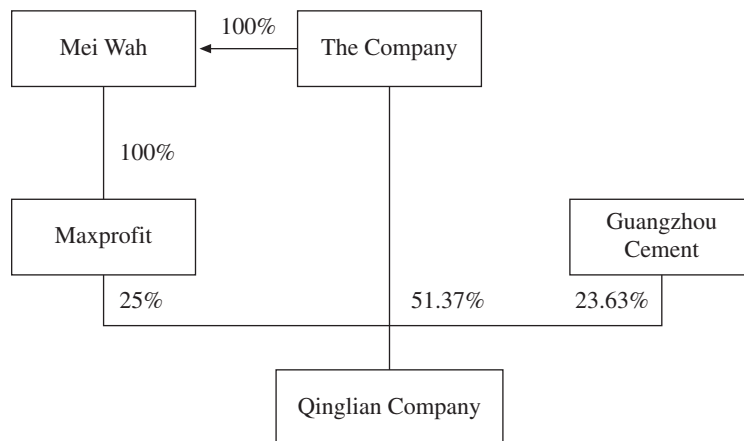
## INFORMATION ON QINGLIAN COMPANY

Qinglian Company is a Sino-foreign co-operative joint venture which was established on 23 February 1995 in Guangdong, the PRC for a term of 33 years starting from 23 February 1995. Its business scope is the construction and operation of the Qinglian Highways and the related facilities. Its principal and only significant assets consist of the Qinglian Highways and the related facilities. The Group acquires 56.28% equity interest in Qinglian Company pursuant to the First Acquisition. Yueqing holds 20.09% equity interest in Qinglian Company, and Guangzhou Cement holds 23.63% equity interest in Qinglian Company as at the date of this announcement.

### Organization Chart before the SE Acquisition



### Organization Chart after completion of the SE Acquisition



The table below set out the audited financial information of Qinglian Company for each of the two years ended 31 December, 2003 and 2004 based on the Hong Kong Generally Accepted Principles and the unaudited financial information of Qinglian Company for the year ended 31 December 2005 based on the PRC Generally Accepted Accounting Principles:

	<b>(Audited)</b>		<b>(Unaudited)</b>
	<b>Year ended 31 December</b>		<b>Year ended</b>
	<b>2003</b>	<b>2004</b>	<b>31 December</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>2005</b>
			<i>RMB'000</i>
Revenue	176,264 (approximately HK\$169,484,615)	129,946 (approximately HK\$124,984,077)	130,849 (approximately HK\$125,816,346)
Net (loss) / profit for the year before tax	20,958 (approximately HK\$20,151,923)	(59,803) (approximately HK\$(57,502,885))	22,702 (approximately HK\$21,828,846)
Net (loss) / profit for the year after tax	20,958 (approximately HK\$20,151,923)	(59,803) (approximately HK\$(57,502,885))	22,702 (approximately HK\$21,828,846)
Net asset value	540,825 (approximately HK\$520,024,038)	481,022 (approximately HK\$462,521,154)	855,366 (approximately HK\$822,467,308)

## **GENERAL**

The SE Acquisition constitutes a major transaction for the Company under the Listing Rules. Since Yueqing is an associate of GDRB Company, which is a promoter of the Company, Yueqing is considered as a connected person of the Company and the SE Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The SE Acquisition is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules. Since GDRB Company is a promoter of the Company holding approximately 2.96% equity interest in the Company, GDRB Company and its associates will abstain from voting at the extraordinary general meeting on the relevant resolution approving the SE Acquisition. Apart from GDRB Company and its associates, no other Shareholder is required to abstain from voting at the relevant general meeting, which will be carried out by way of poll.

The Company has formed an independent board committee comprising all independent non-executive Directors to advise the independent Shareholders with respect to the SE Acquisition contemplated thereunder. An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders in respect of the SE Acquisition thereafter. A SE Circular containing, among other things, details of the SE Acquisition, the recommendation from the independent board committee in relation to the SE Acquisition, the opinion from the independent financial adviser and a notice of extraordinary general meeting will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

## DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Company”	Shenzhen Expressway Company Limited (深圳高速公路股份有限公司), a joint stock limited company incorporated in the PRC with limited liability of which the H shares are listed on the Stock Exchange and of which the A Shares are listed on the Shanghai Stock Exchange;
“Directors”	the directors of the Company;
“First Acquisition”	the acquisition of a total of 56.28% equity interest in Qinglian Company, of which details had been set out in the circular of the Company dated 6 April, 2005;
“GDRB Company”	Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司), a company incorporated in the PRC with limited liability;
“Group”	The Company, its subsidiaries and jointly controlled entities;
“Guangzhou Cement”	Guangzhou Cement Joint Stock Limited Company (廣州水泥股份有限公司), a company incorporated in the PRC with limited liability, and is an Independent Third Party;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	person who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is third party independent of and is not connected person of the Company and its subsidiaries, its directors, chief executive, promoters, supervisors or substantial shareholders or their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maxprofit”	Maxprofit Gain Limited (高匯有限公司), a company incorporated in the British Virgin Islands with limited liability and indirectly wholly-owned by the Company;
“Mei Wah”	Mei Wah Industrial (Hong Kong) Limited (美華實業(香港)有限公司), a company incorporated in Hong Kong with limited liability and wholly-owned by the Company;



“PRC”	the People’s Republic of China other than the special administrative regions of Hong Kong and Macau and the Taiwan region;
“Qinglian Class One Highway”	a first grade highway which runs for 215.846 kilometers from Feng Tou Ling, Lian Zhou City (連州市鳳頭嶺) to Jing Kou Town, Qing Xin County, Qingyuan City (清遠市清新縣遜口鎮);
“Qinglian Class 2 Road”	the Qinglian section of the original National Highway 107 which runs parallel to Qinglian Class One Highway for 253 kilometers from Feng Tou Ling, Lian Zhou City (連州市鳳頭嶺) to Jing Kou Town, Qing Xin County, Qingyuan City (清遠市清新縣遜口鎮);
“Qinglian Company”	Guangdong Qinglian Highway Development Company Limited (廣東清連公路發展有限公司), a Sino-foreign cooperative joint venture established in the PRC with limited liability;
“Qinglian Highways”	The Qinglian Class One Highway and Qinglian Class 2 Road;
“RMB”	renminbi, the lawful currency of the PRC;
“Share(s)”	Share(s) of the Company;
“SE Acquisition”	the acquisition of the 20.09% equity and the debt interest of Yueqing in Qinglian Company by the Company from Yueqing Liquidation Committee;
“SE Circular”	the circular to the Shareholders to be dispatched by the Company pursuant to the Listing Rules containing information relating to the SE Acquisition;
“Shareholder(s)”	Shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transfer Agreement”	the agreement entered into between the Company and the Yueqing Liquidation Committee on 8 February 2006 relating to the SE Acquisition;
“Yueqing”	Qingyuan City Yueqing Public Road Construction and Development Co Ltd (清遠市粵清公路建設發展有限公司), a company incorporated in the PRC with limited liability; and
“Yueqing Liquidation Committee”	the liquidation committee of Yueqing.

*Foreign currency amounts have been converted into Hong Kong dollars for the purpose of this announcement using an exchange rate of HK\$1 = RMB1.04.*

By Order of the Board  
**Shenzhen Expressway Company Limited**  
**Wu Qian**  
*Joint Company Secretary*

Shenzhen, the PRC, 8 February 2006

*As at the date of this announcement, the Directors of the Company are Mr. Yang Hai (Chairman of the Board), Mr. Wu Ya De (Director and General Manager), Mr. Li Jing Qi (Director), Mr. Wang Ji Zhong (Director), Mr. Liu Jun (Director), Mr. Lin Xiang Ke (Director), Ms. Zhang Yang (Director), Mr. Chiu Chi Cheong, Clifton (Director), Mr. Li Zhi Zheng (Independent non-executive Director), Mr. Zhang Zhi Xue (Independent non-executive Director), Mr. Poon Kai Leung, James (Independent non-executive Director) and Mr. Wong Kam Ling (Independent non-executive Director).*

Please also refer to the published version of this announcement in The Standard.