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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)

ANNOUNCEMENT CONNECTED TRANSACTION

On 23 December 2003, the Company entered into Agreement (1) with Ring Road Company and SITIC whereby the aggregate interest of RMB80,702,402 estimated to be payable by Ring Road Company to the Company under the Loan from 23 December 2003 to 31 October 2007 would be settled by Ring Road Company in advance in a lump sum of RMB66,800,000 and the Loan would be repaid in kind and replaced by an interest free advance of RMB306,00,000 to Shenchang Company by the Company. As incentive for the advance payment of the interest, the Company and SITIC as intermediary of the Company agree to accept RMB66,800,000 in settlement of the RMB80,702,402 estimated to be due under the Loan and waive any right to the remaining sum of RMB13,902,402.

On 25 December 2003, the Company also entered into Agreement (2) with the Bank whereby the Bank would, through restricting the use of its RMB70,00,000 facility to be provided to Ring Road Company, procure that Ring Road Company remits to the Company an amount of RMB66,800,000, as the advance lump sum settlement of interest owed by Ring Road Company to the Company; and the Company agrees to control the investment, borrowings, distribution of income and charge of right to toll income of Shenchang Company and impose restrictions to its 51% equity interest in Shenchang Company.

The Agreements are conditional on prior approval by the Shareholders in general meeting as required by the Listing Rules or the grant of a waiver by the Stock Exchange from strict compliance with the requirement under the Listing Rules to convene a special general meeting for approval of Agreements.

No Shareholder is interested in the Agreements and should refrain from voting in shareholder's meeting accordingly and the Company has obtained written confirmations from its major shareholders, Xin Tong Chan (on 11 December 2003) and Shen Guang Hui (on 16 December 2003) which are within a closely allied group of shareholders and together hold approximately 51.02% of the issued share capital of the Company, approving the Agreements. The Company has therefore applied to the Stock Exchange for a waiver of its obligations to convene a general meeting of shareholders of the Company on the basis that independent shareholders' approval has been obtained, by way of the written approval issued by such major shareholders.

A circular containing, among other things, details of the Agreements, the recommendation from the independent directors in relation to the Agreements and the opinion from an independent financial adviser would be dispatched to the Shareholders as soon as possible.

If the waiver mentioned above is not granted, the Company will convene a special general meeting for approval of the Agreements and a notice to hold a special general meeting for approval of the Agreements will be dispatched to the Shareholders together with the circular as soon as possible.

Reference is made to the announcement dated 26 November 1998 and the circular dated 16 December 1998 of the Company.

As disclosed by the aforesaid announcement and circular, the Company entered into the Shenchang Agreement with Ring Road Company on 22 July 1998 to form Shenchang Company, which is 51% owned by the Company and 49% owned by Ring Road Company. The principal business of Shenchang Company is to construct, operate and manage the Ring Road. Pursuant to the Shenchang Agreement, Ring Road Company was obliged to advance RMB600,000,000 (being the amount representing the difference between the total investment and the registered capital of Shenchang Company) as shareholder's loan (without interest, unsecured and without fixed date of repayment) to Shenchang Company for the purpose of the construction of the Ring Road.

On 22 July 1998, the Company, as lender, also entered into the Loan Agreement with SITIC as intermediary of the Company and Ring Road Company as borrower in 1998, whereby the Company, through SITIC, advanced the Loan (in the amount of RMB 306,000,000) to Ring Road Company. Throughout the term of the Loan (from 22 July 1998 to 30 October 2007), Ring Road Company was obliged to pay interest on the Loan to the Company based on the RMB loan interest rate quoted by the People's Bank of China from time to time for loans over 5 years. Such interest rate stood at 5.76% per annum as at 23 December 2003. As security, Ring Road Company entered into the Share Charge in favour of the Company. The purpose of the Loan was to assist Ring Road Company to finance the advance of RMB600,000,000 mentioned above. Ring Road Company lent the amount of RMB 306,000,000 borrowed from the Loan together with an additional RMB294,000,000 of its own fund to Shenchang Company, representing an aggregate of RMB 600,000,000, as agreed under the Shenchang Agreement.

Pursuant to the Loan Agreement, the Loan was scheduled to be repaid on 30 October 2007 in kind by transferring to the Company an equivalent amount of RMB306,000,000 out of the amount of RMB600,000,000 previously advanced by Ring Road Company on a back-to-back basis to Shenchang Company, the principal amount of the Loan thereafter to be replaced by an interest free advance of RMB306,000,000 to Shenchang Company by the Company commencing from such date (i.e. 30 October 2007). Such advance would be unsecured, interest free and without any fixed date of repayment. Apart from such advance of RMB306,000,000, there would not be any other amount due to the Company by Shenchang Company upon maturity of the Loan. The RMB294,000,000 advanced by Ring Road Company to Shenchang Company out of the RMB600,000,000 advanced by Ring Road Company to Shenchang Company was made on the same terms as the advance of RMB 306,000,000 contributed by the Company.

During the period from 22 July 1998 up to 22 December 2003, being the date prior to Agreement (1), Ring Road Company had already paid an aggregate of RMB75,462,793 to the Company as interest. Pursuant to the Loan Agreement, for the remaining tenor of the Loan (i.e., from 23 December 2003 to 30 October 2007), Ring Road Company is obliged to pay further interest to the Company which is estimated to amount in aggregate to up to approximately RMB80,702,402. Such amount has been estimated by applying the RMB loan interest rate quoted by the People's Bank of China for loans over 5 years of 5.76% as at 23 December 2003 to the remaining tenor of the Loan from 23 December 2003 to 30 October 2007:

	2003	2004	2005	2006	2007	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Interest payable	12,207,362	17,870,400	17,870,400	17,870,400	14,883,840	80,702,402

The rate of 5.76% per annum has been used because this is the current rate of the Loan prevailing as at the date of Agreement (1) (bearing in mind that the actual amount of interest receivable in respect of the Loan from 23 December 2003 to 30 October 2007 may be different from the amount of RMB80,702,402 estimated above because of the fluctuation of the RMB loan interest rate quoted by the People's Bank of China for loans over 5 years) and the Directors consider that the volatility of the RMB loan interest rate quoted by the People's Bank of China from time to time for loans over 5 years is not expected to have any significant impact on the aggregate interest receivable under the Loan as such rate is not used to subject to significant fluctuations.

Agreement (1)

Date: 23 December 2003

Parties:

- (1) The Company
- (2) SITIC
- (3) Ring Road Company

As the Company is only allowed to provide an interest-bearing loan to another entity through another PRC financial institution, SITIC entered into the Loan Agreement and Agreement (1) as intermediary of the Company. However, for the shareholder's advance of RMB306,000,000, it is not interest bearing and so SITIC is not required to be added as a party as intermediary of the Company.

Principal terms:

- (1) Payment of interest in advance - from the date of the Agreement (1) to 30 October 2007, Ring Road Company is obliged to pay interest quarterly to the Company at the RMB loan interest rate from time to time quoted by the People's Bank of China for loans over 5 years up to an aggregate amount of RMB80,702,402 (estimated by applying the rate of 5.76% per annum of the Loan as at 23 December 2003 to the Loan for the remaining tenor of the Loan). Ring Road Company agrees to pay the interest in a lump sum in advance by 31 December 2003. As incentive for the advance payment, the Company and SITIC as intermediary of the Company agree to accept RMB66,800,000 in settlement of the aforesaid estimated aggregate interest of RMB80,702,402 to be due under the Loan and waive any right to the remaining sum of estimated interest of RMB13,902,402.
- (2) Repayment of the Loan - On the date Ring Road Company pays the aforesaid interest (rather than on 30 October 2007, being the fixed maturity date of the Loan), the Loan is to be repaid in kind by transferring to the Company an equivalent amount of RMB306,000,000 out of the amount of RMB600,000,000 previously advanced by Ring Road Company on a back-to-back basis to Shenchang Company and the principal amount of the Loan shall be replaced by an interest free advance of RMB306,000,000 to Shenchang Company by the Company, on the terms described in the Loan Agreement except that it will now take effect on the earlier date. Such advance is unsecured, interest free and without any fixed date of repayment. There will be no other sum due by Shenchang Company to the Company apart from the advance.
- (3) On the date the interest is paid and the Loan settled by Ring Road Company, the Loan Agreement shall be terminated. The entrustment relationship between the Company and SITIC shall terminate at the same time. The Company shall also release the Share Charge.

The amount of RMB66,800,000 is arrived at by (1) using the RMB loan interest rate quoted by the People's Bank of China for loan over 5 years of 5.76% (as at 23 December 2003) for the remaining tenor of the Loan to calculate the present value of the total interest payable during the period from 23 December 2003 up to 30 October 2007, i.e., approximately RMB73,497,898; (2) apply to such net present value a discount of 9.11% which was arrived at after arm's length negotiation between the Company and Ring Road Company to account for the risk involved in collecting the interest over an extended period ending only on 30 October 2007 so as to produce the figure of RMB66,800,000. The Company intends to invest such advance lump sum payment of interest of RMB66,800,000 in the highway projects of the Company.

Shenchang Company is owned as to 51% by the Company and 49% by Ring Road Company. Shareholders' resolutions and directors' resolutions of Shenchang Company have been passed to confirm the replacement of the Loan by a shareholder's advance of RMB306,000,000 to Shenchang Company by the Company as per Agreement (1). The Company has also obtained PRC legal opinion to confirm the validity of Agreement (1) and Agreement (2) and that there is no legal impediment to the replacement of the Loan by the shareholder's advance of RMB 306,000,000 to Shenchang Company by the Company, notwithstanding the fact that Shenchang Company is not a party to Agreement (1).

Agreement (1) is conditional on the shareholders' approval of the Company of the same as required by the Listing Rules or the grant of a waiver by the Stock Exchange from strict compliance with the requirement under the Listing Rules to convene a special general meeting for approval of Agreement (1).

The terms of Agreement (1) have been arrived at after arm's length negotiations between the parties. The Company does not consider that Agreement (1) would pose any significant impact to the profit and loss of the Company.

By early repayment of the Loan by Ring Road Company and granting the advance of RMB306,000,000 to Shenchang Company instead earlier than anticipated, the Company takes up a credit exposure to Shenchang Company instead of Ring Road Company at an earlier time. However, the earlier assumption of such repayment risk does not significantly increase the Company's risk since the Loan in any case has been used solely by Ring Road Company to finance the construction of the Ring Road, which will ultimately only enhance the value of the Shenchang Company, in which the Company has 51% equity interest.

Agreement (2)

The Bank has entered into a loan agreement on 25 December 2003 with Ring Road Company to provide a non-revolving facility of RMB70,000,000 repayable within one year therefrom. As security, Ring Road Company charged in favour of the Bank the Security Interests. As part of the arrangement of the early repayment of the interest of RMB66,800,000, the Bank and the Company entered into Agreement (2).

Date: 25 December 2003

Parties:

- (1) The Company
- (2) The Bank

Principal Terms:

- (1) Upon the provision of the RMB70,00,000 facility to Ring Road Co, the Bank shall, through restricting the use of the facility, procure that Ring Road Company remits to the Company an amount of RMB66,800,000, as the advance lump sum settlement of interest owed by Ring Road Company to the Company pursuant to Agreement (1).
- (2) Subject to the performance of the Bank's aforesaid obligation and during the period when Ring Road Company's facility remains outstanding, the Company agrees as follows:
 - (a) the Company shall exercise its voting right as controlling shareholder to procure that Shenchang Company shall not make any investment or borrowings without the written consent of the Bank;
 - (b) the advance of RMB306,000,000 to Shenchang Company by the Company as referred to above, shall not be withdrawn or bear any interest and shall not be repaid otherwise than in accordance with the Shenchang Agreement, i.e. by distribution of dividend to Ring Road Company and the Company in proportion to their respective equity interests in Shenchang Company upon liquidation of Shenchang Company;
 - (c) the Company shall exercise its voting right as controlling shareholder to procure that the toll income of Shenchang Company shall be distributed in accordance with the principles of Shenchang Agreement (i.e. the net cash of Shenchang Company after retaining sufficient working capital to be distributed quarterly in accordance with the respective contribution of capital by the Company and Ring Road Company) and that there shall not be any changes to the basis of the distribution of toll income without the written consent of the Bank;
 - (d) the Company shall not transfer its equity interest in Shenchang Company without the written consent of the Bank;
 - (e) the Company shall exercise its voting right as controlling shareholder to procure that Shenchang Company shall not change, transfer, realize, donate or otherwise deal with the Ring Road without the written consent of the Bank;
- (3) If the Company is in breach of the above agreement and Ring Road Company is in default of the RMB70,000,000 facility, and the Security Interests charged by Ring Road Company in favour of the Bank cannot be sold by the Bank at a price of not less than RMB70,000,000 during the auction of the same, the Company shall purchase the Security Interests for the amount of RMB 70,000,000.

Agreement (2) is not a guarantee in favour of the Bank as security for the performance of Ring Road Company of its obligations towards the Bank or any liabilities owed to the Bank. The Company shall not be responsible for or pay any sum to the Bank for any liabilities owed by Ring Road Company to the Bank.

Agreement (2) is conditional on the shareholders' approval of the Company of the same as required by the Listing Rules or the grant of a waiver by the Stock Exchange from strict compliance with the requirement under the Listing Rules to convene a special general meeting for approval of Agreement (2).

Agreement (2) has been entered into by the Company as part of the arrangement of the early repayment of the interest of RMB66,800,000 by Ring Road Company and would enable the Company to ensure a secure source of funds from Ring Road Company for such repayment, which is in the interest of the Company. The Company does not consider that Agreement (2) will have any significant impact to the Company or Shenchang Company as (1) the Company does not foresee that it would be in breach of Agreement (2) so that the Company would be obliged to purchase the Security Interests and (2) it is estimated that the net asset value of the Security Interests would be much higher than the amount of RMB70,000,000 through the term of Agreement (2) so that the Company would not suffer a loss if it is obliged to purchase the Security Interests under Agreement (2). As Agreement (2) does not affect the daily operation of Shenchang Company, the Company does not consider that Agreement (2) will have any significant impact to the operation of Shenchang Company or of the Group.

The unaudited net asset value of Shenchang Company as at 30 June 2003 was approximately RMB190,000.00 and the unaudited loss for the 6 months ended 30 June 2003 was approximately RMB770,000. The audited net tangible assets of Shenchang Company as at 31 December 2002 was approximately RMB195,000,000. The net profits/loss before and after taxation of Shenchang Company in respect of the two financial years ended 31 December 2002 is as follows:.

	Y.e. 31 December 2002 (RMB)	Y.e. 31 December 2001 (RMB)
Net loss before taxation	1,675,610	3,274,086
Net loss after taxation	1,675,610	3,274,086

Information on the Company

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

Connected Transaction

Since Ring Road Company is a connected person of the Company, the waiver by the Company of interest in the amount of RMB 13,902,402 (estimated by applying the rate of 5.76% per annum of the Loan as at 23 December 2003 to the Loan for the remaining tenor of the Loan) originally payable by Ring Road Company, the early repayment of the Loan by Ring Road Company and the advance of RMB 306,000,000 to Shenchang Company by the Company and the agreement of the Company given in Agreement (2) including the possible purchase of the Security Interests by the Company as referred to in item (3) under the paragraph headed "Agreement (2)" constitute connected transactions of the Company which are subject to disclosure and Shareholder's approval requirements.

Apart from Ring Road Company, no director, supervisor, chief executive, substantial shareholders of the Company and/or its subsidiaries or any of their respective associates is interested in the transactions. Neither Ring Road Company, the Bank nor their respective associates holds any Shares of the Company.

No Shareholder is interested in the Agreements and should refrain from voting in shareholder's meeting accordingly and the Company has obtained written confirmations from its major shareholders, Xin Tong Chan (on 11 December 2003) and Shen Guang Hui (on 16 December 2003) (which are a closely allied group of shareholders together holding approximately 51.02% of the issued share capital of the Company), approving the Agreements. The Company has therefore applied to the Stock Exchange for a waiver of its obligations to convene a general meeting of shareholders of the Company on the basis that independent shareholders' approvals has been obtained, by way of the written approval issued by such major shareholders.

As disclosed in the circular dated 16 December 1998 of the Company, Xin Tong Chan and Shen Guang Hui are both under the supervision of Shenzhen Municipal Government and they had previously confirmed themselves as a closely allied group of shareholders by written confirmations for approval of the transactions as set out in the aforesaid circular including the set up of Shenchang Company and the making of the Loan.

A circular containing, among other things, details of the Agreements, the recommendation from the independent directors in relation to the Agreements and the opinion from an independent financial adviser will be dispatched to the Shareholder as soon as possible.

If the waiver mentioned above is not granted, the Company will convene a special general meeting for approval of the Agreements and a notice to hold a special meeting for approval of the Agreements together with the circular will be dispatched to the Shareholders as soon as possible.

The details of the connected transactions will be included in the next published annual report and accounts of the Company.

DEFINITIONS:

“Agreement 1”	The Agreement entered into between the Company, Ring Road Company and SITIC on 23 December 2003
“Agreement 2”	The Agreement entered into between the Company and the Bank on 25 December 2003
“Agreements”	Agreement (1) and Agreement (2).
“associates”	has the same meaning as ascribed thereto in the Listing Rules
“Bank”	A PRC bank, an independent third party which is not connected with the directors, supervisors, chief executives, substantial shareholders of the Company and/or its subsidiaries or any of their respective associates
“Company”	深圳高速公路股份有限公司 (Shenzhen Expressway Company Limited), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange and A Shares of which are listed on the Shanghai Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the amount of RMB306,000,000 advanced by the Company to Ring Road Company through SITIC as intermediary under the Loan Agreement
“Loan Agreement”	the loan agreement entered into between the Company, Ring Road Company and SITIC on 22 July 1998 whereby the Company, through SITIC, advanced a sum of RMB306,000,000 to Ring Road Company
“PRC”	the People’s Republic of China
“Ring Road”	the northwestern section of the ring road surrounding Changsha City, PRC
“Ring Road Company”	Changsha Ring Road Construction and Development Co. Ltd., a state owned enterprise incorporated in the PRC with limited liability under the supervision of Changsha Communication Bureau, a 49% shareholder of Shenchang Company, a non-wholly owned subsidiary of the Company. Save for this, Ring Road Company and its ultimate beneficial owner, Changsha Municipal Government are not connected with the directors, supervisors, chief executives, substantial shareholders of the Company and/or its subsidiaries or Shen Guang Hui or Xin Tong Chan or any of their respective associates
“RMB”	Renminbi, the lawful currency of the PRC
“Security Interests”	Ring Road Company’s 49% equity interest in Shenchang Company and its advance to Shenchang Company in the amount of RMB294,000,000 which have been charged to the Bank as security interests for the RMB70,000,000 facility provided by the Bank to Ring Road Company
“Shareholders”	holder(s) of shares of the Company
“Share Charge”	the share charge entered by Ring Road Company in 1999 charging its 49% equity interest in Shenchang Company in favour of the Company as security for the Loan Agreement

“Shenchang Agreement”	the contract dated 22 July 1998 between the Company and Ring Road Company relating to the establishment of Shenchang Company
“Shenchang Company”	Changsha Shenchang Expressway Co. Ltd., a joint venture company incorporated in the PRC with limited liability by the Company (holding 51% equity interest in Shenchang Company) and Ring Road Company (holding 49% equity interest in Shenchang Company), pursuant to the Shenchang Agreement
“Shen Guang Hui”	深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company Limited), a substantial shareholder of the Company holding 20.99% of the Company under the supervision of Shenzhen Municipal Government, Shen Guang Hui and its ultimate beneficial owner, Shenzhen Roads Bureau, are not connected with the Ring Road Company and the Bank or any of their respective associates
“SITIC”	Shenzhen International Trust and Investment Company, a state owned enterprise incorporated in the PRC supervised by Shenzhen Municipal Government, an independent third party not connected with the director, supervisor, chief executive, substantial shareholders of the Company, Ring Road Company, the Bank and/or their respective subsidiaries or any of their respective associates
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xin Tong Chan”	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), a substantial shareholder of the Company holding 30.03% of the equity interest of the Company under the indirect supervision of Shenzhen Municipal Government, Xin Tong Chan and its ultimate beneficial owner, Shenzhen Investment Holding Corporation, a PRC state owned enterprise, are not connected with the Ring Road Company and the Bank or any of their respective associates

By Order of the Board
Zhang Rong Xing
Director & Company Secretary

Shenzhen, the PRC, 2 Januray 2004

Please also refer to the published version of this announcement in The Standard / Hong Kong Economic Times.