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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)

DISCLOSEABLE TRANSACTION

The Directors are pleased to announce that on 18 March 2003, the Company and SCB on behalf of the Shenzhen Municipal Government, entered into the Transfer Agreement, pursuant to which the Company will transfer all its rights in the Transfer Assets to SCB for a consideration in cash to be determined by reference to the value of the Transfer Assets as set out in the Valuation Reports or the value agreed by the valuers separately appointed by the Company and SCB.

The Transfer constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, further details of the Transfer will be despatched to the Shareholders as soon as practicable.

Trading in the shares of the Company was suspended with effect from 9:30 a.m. on Wednesday, 19 March 2003 pending the publication of this Announcement. Application has been made by the Company for the resumption of the trading of the shares of the Company with effect from 09:30 a.m. on Thursday 20 March 2003.

THE TRANSFER AGREEMENT

Date:

18 March 2003

Parties:

Vendor	: the Company
Purchaser	: SCB on behalf of the Shenzhen Municipal Government
Transfer Assets	: NH107, NH205 and the land use rights, road base and surface, bridges, tunnels, related facilities (such as toll collection and communications equipment), fixed assets, toll stations, office buildings, constructions and fixtures, vehicles, toll concessions and other assets, rights and benefits in respect of such highways, all owned by the Company

CONSIDERATION

The initial consideration for the Transfer Assets is RMB1,930 million (equivalent to approximately HK\$1,820 million), which was determined by both parties through arm's length negotiations. The consideration is subject to finalization of the value of the Transfer Assets as set out in the Valuation Reports to be produced by Sallmanns (Far East) Ltd (appointed by the Company) and Shenzhen De Zheng Xin Asset Valuation Co., Limited (appointed by SCB). If the values set out in the Valuation Reports are not the same, the valuers will negotiate and come to an agreed value for the Transfer Assets. If the value of the Transfer Assets as set out in the Valuation Reports or the value agreed by the valuers (if applicable) falls within a 5% range (positive or negative) of the initial consideration, the parties have agreed to fix the final consideration at RMB1,930 million (equivalent to approximately HK\$1,820 million). Should the value from the Valuation Reports or the value agreed by the valuers (if applicable) exceed the 5% range (positive or negative), the parties will separately agree on the consideration for the excess or the deduction for the shortfall with reference to the value of the Transfer Assets as set out in the Valuation Reports or the value agreed by the valuers (if applicable). A supplemental agreement to the Transfer Agreement fixing the final amount of the consideration payable for the Transfer Assets will be entered into between the Company and SCB after the Valuation Reports have been issued or the agreement between the valuers if applicable. A further announcement will be made at such time to inform the Shareholders as to the finalized consideration for the Transfer Assets. The Valuation Reports are expected to be finalized in March 2003.

The consideration of the Transfer Assets will be satisfied in cash in the following manner:

- (1) 25% of the initial consideration of RMB1,930 million will be paid within 10 days after the signing of the Transfer Agreement;
- (2) 25% of the consideration will be paid before 31 December 2003;
- (3) 30% of the consideration will be paid before 31 December 2004; and
- (4) the balance of the consideration will be paid before 31 December 2005.

The Company is principally engaged in the investment, construction, operation and management of toll highways and expressways in the PRC. The Company will stop operating toll highways namely NH107 and NH205 as a result of the Transfer and continue to operate its expressways. Taking into account the effect of the Transfer on the principal business of the Company, SCB shall in the year of 2004 pay to the Company a sum equal to the taxation payable by the Company to the local taxation bureau as a result of the Transfer, which may take the form of income or business tax.

CONDITIONS PRECEDENT

The Transfer Agreement is subject to the following conditions precedent which are yet to be fulfilled:

1. The Shareholders in general meeting approving the Transfer under the Transfer Agreement;
2. The relevant authority in charge of the administration of state owned assets approving the Transfer under the Transfer Agreement; and
3. The granting of all other necessary approvals required by laws and regulations in Hong Kong and the PRC.

According to Article 95 of the Articles of the Association of the Company, in the event that the estimated value of fixed assets to be dealt with by the board of Directors together with the aggregate value of the fixed assets that have been dealt with within the 4 months before the proposed dealing exceed 33% of the value of the fixed assets as shown on the balance sheet which has been considered in the most recent shareholders' general meeting, no dealing or consent to the dealing in such fixed assets shall be made by the board of Directors without the prior approval of a Shareholders' general meeting. As the estimated value of the Transfer Assets exceeds 33 % of the value of the fixed assets of the Company as shown on the balance sheet as at 31 December 2001, Shareholders' approval in general meeting is necessary.

The Shareholders' general meeting will be convened only after the further announcement to be made by the Company regarding the finalized consideration. Not less than 45 days notice of such meeting will be provided in order to afford Shareholders sufficient time to assess the contents of such further announcement.

COMPLETION

The completion date for the Transfer will be the date when all the conditions precedent are fulfilled.

The Company received toll road income in relation to the Transfer Assets up to the Takeover Time. At the Takeover Time, SCB took over the control of the Transfer Assets. The employees of the Company engaged in the operation of the Transfer Assets were transferred to SCB with effect from Takeover Time. Within 10 days after the signing of the Transfer Agreement, the Company will transfer to SCB all relevant information in respect of the Transfer Assets, including but not limited to the accounts, records and title documents. The Company has agreed to procure the release of the pledge over the operating rights previously granted to certain PRC commercial banks within 6 months after the Transfer Agreement comes into effect, and the transfer of the title documents to SCB within 10 days after the signing of the Transfer Assets will be carried out with the consent of such banks.

Secured assets	Banks	Maximum amount secured	Validity
Operating rights of NH107	The Industrial and Commercial Bank of China	RMB900 million	9 Feb 1999 — 9 Feb 2004
Operating rights of NH205	China Merchants Bank	RMB1,000 million	11 Feb 1999 — 11 Feb 2004

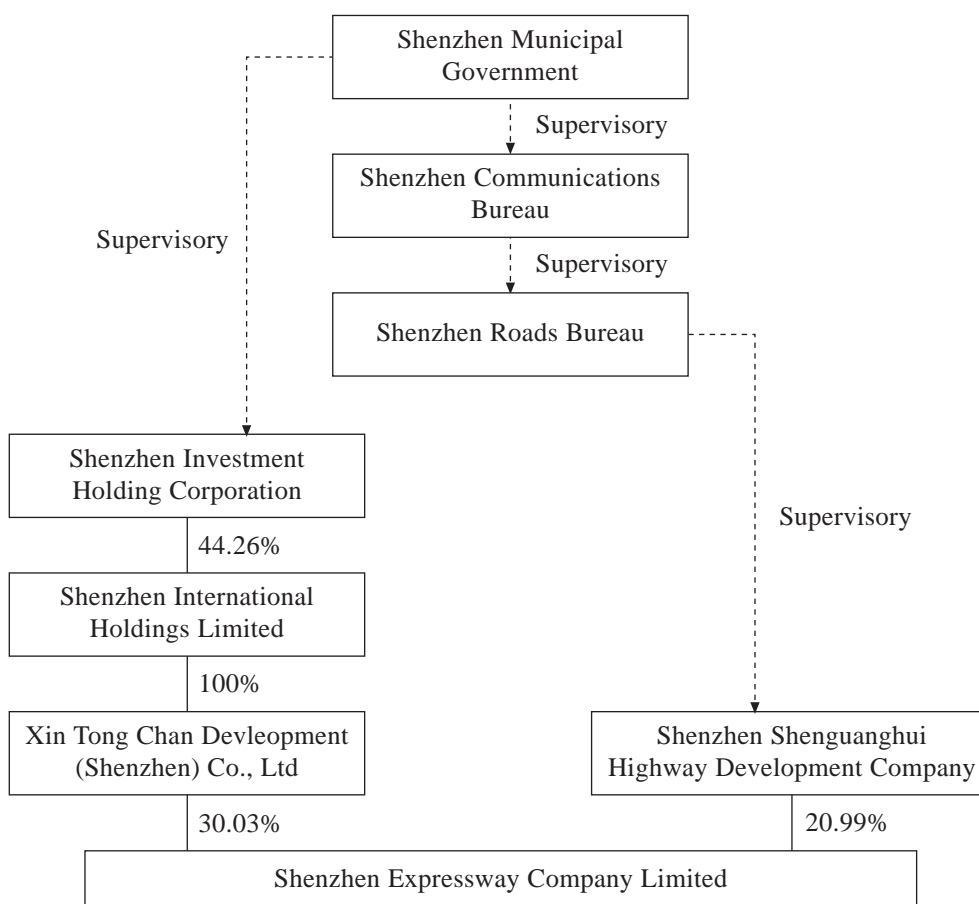
The Company will receive 25% of the initial consideration of RMB1,930 million within 10 days after the signing of the Transfer Agreement and transfer title documents of the Transfer Assets to the SCB within 10 days after the signing of the Transfer Agreement. Given the fact that the SCB is a branch of the Shenzhen Municipal Government with certain credit standing, the Company considers that such arrangement for the transfer of title documents is acceptable. The Transfer Agreement does not require SCB to procure that security is granted to the Company in respect of the unpaid installments of the consideration for the Transfer, but it does provide for the payment of interest in the event of late payment, computed daily for each day an amount is overdue on the basis of 0.021% of the relevant unpaid amount, without compounding unpaid interest.

RELATIONSHIP BETWEEN THE COMPANY AND THE PURCHASER SCB

SCB is a transportation department of the Shenzhen Municipal Government and is responsible for transportation matters in Shenzhen. SCB does not engage in any commercial business or operate any commercial entities.

The controlling shareholder of the Company, Xin Tong Chan Development (Shenzhen) Co., Ltd (新通產實業開發(深圳)有限公司), holding approximately 30.03% of the existing issued share capital of the Company, is a wholly owned subsidiary of Shenzhen International Holdings Limited, which is a company listed in Hong Kong and is owned by Shenzhen Investment Holding Corporation as to 44.26%. Shenzhen Investment Holding Corporation is the state-owned assets management company of the Shenzhen Municipal Government.

Shenzhen Shenguanghui Highway Development Company is a substantial shareholder of the Company holding 20.99% of the shares of the Company. This substantial shareholder is an enterprise under the supervision of the Shenzhen Roads Bureau, which is another arm of the Shenzhen Municipal Government. The Shenzhen Roads Bureau is itself under the supervision of the Shenzhen Communications Bureau.



Save for the relationships disclosed above, SCB is independent of and not connected with any director, chief executive officer or substantial shareholder of the Company or any of its subsidiaries or their respective associates.

REASONS FOR ENTERING INTO TRANSFER AGREEMENT

Pursuant to the spirit of Implementation Plan for the Reform of the Return on Investment in Shenzhen Road and Tunnel Projects and the Funds for Development Projects 《深圳市路隧項目償還及發展專項資金改革實施方案》 issued by the Shenzhen Municipal Government on 4 July 2002 (the “Reform”), the Shenzhen Municipal Government has agreed with the Company to acquire the Transfer Assets.

The Reform has centered on reducing toll collection within municipal confines and relocating toll stations to municipal boundaries in order to reduce the cost of investment in the Shenzhen area. Thus, pursuant to the spirit of the Reform, the Shenzhen Municipal Government and the Company have negotiated for the transfer back of the Transfer Assets to the Shenzhen Municipal Government with a view to removing the existing toll collection stations for these two highways.

NH107 and NH205 are not expressways but Class 1 highways, while the other assets owned by the Company are all expressways, namely (1) Shenzhen Meiguan Expressway, 19.3 kilometers long, with a right to collect tolls for 30 years from 1997; (2) Shenzhen Airport-Heao Expressway (Eastern Section) and Shenzhen Airport-Heao Expressway (Western Section), with a total length of 44.3 kilometers, and a right to collect tolls for 30 years from 1997; (3) Shenzhen Yanba Expressway (Section A), 9.65 kilometers long, with a right to collect tolls for 30 years from 2001; (4) Hunan Changsha Ring Road (Northwestern Section), 35 kilometers long, with a right to collect tolls for 30 years from 1999; and (5) Shenzhen Shuiguan Expressway, 20.14 kilometers long, with a right to collect tolls for 31 years from 1995. The Company receives toll income from all these expressways in proportion to its relevant interests in the expressways.

NH107 and NH205 were put into use and commenced toll collection in 1990 and were then transferred to the Company by the promoters in 1996 comprising a toll concession period for 30 years from 1997. The sole source of income derived from these two highways has been toll income, but traffic congestion has limited the potential business growth of these two highways. Pursuant to the change in government policy, the Company has now an opportunity to realise its investment by selling the Transfer Assets and using the sale proceeds to invest in other expressways with high growth potential in Shenzhen and other regions of China. No specific targets have been identified at this time. Overall, this would improve the asset portfolio of the Company for its long term development.

The turnover and profits before and after taxation and extraordinary items attributable to the Transfer Assets in respect of the 2 financial years immediately preceding the Transfer and the 6 months ended 30 June 2002 were as follows:

	Year ended 31 December 2000	Year ended 31 December 2001	6 months ended 30 June 2002
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Turnover	209,672	204,324	94,917
Profit before taxation and extraordinary items	150,470	137,415	63,900
Profit after taxation and extraordinary items	150,470*	137,415*	59,170

* Same as profit before taxation on account of tax holiday.

The carrying values of the Transfer Assets as at 31 December 2000, 31 December 2001 and 31 December 2002 (unaudited for 2002) were approximately RMB1,340,696,377 (equivalent to approximately HK\$1,264,330,797), RMB1,320,260,090 (equivalent to approximately HK\$1,245,058,553) and RMB1,301,645,466 (equivalent to approximately HK\$1,227,504,212).

Based on the unaudited consolidated accounts of the Company for the six months ended 30 June 2002 and the initial consideration of RMB1,930 million, it is expected that the Company will realize a profit before taxation (including PRC income tax and business tax) of approximately RMB612 million (equivalent to approximately HK\$577 million) on the Transfer.

As a result of the Transfer the amount of assets under management and operation by the Company will be reduced. Although the payment of the consideration for the Transfer is staged over three years, the Company itself will need a period of time to source, identify, negotiate and begin to invest in new projects to replace the Transfer Assets. The investment timetable for such new projects will, as in most infrastructure investments, be spread over a period of time. The Company believes that it has sufficient resources to ensure that earnings will be restored to the level prior to the Transfer within the next three years. In terms of the remaining assets under management and operation by the Company, the Company does not expect the Transfer and the expected re-location of toll stations on NH 107 and NH205 after the Transfer to have any material or direct effect on the remaining expressways operated by the Company. NH 107 is located away from the expressways of the Company, whereas traffic volume on NH 205 is limited by its existing capacity.

Having considered all aspects of the Transfer, the Directors are of the view that the Transfer is fair and reasonable to the Company and the Shareholders as a whole and has been made after arm's length negotiations on normal commercial terms.

INFORMATION ABOUT THE COMPANY

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

GENERAL

The value of the Transfer Assets being realized represents 36% of the audited consolidated net tangible asset of the Company as at 31 December 2001. In addition, the net profit (after deducting all charges except taxation and excluding extraordinary items) attributable to the Transfer Assets being realized as disclosed in the latest audited accounts as at 31 December 2001 represents 34.6% of the net profit of the Company for the year ended 31 December 2001.

The Transfer constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing, among other things, further details of the Transfer will be despatched to the Shareholders as soon as practicable.

Trading in the shares of the Company was suspended with effect from 9:30 a.m. on Wednesday, 19 March 2003 pending the publication of this Announcement. Application has been made by the Company for the resumption of the trading of the shares of the Company with effect from 9:30 a.m. on Thursday 20 March 2003.

DEFINITIONS:

“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NH107”	National Highway 107 (Shenzhen Section) (107 國道深圳段), the 31.68 km section of National Highway 107 in Shenzhen, Guangdong Province that starts from Nantou checkpoint in Shenzhen and extends westwards to the border between Shenzhen and Dongguan, passing through Xixiang and Songgang along the way
“NH 205”	National Highway 205 (Shenzhen Section) (205 國道深圳段), the 35.45 km section of National Highway 205 in Shenzhen, Guangdong Province that runs north-eastwards from Buji checkpoint in Shenzhen to the border between Shenzhen and Huizhou, linking up key industrial towns in Shenzhen such as Henggang, Longgang and Pingdi
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SCB”	Shenzhen Communications Bureau (深圳市交通局), which is a branch of the Shenzhen Municipal Government and which is responsible for transportation matters in Shenzhen
“Shareholders”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Time”	Midnight on the day the Transfer Agreement was signed
“Transfer”	the proposed transfer of the Transfer Assets from the Company to SCB acting on behalf of the Shenzhen Municipal Government
“Transfer Agreement”	the agreement for the Transfer entered into on 18 March 2003 between the Company and SCB on behalf of the Shenzhen Municipal Government in relation to the Transfer

- “Transfer Assets” NH107, NH205, and the land use rights, the road base and surface, bridges, tunnels, the related facilities (such as toll collection and communications equipment), fixed assets, toll stations, office buildings, constructions and fixtures, vehicles, toll concessions and other assets, rights and benefits in respect of NH107 and NH205 owned by the Company
- “Valuation Reports” valuation reports to be prepared by Sallmanns (Far East) Ltd, (appointed by the Company) and Shenzhen De Zheng Xin Asset Valuation Co., Limited, a PRC-qualified professional valuer (appointed by SCB), regarding the value of the Transfer Assets as at 28 February 2003

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

Shenzhen, the PRC, 19 March 2003

Note: For the purpose of this announcement, the exchange rate between HK\$ and RMB of HK\$1.00 to RMB1.0604 has been used.

*Please also refer to the published version of this announcement in the (**The Standard**)*