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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any 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 accountant or other professional adviser.

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

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**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: 00548)**

**MAJOR TRANSACTION  
IN RELATION TO THE TOLL ADJUSTMENT AND COMPENSATION  
ARRANGEMENT REGARDING MEIGUAN EXPRESSWAY  
AND  
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING 2014**

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An extract of the notice dated 11 February 2014 convening the first extraordinary general meeting 2014 ("EGM") of Shenzhen Expressway Company Limited ("Company") to be held at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the People's Republic of China at 10:00 a.m. on 28 March 2014 (Friday) is set out on pages 41 to 42 of this circular. The notice of the EGM, the reply slip for the EGM and the proxy form have been published and despatched to the shareholders of the Company on 11 February 2014. Whether or not you intend to attend the said meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the registrar of H shares of the Company, Hong Kong Registrars Limited, at Floor 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H shares) or to the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the People's Republic of China (for the holders of domestic shares) as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the relevant meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting(s) should you so wish.

6 March 2014

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## DEFINITIONS

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*In this circular, the following expressions have the meanings set out below unless the context requires otherwise:*

“Adjustment”	pursuant to the Adjustment Agreement, the toll adjustment of Meiguan Expressway, the transfer of Assets and the relevant compensation arrangement
“Adjustment Agreement”	the agreement entered into among the Company, Meiguan Company, Transport Commission and Longhua New Area on 27 January 2014 relating to the Adjustment
“Assets”	the assets including the object of the Toll Free Section with the ancillary facilities, ancillary equipments, ancillary structures (excluding advertising facilities) and its land use rights as well as related ancillary interests (excluding designated land)
“Auditor”	PricewaterhouseCoopers Zhong Tian LLP, the auditor of the Company
“Board”	the board of Directors
“Company”	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 the A shares of which are listed on the Shanghai Stock Exchange
“Compensation”	the compensation to be made by Transport Commission and Longhua New Area to the Company and Meiguan Company pursuant to the Adjustment Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and if thought fit, approving, among others, the Adjustment Agreement and the transactions contemplated thereunder
“HK\$”	Hong Kong Dollar, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual or a company which is independent from and not connected with (within the meaning of the Listing Rules) any directors, chief executive, substantial shareholders of the Company, its subsidiaries or any of their respective associates

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## DEFINITIONS

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“JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent valuer who prepared the business valuation report of the Toll Free Section
“km”	kilometer(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longhua New Area”	Shenzhen Longhua New Area Administrative Committee (深圳市龍華新區管委會)
“Latest Practicable Date”	28 February 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Meiguan Company”	Shenzhen Meiguan Expressway Company Limited (深圳市梅觀高速公路有限公司), a company incorporated in the PRC with limited liability and wholly-owned by the Company
“Meiguan Expressway”	the 19.2 km expressway in Shenzhen that starts from Meilin checkpoint, runs northwards to Minzhi, Longhua, Bantian, Guanlan and ends at Liguang
“North Section of Meiguan Expressway”	the section of Meiguan Expressway from Qinghu Interchange to Guanlan with a mileage of approximately 11 km
“PB”	Parsons Brinckerhoff (Asia) Limited, the independent traffic consultant engaged by the Company
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap.571, Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shenzhen Government”	the People’s Government of Shenzhen, Guangdong Province, PRC
“Shenzhen Government Authorities”	Transport Commission and Longhua New Area
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“SZ International”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Toll Free Section”	the approximately 13.8 km section of Meiguan Expressway from Meilin checkpoint to Guanlan
“Transport Commission”	Transport Commission of Shenzhen Municipality (深圳市交通運輸委員會)

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

*In this circular, conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 to RMB0.78. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

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## LETTER FROM THE BOARD

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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: 00548)**

*Executive Directors:*

Mr. Yang Hai (*Chairman*)

Mr. Wu Ya De

*Non-executive Directors:*

Mr. Li Jing Qi

Mr. Zhao Jun Rong

Mr. Hu Wei

Mr. Tse Yat Hong

Ms. Zhang Yang

Mr. Chiu Chi Cheong, Clifton

*Independent Non-executive Directors:*

Mr. Wang Hai Tao

Mr. Zhang Li Min

Mr. Au Sing Kun

Mr. Lin Chu Chang

*Legal Address:*

Podium Levels 2-4,

Jiangsu Building,

Yitian Road,

Futian District,

Shenzhen, PRC

*Principal Place of Business in Hong Kong:*

Suites 2001-2005, 20th Floor,

Jardine House,

1 Connaught Place,

Central, Hong Kong

6 March 2014

*To the Shareholders*

Dear Sirs or Madams,

**MAJOR TRANSACTION**  
**IN RELATION TO THE TOLL ADJUSTMENT AND COMPENSATION**  
**ARRANGEMENT REGARDING MEIGUAN EXPRESSWAY**

**INTRODUCTION**

On 27 January 2014, the Board and the boards of directors of SZ International jointly announced that on 27 January 2014, the Company, Meiguan Company (a wholly-owned subsidiary of the Company), Transport Commission and Longhua New Area entered into the Adjustment Agreement. Pursuant to the Adjustment Agreement, the Company and Meiguan Company have agreed to implement toll-free for the Toll Free Section, i.e. Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km from 24:00 on 31 March 2014, but the toll of Shenzhen-Dongguan border to Guanlan section of Meiguan

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## LETTER FROM THE BOARD

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Expressway with a mileage of 5.4 km will remain unchanged, and transfer the Assets pursuant to the terms of the Adjustment Agreement. Shenzhen Government Authorities have agreed to make cash compensation to the Company and Meiguan Company, including the compensation of the future income of the Toll Free Section for approximately RMB1,597,950,000 (approximately HK\$2,048,650,000) and other relevant costs/expenses for approximately RMB1,102,370,000 (approximately HK\$1,413,290,000) (preliminary figure, subject to adjustment, details of which are set out in the paragraph headed “Basis of the Calculation of the Compensation”).

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

### ADJUSTMENT AGREEMENT

The principal terms of the Adjustment Agreement are as follows:

Date: 27 January 2014

Parties: The Company  
Meiguan Company  
Transport Commission  
Longhua New Area

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, Transport Commission and Longhua New Area are government bodies and Independent Third Parties.

### The Adjustment

Pursuant to the Adjustment Agreement, the Company and Meiguan Company have agreed to implement toll-free for the Toll Free Section, i.e. Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km from 24:00 on 31 March 2014. The toll of Shenzhen-Dongguan border to Guanlan section of Meiguan Expressway with a mileage of 5.4 km will remain unchanged. Shenzhen Government Authorities have agreed to make cash compensation to the Company and Meiguan Company, including the compensation of the future income of the Toll Free Section for approximately RMB1,597,950,000 (approximately HK\$2,048,650,000) and other relevant costs/expenses for approximately RMB1,102,370,000 (approximately HK\$1,413,290,000) (preliminary figure, subject to adjustment, details of which are set out in the paragraph headed “Basis of the Calculation of the Compensation”).

In order to maintain the integrity of expressway toll networks of Guangdong Province, Shenzhen Government Authorities will set up a new mainline toll station for Meiguan Expressway and 4 ramp toll stations (the “New Toll Stations”), which will commence operation from 24:00 on 31 December 2014. Before the operation of the New Toll Stations, the Toll Free Section will be operated by card access but the

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## LETTER FROM THE BOARD

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toll of Toll Free Section will be exempted by the Company and Meiguan Company. The Assets and the corresponding repair and maintenance responsibilities will be transferred to Shenzhen Government Authorities at 0:00 on 1 January 2015 pursuant to the terms of the Adjustment Agreement.

### **Basis of the Calculation of the Compensation**

Shenzhen Government Authorities have agreed to make cash compensation to the Company and Meiguan Company, and the compensation scope and amount include: (1) the present value of the future income of the Toll Free Section: RMB1,597,950,000 (approximately HK\$2,048,650,000); (2) expansion construction costs for the North Section of Meiguan Expressway: approximately RMB342,920,000 (approximately HK\$439,640,000) (subject to the audit figure of the relevant governmental audit department); (3) the future operating costs of 4 new ramp toll stations: RMB162,850,000 (approximately HK\$208,780,000); (4) the pipeline relocation costs for northward relocation project of Meilin mainline toll station: approximately RMB11,850,000 (approximately HK\$15,190,000) (subject to the audit figures of the relevant governmental audit department); (5) relevant taxes: tentatively approximately RMB584,750,000 (approximately HK\$749,680,000) (subject to the actual amount collected by the relevant tax authorities).

If the final amounts confirmed or audited are different from the tentative figures stipulated above, the excess will be refunded or the deficiency will be further paid-up. The Board estimated that the actual Compensation will not be materially different from the tentative figures stipulated above as the Directors are of the view that the estimated expansion construction costs as referred to in (2) above and the estimated pipeline relocation costs as referred to in (4) above were arrived at based on the previous experience of the Company and Meiguan Company in road projects; and the estimated amount of taxes as referred to in (5) above were calculated according to the applicable laws and regulations.

In view of the completion of reconstruction and expansion of the North Section of Meiguan Expressway at the end of 2013, in order to evaluate the future income of the Toll Free Section more reliably, the estimate of the compensation for the future income of the Toll Free Section for the Adjustment is based on the continuing operation of the Toll Free Section with the status before the reconstruction and expansion to the end of the term of operation rights (i.e. March 2027). The share of costs to be borne by the Toll Free Section regarding the reconstruction and expansion of the North Section of Meiguan Expressway shall be compensated using the actual costs incurred (subject to the audit figures of the relevant governmental audit department).

In general, there will be certain increase in traffic volume and toll revenue after expansion of a toll highway. More lanes also lead to higher costs including maintenance, depreciation and amortisation. For Toll Free Section, besides the present value of the future income of the Toll Free Section before the reconstruction and expansion, the Shenzhen Government Authorities shall make another compensation to the Company and Meiguan Company for the share of expansion construction costs for the North Section of Meiguan Expressway attributable to the Toll Free Section. The Directors are of the view that this basis of calculation is fair and reasonable as the said reconstruction and expansion of the North Section of Meiguan Expressway were only completed at the end of 2013, no historical figures regarding the income of the Toll Free Section upon reconstruction and expansion were available to the parties for evaluation and negotiation and thus it would be more accurate to estimate the present value of the future income of the Toll Free Section with reference to status before the reconstruction and expansion together with the share of the expansion construction costs.



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## LETTER FROM THE BOARD

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The compensation regarding the future income of the Toll Free Section is arrived at after arm's length negotiations among the Company, Meiguan Company and Shenzhen Government Authorities. The Company and Meiguan Company have made the estimation based on the previous investment experience, management experience on roads projects and the professional skills, taking into consideration of factors such as the traffic of Meiguan Expressway, the surrounding road network planning, operation and policy environment and the maturity of the project etc.

The Company has engaged JLL regarding the Adjustment. The business valuation of the Toll Free Section in compliance with the disclosure requirements under the Listing Rules is set out in Appendix II of this circular.

There is an immaterial difference, which is less than 1%, between the market value of the Toll Free Section as set out in Appendix II of this circular and the present value of the future income of the Toll Free Section to be compensated by the Shenzhen Government Authorities. The Compensation is arrived at after arm's length negotiations among the Company, Meiguan Company and Shenzhen Government Authorities. Taking into account that (i) the terms of the Adjustment Agreement as a whole; (ii) the valuation and sensitivity analyses prepared by JLL as set out in Appendix II of this circular; and (iii) the difference is immaterial, the Directors are of the view that the Compensation is fair and reasonable.

As mentioned above, the Shenzhen Government Authorities shall compensate the share of expansion construction costs for the North Section of Meiguan Expressway attributable to the Toll Free Section. Since (i) the budget estimate of the expansion construction costs for the North Section of Meiguan Expressway is approximately RMB769,710,000; (ii) only approximately 5.5km of the North Section of Meiguan Expressway expanded and reconstructed (whole length is approximately 10.9km) were included in the Toll Free Section; and (iii) with reference to the actual expansion construction costs occurred and the actual construction works of the reconstruction and expansion project, the share of expansion construction costs to be compensated is approximately RMB342,920,000 (subject to audit).

### **Payment of the Compensation**

The Compensation and interest payable shall be paid in cash by Longhua New Area to the Company and Meiguan Company as agreed as follows: (1) RMB800,000,000 (approximately HK\$1,025,640,000) will be paid before 30 April 2014; (2) RMB800,000,000 (approximately HK\$1,025,640,000) will be paid before 31 August 2015; (3) the balance of the Compensation and the interests will be paid in cash before 31 December 2016. Interest shall start to accrue from 1 April 2014 according to the loan prime rate with the same term announced by the People's Bank of China.

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## LETTER FROM THE BOARD

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### **Assets Transfer Arrangement**

The ownership of the Assets including the object of the Toll Free Section with the ancillary facilities, ancillary equipments, ancillary structures (excluding advertising facilities) and its land use rights as well as related ancillary interests (excluding designated land) will be transferred to Shenzhen Government Authorities starting from 0:00 on 1 April 2014. After the operation of the New Toll Stations, the Assets shall be physically delivered to Shenzhen Government Authorities pursuant to the Adjustment Agreement at 0:00 on 1 January 2015 by the Company and Meiguan Company. Before the transfer of the Assets, the repair and maintenance responsibilities for the Toll Free Section shall be performed by the Company and Meiguan Company, which should guarantee its good condition and normal operation.

### **Conditions Precedent of the Adjustment Agreement**

The Adjustment Agreement shall become effective after the parties signing the Adjustment Agreement and the following conditions having been satisfied: (1) Transport Commission has obtained the approval documents from Shenzhen Government authorising it to sign the Adjustment Agreement; (2) Longhua New Area has obtained the approval documents from Shenzhen Government approving it to sign the Adjustment Agreement; (3) the Company and Meiguan Company have obtained all necessary approvals, authorization, consent and permit and performed relevant procedures as required under the applicable laws, rules and regulations of the jurisdiction where its securities are listed and the Listing Rules. After satisfaction of all the above conditions and the signing of the Adjustment Agreement by the parties, the effective date of the Adjustment Agreement will be 31 March 2014.

As at the Latest Practicable Date, the shareholders' approval of the Company and Shenzhen Government's final approval are yet to be obtained for the effectiveness of Adjustment Agreement.

### **Liability for Breach**

Any failure to perform or perform punctually the obligations of the Adjustment Agreement by any party would constitute breach of contract. The party in default shall pay damages to the non-defaulting party. If the Company and Meiguan Company fail to transfer the Assets as agreed in the Adjustment Agreement due to their own reasons, the damages shall be paid to Shenzhen Government Authorities calculated at 0.05% per day according to the amount of Assets not transferred. If Longhua New Area delays the payment of the Compensation, the damages shall be paid to the Company and Meiguan Company calculated at 0.05% per day according to the due but unpaid amount. If the overdue for the Company and Meiguan Company transferring Assets or Longhua New Area paying the first installment of the Compensation is 60 days or more, the non-defaulting party is entitled to terminate the Adjustment Agreement and the defaulting party shall make compensation for the loss of the non-defaulting party.

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## LETTER FROM THE BOARD

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### Others

If the Adjustment Agreement is determined to be void or revocable by the court or arbitration tribunal, the Company and Meiguan Company will have the right to restore the toll of the Toll Free Section.

The capital contribution to set up the New Toll Stations and ancillary facilities works shall be made by Longhua New Area, and the Company and Meiguan Company shall be entrusted to construct such works. Such works shall be operated and managed by the Company and Meiguan Company after the completion of construction. Relevant parties will enter into separate agreement for such entrustment of construction.

If the New Toll Stations fail to commence operation at 24:00 on 31 December 2014, the Toll Free Section will still be operated by card access but the toll of the Toll Free Section will be exempted. If such failure in operation of the New Toll Stations was not caused by the Company and Meiguan Company, Transport Commission shall make compensation to the Company and Meiguan Company for its expenses increased as a result.

### INFORMATION OF MEIGUAN EXPRESSWAY AND THE TOLL FREE SECTION

The total length of Meiguan Expressway is 19.2 km, starting from Meilin checkpoint of Shenzhen (Meilin) in the south and runs northwards ending at the border of Shenzhen and Dongguan (Liguang), connected with the expressway from Dongguan to Shenzhen. Meiguan Expressway is a component of the Pearl River Delta ring expressway (G94 Expressway), an important southbound and northbound expressway of the middle part of Shenzhen and is also one of the important transportation access between Hong Kong and the PRC. The average daily mixed traffic flow of Meiguan Expressway for 2012 and 2013 was 125,000 and 130,000 vehicles respectively and the average daily toll income was RMB876,000 and RMB803,000 respectively.

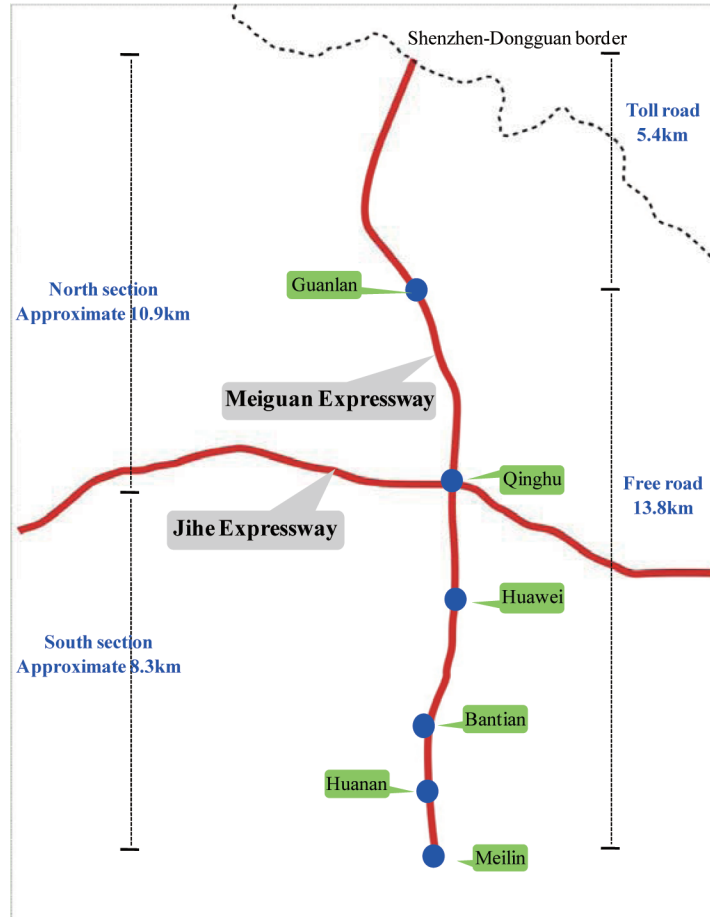
The construction of Meiguan Expressway was completed and put into operation in May 1995. Around 10.9 km of the North Section of Meiguan Expressway (Qinghu interchange to the border of Shenzhen and Dongguan) underwent reconstruction and expansion works since the end of 2010, major of which has been completed in November 2013. The original total investment of Meiguan Expressway was approximately RMB892,540,000 (approximately HK\$1,144,280,000). The budget estimate of the reconstruction and expansion construction project is approximately RMB769,710,000 (approximately HK\$986,810,000). At present, the completion settlement of the reconstruction and expansion project has not been completed.

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## LETTER FROM THE BOARD

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The Toll Free Section is the Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km. The following is a diagram showing Meiguan Expressway and the Toll Free Section:



The Toll Free Section is not accounted by the Company and Meiguan Company separately. Based on the audited financial statements of Meiguan Company for the year ended 31 December 2012, the unaudited financial statements of Meiguan Company for the year ended 31 December 2013 and the concession rights premium of Meiguan Expressway arising from the acquisition of the equity of Meiguan Company by the Company in the past and the preliminary estimate made based on actual conditions e.g. traffic volume, traffic flow, highway mileage, distribution of material structures and ancillary facilities, the estimates of the

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## LETTER FROM THE BOARD

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original and net book value for the corresponding assets of the Toll Free Section and Meiguan Expressway (whole section) as at 31 December 2013 and the net profits of the Toll Free Section, before taxation and after taxation, for the years ended 31 December 2012 and 31 December 2013 are estimated as follows:

*Unit: RMB*

<b>Project</b>	<b>Meiguan Expressway (Whole section)</b>	<b>Toll Free Section</b>
Assets original book value	1,854,450,000	1,276,500,000
Depreciation/amortisation	534,250,000	413,010,000
Assets net book value	1,320,200,000	863,490,000

<b>Project</b>	<b>For the year ended 31 December 2012</b>	<b>For the year ended 31 December 2013</b>
Net profits (before taxation) (Toll Free Section)	162,930,000	147,160,000
Net profits (after taxation) (Toll Free Section)	123,090,000	111,550,000

### FINANCIAL EFFECTS OF THE ADJUSTMENT

According to the current preliminary estimates, it is estimated that the net book value of the Toll Free Section as at 31 March 2014 was approximately RMB845,000,000. Based on the relevant compensation arrangement and after taking into account the relevant taxation and costs, it is expected that the profits from disposal of assets will increase by approximately RMB1,100,000,000 (after taxation) and the net assets will increase by approximately RMB1,100,000,000 accordingly. Besides, after the Adjustment, the compensation income obtained will reduce the interest expense or increase the interest income of the Company accordingly in the future. Meanwhile, the Toll Free Section will no longer contribute to the toll income for the Company, thus resulting in a drop in the income of the Company in the future. It is expected that there will not be any material impact on the overall operating performance of the Company. The above information is based on preliminary estimates. The final effects are subject to the actual occurrence of the Adjustment and audit by the Company's auditors.

Pursuant to the arrangement in relation to the collection of the Compensation and the payment of relevant fees, the first two installments of the Compensation will be mainly used to pay tax, repay the Company's and its subsidiaries' borrowings and supplement the operation fund of the Company's and its subsidiaries. The usage of the third installment of the Compensation will be determined based on the overall financial condition and business planning of the Company and its subsidiaries after receipt of such amount.

### INFORMATION OF THE COMPANY AND MEIGUAN COMPANY

The Company and its subsidiaries are principally engaged in the investment, construction, operation and management of toll highways and roads.

The major assets and business of Meiguan Company are investment, operation and management of Meiguan Expressway.

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## **LETTER FROM THE BOARD**

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### **INFORMATION OF TRANSPORT COMMISSION AND LONGHUA NEW AREA**

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

Longhua New Area is an agency of the Shenzhen Government, and performs the duties which the Shenzhen Government authorizes the district-level government to perform within Longhua New Area in Shenzhen city.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE ADJUSTMENT AGREEMENT**

Notwithstanding one of main sources of profits of the Company comes from Meiguan Expressway in current stage, the traffic of Meiguan Expressway has maintained steady growth and its profits tend to be stable and so its room for future growth is limited. Based on the overall demand of the development of the society, Shenzhen Government Authorities will adjust the toll of Meiguan Expressway and make a compensation which is reasonable in the prevailing market. After the toll adjustment of Meiguan Expressway, it will relieve the pressure of the Company in its operation and management, reduce the operating risk of toll highways, and stimulate the operating performance of the sections connected to Meiguan Expressway as well. Moreover, based on the reasonably foreseeable estimated future income of the Toll Free Section, the Company has the opportunity to get an one-off cash which would reduce its total debt level, improve the financial condition and promote the ability and room for future sustainable development of the Company.

The Directors consider that the terms of the Adjustment Agreement were entered into on normal commercial terms and are fair and reasonable and the Adjustment Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Adjustment Agreement and the transactions contemplated thereunder. Accordingly, none of them has abstained from voting at the meeting of the Board on the resolutions to approve the transactions contemplated and the Adjustment Agreement thereunder.

### **IMPLICATIONS UNDER THE LISTING RULES**

For the Company, as the applicable percentage ratios of the Adjustment Agreement and the transactions contemplated thereunder are more than 25% but less than 75%, the Adjustment Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under the Listing Rules, and are subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

### **EGM**

The Company will convene the EGM at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC at 10:00 a.m. on 28 March 2014 (Friday). Pursuant to Rule 13.39(4) of the Listing Rules, voting at the EGM will be taken by poll.

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## LETTER FROM THE BOARD

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The notice of the EGM, together with the reply slip of the EGM and the proxy form have been published and despatched to the Shareholders on 11 February 2014. As extract of the said notice of the EGM are set out on pages 41 to 42 of this circular.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) approving the Adjustment Agreement and the transactions contemplated thereunder.

Whether or not you intend to attend the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the registrar of H shares of the Company, Hong Kong Registrars Limited, Floor 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) or to the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC (for domestic Shareholders) as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting(s) should you so wish.

### RECOMMENDATION

The Board (including all the independent non-executive Directors) considers that the terms of the Adjustment Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, and the entering into of the Adjustment Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including all the independent non-executive Directors) recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Adjustment Agreement and the transactions contemplated thereunder.

### FURTHER INFORMATION

A report on the business valuation of the Toll Free Section has been prepared by JLL, a summary of which is set out in Appendix II to this circular.

A study report on the traffic and revenue of the Toll Free Section has been prepared by PB, a summary of which is set out in Appendix III to this circular.

As the valuation of the Toll Free Section is prepared on the basis of discounted cash flow method, the valuation has been deemed as a profit forecast under the Listing Rules. Letters from the Auditor and the Company relating to discounted future estimated cash flows in connection with the business valuation of the Toll Free Section, which are prepared pursuant to Rules 14.62 and 14.71 of the Listing Rules, are set out in Appendix IV to this circular.

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

Yours faithfully,  
By Order of the Board of  
**Shenzhen Expressway Company Limited**  
**Yang Hai**  
*Chairman*

## STATEMENT OF INDEBTEDNESS

As at 31 January 2014, being the latest practicable date for ascertaining certain information in this statement of indebtedness, the Group had outstanding loans of RMB6,264 million which included secured (or pledged) long-term loans of RMB4,924 million with the toll collection rights of Qinglian Project as security for long-term loans amounting to RMB4,121 million, the toll collection rights of Yanpai Expressway as security for long-term loans amounting to RMB238 million and 40% shareholding of Shenzhen Qinglong Expressway Company Limited, an associate of the Group, as security for long-term loans amounting to RMB565 million; guaranteed long-term loans of RMB83 million; unsecured (or unpledged) and unguaranteed long-term loans of RMB250 million; secured (or pledged) short-term loans of RMB206 million with the toll collection rights of Qinglian Project as security for short-term loans amounting to RMB121 million, 55% shareholding of Jade Emperor Limited, a subsidiary of the Group, as security for short-term loans amounting to RMB72 million, the toll collection rights of Yanpai Expressway as security for short-term loans amounting to RMB13 million; guaranteed short-term loans of RMB28 million; and unsecured (or unpledged) and unguaranteed short-term loans of RMB773 million.

The Group had 15-year-term secured corporate bonds in nominal value of RMB800 million which were guaranteed by China Construction Bank, Shenzhen Branch with a pledge of the Company's 100% interests in Shenzhen Meiguan Expressway Company Limited as counter-guarantee; 5-year-term unsecured and unguaranteed corporate bonds amounted to RMB1,500 million; and 3-year-term unsecured and unguaranteed private placement notes amounted to RMB800 million.

At the close of business on 31 January 2014, contingent liabilities of the Group comprised the following:

- (1) The Company signed a construction management service contract with Shenzhen Traffic Public Facilities Construction Center and was entrusted to manage the construction project of municipal facilities of Dalang Section of Longda Expressway. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2 million.
- (2) The Company intended to enter into a construction management service contract with Shenzhen Longhua New Area Construction Management Center under which the Company would be entrusted to manage the construction project of the Intersection of Dezheng Road in Shenzhen Longhua New Area with Shenzhen Longda Expressway and the construction project of the extension of the eastern section of Dezheng Road. Pursuant to relevant arrangement, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to approximately RMB36 million. The construction management service contract would be effected after approvals by both parties and further formal sign-off.
- (3) Pursuant to a notice issued by Guangdong Provincial Transportation Department (Yue Jiao Ming Dian (2013) No. 56), National Highway No. 107 (Qinglian Section) operated by Qinglian Company, a subsidiary of the Company, ceased toll collection since 24:00 30 June 2013. According to the communication result with relevant government authority and the transition status of related assets, Qinglian Company may assume obligation for repairing and maintaining National Highway No. 107 (Qinglian Section) to achieve transition condition accepted by relevant government authority. As at 31 January 2014, the communication in relation to the transition of related assets was still at in progress and the result of repairing and maintaining obligation could not be estimated reliably. As a result, the directors of the Company did not accrue any relevant repairing and maintaining liability.



(4) Arbitration in progress

Upon the government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. In 2011, Qingyuan Fengyun Eco-tourism Development Company Limited sued against Qinglian Company in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Qinglian Company was judged to win in the first trial. Qingyuan Fengyun Eco-tourism Development Company Limited appealed to the High Court of Guangdong Province. As at 31 January 2014, the litigation is still in progress. Considering the nature of project and construction status of upgrading project, the directors of the Company considered that the outcome of the litigation would not lead to any significant impact on the Company's operating results.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 31 January 2014, any mortgages, charges, debentures, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowing including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase and finance lease commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

#### **WORKING CAPITAL SUFFICIENCY**

Taking into account the expected effective date of the Adjustment Agreement on 31 March 2014 and the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

#### **FINANCIAL AND TRADING PROSPECTS**

The China's economy has experienced years of rapid growth and it has become the critical stage of transformation and upgrading as the economic growth is facing downward pressure. Notwithstanding the aforesaid, given the accelerating urbanisation process, and the transformation and upgrading of regional economy, together with benefit brought by the relatively high level of vehicle ownership rate, it is expected that the domestic demand for highway traffic will maintain relatively stable growth.

On the other hand, the policy on the toll highway industry has gradually been tightened in recent years, during which, green passage toll free policy and toll free scheme on holidays have been introduced. In addition, clean-up works are implemented on a national basis. The aforesaid adjustments to the toll policies have created certain negative impact on the industry.

Meanwhile, along with the input in, nurturing and integrating the Group's toll highway assets in recent years, the traffic flow and cash flow have gradually entered into a period of stable growth, which has further enhanced the Group's financial situation and the ability to counter risks. Facing the change in operating environment, the Group diversifies the risk of the industry through various business combination. The Group has made progress in entrusted management and advertising business, and is exploring the direction of future business development and the feasibility of extending the business field. The Group will take into account internal and external environment to adjust business strategy in a timely manner, seeking opportunities and direction which favour long-term development of the Group, and strive to create better investment return for our shareholders.

*The following is the text of a letter prepared for inclusion in this circular, received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent business valuer, in connection with the business valuation for its valuation as at December 31, 2013 of the market value of the Meilin to Guanlan Section of Meiguan Expressway in Shenzhen.*



JONES LANG  
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*Real value in a changing world*

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6 March 2014

Dear Sirs,

In accordance with the instructions from Shenzhen Expressway Company Limited (the "Company"), we have undertaken a valuation exercise to express an independent opinion on the market value of the Meilin to Guanlan Section of Meiguan Expressway (the "Target Asset"), as at 31 December 2013 (the "Valuation Date"). This letter summarizes the principal conclusions stated in our valuation report dated 6 March 2014.

The purpose of this valuation is to express an independent opinion on the market value of the Target Asset as at 31 December 2013 for transaction reference.

Our valuation was carried out on a market value basis. Market value is defined as "*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, and prudently and without compulsion.*"

## INTRODUCTION

Meiguan Expressway has a total length of 19.2 km; it starts from Meilin checkpoint of Shenzhen (Meilin) in the South and runs northwards ending at the border of Shenzhen and Dongguan (Liguang), connected with the expressway from Dongguan to Shenzhen. Meiguan Expressway is a component of Pearl River Delta Ring Expressway (G94 Expressway), an important southbound and northbound expressway of the middle part of Shenzhen and also one of the important transportation accesses between Hong Kong and the PRC. The average daily mixed traffic flow of Meiguan Expressway for 2012 and 2013 was 125,000 and 130,000 vehicles respectively and the average daily toll income was RMB 876,000 and RMB 803,000 respectively. The operation of Meiguan Expressway started in May 1995 and will expire in March 2027.

On 27 January 2014, the Company and the government authorities entered into the Adjustment Agreement, pursuant to which the Company will implement toll-free for the Meilin to Guanlan section of Meiguan Expressway (the "Toll Free Section") with a mileage of approximately 13.8 km from 24:00 on 31 March 2014, and transfer the relevant assets, while the toll of Shenzhen-Dongguan border to Guanlan section of

Meiguan Expressway with a mileage of 5.4 km will remain unchanged. The government authorities have agreed to make cash compensation to the Company for the future potential income of the Toll Free Section at approximately RMB1,597,950,000.

### **VALUATION METHODOLOGY**

In arriving at the market value of the Target Asset as at the Valuation Date, we have considered three generally accepted approaches: namely, market approach, cost approach and income approach.

#### **Market Approach**

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there are established secondary markets may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

#### **Cost Approach**

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

#### **Income Approach**

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Given the unique characteristics of the asset under valuation, there are substantial limitations for the market approach and the cost approach for valuing the underlying asset. The market approach requires market transactions of comparable assets as an indication of value. Market transactions on expressway assets tend to

have very different transaction prices considering a number of factors including geographical areas, toll rates and traffic, and operational stages and status of the expressway assets. We have not identified any current market transactions which are comparable. The cost approach does not directly incorporate information about the economic benefits contributed by the underlying asset.

In view of the above, we have adopted the income approach for the valuation. The income approach allows for the prospective valuation of future profits and justifications for the present value of expected future cash flows. In this study, the market value of the Target Asset is estimated based on the present worth of future economic benefits to be derived from the projected income, assuming no major change in the local Government policies and regulations. Indications of value have been developed by discounting projected future net cash flows available for payment of shareholders' interest and the repayment of shareholder's loans to their present worth at discount rates which in our opinion are appropriate for the risks of the business. In considering the appropriate discount rate to be applied, we have taken into account a number of factors including the current cost of finance and the potential risks inherent in toll road operation.

### **SCOPE OF INVESTIGATION**

Our investigation included a site inspection of Meiguan Expressway, discussions with the management of the Company in relation to the history and nature of business of the Target Asset, as well as review of the historical and projected financial information and other relevant documents of the Target Asset. We have also discussed with Parsons Brinckerhoff (Asia) Limited ("PB"), the Company's traffic consultant, on the bases and assumptions underlying the traffic projections.

The findings of PB cover two future forecast scenarios: the "Optimistic" and "Conservative" scenarios. The "Optimistic" scenario assumes a high expectation of economic growth over the entire evaluation period. This scenario considers an optimistic outlook towards the future and assumes a quicker development pace. The "Conservative" scenario assumes a lower development growth potential and a much slower pace of growth than the Optimistic scenario. PB prepared projections of the traffic volume and hence the toll revenues under both scenarios with respect to the subject toll road covering the concession period. The base scenario, which is derived by taking the averages of the "Optimistic" and "Conservative" scenarios prepared by PB, has been adopted as the toll revenues stream for the subject toll road.

We believe the traffic projections provided by PB to be reliable and legitimate. We have relied to a considerable extent on such information in arriving at our opinion of value.

### **BASIS OF OPINION**

We have conducted our valuation in accordance with international valuation standards issued by International Valuation Standards Council ("IVSC"). The valuation procedures employed include a review of legal status and economic condition of the Target Asset and an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the toll road. All matters essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;

- The assumption that the operation of Meiguan Expressway will continue as planned;
- The nature of business and history of the operation concerned;
- Projected operating costs and management expenses;
- Projected traffic flow, passenger volume and toll rates by PB;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income and the projected future results;
- Consideration and analysis on the micro and macro economy affecting the Target Asset;
- Analysis on tactical planning, management standard and synergy of the Target Asset; and
- Assessment of the leverage and liquidity of the Target Asset.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target Asset.

### **VALUATION ASSUMPTIONS**

In determining the market value of the Target Asset, we have made the following key assumptions. These assumptions have, where appropriate, been re-evaluated and validated in order to provide a more accurate and reasonable basis for our assessed value.

- It is assumed that the projected business according to the proposed business plan of the Target Asset could be achieved;
- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, we have assumed that the facilities and systems proposed are sufficient for future expansion;
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Asset;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honoured;
- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;

- Natural weather can have an impact on toll roads, including flooding and other types of inclement weather. We have assumed that no extended closure will occur;
- We have assumed the accuracy of the financial and operational information provided to us by the Company and relied to a considerable extent on such information in arriving at our opinion of value;
- Based on tax codes applicable to the Target Asset, we have assumed the income tax rate would be 25% over the remaining operating period of Meiguan Expressway;
- We have assumed the capital structure of the Target Asset will not change;
- Based on the management's forecast and with reference to the historical data, the operating and management expenses mainly include staff costs, maintenance expenses, depreciation, amortization and other expenses. The total operating and management expenses will be RMB61,611,000 for the first year. Growth rate of 3% is assumed for the remaining years, which is determined after considering the long term inflation rate in China;
- Based on the management's forecast and with reference to the historical data, a major overhaul will take place in 2023 with planned expenditure of RMB 120,000,000;
- We have assumed that there are no hidden or unexpected conditions associated with the Target Asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date;
- The traffic volume and toll revenue for the Meiguan Expressway will conform to the level as the average of conservative and optimistic scenarios projected by PB. Their projection is mainly based on the expected annual GDP growth rate, vehicle types, existing road network and future transportation plan. We believe that the traffic growth rate and the toll charge growth rate projected by PB are reasonable and, therefore, we have adopted their findings in developing the Optimistic and Conservative scenarios for the Target Asset.

## **DISCOUNT RATE**

In applying the DCF Method, it is necessary to determine an appropriate Weighted Average Cost of Capital ("WACC") as a discount rate. WACC is the weighted average of the estimated rate of return required by equity and debt providers for an investment of this type. The required return rate from equity and debt holders relates to perceived risk.

Risk factors relevant in our selection of an appropriate discount rate include:

1. Interest rate risk, which measures variability of returns, caused by changes in the general level of interest rates.
2. Purchasing power risk, which measures loss of purchasing power over time due to inflation.
3. Market risk, which measures the effects of the general market on the price behaviour of assets.

4. Business risk, which measures the uncertainty inherent in projections of operating income.

Consideration of risk also involves elements such as quality of management, degree of liquidity, and other factors affecting the rate of return acceptable to a given investor in a specific investment. An adjustment for risk is an increment added to a base rate to compensate for the extent of risk believed to be involved in the investment.

### Weighted Average Cost of Capital

WACC is calculated by multiplying the cost of each capital component by its proportional weight and then summing:

$$\text{WACC} = \frac{E}{V} \times R_e + \frac{D}{V} \times R_d \times (1 - T_c)$$

Where:

$R_e$  = Required return on equity

$R_d$  = Required return on debt

$E$  = Fair value of the firm's equity

$D$  = Fair value of the firm's debt

$V$  =  $E + D$

$E/V$  = Percentage of finance by equity

$D/V$  = Percentage of finance by debt

$T_c$  = Corporate tax rate

### Required Return on Equity Capital

The return on equity required of a company represents the total rate of return investors expect to earn, through a combination of dividends and capital appreciation, as a reward for risk taking. The Capital Asset Pricing Model ("CAPM") is used to calculate the required rate of return on equity investment by using publicly-traded companies.

The CAPM is a fundamental tenet of modern portfolio theory which has been the generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a business's required return on equity capital.

The equation of CAPM is shown as follow:

$$\text{Expected Required Return on Equity} = \text{Risk Free Rate} + \text{Nominal Beta } (\beta) \times \text{Risk Premium}$$

### Determination of Beta

Beta was developed as a yardstick for comparing the volatility of the investment in a specific company of a specific industry to the investment in a broad portfolio of companies as a whole, such as the S&P 500 or the Hang Seng indices. It had been developed as the result of extensive empirical research into the market

pricing of risk. Beta has gained wide acceptance as a measure of the degree of relative or systematic risk incurred by investing in an individual company as compared to the equivalent risk incurred by investing in a well-diversified portfolio of common shares.

### Specific Risks

To account for specific risks inherent in the Target Asset, we have included the Greek symbol “epsilon” in the CAPM as follows:

$$\text{Expected Required Return on Equity} = \text{Risk Free Rate} + \text{Nominal Beta } (\beta) \times \text{Risk Premium} + \varepsilon$$

This adjustment is to account for the fact that the expected return for a company is expected to be affected by factors independent of the general market such as quality of management, maturity of business, liquidity of assets and others.

### PARAMETERS FOR CAPM

Risk free rate	2.31%	Rate on Long-term (10 Years) China Fixed Rate Government Bond
Equity Risk Premium	6.70%	Morningstar, Inc, “SBBI Valuation Yearbook 2013”
Relevered Beta	0.653	Based on the beta of comparable companies
Company specific risk	0.5%	Having considered that the Target Asset is an unlisted asset, a specific risk premium of 0.5% is required to account for its lack of liquidity
Size premium	3.81%	Morningstar, Inc, “SBBI Valuation Yearbook 2013”
Discount rate	10.99%	

In determining the beta, we have considered the information of certain listed companies in Hong Kong which are engaged in the business of operating expressways in China. The following table summarizes the betas of these companies as at 31 December 2013:

Certain Hong Kong Listed Companies In Expressway Business	5 year weekly beta
JIANGSU EXPRES-H	0.709
ZHEJIANG EXPRESS	0.763
HOPEWELL INFR	0.519
SICHUAN EXP-H	0.805
ANHUI EXPRESS-H	0.766
YUEXIU TRANSPORT	0.628
HUAYU EXPRESSWAY	0.406
SHENZHENEXPRESS	0.859

Source: Bloomberg



The 5 year weekly beta was calculated based on the regression analysis on the weekly returns of the relevant shares of the companies against the weekly returns of Hang Seng Index for the period from December 31, 2008 to December 31, 2013.

### CALCULATION OF WACC

We have considered the following parameters for the equation mentioned above in deriving the WACC as at 31 December 2013:

Cost of equity	10.99%	
Cost of debt (After tax)	4.91%	Standard rate of financial institutions published by The People's Bank of China for 5-year loans (After tax)
Debt/Equity	36.67%	Average of D/E ratios of comparable listed companies
Nominal WACC	9.30%	

We consider the calculated discount rate as justifiable and appropriate for the valuation of the Target Asset after considering the current market situation and business risk.

### RISK FACTORS

#### – Economic considerations

The PRC economy has experienced significant growth in the past decade, but such growth has been uneven, both geographically and among different sectors of the economy. There is no assurance that the expected economic growth will be realized and future social and economic changes in the PRC will be favourable to the Target Asset.

#### – Changes in political, economic and regulatory environment in the PRC

The operation of the Target Asset is subject to various laws and regulations governing its operations in the PRC. The future political and legal changes in the PRC might have either favourable or unfavourable impacts on the Target Asset.

#### – Realization of forecast and projection

This valuation is premised in part on the projections provided by the management of the Target Asset. We have assumed accuracy of the information provided and relied to a considerable extent on such information in arriving at our opinion of value. Although appropriate tests and analyses have been carried out to verify the reasonableness and fairness of the information provided, events and circumstances frequently do not occur as expected. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustment, and the resulting investment value may differ.

As the above risk factors cannot be easily quantified or ascertained, we have not taken into account the above risk factors in our valuation exercise.

Please note that in arriving at our assessed value, we have only considered the revenue stream and expenses relevant to the core business of the Target Asset. We have not made provision for other non-operating cash flow items such as interest income, exchange rate gain/loss, accrual for sinking funds, etc. in the valuation model.

### SENSITIVITY

Two sensitivity analyses were prepared to project the results based on the changes of discount rate and the future forecast scenarios. The following tables summarize the resulting values of the Target Asset:

Discount Rate Sensitivity		Traffic Revenue Scenario Analysis	
Discount Rate	Results (RMB million)	Scenario	Results (RMB million)
8.30%	1,696	Optimistic	1,650
9.30%	1,612	Base	1,612
10.30%	1,535	Conservative	1,574

### LIMITING CONDITIONS

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. Further, while the assumptions and other relevant factors 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 Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

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 over the Target Asset 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 investigations and analyses, we are of the opinion that as at 31 December 2013 the market value of the Target Asset is reasonably stated at the amount of **RMB1,612,000,000 (RENMINBI ONE BILLION SIX HUNDRED AND TWELVE MILLION)**.

Yours faithfully,  
 For and on behalf of  
**Jones Lang LaSalle**  
**Corporate Appraisal and Advisory Limited**  
**Simon M.K. Chan**  
*FCPA*  
*Regional Director*

*Note:* Mr. Simon Chan, Regional Director at Jones Lang LaSalle (JLL), is a Fellow of HKICPA and CPA Australia. He is also a Certified Valuation Analyst, a member of the International Association of Consultants, Valuers and Analysts (IACVA), a member of Canadian Institute of Mining, Metallurgy and Petroleum (CIM), and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Simon oversees the business valuation services of JLL and has over 15 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and private companies in different industries in Mainland China, Hong Kong, Singapore and the United States, including infrastructure companies like power plant companies and toll road companies.

*The following is the text of a letter, prepared for inclusion in this circular, received from PB in connection with the traffic forecasts for the Toll Free Section.*



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6 March 2014

The Directors  
Shenzhen Expressway Company Limited  
Podium, Level 2-4, Jiangshu Building, Yitian Rd.,  
Futian Dist., Shenzhen 518026, Guangdong Prov.,  
PRC

Dear Sirs

**TRAFFIC AND TOLL REVENUE STUDY FOR  
MEILIN – GUANLAN SECTION OF MEIGUAN EXPRESSWAY IN SHENZHEN  
EXECUTIVE SUMMARY**

Parsons Brinckerhoff (Asia) Limited (hereinafter referred to as “PB” or the “Consultant”) is commissioned by Shenzhen Expressway Company Limited (hereafter referred to as “Company” or the “SZEW”) to conduct an independent traffic and revenue study (hereinafter referred to as the “Study”) for the Meilin – Guanlan (梅林－觀瀾) section of Meiguan Expressway (梅觀高速公路) in Shenzhen, Guangdong Province in the People’s Republic of China. The purpose of the Study is to project the future traffic on the subject expressway, and to forecast the potential revenues that can be generated from the operation.

This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future traffic and revenue of the Study is projected in an independent and professional manner.

In conducting the Study, we have based our analyses on reviews of available traffic data, feasibility reports and other relevant information. The sources of relevant information were obtained from the website of the company, information provided by the company, Statistical Yearbook of Guangdong and official government website. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The results of our analysis are presented in the “Traffic and Revenue Study for Meiguan Expressway in Shenzhen, China”. A brief summary of our study approaches and findings are presented below:

## 1. INTRODUCTION

Meiguan Expressway is a closed system toll road runs in a south-north direction in Shenzhen, it starts from Merlin on the south and connects to Jihe Expressway (機荷高速) at Qinghu (清湖) and ends at Liguang (黎光) on the north.

The Meiguan Expressway Merlin – Guanlan section starts at the Merlin toll station on the south and ends at Guanlan toll station on the north. It is a dual three-lane expressway from Merlin to Qinghu and dual two-lane from Qinghu to Guanlan with a total length of 13.8 km and design speed of 100 km per hour.

Description and key technical elements of the subject toll road have been summarized in Table 1.1.

Table 1.1 General Descriptions and Summary of Key Technical Elements

<b>Highway Classification</b>	Expressway	
<b>Access Control</b>	Controlled Access	
<b>Configuration</b>	Merlin – Qinghu	Qinghu – Guanlan
	Total 6 lanes in two directions	Total 4 lanes in two directions
<b>Design Speed</b>	100 km/hr	
<b>Length</b>	13.8 km	

## 2. OBJECTIVE AND SERVICE SCOPE

The objective of the Study is to forecast the future travel demand and revenue potential of the subject expressway.

The scope of work comprises information collection, traffic survey data analysis, future traffic projections and toll revenue forecasts. Major activities involve:

- Review of available planning and feasibility studies related to the subject facility;
- Collection of socio-economic information of the study area;
- Collection of historical traffic and toll rate information of related facilities;
- Formulation of traffic forecasting methodology;
- Analyzing possible impacts from nearby developments and roads, and
- Preparation of traffic forecasts for the toll facility, preparation of toll revenue projections in accordance with the traffic forecasts.

The Study does not take into account the traffic and toll revenue as a result of expansion of Qinghu-Guanlan section in the remaining operating period.

In this study process, the consultant have used techniques that are consistent with industry practices for projects of similar nature, and have made a number of assumptions based on available data, observed conditions and reliable information through careful review and assessment. While PB believes these assumptions to be reasonable, the timing and impact of certain events depends on external factors; also, policy or regulatory assumptions are political decisions and may be subject to change.

### **3. TRAFFIC FORECASTING METHODOLOGY**

The methodology used in the traffic forecast in this study is widely adopted for toll road studies in China. The traffic forecasting methodology for this Study is made up of three technical stages:

#### **i. Data Inventory and Review**

The key objective for this technical stage is to collect and organize the existing available information for the use of the next stage of work. Typical information to be inventoried includes historical network data, toll traffic and revenue data, socio-economic data and previous analyses and reports.

#### **ii. Definition of Technical Approach**

The goal is to develop the most appropriate technical methodology for the Study. The methodology selection depends on the availability and the quality of the data as well as the overall project programme.

#### **iii. Travel Demand Forecast**

Based on the information and findings from the previous stage, the existing traffic pattern is defined at this stage. With appropriate key traffic variables, the future travel demand is derived. These variables comprise:

- Economic indicators and growth of travel demand;
- Physical conditions of the road and its carrying capacity;
- Vehicle classifications and vehicle mix; and
- Origin and destination for each class of vehicles.

To offer a better picture of the various possible outcomes in the future, the traffic forecasts are presented under two scenarios: optimistic and conservative cases.

#### 4. SUMMARY OF TRAFFIC PROJECTIONS

It is widely accepted that travel demand is closely related to economic activities and land uses, therefore future growth rates were derived from the correlation (elasticity) between economic growth and traffic growth, and adjusted based on professional judgment to account for recent traffic growth trend and a maturing economy in the long term. It is assumed that the correlation between traffic growth and economic growth will remain unchanged in the forecast period. It is also assumed that all the transport infrastructure projects in the study area, either planned or under construction, will be implemented as planned.

The above mentioned correlation is based on the relationship between the historical traffic growth and economic growth, which is represented as an elasticity factor: every 1% growth in the economy of the area of influence results in X% traffic growth on the subject expressway. The elasticity factor is determined by comparing the historic traffic growth of the subject expressway against the historic GDP growth of the area of influence of the expressway.

The historic economic growth is based on the GDP growth of Shenzhen and Guangdong Province and future economic growth is projected to be 10% and 8% per year for Shenzhen and Guangdong Province respectively during the 12th Five year Plan.

Traffic growth rates are calculated for each entry / exit station of the subject expressway. Where the recent traffic growth trend differs from the calculated traffic growth rate, the calculated growth rate would be adjusted to more closely match the average traffic growth rates in the recent years. In the longer run, we take into account the general pattern that the GDP growth of a mature economy is typically lower than that of a developing economy.

The Study is carried out for the period of 2014 to 31 March 2027. Projected daily traffic on the Meiguan Expressway is summarized in Table 4.1 for section from Merlin to Guanlan. These are presented in “mixed vehicles” units under two scenarios. Table 4.1 excluded toll-free vehicles during major holidays.

Table 4.1 Projected Annual Average Daily Traffic (in mixed vehicles)

<b>Year</b>	<b>Optimistic</b>	<b>Conservative</b>
2014	76,281	74,618
2015	82,137	78,877
2016	87,108	82,076
2020	95,493	91,392
2025	95,493	95,095
2027	95,493	95,095

## 5. TOLL RATE

Toll rate structure of the Meiguan Expressway is based on the current toll rates of expressways in Guangdong province. Toll increase is subject to the approval of the provincial Price Control Bureau. Every application for toll increase will be considered individually on its own merits. Given that toll rates in the Guangdong Province is relatively higher in China, and the fact that there is very strict existing toll policy, there has not been any toll increase approved in the influence area in recent years. We have therefore assumed no toll increase for the remainder of the concession period of Meiguan Expressway.

Table 5.1 Toll rate structure of the Meiguan Expressway

		<b>Multiplier</b>	<b>Toll Rate (RMB/km)</b>
Class 1	Small cars, jeeps, passenger/cargo vans (2 axles and 2-4 wheels)	1	0.60
Class 2	Vans, small passenger/cargo vans, light trucks, small passenger cars (2 axles and 4 wheels)	1.5	0.90
Class 3	Medium size coaches, large size coaches, medium sized trucks (2 axles and 6 wheels)	2	1.20
Class 4	Large truck, large trailers, 20 ft. container trucks (3 axles and 6-10 wheels)	3	1.80
Class 5	Heavy trucks, heavy trailers, 40 ft. container trucks (>3 axles and >10 wheels)	3.5	2.10

## 6. SUMMARY OF FUTURE TOLL REVENUE ESTIMATIONS

The future annual toll revenue is calculated by applying the toll structure in Table 5.1 to the average daily traffic for each vehicle class. The 20 days toll-free policy for small passenger vehicles during major holidays on the projected annual revenue has been considered. Summaries of the toll revenue estimations of the Meiguan Expressway Merlin – Guanlan section are presented in the Table 6.1 under two scenarios.

Table 6.1 Projected Annual Revenue (in million RMB)

<b>Year</b>	<b>Optimistic</b>	<b>Conservative</b>
2014	285.5	280.2
2015	307.5	296.2
2016	326.6	308.6
2020	358.1	343.5
2025	358.1	357.4
2027	88.3	88.1



**7. CONCLUSION**

The Consultant concluded that the traffic forecasts and toll revenue projections developed from the above methodology and on the above assumptions are in line with common professional practice and meet the objectives of the agreed scope of works with Shenzhen Expressway Company Limited.

Yours sincerely

**Annie Lai**

*Project Manager*

**Parsons Brinckerhoff**

Annie Lai is a member of the Hong Kong Institution of Engineers, Institute of Highway & Transportation, Chartered Institute of Logistics and Transport in Hong Kong and Institute of Transportation Engineers. She has over 19 years' experience in development of travel demand model including regional demand models and corridor analysis, toll road feasibility studies.

*Set out below are the text of the letter received from the auditor of the Company, PricewaterhouseCoopers Zhong Tian LLP, Certified Public Accountants, the PRC and the text of the letter issued by the Company, both relating to the discounted future estimated cash flows, for the purpose of inclusion in this circular.*

**A. REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF THE TOLL FREE SECTION**



普华永道

**REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION FOR ITS VALUATION AS AT 31 DECEMBER 2013 OF THE MARKET VALUE OF THE MEILIN TO GUANLAN SECTION OF MEIGUAN EXPRESSWAY IN SHENZHEN**

**TO THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY COMPANY LIMITED**

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “Valuation”) dated 6 March 2014 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “Independent Valuer”) in respect of the appraisal of the fair value of the Meilin to Guanlan Section of Meiguan Expressway in Shenzhen as at 31 December 2013 (the “Target Assets”) is based. The Valuation is set out in Appendix II of the circular of Shenzhen Expressway Company Limited (the “Company”) dated 6 March 2014 (the “Circular”) in connection with the transaction of the Target Assets by the Company. 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”).

**Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company and the Independent Valuer are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and the Independent Valuer and as set on pages 16 to 25 of the Circular. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

普华永道中天会计师事务所(特殊普通合伙)  
PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center  
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC  
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

**Reporting Accountant's Responsibility**

It is our responsibility to report, as required by paragraph 29(2) of Appendix 1B of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Assets.

We conducted our work in accordance with the China Standard on Other Assurance Engagements No.3101 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by Chinese Institute of Certified Public Accountant. 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, has been properly compiled in accordance with the bases and assumptions as set out on pages 16 to 25 of the Circular. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 29(2) of Appendix 1B of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

**Opinion**

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company and the Independent Valuer as set out on pages 16 to 25 of the Circular.

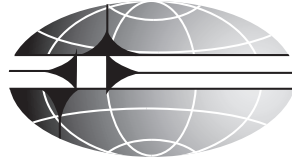
**PricewaterhouseCoopers Zhong Tian LLP**

Certified Public Accountant: Zhou Wei Ran

Shanghai, the People's Republic of China  
6 March 2014

Certified Public Accountant: Hua Jun

**B. LETTER FROM THE COMPANY ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS  
IN CONNECTION WITH THE BUSINESS VALUATION OF THE TOLL FREE SECTION**



**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: 00548)**

6 March 2014

**Rules 14.62 and 14.71 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited**

We refer to the business valuation prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”) in relation to the appraisal of the market value of the Toll Free Section (the “Business Valuation”) as set out in Appendix II to the circular (the “Circular”) issued by Shenzhen Expressway Company Limited (the “Company”) dated 6 March 2014.

We have reviewed the Business Valuation for which JLL are responsible and discussed with JLL on different aspects in relation thereto including the bases and assumptions upon which the Business Valuation has been prepared. We have also considered the letter from our auditor, PricewaterhouseCoopers Zhong Tian LLP dated 6 March 2014 addressed to us regarding whether the Business Valuation was compiled properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the Business Valuation set out in the Circular has been stated after due and careful enquiry.

Yours faithfully,  
For and on behalf of  
**Shenzhen Expressway Company Limited**  
**Yang Hai**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

### Long positions in ordinary shares of SZ International

Name	Number of ordinary shares held as at the Latest Practicable Date <sup>(note 3)</sup>	Approximately percentage of issued share capital of SZ International	Nature of interests	Capacity
Li Jing Qi	828,680	0.05%	Personal	Beneficial owner

### Interests in share option of SZ International

Name	Share option unexercised as at the Latest Practicable Date <sup>(note 3)</sup>	Nature of interests	Capacity
Yang Hai	1,523,100 <sup>(note 1)</sup>	Personal	Beneficial owner
Li Jing Qi	1,840,000 <sup>(note 1)</sup>	Personal	Beneficial owner
Zhao Jun Rong	1,479,000 <sup>(note 1)</sup>	Personal	Beneficial owner
Hu Wei	1,575,000 <sup>(note 2)</sup>	Personal	Beneficial owner
Tse Yat Hong	2,480,000 <sup>(note 1)</sup>	Personal	Beneficial owner
Zhong Shan Qun	1,523,250 <sup>(note 1)</sup>	Personal	Beneficial owner

*Notes:*

- (1) The share options owned by Directors Yang Hai, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong and supervisor Zhong Shan Qun were granted on 28 September 2010 and 29 January 2014, and could be exercised during the period from 28 September 2012 to 27 September 2015 and from 29 January 2016 to 28 January 2019, according to the grant provisions, with the exercise price HK\$5.8 and HK\$10.4 per share, respectively.
- (2) The share options owned by Director Hu Wei were granted on 18 January 2013 and 29 January 2014, and could be exercised during the period from 28 September 2014 to 27 September 2015 and from 29 January 2016 to 28 January 2019, according to the grant provisions, with the exercise price HK\$9.1 and HK\$10.4 per share, respectively.
- (3) As share consolidation on the basis of every 10 shares with a nominal value of HK\$0.10 each be consolidated into 1 consolidated share with a nominal value of HK\$1.00 each (“Share Consolidation”) of SZ International effective on 13 February 2014, the information disclosed in this section was on the basis after Share Consolidation.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company was interested in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors, supervisors or the chief executives were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Mr. Yang Hai and Mr. Li Jing Qi are executive directors of SZ International. Mr. Zhao Jun Rong and Mr. Zhong Shan Qun are vice-presidents of SZ International and Mr. Tse Yat Hong is the chief financial controller of SZ International.

### **3. COMPETING INTEREST**

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

### **4. INTERESTS IN CONTRACT OR ARRANGEMENT**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company is materially interested in any contracts or arrangement entered into by any members of the Group which is subsisting at the date of this circular and which is significant in relation to the business of the Group.

None of the Directors or supervisors of the Company has any direct or indirect interest in any assets which have been, since 31 December 2012, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any members of the Group, or are proposed to be acquired or disposed of by, or leased to any members of the Group.

**5. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited consolidated accounts of the Group have been made up.

**6. LITIGATION**

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group. In 2011, there was an immaterial litigation against the Group, and the details of which is set out in note 8 of the financial information of the Group in the annual report of the Company for the year ended 31 December 2012 and the interim report of the Company for the six months ended 30 June 2013.

**7. SERVICE CONTRACTS**

Each of the Directors has entered into a service contract with the Company. Contents of such contracts are the same in all material respects. All such service contracts are effective from 1 January 2012 to 31 December 2014. Save as the aforesaid, no service contracts that can be terminated within one year with compensation payable as a result (other than general statutory compensation) have been or proposed to be entered into between the Group and the Directors.

**8. EXPERT**

- (a) The following are the qualifications of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers Zhong Tian LLP	Certified Public Accountant, the PRC
Parsons Brinckerhoff (Asia) Limited	traffic consultants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	valuer

- (b) As at the Latest Practicable Date, each of the Auditor, PB and JLL had no beneficial shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- (c) Each of the Auditor, PB and JLL has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter and references to its name in the form and context in which it is included.

- (d) As at the Latest Practicable Date, each of the Auditor, PB and JLL was not interested, directly or indirectly, in any assets which had since 31 December 2012 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.
- (e) The letter from JLL dated 6 March 2014 is set out in Appendix II to this circular.
- (f) The letter from PB dated 6 March 2014 is set out in Appendix III to this circular.
- (g) The letter from the Auditor dated 6 March 2014 is set out in Appendix IV to this circular.

## 9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

- (a) the Adjustment Agreement;
- (b) 9 land use rights transfer contracts, including:
  - (i) 5 land use rights transfer contracts dated 10 May 2012 entered into by 貴州省龍里縣國土資源局 (Bureau of Land Resources of Longli County) (the “Land Bureau”) and 貴州貴深投資發展有限公司 (Guizhou Guishen Investment Development Company Limited) (“Guishen Company”) pursuant to which the Land Bureau transferred the land use rights of 5 pieces of land situated at Wangguan Village, Gujiao Town, Longli County, the PRC (the “Land”) with a total area of 346,021 square metres to Guishen Company at a total consideration of RMB181,661,025;
  - (ii) 4 land use rights transfer contracts dated 4 June 2012 entered into by the Land Bureau and Guishen Company pursuant to which the Land Bureau transferred the land use rights of 4 pieces of the Land with a total area of 242,571 square metres to Guishen Company at a total consideration of RMB127,349,775;
- (c) 12 land use rights transfer contracts, including:
  - (i) 3 land use rights transfer contracts dated 9 August 2013 entered into by the Land Bureau and Guishen Company pursuant to which the Land Bureau transferred the land use rights of 3 pieces of the Land with a total area of 159,656 square metres to Guishen Company at a total consideration of RMB83,819,400;



- (ii) 2 land use rights transfer contracts dated 5 November 2013 entered into by the Land Bureau and a wholly-owned subsidiary of Guishen Company pursuant to which the Land Bureau transferred the land use rights of 2 pieces of the Land with a total area of 106,781.9 square metres to the wholly-owned subsidiary of Guishen Company at a total consideration of RMB56,060,503;
- (iii) 7 land use rights transfer contracts dated 19 February 2014 entered into by the Land Bureau and three wholly-owned subsidiaries of Guishen Company pursuant to which the Land Bureau transferred the land use rights of 7 pieces of the Land with a total area of 386,963.97 square metres to the wholly-owned subsidiaries of Guishen Company at a total consideration of RMB203,156,085;

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Suites 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong up to and including 20 March 2014:

- (a) the Adjustment Agreement dated 27 January 2014;
- (b) the articles of association of the Company and its attachments thereto;
- (c) the annual reports of the Company for the two years ended 31 December 2011 and 2012, and interim report of the Company for the six months ended 30 June 2013;
- (d) the letters of consent from each of the Auditor, PB and JLL;
- (e) the business valuation report of the Toll Free Section prepared by JLL, a summary of which is set out in Appendix II to this circular;
- (f) the traffic and revenue study report prepared by PB, a summary of which is set out in Appendix III to this circular;
- (g) the letters from the Auditor and the Company on the discounted future estimated cash flows in connection with the business valuation of the Toll Free Section, the text of which is set out in Appendix IV to this circular;
- (h) the service contracts referred to in this Appendix;
- (i) the material contracts referred to in this Appendix; and
- (j) all circular(s) issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued since the date to which the latest published audited consolidated financial statements of the Group have been made up (i.e. 31 December 2012).

**11. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Wu Qian, and she possesses the qualification of PRC Certified Public Accountant.
- (b) The head office and the legal address of the Company is situated at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, PRC. The place of business of the Company in Hong Kong is at Suites 2001-2005,20/F., Jardine House, 1 Connaught Place, Central, Hong Kong.
- (c) The share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text unless otherwise stated.

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## NOTICE OF THE EGM

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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: 00548)**

### **NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING 2014**

Notice is hereby given that the First Extraordinary General Meeting 2014 ("EGM") of Shenzhen Expressway Company Limited ("Company") will be held at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the People's Republic of China at 10:00 a.m. on 28 March 2014 (Friday) to consider and, if thought fit, approve the resolution in relation to the toll adjustment in Meiguan Expressway and compensation by the government by way of an ordinary resolution:

"The agreement dated 27 January 2014 between the Company, Shenzhen Meiguan Expressway Company Limited (a wholly-owned subsidiary of the Company), Transport Commission of Shenzhen Municipality, and Shenzhen Longhua New Area Administrative Committee ("Agreement") and the proposed toll adjustment, compensation arrangement and other matters contemplated under the Agreement be and are hereby approved, confirmed and ratified; the board of directors of the Company or any director duly authorised be and are hereby authorised to do all such acts and things as they consider necessary or expedient to implement or give effect to the Agreement and to execute related documents. A copy of the Agreement has been produced to the meeting marked "A" and initialed by the Chairman of the meeting for the purpose of identification."

By Order of the Board

**Yang Hai**

*Chairman*

Shenzhen, PRC, 11 February 2014

*Notes:*

**1. Eligibility for attending the EGM**

Shareholders of the Company whose names appear on the registers of shareholders of the Company at the close of business on 25 February 2014 shall have the right to attend the EGM after complying with the necessary registration procedures.

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

- i. Shareholders intending to attend the EGM should deliver to the Company, on or before 7 March 2014, either in person, by post or by fax, the reply slip (together with any required registration documents) for attending the EGM.

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## NOTICE OF THE EGM

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- ii. Holders of H shares of the Company please note that the register of holders of H shares of the Company will be closed from 26 February 2014 to 28 March 2014 (both days inclusive), during which period no transfer of H shares of the Company will be registered. Holders of H shares of the Company who intend to attend the EGM must deliver their instruments of transfer together with the relevant share certificates to Hong Kong Registrars Limited, the registrar of H shares of the Company, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on 25 February 2014.

### 3. Proxy

- i. Shareholders entitled to attend and vote at the EGM are entitled to appoint, in written form, one or more proxies (whether a shareholder or not) to attend and vote on his behalf.
- ii. A proxy should be appointed by written instrument signed by the appointor or his attorney. If the written instrument is signed by the attorney of the appointor, the written authorisation or other authorisation documents of such attorney should be notarised. In order to be valid, for holders of domestic shares of the Company, the written authorisation or authorisation documents which have been notarised together with the completed proxy form must be delivered to the Company not less than 24 hours before the time of the holding of the EGM. In order to be valid, for holders of H shares of the Company, the above documents must be delivered to Hong Kong Registrars Limited, at Floor 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, within the same period.
- iii. Shareholder or his proxy should produce identity proof when attending the EGM.

- 4. For details of the resolution set out in this notice, please refer to the joint announcement of the Company dated 27 January 2014.

### 5. Poll

Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting at the EGM on the resolution set out in the notice of the EGM will be taken by poll.

### 6. Other matters

- i. The duration of the EGM is expected not to exceed one day. Shareholders or proxies who attend the EGM shall arrange for food, accommodation and other relevant expenses at their own cost.
- ii. Address of Hong Kong Registrars Limited (for share transfer):  
Shops 1712-16, 17th Floor, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong
- iii. Address of the Company:  
Podium Levels 2-4, Jiangsu Building, Yitian Road,  
Futian District, Shenzhen, PRC  
Postal code: 518026  
Tel.: (86) 755 – 8285 3332  
Fax: (86) 755 – 8285 3411