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

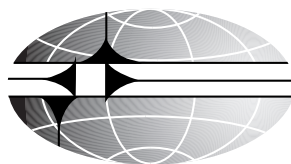
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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**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 AND CONNECTED TRANSACTION**  
**ESTABLISHMENT OF PROJECT COMPANY**  
**AND**

**NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING 2014**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

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A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee is set out on page 15 of this circular and a letter from Messis is set out on pages 16 to 28 of this circular.

An extract of the notice dated 19 August 2014 convening the second 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 2:30 p.m. on 8 October 2014 (Wednesday) is set out on pages 44 to 45 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 19 August 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 17M Floor, 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.

17 September 2014

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## DEFINITIONS

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

“Adjustment Agreement”	the agreement entered into among the Company, Meiguan Company, Transport Commission of Shenzhen Municipality (深圳市交通運輸委員會) and Longhua Committee on 27 January 2014 relating to, among others, the toll adjustment of Meiguan Expressway (toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km implemented from 24:00 on 31 March 2014, and the toll of Shenzhen-Dongguan border to Guanlan section of Meiguan Expressway with a mileage of approximately 5.4 km will be remained unchanged) and the relevant compensation arrangement (being the compensation of the future income of the said toll-free section for approximately RMB1,597,950,000 (approximately HK\$2,022,720,000) and other relevant costs/expenses for approximately RMB1,102,370,000 (approximately HK\$1,395,410,000) (preliminary figure, subject to adjustment)). Details of which are set out in the joint announcement of the Company and SZ International dated 27 January 2014
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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
“Director(s)”	the director(s) of the Company
“DTZ”	DTZ Debenham Tie Leung Limited, an independent property valuer appointed by the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Framework Agreement and the transactions contemplated thereunder
“Framework Agreement”	the framework agreement on joint venture in establishment of the Project Company in relation to the Meilin Checkpoint Urban Renewal Project (《關於合資成立梅林關城市更新項目公司的框架協議》) entered into by SZ International and the Company on 8 August 2014
“Group”	the Company and its consolidated subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Wang Hai Tao, Mr. Zhang Li Min, Mr. Au Sing Kun and Mr. Lin Chu Chang to advise the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders, other than SZ International and its associates
“Initial Capital Contribution”	XTC Company’s and the Company’s capital contributions in the aggregate amount of RMB200,000,000 (approximately HK\$253,000,000) for the establishment of the Project Company pursuant to the Framework Agreement
“Latest Practicable Date”	12 September 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longhua Committee”	Shenzhen Longhua New Area Administrative Committee
“Meiguan Company”	Shenzhen Meiguan Expressway Company Limited (深圳市梅觀高速公路有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
“Meiguan Expressway”	the expressway from Meilin to Guanlan in Shenzhen City with total length of approximately 19.2 kilometres, starting from Meilin checkpoint in the south and runs northwards ending at the border of Shenzhen and Dongguan
“Meilin Checkpoint Renewal Land”	the western land parcel in Meilin Toll Station owned by Meiguan Company and Huatongyuan Logistic Centre land parcel owned by XTC Company, etc., totaling approximately 131,000 square metres
“Meilin Checkpoint Urban Renewal Project”	the project of intended adjustment in the land use of the Meilin Checkpoint Renewal Land by the Shenzhen government, of which approximately 96,000 square metres will be changed to development and construction land for comprehensive development in accordance with urban renewal policy
“Messis”	Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Company

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## DEFINITIONS

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“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project Company”	a company established in Shenzhen City, Guangdong Province, the PRC by XTC Company and the Company pursuant to the Framework Agreement, and will be the applying entity and legal entity for the Meilin Checkpoint Renewal Project (which has been established on 20 August 2014, namely, 深圳市深國際聯合置地有限公司(Shenzhen SZ International Joint Landmark Company Limited))
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap.571, Laws of Hong Kong)
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Capital Injection”	the capital injection to the Project Company by XTC Company and the Company according to the needs of the Project Company pursuant to the Framework Agreement. As a whole, the aggregate capital contributions by both parties (including the Initial Capital Contribution and Subsequent Capital Injection) shall not exceed RMB5,000,000,000 (approximately HK\$6,329,000,000)
“SZ International”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“XTC Company”	Xin Tong Chan Development (Shenzhen) Company Limited (新通產實業開發(深圳)有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of SZ International
“%”	per cent

*Notes:*

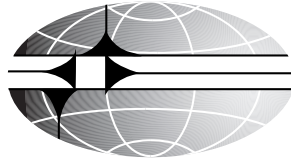
In this circular, the English names of certain PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

In this circular, conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 to RMB0.79. 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 2001-2006, 20th Floor,  
Jardine House,  
1 Connaught Place,  
Central, Hong Kong

17 September 2014

*To the Shareholders*

Dear Sirs or Madams,

**MAJOR AND CONNECTED TRANSACTION  
ESTABLISHMENT OF PROJECT COMPANY**

**INTRODUCTION**

On 8 August 2014, the Board announced that on 8 August 2014, the Company and SZ International entered into the Framework Agreement pursuant to which, the Company and SZ International, through its wholly-owned subsidiary XTC Company, will make capital contributions to establish the Project Company to obtain the land of the Meilin Checkpoint Urban Renewal Project. The Company and XTC Company will own 49% and 51% equity interests in the Project Company respectively and shall make capital contributions in cash and in proportion to their respective interests, details of which are set out in the paragraph headed "Registered Capital and Capital Contributions" below.

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## LETTER FROM THE BOARD

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As SZ International is an indirect controlling Shareholder, which owns 50.889% interests in the Company and XTC Company is the controlling Shareholder, which directly owns 30.025% interests in the Company, the Framework Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. According to the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the Framework Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Framework Agreement and the transactions contemplated thereunder shall be subject to the Independent Shareholders' approval. The Independent Board Committee comprising all the independent non-executive directors (none of the members of the Independent Board Committee has a material interest in the Framework Agreement and the transactions contemplated thereunder) has been formed by the Company to advise the Independent Shareholders in relation to the Framework Agreement and the transactions contemplated thereunder. The Company has appointed Messis as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

The purpose of this circular is to provide you with, among other things, (i) details of the Framework Agreement and the transactions contemplated thereunder, (ii) the recommendation from the Independent Board Committee; (iii) the advice of Messis; (iv) a notice of the EGM at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Framework Agreement and the transactions contemplated thereunder, and (v) other information required under the Listing Rules.

### **FRAMEWORK AGREEMENT**

The principal terms of the Framework Agreement are as follows:

**Date:**

8 August 2014

**Parties:**

- (1) The Company, representing the Company and its wholly-owned subsidiaries; and
- (2) SZ International, representing SZ International and its wholly-owned subsidiaries

SZ International nominated XTC Company, its wholly-owned subsidiary, as the shareholder of the Project Company.

**Registered Capital and Capital Contributions:**

Pursuant to the Framework Agreement, the Project Company will be a limited liability company established in Shenzhen City, Guangdong Province, the PRC. The Company will own 49% equity interests in the Project Company. XTC Company will own 51% equity interests in the Project Company. The parties shall make capital contributions in cash and in proportion to their respective interests in the Project Company. The initial registered capital of the Project Company shall be RMB200,000,000 (approximately HK\$253,000,000), in which the Company shall make capital contribution of RMB98,000,000

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## LETTER FROM THE BOARD

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(approximately HK\$124,000,000) and XTC Company shall make capital contribution of RMB102,000,000 (approximately HK\$129,000,000). The Project Company will be a non-wholly owned subsidiary of SZ International after its establishment.

After the Subsequent Capital Injection by the Company is approved by the Independent Shareholders, both shareholders of the Project Company will make further capital contributions to the Project Company in cash and in proportion to their respective interests if additional capital is required by the Project Company. The aggregate capital contributions (including Initial Capital Contribution and Subsequent Capital Injection) of the parties shall not exceed RMB5,000,000,000 (approximately HK\$6,329,000,000), in which the Company's aggregate capital contributions shall not exceed RMB2,450,000,000 (approximately HK\$3,101,000,000) and XTC Company's aggregate capital contributions shall not exceed RMB2,550,000,000 (approximately HK\$3,228,000,000).

The Company and SZ International agreed that upon obtaining the respective approvals from each competent authority(ies) for the formation of the Project Company with the Initial Capital Contribution, the Project Company will be registered and established first to carry out the preparatory work such as evaluation, planning and coordination of the Meilin Checkpoint Urban Renewal Project. If the Company could not obtain the Independent Shareholders' approval for the Subsequent Capital Injection after the establishment of the Project Company, XTC Company shall acquire all the equity interests in the Project Company held by the Company at the amount of capital already contributed by the Company to the Project Company together with an interest thereon at the prevailing bank lending rate.

The Company and XTC Company shall take responsibility for the Project Company up to the committed amount of their respective capital contributions to the Project Company, and shall share profit of the Project Company in proportion to their respective capital contributions to the Project Company.

The aggregate capital contribution amount of the parties of a maximum of RMB5,000,000,000 (approximately HK\$6,329,000,000) was determined after negotiation by the Company and SZ International with reference to the cost of the land of the Meilin Checkpoint Urban Renewal Project (please refer to "Information on Meilin Checkpoint Urban Renewal Project" below).

The Company will fund its capital contributions to the Project Company through internal resources and borrowings. Subsequent Capital Injection to the Project Company will be made in accordance with the actual financial needs of the Meilin Checkpoint Urban Renewal Project, which is expected to be carried out in phases during the period from 2015 to 2016. Based on the operating cashflow, business development and capital expenditure plans of the Group, the directors of the Company are of the view that the transactions contemplated under the Framework Agreement will not have a significant impact on the financial position of the Company.

### **The business scope of the Project Company:**

The proposed principal business scope of the Project Company (subject to approval by the relevant registration authority) includes urban renewal and urban regeneration, comprehensive land development, development, construction and operation of urban infrastructure and public facilities, property leasing, property management.



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## LETTER FROM THE BOARD

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### **The board of directors and the management of the Project Company:**

The board of directors of Project Company will consist of seven directors, of which three directors will be nominated by the Company and four directors will be nominated by XTC Company. There will be one chairman in the Project Company, who will be elected by the board of directors of Project Company among the directors nominated by XTC Company.

There will be one general manager and several deputy general managers in the Project Company, of which, the general manager and financial controller will be nominated by the Company, one deputy general manager will be nominated by XTC Company and other deputy general manager(s) will be nominated by the general manager based on business needs of the Project Company. All such appointments shall be approved by the board of directors of Project Company.

### **Other material clauses:**

After the establishment of the Project Company, the Project Company will appoint an evaluation institution to assess the value of the land and buildings of the Company and SZ International within the Meilin Checkpoint Renewal Land based on the market principles. The Project Company will make relocation compensation to the Company and SZ International for the demolition and relocation of the land and buildings within the Meilin Checkpoint Renewal Land based on the assessment.

After completion of the procedures in land use and the entering into of the land transfer agreement in respect of the Meilin Checkpoint Urban Renewal Project by the Project Company, each of the Company and SZ International will consider with priority to the transfer of its respective 25% or more equity interests in the Project Company to brand enterprise which owns First-class Qualification in Real Estate Development by way of listing for sale through property and rights trade centre. The parties agreed to act in concert with regard to this matter and will apply to each competent authority(ies) for approval. In line with the future strategic positioning of the Company and SZ International and for the interests of both parties, upon approval by the respective competent authority(ies), the Project Company could be operated in the following manner: (1) the respective shareholdings held by both parties in the Project Company remain unchanged and the Meilin Checkpoint Urban Renewal Project will be developed by the Project Company itself; (2) the transfer of some or all equity interests in the Project Company between the parties.

### **Conditions precedent:**

The Framework Agreement shall be effective after signing by the Company and SZ International and approved by each competent approving authority(ies) respectively.

As at the date of this circular, the Framework Agreement and the transactions contemplated thereunder and the relevant arrangements are conditional upon the submission to the general meeting of the Company for approval by the Independent Shareholders.

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## LETTER FROM THE BOARD

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### INFORMATION ON MEILIN CHECKPOINT URBAN RENEWAL PROJECT

Following the implementation of toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 kilometres, the Shenzhen government gradually carries out urban planning design and renewal work along Meiguan Expressway. According to the relevant urban planning, the Shenzhen government intends to implement the Meilin Checkpoint Urban Renewal Project, i.e. adjust the land use of the western land parcel in Meilin Toll Station and Huatongyuan Logistic Centre land parcel, totaling approximately 131,000 square metres, and of which approximately 96,000 square metres will be changed to land for development and construction in accordance with urban renewal policy for comprehensive development.

The Meilin Checkpoint Urban Renewal Project is located in Longhua New Area in Shenzhen, which is one of the five identified sub city centres in *Overall Planning for Shenzhen City (2007-2020)* and a functional expansion of urban areas and key development areas, adjacent to the Futian District, downtown area of Shenzhen City. This project has a planned composite plot ratio of 5.06, and total gross floor area of approximately 486,000 square metres.

According to relevant regulations of Measures on Administration of Urban Renewal of Shenzhen Municipality, the Company and SZ International, as the owners of the Meilin Checkpoint Renewal Land, has the right to establish the Project Company as the entity to apply for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land of the Meilin Checkpoint Urban Renewal Project. In general, the entity of an urban renewal project shall commence the following major tasks before obtaining the land: (1) preparation of the urban renewal plan; (2) appointment of survey and mapping institutions for verification and inspection of buildings; (3) appointment of planning design institution to prepare renewal project planning; (4) confirmation of the entity applying for the project; (5) application for land planning administrative permit, entering into of the land transfer agreement with the government and payment of the land premium to the government. The entity of an urban renewal project shall also make compensation payments for demolition and relocation for the properties on the land.

According to coordination arrangement on the Meilin Checkpoint Urban Renewal Project by Shenzhen government, the land premium required to be paid under the Meilin Checkpoint Urban Renewal Project is approximately RMB3,567,000,000 (approximately HK\$4,515,000,000), which will be valid until 30 June 2015. The application entity for the Meilin Checkpoint Urban Renewal Project shall enter into land transfer agreement with the government and pay the first installment of land premium of approximately RMB1,070,000,000 (approximately HK\$1,354,000,000, 30% of the land premium), and pay the balance of the land premium within 1 year after the said land transfer agreement becoming effective. The entity for the Meilin Checkpoint Urban Renewal Project would also have to make demolition and relocation compensation payments to the Company and SZ International, details of which are subject to further negotiation between related parties.

Upon preliminary assessment by the Company and SZ International, the total cost of land on the Meilin Checkpoint Urban Renewal Project is approximately RMB5,000,000,000 (approximately HK\$6,329,000,000), including the above-mentioned land premium required to be paid in amount of RMB3,567,000,000, relevant taxes and fees, the demolition and relocation compensation payment for the properties on the Meilin Checkpoint Renewal Land, and the initial planning expenses, etc. The estimation of cost is based on the land premium determined by the government, and with reference to the information on

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## LETTER FROM THE BOARD

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demolition and relocation compensation and preliminary planning expenses of other similar urban renewal projects in Shenzhen, together with the area, the plot ratio and planning indicators of the land of the Meilin Checkpoint Urban Renewal Project, etc. The gross floor area of the Meilin Checkpoint Urban Renewal Project is approximately 486,000 square metres, including estate for residential, commercial, office, business apartments and public ancillary, etc. Based on the currently planned saleable area of approximately 470,000 square metres, the floor price of the Meilin Checkpoint Urban Renewal Project is approximately RMB10,000 to 11,000 per square metre. The Company reviewed the market price of the adjacent area of the Meilin Checkpoint Renewal Land and considered that when comparing the floor price of such project to that of adjacent area, the land of such project has obvious advantages in price with good potential development and appreciated value.

For the purpose of obtaining the land of Meilin Checkpoint Urban Renewal Project by the Project Company, the following procedures will be involved:-

- (1) Meiguan Company and XTC Company will have to demolish and relocate the properties on the Meilin Checkpoint Urban Renewal Land and give up the relevant land to the government;
- (2) the government will enter into a land transfer agreement with the Project Company for transfer of the land of Meilin Checkpoint Urban Renewal Project to the Project Company;
- (3) the Project Company shall pay the land premium to the government and pay demolition and relocation compensation to Meiguan Company and XTC Company.

The Framework Agreement does not provide for the disposal of land by the Group, which will be subject to the entering into of further agreement between the relevant parties. The Company will comply with the relevant requirements of the Listing Rules accordingly.

To ensure normal performance of duties by government authority and the smooth commencement of specialised work, Longhua Committee, being the authority assigned by municipal government in which the Meilin Checkpoint Renewal Land located, requires that the ultimate entity participated in the Meilin Checkpoint Urban Renewal Project shall be able to complete the related tasks and pay the land premium within the agreed time, and if it fails to fulfill the obligation, pay an agreed compensation in the amount of the actual damages for breach of contract payable by Longhua Committee pursuant to the terms of Adjustment Agreement (i.e. if Longhua Committee delays the payment of the compensation to the Company and Meiguan Company pursuant to the Adjustment Agreement, damages shall be paid to the Company and Meiguan Company calculated at 0.05% per day according to the due but unpaid amount). Pursuant to Longhua Committee's requirement, the Company and SZ International has entered into a payment agreement (the "Payment Agreement") with Longhua Committee on 10 September 2014, pursuant to which, the Company and SZ International have agreed that upon obtaining the approval from each competent authority(ies) respectively on the related matters, they will through the Project Company carry out the Meilin Checkpoint Renewal Project, among which, (a) the Project Company will enter into the land transfer agreement with Urban Planning Land and Resources Commission of the Shenzhen Municipality (深圳市規劃和國土資源委員會) and pay the first installment of the land premium in the amount of approximately RMB1,070.01 million (approximately HK\$1,354.44 million, being 30% of the land premium) by 30 June 2015; and (b) the Project Company will pay the balance of the land premium in the amount of RMB2,496.69 million (approximately HK\$ 3,160.37 million, being 70% of the land premium) within 1 year after the said

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## **LETTER FROM THE BOARD**

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land transfer agreement becoming effective. If the Company and SZ International fail to fulfill the aforesaid obligation under the Payment Agreement, the Company and SZ International shall pay the agreed compensation to Longhua Committee in proportion to their respective interests in the Project Company. If for reasons attributable to Longhua Committee or other government departments the approval process of the Meilin Checkpoint Urban Renewal Project is delayed, the deadline for payment of the first installment of the land premium could be correspondingly postponed provided that the relevant parties agree in writing. The Payment Agreement could be cancelled or terminated as a result of, among others, force majeure event, mutual agreement between the parties to the Payment Agreement, or termination of the Meilin Checkpoint Urban Renewal Project by the government. The Payment Agreement will take effect after all relevant approvals, authorisations, consents and permissions are obtained by all the relevant parties in accordance with applicable laws, rules and regulations.

### **REASONS FOR AND BENEFIT OF ENTERING INTO FRAMEWORK AGREEMENT**

The Meilin Checkpoint Renewal Land is situated at geographically advantageous location with obvious advantageous land price, good investment value and appreciation potential. The establishment of the Project Company by the Company and SZ International to obtain the land of the Meilin Checkpoint Urban Renewal Project could meet the government's related requirements on the entity for urban renewal, and to enable both parties to seize the opportunity for urban development and renewal, timely realise the commercial value of current resources, and improve the overall corporate performance and shareholders' returns.

Currently, the Company plans to obtain the land of the Meilin Checkpoint Urban Renewal Project together with SZ International through the Project Company. For the purpose of realising revenue in time and reducing operational risk, the Company and SZ International currently prefer to let a brand enterprise which owns First-class Qualification in Real Estate Development (In the PRC, an enterprise engaging real estate development is required to obtain qualification. First-class Qualification in Real Estate Development is the highest grade in the 4 grades in real estate development in the PRC) to manage and lead the Meilin Checkpoint Urban Renewal Project by leveraging its professional management team, rich development experience and market influence. To achieve that, the Company and SZ International would transfer their respective 25% or more equity interests in the Project Company to such brand enterprise to enable such brand enterprise to obtain a control of 50% or more over the Project Company and accordingly gain control of the Meilin Checkpoint Urban Renewal Project. If such proposed equity transfers materialise, the transaction might constitute a notifiable and connected transaction of the Company under the Listing Rules, the Company will comply with the relevant requirements of the Listing Rules accordingly.

Other than introducing a brand enterprise to take control of the Meilin Checkpoint Urban Renewal Project, depending on the assessment of the Company's management on, among others, revenue to be generated by the Meilin Checkpoint Urban Renewal Project, the risks to be involved in operating the Meilin Checkpoint Urban Renewal Project, the financial position of the Group, the management expertise of the Company to oversee the Meilin Checkpoint Urban Renewal Project and external market conditions, the Company may also opt to develop the Meilin Checkpoint Urban Renewal Project by the Project Company with or without adjustment in equity interests of the Company and SZ International in the Project Company. If adjustment in equity interests of the Company and SZ International in the Project Company materialises, the transaction might constitute a notifiable and connected transaction of the Company under the Listing Rules, the Company will comply with the relevant requirements of the Listing Rules accordingly.

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## LETTER FROM THE BOARD

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If the Company eventually opts to develop the Meilin Checkpoint Urban Renewal Project by the Project Company, to ensure that the Meilin Checkpoint Urban Renewal Project would yield return expected by the Company, professionals that have experiences in property development and urban renewal in the PRC would be employed to operate the Meilin Checkpoint Urban Renewal Project. Even the Company does not have any prior experience in participating in urban renewal project, with the assistance of these professionals coupled with the extensive experience of the Company accumulated in the past years in management of construction projects, project and market research, comprehensive development etc., the entering into of the Framework Agreement is still in the interest of the Company.

In view of the current advantageous land price, it is expected to achieve reasonable economic returns no matter through the transfer of equity interests in the Project Company or self-development. The specific impact will depend on the operation strategy of the Company on Project Company and market conditions. It is expected that the Meilin Checkpoint Urban Renewal Project will not generally have an impact on the operating results of the Company in 2014.

### CONSIDERATION OF THE TRANSACTION BY THE COMPANY

A Board meeting of the Company was held on 7 August 2014 and approved *Resolution on joint venture with SZ International in establishment of the Project Company to implement Meilin Checkpoint Urban Renewal Project*. Mr. Yang Hai, Mr. Li Jing Qi, Mr. Zhao Jun Rong, Mr. Hu Wei and Mr. Tse Yat Hong, who have positions in SZ International and/or its subsidiaries (excluding the Group) declared their interests as required and abstained from voting on relevant resolution. The resolution was unanimously passed by the remaining Directors.

The Board is of the view that the Framework Agreement and the transactions contemplated thereunder and the related arrangements are negotiated on an arm's length basis by SZ International and the Company and are entered into on normal commercial terms, the terms of the transactions are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

The Board is of the view that by participating in Meilin Checkpoint Urban Renewal Project through joint venture could realise the commercial value of current resources, and could further accumulate experience in comprehensive development projects, which is in its ordinary course of business, and is in line with the development strategy of leverage highways business and actively exploring and attempting for new industry investment formulated by the Company.

Carrying out the Meilin Checkpoint Urban Renewal Project may be exposed to uncertainties such as market risk, compensation for land demolition and relocation risk. The value of the land and the properties market could be affected by various factors including society, political, economic and legal environment, as well as the government's fiscal policy and monetary policy, etc. Although a material fluctuation is unlikely to occur in the coming two years, it may be exposed to certain market risks as the Meilin Checkpoint Urban Renewal Project is a relatively long-cycle project. In addition, in order to achieve a developable state for an urban renewal project, demolition and relocation compensation payment are required to be made in respect of the properties on the land of the project and there may be risk of slow progress and high cost of demolition. Therefore, the Company will strengthen the research and tracking on the market and policy, and procure the Project Company to enhance preparatory market research, focus on planning work, and enhance its market competitiveness and responsive capabilities. At the same time, the Company will enhance the

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## LETTER FROM THE BOARD

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communications and coordination between cooperation parties and the government departments, and organise relevant assets valuation and auditing work through the Project Company to facilitate the demolition work. It is expected the overall risk is controllable.

### **INFORMATION ON SZ INTERNATIONAL AND ITS WHOLLY-OWNED SUBSIDIARY XTC COMPANY**

SZ International and its subsidiaries are principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform. XTC Company is principally engaged in investment holding.

### **INFORMATION ON THE COMPANY**

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

### **FINANCIAL EFFECTS**

The Project Company will become an associated company of the Company upon establishment, and its financial statements will not be consolidated into those of the Company. Pursuant to the Framework Agreement and the estimation of capital need of the Meilin Checkpoint Urban Renewal Project, it is expected that the Company would have to make contributions in the amount of approximately RMB30,000,000, RMB1,150,000,000 and RMB1,270,000,000 to the Project Company for the year 2014, 2015 and 2016, respectively. Based on the unaudited financial statements of the Company for the six months ended 30 June 2014 and assuming that the Company's maximum aggregate capital contribution of RMB2,450,000,000 be funded through borrowings, such contributions would result in an increase of not more than approximately 4.3 percentage points of the assets to liabilities ratio of the Company due to the increase of RMB2,450,000,000 in both total liabilities and total assets. Taking into account the operation plans of the Meilin Checkpoint Urban Renewal Project, the capital needs of the Project Company, and the Company's financial situation, it is expected that the Framework Agreement and the transactions thereunder will not have significant impact on the Company's assets, liabilities and operating results in 2014.

### **LISTING RULES IMPLICATIONS**

As SZ International is an indirect controlling Shareholder, which owns 50.889% interests in the Company and XTC Company is the controlling Shareholder, which directly owns 30.025% interests in the Company, the Framework Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. According to the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the Framework Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Framework Agreement and the transactions contemplated thereunder shall be subject to the Independent Shareholders' approval. The Independent Board Committee comprising all the independent non-executive directors (none of the members of the Independent Board Committee has a material interest in the Framework Agreement and the transactions contemplated thereunder) has been formed by the Company to

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## LETTER FROM THE BOARD

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advise the Independent Shareholders in relation to the Framework Agreement and the transactions contemplated thereunder. The Company has appointed Messis as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **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 2:30 p.m. on 8 October 2014 (Wednesday). Pursuant to Rule 13.39(4) of the Listing Rules and the Articles of Association of the Company, voting at the EGM will be taken by poll.

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 19 August 2014. As extract of the said notice of the EGM are set out on pages 44 to 45 of this circular.

As at the Latest Practicable Date, SZ International and its associates controlled or were entitled to exercise control over the voting rights in respect of 1,109,775,887 shares (representing approximately 50.889% issued shares) in the Company. SZ International and its associates shall abstain from voting on the resolution in relation to the Framework Agreement and the transactions contemplated thereunder in the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, except SZ International and its associates, none of the other shareholders of the Company have to abstain from voting on the resolution in relation to the Framework Agreement and the transactions contemplated thereunder in the EGM.

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, 17M Floor, 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**

Your attention is drawn to the letters from the Independent Board Committee and from Messis, respectively, which set out their recommendations in respect of the Framework Agreement and the transactions contemplated thereunder and the principal factors considered by them in arriving at their recommendations.

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

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## LETTER FROM THE BOARD

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### FURTHER INFORMATION

In order to provide further information on the land of the Meilin Checkpoint Urban Renewal Project for Shareholders' information including its valuation, the Company has appointed DTZ, an independent property valuer, to appraise the market value of the lands of the Meilin Checkpoint Urban Renewal Project as at 31 July 2014. Such information from DTZ is set out in the appendix II to this circular.

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

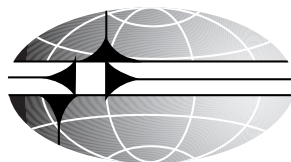
Yours faithfully,  
By Order of the Board of  
**Shenzhen Expressway Company Limited**  
**Yang Hai**  
*Chairman*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

17 September 2014

*To the Independent Shareholders*

Dear Sirs or Madams,

**MAJOR AND CONNECTED TRANSACTION**  
**ESTABLISHMENT OF PROJECT COMPANY**

We have been appointed as members of the Independent Board Committee to advise you in relation to the Framework Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board in the circular of the Company dated 17 September 2014 (the "Circular") to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice from Messis in relation to the Framework Agreement and the transactions contemplated thereunder set out in the section "Letter from Messis" in the Circular.

**RECOMMENDATION**

Having taken into account the principal factors and reasons considered by Messis regarding the Framework Agreement and the transactions contemplated thereunder and its conclusion and advice, we concur with the view of Messis and consider that the terms of the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and that the Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,

**Wang Hai Tao**

**Zhang Li Min**

**Au Sing Kun**

**Lin Chu Chang**

*Independent Board Committee*

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## LETTER FROM MESSIS

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*The following is the full text of the letter from Messis which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

17 September 2014

*To: The Independent Board Committee and the Independent Shareholders of  
Shenzhen Expressway Company Limited*

Dear Sir or Madam,

### CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 17 September 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 8 August 2014, the Company and SZ International entered into the Framework Agreement, pursuant to which, the Company and SZ International, through its wholly-owned subsidiary XTC Company, will make capital contribution to establish the Project Company to obtain the land of the Meilin Checkpoint Urban Renewal Project. In late August 2014, the Project Company, namely 深圳市深國際聯合置地有限公司 (Shenzhen SZ International Joint Landmark Company Limited) was established by the Company and XTC Company in Shenzhen City, Guangdong Province, the PRC. The Company and XTC Company own 49% and 51% equity interests in the Project Company respectively. Both parties shall make capital contributions in cash and in proportion to their respective interests in the Project Company.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Framework Agreement exceed 25% but are less than 100%, the entering into of the Framework Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules.

SZ International is an indirect controlling Shareholder, which owns approximately 50.889% equity interests in the Company and XTC Company is the controlling Shareholder, which directly owns approximately 30.025% equity interests in the Company, SZ International and XTC Company are connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Framework Agreement and the transactions contemplated thereunder also constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are therefore subject to the reporting, announcement and the Independent Shareholders’ approval requirements pursuant to the Listing Rules. By virtue of its material

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## LETTER FROM MESSIS

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interest in the Framework Agreement, SZ International and its associates will abstain from voting on the relevant resolution(s) to be proposed at the EGM for approving, among other things, the Framework Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising Mr. Wang Hai Tao, Mr. Zhang Li Min, Mr. Au Sing Kun and Mr. Lin Chu Chang, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders on the Framework Agreement and the transactions contemplated thereunder. We, Messis Capital Limited, have been appointed as the independent financial adviser to give advice and make recommendation to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Framework Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole, and whether the Independent Shareholders should vote in favour of the resolution(s) to approve the Framework Agreement and the transactions contemplated thereunder at the EGM.

As at the Latest Practicable Date, Messis did not have any relationship with or interest in the Company that could reasonably be regarded as relevant to the independence of Messis. In the last two years, there was no engagement between the Group and Messis. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Framework Agreement and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In arriving at our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and management of the Company and for which they are responsible, are true and accurate at the time when they were made and will continue to be so as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, SZ International, XTC Company and their respective associates.

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## LETTER FROM MESSIS

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This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Framework Agreement and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

#### 1. Background information of the Group

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

Set out below is a summary of the consolidated financial results of the Group for the two years ended 31 December 2013 as extracted from the Company's annual report for the year ended 31 December 2013 (the "2013 Annual Report"):

	For the year ended 31 December	
	2013	2012
	(Audited)	(Audited)
	RMB'000	RMB'000
Revenue	3,279,281	3,134,623
– Toll road	2,898,291	2,726,353
– Other	380,990	408,270
Operating profit	1,152,809	937,831
Net profit attributable to the Shareholders	719,692	684,527

As shown in the above table, the Group recorded revenue of approximately RMB3,279 million for the year ended 31 December 2013, representing an increase of approximately 4.6% as compared to approximately RMB3,135 million for the previous financial year. According to the 2013 Annual Report, the increase in the revenue for the year ended 31 December 2013 was mainly attributable to the growth of toll road business, the main source of the revenue of the Group. The Group's profit attributable to the Shareholders increased by approximately 5.1% from approximately RMB685 million for the year ended 31 December 2012 to approximately RMB720 for the year ended 31 December 2013, which was mainly attributable to the (i) combined effect of improved road network within the region, increased total traffic flow of the region and the implementation of corresponding measures by the Company to increase revenue and control expenditure; and (ii) the profit from the entrusted construction management services, which was recognised by the Company based on the actual settlement of the work and the progress of completion.

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## LETTER FROM MESSIS

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As at 31 December 2013, the net assets value of the Group amounted to approximately RMB9,974 million. The bank balances and cash amounted to approximately RMB1,095 million as at the same day. According to 2013 Annual Report, both the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group decreased as at 31 December 2013 as compared to those at 31 December 2012 due to the increase in the Group's profit and the decrease in the size of aggregate borrowings subsequent to the repayment of due bonds.

### 2. Background of the Framework Agreement

#### 2.1 Information on the Project Company

The Project Company, namely 深圳市深國際聯合置地有限公司 (Shenzhen SZ International Joint Landmark Company Limited) was established by the Company and XTC Company in late August 2014 in Shenzhen City, Guangdong Province, the PRC for the purpose of obtaining the land of the Meilin Checkpoint Urban Renewal Project, including obtaining the relevant land use right and compensating for demolition, relocation and relevant construction and development. The Project Company is owned as to 49% by the Company and as to 51% by XTC Company.

#### 2.2 Information on the Meilin Checkpoint Urban Renewal Project

Accompanying with the implementation of toll-free for Meilin to Guanlan Section of Meiguan Expressway with a mileage of approximately 13.8 kilometres, Shenzhen government gradually carries out urban planning, design and renewal works along the Meiguan Expressway. According to the relevant urban planning, the Shenzhen government intends to implement the Meilin Checkpoint Urban Renewal Project, i.e. adjust the land use of the western land parcel in Meilin Toll Station and Huatongyuan Logistic Centre land parcel, totalling approximately 131,000 square metres, of which approximately 96,000 square metres will be changed to land for development and construction in accordance with urban renewal policy for comprehensive development. This project has a planned composite plot ratio of 5.06 and total gross floor area of approximately 486,000 square metres. The gross floor area of the Meilin Checkpoint Urban Renewal Project includes estate for residential, commercial, office, business apartments and public ancillary, etc. The lands involved in the Meilin Checkpoint Urban Renewal Project include land blocks nos. A802-0014, A807-0039, A807-0242 and A931-0001 of west side of Meiguan Expressway, Longhua New Area, Shenzhen. The land blocks nos. A802-0014, A807-0039 and A807-0242 are owned by XTC Company. The land block no. A931-0001 is owned by Shenzhen Meiguan Expressway Company Limited ("**Meiguan Company**"), a wholly-owned subsidiary of the Company.

According to coordination arrangement on the Meilin Checkpoint Urban Renewal Project by Shenzhen government, the land premium (the "**Premium**") required to be paid under the Meilin Checkpoint Urban Renewal Project is approximately RMB3,567 million (approximately HK\$4,515 million). On 10 September 2014, Longhua Committee, SZ International and the Company have entered into the Payment Agreement, pursuant to which, the Company and SZ International have agreed that upon obtaining the approval from each competent authority(ies) on the related matters, they will through the Project Company carry out the Meilin Checkpoint

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## LETTER FROM MESSIS

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Renewal Project, among which, (a) the Project Company will enter into the land transfer agreement with Urban Planning Land and Resources Commission of the Shenzhen Municipality (深圳市規劃和國土資源委員會) and pay the first instalment of the Premium in the amount of approximately RMB1,070.01 million (approximately HK\$1,354.44 million, being 30% of the Premium) by 30 June 2015; and (b) the Project Company will pay the balance of the Premium in the amount of RMB2,496.69 million (approximately HK\$3,160.37 million, being 70% of the Premium) within 1 year after the said land transfer agreement becoming effective. If the Company and SZ International fail to fulfil the aforesaid obligation under the Payment Agreement, the Company and SZ International shall pay the agreed compensation to Longhua Committee in proportion to their respective interests in the Project Company. If for reasons attributable to Longhua Committee or other government departments the approval process of the Meilin Checkpoint Urban Renewal Project is delayed, the deadline for payment of the first instalment of the Premium could be correspondingly postponed provided that the relevant parties agree in writing. The Payment Agreement could be cancelled or terminated as a result of, among others, force majeure event, mutual agreement between the parties to the Payment Agreement, or termination of the Meilin Checkpoint Urban Renewal Project by the government. The Payment Agreement will take effect after all relevant approvals, authorisations, consents and permissions are obtained by all the relevant parties in accordance with applicable laws, rules and regulations.

The Framework Agreement does not provide for the disposal of land by the Group, which will be subject to the entering into of further agreement between the relevant parties. The Company will comply with the relevant requirements of the Listing Rules accordingly. Please refer to the paragraph headed “Information on Meilin Checkpoint Urban Renewal Project” in the Letter from the Board for further details.

### **3. Reasons for and benefits of entering into of the Framework Agreement**

#### ***3.1 Development of Longhua New Area***

Based on the information published by Shenzhen Bureau of Statistics (深圳市統計局), Shenzhen has a population of approximately 10.6 million as at 31 December 2013. Shenzhen’s gross domestic product (“GDP”) for the three months ended 31 March 2014 was approximately RMB295.3 billion, representing an increase of approximately 7.3% as compared to the same period of 2013. GDP for the year ended 31 December 2013 was approximately RMB1,450 billion, representing an increase of approximately 12.0% as compared to 2012.

According to the “Shenzhen Comprehensive Plan (2007-2020)”, Shenzhen Government will place various key construction projects in Longhua New Area, namely, New Shenzhen North Station, Guangzhou-Shenzhen-Hongkong passenger transport line and so on. Longhua New Area centre will be developed as a sub-centre of Shenzhen subsequently. Based on the information published by Longhua New Area Bureau of Development and Finance (龍華新區發展和財政局), Longhua New Area’s GDP for the year ended 31 December 2013 was approximately RMB130.9 billion, representing an increase of approximately 4.0% as compared to that of 2012, which accounted for approximately 9.0% of the total GDP of Shenzhen.

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## LETTER FROM MESSIS

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According to the Shenzhen Land & Real Estate Exchange Centre (深圳市土地房產交易中心), there were two parcels of lands (“**Comparable Lands**”) in Longhua New Area transferred by the Government by way of public tender during the latest one year. Set out below are the further particulars of the Comparable Lands:

	<b>Block number</b>	<b>Land use</b>	<b>Gross floor area</b> <i>(square metres)</i>	<b>Tender price</b> <i>(RMB'000)</i>	<b>Floor cost per square metre</b> <i>(Note)</i> <i>(RMB)</i>
1.	A805-0052	Operational (social works)	15,220	280,000	18,397
2.	A816-0050	Operational (residential and commercial)	262,300	3,820,000	14,563

*Note:* The land cost per square metre is derived by the tender price divided by the gross floor area.

The floor cost of the Meilin Checkpoint Urban Renewal Project is approximately RMB10,000 to RMB11,000 per square metre. As such, the Meilin Checkpoint Urban Renewal Project has advantageous land cost as compared to the Comparable Lands located at the adjacent area.

### 3.2 *Future business plans of the Company*

According to the 2013 Annual Report, the introduction and change in policies continue to put pressure on and bring challenges to the toll highway industry. The Company has been actively seeking for new modes of industrial development with the authorities in recent years to achieve a balanced and sustainable growth. Recently, the Company has actively explored and tried businesses relating to the toll highway business and its core business amid the changes of operating environment. As stated in the paragraph headed “2.2 Information on the Meilin Checkpoint Urban Renewal Project” above, Meilin Checkpoint Urban Renewal Project is under the relevant urban planning of Shenzhen government. In addition, according to relevant regulations of Measures on Administration of Urban Renewal of Shenzhen Municipality, the Company and SZ International, as the owners of the Meilin Checkpoint Renewal Land, has the right to establish the Project Company as the entity to apply for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land of the Meilin Checkpoint Urban Renewal Project. As advised by the management of the Company, it is the intention of the Company to continue focusing mainly on the toll highway business going forward. However, given the prime location of the Meilin Checkpoint Urban Renewal Project and relevant urban development and renewal plan of Shenzhen Government, the Company will grasp the opportunity to seek for a reasonable investment return from such project.

The Company has appointed DTZ to appraise the market value of the lands owned by XTC Company and the Company under the Meilin Checkpoint Urban Renewal Project. As stated in Appendix II “Further Information on the Land of the Meilin Checkpoint Urban Renewal Project” to this circular, the market value of the lands under Meilin Checkpoint Urban Renewal

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## LETTER FROM MESSIS

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Project as at 31 July 2014 would be approximately RMB6,188 million had relevant valid certificate of real estate ownership been issued, transferred land use rights been granted, all premium been fully settled and the procedure for urban renewal been completed.

### ***3.3 Cooperation between the Group and SZ International under the Framework Agreement***

SZ International and its subsidiaries are principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform. As at 31 December 2013, the net assets value and cash and cash equivalents of SZ International amounted to approximately HK\$21,908 million and HK\$4,950 million. Having considered (i) the strong financial position of SZ International; and (ii) the Meilin Checkpoint Urban Renewal Project is under the relevant urban planning of the Shenzhen government and the fact that the lands owned by XTC Company are located adjacent to the lands owned by Meiguan Company, details of which are set out in the paragraph headed “2.2 Information on the Meilin Checkpoint Urban Renewal Project” above; and (iii) the formation of the Project Company by XTC Company and the Company will fulfill the subject of urban renewal projects required Shenzhen Government and grasp the opportunities of urban development and renewal, the management of the Company is of the view that the Group will benefit from the cooperation between the Group and SZ International under the Framework Agreement.

According to the Letter from the Board, the gross floor area of the Meilin Checkpoint Urban Renewal Project is approximately 486,000 square metres, including estate for residential, commercial, office, business apartments and public ancillary, etc. Based on the currently planned saleable area of approximately 470,000 square meter, the floor cost of the Meilin Checkpoint Urban Renewal Project is approximately RMB10,000 to RMB11,000 per square metre, which is substantially lower than the floor cost per square metre of the Comparable Lands of RMB14,563 and RMB18,397 respectively as illustrated in the paragraph headed “3.1 Development of Longhua New Area” above. As such, we concur with the Directors’ view that the Meilin Checkpoint Renewal Land has advantageous land cost as compared to that of the adjacent area and Shenzhen.

According to the Letter from the Board, the Company and SZ International currently prefer to let a brand enterprise which owns First-class Qualification in Real Estate Development to manage and lead the Meilin Checkpoint Urban Renewal Project for the purpose of realizing revenue in time and reducing operational risk. If the Company opts to develop the Meilin Checkpoint Urban Renewal Project by the Project Company, professionals that have experiences in property development and urban renewal in the PRC would be employed to operate the Meilin Checkpoint Urban Renewal Project to ensure that the Meilin Checkpoint Urban Renewal Project would yield return expected by the Company.

In view of the (i) current advantageous land cost of the Meilin Checkpoint Renewal Land and potential development and appreciated value; (ii) the development of Longhua New Area as set out above; and (iii) the Company and SZ International will let a brand enterprise which owns First-class Qualification in Real Estate Development to manage and lead the Meilin Checkpoint Urban Renewal Project or employ experienced professional to operate the



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## LETTER FROM MESSIS

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Meilin Checkpoint Urban Renewal Project by the Project Company itself in order to reduce the operational risk and ensure investment return, the establishment of the Project Company and subsequent implementation of the Meilin Checkpoint Renewal Project by the Project Company, are considered by the management of the Company, will yield return expected by the Company.

Having considered that the (i) the development of Longhua New Area, in which the Meilin Checkpoint Urban Renewal Project is situated, details of which are set out in the paragraph headed “3.1 Development of Longhua New Area” above; (ii) It is the intention of the Company to continue focusing mainly on the toll highway business while grasp the opportunity to seek for a reasonable investment return from the Meilin Checkpoint Urban Renewal Project; (iii) the Group will benefit from the cooperation between the Group and SZ International under the Framework Agreement; (iv) the establishment of the Project Company and subsequent implementation of the Meilin Checkpoint Renewal Project by the Project Company, are considered by the management of the Company, will yield return expected by the Company; and (v) the Company and SZ International will let a brand enterprise which owns First-class Qualification in Real Estate Development to manage and lead the Meilin Checkpoint Urban Renewal Project or employ experienced professional to operate the Meilin Checkpoint Urban Renewal Project by the Project Company itself in order to reduce the operational risk and ensure investment return, we are of the view that the entering into of the Framework Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

#### **4. Principle Terms of the Framework Agreement**

Set out below are the principal terms of the Framework Agreement:

Date: 8 August 2014

Parties: (i) the Company; and  
(ii) SZ International

Scope of business: The proposed scope of business of the Project Company (subject to approval by the relevant registration authority) includes urban renewal and urban regeneration, comprehensive land development; development, construction and operation of urban infrastructure and public facilities; properties leasing and property management.

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## LETTER FROM MESSIS

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Capital requirement:

The initial registered capital of the Project Company shall be RMB200 million (equivalent to approximately HK\$253 million). XTC Company will make capital contribution of RMB102 million (equivalent to approximately HK\$129 million) and hold 51% of the equity interests in the Project Company. The Company will make capital contribution of RMB98 million (equivalent to approximately HK\$124 million) and hold 49% of the equity interests in the Project Company. The contribution from each party shall be made within the agreed period.

After the Subsequent Capital Injection by the Company is approved by the Independent Shareholders, both shareholders of the Project Company will make further capital contributions to the Project Company in cash and in proportion to their respective interests if additional capital is required by the Project Company. However, the aggregate capital contributed by both parties (including the Initial Capital Contribution and Subsequent Capital Injection) shall not exceed RMB5 billion (equivalent to approximately HK\$6.33 billion), in which the aggregate capital contributed by XTC Company shall not exceed RMB2.55 billion (equivalent to approximately HK\$3.23 billion) while the aggregated capital contributed by the Company shall not exceed RMB2.45 billion (equivalent to approximately HK\$3.10 billion). The Subsequent Capital Injection to the Project Company will be made by instalments during 2015 to 2016 in accordance with the actual financial needs of the Meilin Checkpoint Urban Renewal Project.

Both parties agreed that the Project Company will be registered and established after obtaining respective approvals from their each competent authority(ies) regarding the formation of the Project Company with the Initial Capital Contribution to commence the preparatory works such as evaluation, planning and coordination of the Meilin Checkpoint Urban Renewal Project. Both parties further agreed that if the Company could not obtain the relevant approval from the Independent Shareholders regarding the Subsequent Capital Injection after the establishment of the Project Company, XTC Company will acquire all the equity interests in the Project Company held by the Company at the amount of capital already contributed by the Company to the Project Company together with an interest thereon at the prevailing bank lending rate.

Responsibility and profit sharing:

Each party to the Framework Agreement shall take responsibility for the Project Company up to the committed amount of their respective capital contributions to the Project Company, and shall share the profit of the Project Company in proportion to its respective capital contribution to the Project Company.

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## LETTER FROM MESSIS

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- Board composition:** The board of directors (the “**JV Board**”) of the Project Company will consist of seven directors, of which four will be nominated by XTC Company and three by the Company. There will be one chairman in the Project Company, who will be elected by JV Board of Project Company among the directors nominated by XTC Company.
- Management:** The general manager and the finance controller of the Project Company will be nominated by the Company. The Project Company will have several deputy general managers, of which one will be nominated by XTC Company and others will be nominated by the general manager based on business needs of the Project Company.
- Subsequent development:** The Project Company will appoint an evaluation institution to assess the value of the lands and buildings of the Company and SZ International within the Meilin Checkpoint Urban Renewal Land based on market principles after its formation. The Project Company will make relocation compensation to the Company and SZ International for the demolition and relocation of the land and buildings within the Meilin Checkpoint Renewal Land based on the assessment.
- After completion of the procedures in land use and the entering into of the land transfer agreement in respect of the Meilin Checkpoint Urban Renewal Project by the Project Company, each of the Company and SZ International will consider with priority to the transfer of its respective 25% or more equity interests in the Project Company to a brand enterprise which owns First-class Qualification in Real Estate Development by way of listing for sale through property and rights trade centre. Both parties agreed to act in concert with regard to this matter and will apply to each competent authority(ies) for approval. In line with the future strategic positioning of the Company and SZ International and for the interests of both parties, upon approval by the respective competent authority(ies), the Project Company could be operated in the following manner: (i) the respective shareholdings held by both parties in the Project Company remain unchanged and the Meilin Checkpoint Urban Renewal Project will be developed by the Project Company itself; or (ii) the transfer of some or all equity interests in the Project Company between the parties.
- Conditions precedent:** The Framework Agreement shall be effective after signing by the Company and SZ International and approved by each competent approving authority(ies) respectively.

The aggregate capital contribution of a maximum of RMB5 billion was determined after negotiation between the Company and SZ International with reference to the land costs of the Meilin Checkpoint Urban Renewal Project. Having considered (i) the estimation of land cost is based on the land premium determined by the government, and with reference to the information on demolition and

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## LETTER FROM MESSIS

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relocation compensation and preliminary planning expenses of other similar urban renewal projects in Shenzhen, together with the area, the plot ratio and planning indicators of the land of the Meilin Checkpoint Urban Renewal Project, etc; and (ii) the floor cost of the Meilin Checkpoint Urban Renewal Project of approximately RMB10,000 to RMB11,000 per square metre as calculated from the land costs of RMB5 billion is competitive as compared to that of the adjacent area, we of the view that the basis of determination of the aggregate capital contribution of a maximum of RMB5 billion is fair and reasonable.

Pursuant to the Framework Agreement, the Company may opt to transfer its 25% or more equity interests in the Project Company to a brand enterprise which owns First-class Qualification in Real Estate Development by way of listing for sale through property and rights trade centre or develop the Meilin Checkpoint Urban Renewal Project by the Project Company itself. The property developer who processes the First-class Qualification in Real Estate Development generally has professional management team, rich development experience and market influence. The Company could realise revenue in time and reduce operational risk if it decides to let such enterprise to manage and lead the Meilin Checkpoint Urban Renewal Project. However, if the Company eventually opts to develop the Meilin Checkpoint Urban Renewal Project by the Project Company, professionals that have experiences in property development and urban renewal in the PRC would be employed to operate the Meilin Checkpoint Urban Renewal Project to ensure that the Meilin Checkpoint Urban Renewal Project would yield return expected by the Company. Having considered that (i) the options available for subsequent development of the Meilin Checkpoint Urban Renewal Project as set out in the Framework Agreement have provided flexibility to the Company; and (ii) the Company will benefit from the Meilin Checkpoint Urban Renewal Project as set out in the paragraph headed “3. Reasons for and benefits of entering into of the Framework Agreement” above, we are of the view that the options available for subsequent development of the Meilin Checkpoint Urban Renewal Project are fair and reasonable.

In view of that (i) the amount of capital to be contributed by the Company and XTC Company was determined with reference to their respective shareholding in the Project Company; (ii) XTC Company will acquire all the equity interests in the Project Company held by the Company at the amount of capital already contributed by the Company to the Project Company together with an interest thereon at the prevailing bank lending rate if the Company could not obtain the relevant approval from the Independent Shareholders regarding the Subsequent Capital Injection after the establishment of the Project Company; (iii) both parties to the Framework Agreement agreed to inject capital in proportion to their respective proportionate equity interests in the Project Company if additional capital is required by the Project Company; (iv) the Company is entitled to nominate three directors of the JV Board, the general manger and the finance controller of the Project Company, (v) the aggregate capital contribution of a maximum of RMB5 billion was determined after negotiation between the Company and SZ International with reference to the land costs of the Meilin Checkpoint Urban Renewal Project; and (vi) the Company will benefit from the Meilin Checkpoint Urban Renewal Project as set out in the paragraph headed “3. Reasons for and benefits of entering into of the Framework Agreement” above, we concur with the Director’ view that the terms of the Framework Agreement are entered on normal commercial terms, fair and reasonable.

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## LETTER FROM MESSIS

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### 5. Risks associated with the Meilin Checkpoint Urban Renewal Project

According to the Letter from the Board, carrying out the Meilin Checkpoint Urban Renewal Project may be exposed to uncertainties such as market risk, compensation for land demolition and relocation risk. The value of the land and the properties market could be affected by various factors including society, political, economic and legal environment, as well as the government's fiscal policy and monetary policy, etc. Although the Board considers that a material fluctuation is unlikely to occur in the coming two years, the Meilin Checkpoint Urban Renewal Project may be exposed to certain market risks as it is a relatively long-cycle project. In addition, in order to achieve a developable state for an urban renewal project, demolition and relocation compensation payment are required to be made in respect of the properties on the land of the project and there may be risk of slow progress and high cost of demolition. Therefore, the Company will strengthen the research, tracking on the market and policy, and procure the Project Company to enhance preparatory market research, focus on planning work, and enhance its market competitiveness and responsive capabilities. At the same time, the Company will enhance the communications and coordination between cooperation parties and the government departments, and organise relevant assets valuation and auditing work through the Project Company to facilitate the demolition work. As such, the Board expects that the overall risk is controllable.

In light of (i) the continuous growth in the GDP of Shenzhen for the latest two years and the first quarter of this year; and (ii) the development of Longhua New Area under the support of Shenzhen government according to the "Shenzhen Comprehensive Plan (2007-2020)", we consider that the economical and society environment in Shenzhen for the implementation of Meilin Checkpoint Urban Renewal Project will remain stable in the coming years. Furthermore, given that the Company plans to implement abovementioned various measures with due care to facilitate the demolition works, we consider that the risks associated with the Meilin Checkpoint Urban Renewal Project will be mitigated.

### 6. Financial Effects

The Project Company is directly owned as to 49% by the Company and therefore the financial results of the Project Company will not be consolidated into those of the Group.

The Subsequent Capital Injection to the Project Company will be made by instalments during 2015 to 2016 in accordance with the actual financial needs of the Meilin Checkpoint Urban Renewal Project. It is currently expected by the management of the Company that the Company would have to make contributions in the amount of approximately RMB30 million, RMB1,150 million and RMB1,270 million to the Project Company for the year 2014, 2015 and 2016, respectively. Based on the unaudited financial statements of the Company for the six months ended 30 June 2014 and assume that the Company's maximum aggregate capital contribution of RMB2.45 billion be funded through borrowings, such contributions would result in an increase of not more than approximately 4.3 percentage points of the asset to liabilities ratio of the Company due to the increase of total liabilities of the Company of RMB2.45 billion and the increase of the total assets of RMB2.45 billion. In view of (i) the capital contribution from the Company to the Project Company will be financed by the internal resources and borrowings of the Group; (ii) the bank balances and cash amounted to approximately RMB1,095 million as at 31 December 2013; and (iii) the Subsequent Capital Injection

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## LETTER FROM MESSIS

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would result in an increase of not more than approximately 4.3 percentage points of the asset to liabilities ratio of the Company, the formation of the Project Company pursuant to the Framework Agreement and the aggregate capital contribution will have no immediate material impact on the earnings, net asset value or gearing position of the Group.

### RECOMMENDATION

Having considered the above mentioned principal factors and reasons, we consider that the terms of the Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the entering into of the Framework Agreement is in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to approve the Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Kinson Li**  
*Managing Director*

*Note:* Mr. Kinson Li is a licensed person registered with the SFC and regarded as a responsible officer of Mesis Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO and has over 17 years of experience in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

## STATEMENT OF INDEBTEDNESS

As at 31 July 2014, being the latest practicable date for ascertaining certain information in this statement of indebtedness, the Group had outstanding loans of RMB5,032 million which included secured (or pledged) long-term (means due after more than 12 months) loans of RMB4,238 million with the toll collection rights of Qinglian Project as security for long-term loans amounting to RMB4,010 million and the toll collection rights of Yanpai Expressway as security for long-term loans amounting to RMB228 million; unsecured (or unpledged) and unguaranteed long-term loans of RMB219 million; secured (or pledged) short-term loans of RMB218 million with the toll collection rights of Qinglian Project as security for short-term loans amounting to RMB179 million, 55% shareholding of Jade Emperor Limited, a subsidiary of the Group, as security for short-term loans amounting to RMB24 million and the toll collection rights of Yanpai Expressway as security for short-term loans amounting to RMB15 million; and unsecured (or unpledged) and unguaranteed short-term loans of RMB357 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; 3-year term unsecured and unguaranteed medium-term notes amounted to RMB1,000 million; and 3-year-term unsecured and unguaranteed private placement notes amounted to RMB800 million.

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

- (1) The Company signed a construction management service contract with Shenzhen Traffic and Transportation Committee under which the Company was entrusted to manage the construction project of Nanping Phase II Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic and Transportation Committee amounting to RMB15 million.
- (2) 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.
- (3) The Company signed a construction management service contract with Shenzhen Longhua New Area Construction Management Center under which the Company was 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 the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to approximately RMB35.85 million.

(4) Arbitration in progress

Upon the government approval, Guangdong Qinglian Highway Development Company Limited 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 Guangdong Qinglian Highway Development Company Limited in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Guangdong Qinglian Highway Development Company Limited was judged to win in the first trial. Qingyuan Fengyu Eco-tourism Development Company Limited appealed to the High court of Guangdong Province. As at 31 July 2014, the litigation was still in progress. Considering the nature of project and construction status of upgrading project, 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 July 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 completion of the Framework Agreement 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**

After some 30 years of rapid economic growth, the industrial structure and production factor structure supporting China's economic growth have changed in recent years, and the economic growth rate is facing certain downward pressure. Nevertheless, with the government vigorously promoting changes in the economic structure and reform in the fiscal and tax system, it is expected that the macroeconomic outlook will remain steady, and the economy will maintain a certain level of growth. Benefit from the high level of car ownership, it is anticipated that China's demand for highway transport will be able to maintain relatively stable growth.

On the other hand, the industry environment and business policies of toll highways have undergone changes in recent years. Industry policies have tightened, with the implementation of Standardisation Scheme and peak-hour toll-free policy in Guangdong Province, Green Passage Toll Free Policy and Toll Free Scheme on Holidays nationwide, as well as the launch of special clean-up work nationwide. The introduction of these toll policies have had certain negative impacts on the industry. In addition, the provincial-wide inter-network toll collection and toll-by-weight for trucks were implemented in Guangdong Province and government constantly increased requirements in toll, lighting and monitor facilities. These policies may cause fluctuations in the traffic flow and the future growth of the traffic flow in current highway network, or increase the costs or input of the Company.



Through investment in, and development and integration of the Group's toll highway assets, traffic flow and cash flow have gradually entered a stable growth period, and the financial situation and risk resistance capacity of the Group have strengthened. In face of deterioration of the business environment, the Group is actively exploring and trying different business portfolios to diversify the industry's risks. Supported by its core business of toll highways, the Group has relied on the relevant management experience and resources to develop or participate in the businesses of entrusted management, advertising, construction consulting, and project development, prudently attempting new business types. The Group has made some progress, which is beneficial attempts and complements alongside its core business, so as to make room for the Group's further development. The Group will, in accordance with the internal and external environment, scrutinise development strategies and business models for the industry and beyond, plan for the next development path and interim target, seek opportunities and directions beneficial to the Group's long-term development, improve the Company's balanced and sustainable development, as well as strive for better investment returns for the shareholders.

*The following is the information from DTZ, an independent property valuer, in connection with the market value of the land of the Meilin Checkpoint Urban Renewal Project as at 31 July 2014, for shareholders' information only.*



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

17 September 2014

*The Directors*

Shenzhen Expressway Company Limited  
Podium Levels 2-4  
Jiangsu Building  
Yitian Road  
Futian District  
Shenzhen  
the PRC

Dear Sirs,

#### **INSTRUCTIONS, PURPOSE AND DATE OF VALUATION**

In accordance with your instructions for us to value the property situated in the People's Republic of China (the "PRC") in which Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market value of the property as at 31 July 2014 (the "date of valuation").

#### **DEFINITION OF MARKET VALUE**

Our valuation of the property represents its market value which in accordance with the Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors 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, prudently and without compulsion".

**VALUATION BASIS AND ASSUMPTION**

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

In the course of our valuation of the property, we have assumed that transferable land use rights in respect of the property for a specific term have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group regarding the title to the property. For the purpose of our valuation, we have assumed that the grantee has enforceable title to the property.

In valuing the property, we have assumed that the grantees or the users of the property have free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

**METHOD OF VALUATION**

We have valued the property on the basis that it will be developed and completed in accordance with the latest development proposals provided to us by the Group. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the developments are in compliance with the local planning and other relevant regulations and will be approved by the relevant authorities. In arriving at our valuation, we have adopted the Direct Comparison Method by making reference to comparable sales evidence as available in the relevant market and have also taken into account the costs that will be expended to complete the development.

**SOURCE OF INFORMATION**

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as statutory notices, easements, tenure, identification of property, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in this valuation report are based on information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

**TITLE INVESTIGATION**

We have been provided with copies of documents in relation to the title to the property. However, we have not been able to conduct searches to verify the ownership of the property or to ascertain any amendment which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal advisors, Junyan Law Firm, in respect of the title to the property in the PRC.

**SITE INSPECTION**

We have inspected the property. The site inspections was carried out on 3 June 2014 by our Mr. Wang Wei who is a Registered China Real Estate Appraiser. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report that the property is free of rot, infestation and any other structural defects, nor were any test carried out to any of the services. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor area of the property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

**CURRENCY**

Unless otherwise stated, all money amounts stated in this valuation report are in Renminbi (“RMB”), the official currency of the PRC.

We enclose herewith our valuation certificate.

Yours faithfully,

For and on behalf of

**DTZ Debenham Tie Leung Limited**

**Andrew K.F. Chan**

*Registered Professional Surveyor (General Practice)*

*Registered China Real Estate Appraiser*

*MSc., M.H.K.I.S.*

*Senior Director*

*Note:* Mr. Andrew K.F. Chan is a Registered Professional Surveyor (General Practice) who has over 27 years’ experience in the valuation of properties in the PRC.

## Property to be held for future development by the Group in the PRC

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2014
Meilin Checkpoint Urban Renewal Project, Lot nos. A802-0014, A802-0039, A807-0242 and portion of A931-0001, Minzhi Road, Longhua New District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市龍華新區民治街道宗地號A802-0014、A802-0039、A807-0242及部份A931-0001, 梅林關城市更新項目)	<p>The property comprises a proposed development to be erected on a site with total site area of approximately 96,000 sq m.</p> <p>The property is planned to be redeveloped into a composite development. According to the information provided by the Group, the constituent planned gross floor areas of the property are as follows:–</p>	At the date of valuation, the property was occupied as logistics park, toll office, toll booth, dormitory and relevant facilities.	No commercial value
		<b>Approximate Gross Floor Area (sq m)</b>	
	<b>Use</b>		
	Residential	204,180	
	Affordable apartment	41,820	
	Commercial	35,000	
	Office	78,000	
	Apartment	112,000	
	Ancillary	<u>15,400</u>	
	Total:	<u><u>486,400</u></u>	

Notes:–

- (1) As advised by the Group, Certificate of Real Estate Ownership of the project has not been obtained, we have ascribed no commercial value to the property. Had valid Certificate of Real Estate Ownership been issued, transferred land use rights been granted, all premium been fully settled, the procedure for urban renewal been completed, the market value of the property as at 31 July 2014 would be RMB6,188,000,000.
- (2) According to the planning requirement announced by 深圳市城市更新辦公室 (Shenzhen City Renewal Office), the planned gross floor areas of the property are set out as below:

Use	Approximate Gross Floor Area (sq m)
Residential	204,180
Affordable apartment	41,820
Commercial	35,000
Office	78,000
Apartment	112,000
Ancillary	15,400
Total	486,400

- (3) We have been specially instructed by the Group to value the property on the basis assuming that the property at the date of valuation was a vacant land and ready to develop into a comprehensive development with a total gross floor area of 486,400 sq m in accordance with the planning requirement in note (2).
- (4) We have been provided with a legal opinion on the title which contains, inter-alia, the following information:–
- (i) The land owners involved in this urban renewal project include Xin Tong Chan Development Holdings Limited (新通產實業開發(深圳)有限公司) (a wholly owned subsidiary of Shenzhen International Holdings Limited) and Shenzhen Meiguan Expressway Company Limited (深圳梅觀高速公路有限公司) (a wholly owned subsidiary of the Company). Shenzhen International Holdings Limited, through Xin Tong Chan Development Holdings Limited, owns 3 parcels of land with lot nos. A802-0014, A802-0039, A807-0242 respectively. The Company, through Shenzhen Meiguan Expressway Company Limited, owns a parcel of land with lot no. A931-0001;
  - (ii) Shenzhen International Holdings Limited and the Company have the rights through their respective wholly owned subsidiary to develop this urban renewal project;
  - (iii) As advised by the Company, there is no legal impediment to develop this urban renewal project by the way of (i) setting up a project company through capital injection from the subsidiary of Shenzhen International Holdings Limited and the Company or its subsidiary and (ii) resettlement.
  - (iv) Once the project company has obtained the planning approval for urban renewal project and has entered into the state owned land use rights grant contract with the Planning State- owned Land Bureau, the stipulated land use rights term will recount; the land use rights term shall be 70 years for residential use and 40 years for commercial use;
  - (v) Upon the land premium and the relevant taxes have been fully settled by the owner of the land involved in this project or the project company, the property could be transferred with the residual term of land use rights;
  - (vi) Lot nos. A801-0039, A807-0242 and A931-001 of the property are not subject to mortgage, seizure and any title defects; and

- (vii) Lot no. A802-0014 of the property is subject to seizure. During the demolition and relocation period of the lot, matters in relation to registration of property title and mortgage (excluding cancellation of registration of property title of the demolition and relocation area) are suspended.

Despite the limitation on the aforesaid registration of property title and mortgage, cancellation of registration of property title will not be affected.

According to the proposal as advised by the Company, the Meilin Checkpoint Urban Renewal Project will be implemented by way of cancellation of registration of original property title during the demolition and relocation process. Accordingly, pursuant to the documents in relation to Shenzhen Urban Renewal Measures (深圳市城市更新辦法), the seizure of the lot would not have any actual legal impediment on the implementation of the urban renewal project.

**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**

<b>Name</b>	<b>Number of ordinary shares held as at the Latest Practicable Date</b>	<b>Approximately percentage of issued share capital of SZ International</b>	<b>Nature of interests</b>	<b>Capacity</b>
Li Jing Qi	864,840	0.05%	Personal	Beneficial owner



**Interests in share option of SZ International**

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

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 close 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 2013, 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 2013, 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 2013 and the interim report of the Company for the six months ended 30 June 2014.

**7. SERVICE CONTRACTS**

No service contracts that cannot be terminated by the Group within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Group and the Directors as at the Latest Practicable Date.

**8. EXPERTS**

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

<b>Name</b>	<b>Qualification</b>
Messis Capital Limited (“Mesis”)	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Company
DTZ Debenham Tie Leung Limited (“DTZ”)	Valuer

- (b) As at the Latest Practicable Date, each of Mesis and DTZ 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 Mesis and DTZ 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 Mesis and DTZ was not interested, directly or indirectly, in any assets which had since 31 December 2013 (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 Mesis dated 17 September 2014 is set out the “Letter from Mesis” in this circular.
- (f) The information on the land of the Meilin Checkpoint Urban Renewal Project from DTZ dated 17 September 2014 is set out in Appendix II 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 Framework Agreement;
- (b) the Adjustment Agreement;
- (c) 12 land use rights transfer contracts, including:
  - (i) 3 land use rights transfer contracts dated 9 August 2013 entered into by 貴洲省龍里縣國土資源局 (Bureau of Land Resources of Longli County) (the “Land Bureau”) and 貴洲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 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; and
- (d) the payment agreement entered into among Longhua Committee, SZ International and the Company in relation to, among others, the timing of signing of the land transfer agreement in respect of the Meilin Checkpoint Urban Renewal Project and the payment of land premium dated 10 September 2014.

**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 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong up to and including 3 October 2014:

- (a) the Framework Agreement;
- (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 2012 and 2013;
- (d) the letter from Messis as set out in the “Letter from Messis” in this circular;
- (e) the information on the land of the Meilin Checkpoint Urban Renewal Project from DTZ as set out in Appendix II to this circular;
- (f) the letters of consent from each of the Messis and DTZ;
- (g) the service contracts referred to in this Appendix;
- (h) the material contracts referred to in this Appendix; and
- (i) circular of the Company dated 6 March 2014.

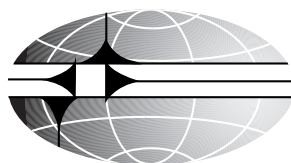
**11. MISCELLANEOUS**

- (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 2001-2006, 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 SECOND EXTRAORDINARY GENERAL MEETING 2014**

**Notice is hereby given** that the Second Extraordinary General Meeting 2014 (“EGM”) of Shenzhen Expressway Company Limited (the “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 2:30 p.m. on 8 October 2014 (Wednesday) to consider and, if thought fit, approve the following resolution in relation to the joint venture with SZ International in establishment of the project company to implement the Meilin Checkpoint Urban Renewal Project by way of an ordinary resolution:

“The framework agreement dated 8 August 2014 entered into between the Company and Shenzhen International Holdings Limited (the “Agreement”) and the arrangement for the joint venture in establishment of the project company to implement the Meilin Checkpoint Urban Renewal Project pursuant to the Agreement and other related matters 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 give effect to the Agreement or implement related matters 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, 19 August 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 5 September 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 18 September 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 6 September 2014 to 8 October 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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on 5 September 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 17M Floor, 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. Terms used in this notice shall have the same meaning as defined in the announcement of the Company dated 8 August 2014. For details of the resolution set out in this notice, please refer to the said announcement.

### 5. Poll

Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company, 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 1712-1716, 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 3331  
Fax: (86) 755 – 8285 3411