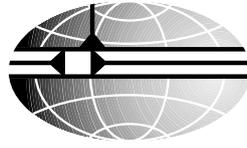


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深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 0548)

CONNECTED TRANSACTION

ACQUISITION OF 30% EQUITY INTEREST IN GY EXPRESSWAY COMPANY

The Directors are pleased to announce that on 8 December 2004, the Company as purchaser entered into the Acquisition Agreement with GD Roads & Bridges as vendor for the acquisition of 30% equity interest in GY Expressway Company. The Consideration involved is RMB 179,180,000 (approximately HK\$ 169,038,000).

GY Expressway Company is a project company incorporated to carry out the finance, design, construction, operation and management of the Guangwu Project. Guangwu Project is a section of the national trunk road from Shantou Guangdong to Qingshuihe Yunnan, running from Maan Town Zhaoqing City Guangdong Province, connecting with the terminal of the expressway from Guangzhou to Zhaoqing, to Hekou Town Yunfu City Guangdong Province, where it connects with the second phase of Guangwu Expressway in planning; with a length of 36.5 km in total, an expressway with dual directional four lanes.

As GD Roads & Bridges is one of the promoters of the Company holding 2.96% of the equity interest of the Company, it is a connected person of the Company. The Acquisition constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Apart from GD Roads & Bridges and its associates, no other Shareholder is interested in the Acquisition Agreement and is required to refrain from voting in Shareholders' meeting accordingly.

The Company has formed an independent board committee comprising all the independent non-executive Directors to advise the independent Shareholders on whether the Acquisition Agreement is fair and reasonable. An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders on the terms of the Acquisition Agreement.

A circular containing, among other things, details of the Acquisition Agreement, the recommendation from the independent board committee in relation to the Acquisition Agreement and the opinion from the independent financial adviser would be dispatched to the Shareholders within 21 days after the publication of this announcement. A notice to hold a special general meeting for approval of the Acquisition Agreement will be dispatched to the Shareholders together with the circular as soon as possible.

The Directors are pleased to announce that on 8 December 2004, the Company as purchaser entered into the Acquisition Agreement with GD Roads & Bridges as vendor for the acquisition of 30% equity interest in GY Expressway Company. The Consideration involved is RMB 179,180,000 (approximately HK\$ 169,038,000).

BACKGROUND

Pursuant to the 'Notice of Pre-approval procedures for investment in Guangdong Province Expressway Projects' 《廣東省高速公路項目招商資格預審須知》 issued by GD Communications Group (the parent company of GD Roads & Bridges holding all its equity interest), 29 expressway projects located in various areas of Guangdong Province are being put on the market for investment by investors.

GD Communications Group is inviting tenders for equity interests in the 29 expressway projects from investors respectively. The relevant asset holding companies in GD Communications Group will then enter into acquisition agreements with those investors which are awarded with the relevant tender.

On 5 March 2004 and 7 April 2004, the Company and the relevant asset holding companies in GD Communications Group entered into agreements for the acquisition of a 25% equity interest in YM Expressway and a 25% equity interest in JZ Expressway respectively. The subject matters of such agreements are two of the aforesaid 29 expressway projects. Please refer to the circular of the Company dated 26 April 2004 for details of these transactions.

The subject matter of the Acquisition, being a 30% equity interest in GY Expressway Company, is also one of the aforesaid 29 expressway projects for tender. The Company submitted a bid in the tender for such interest and was awarded the relevant tender.

ACQUISITION AGREEMENT

- Date: 8 December 2004
- Vendor: GD Roads & Bridges
- Purchaser: The Company
- Assets to be acquired: 30% equity interest in GY Expressway Company
- Consideration: The Consideration for the Acquisition is RMB179,180,000 (approximately HK\$169,038,000) payable in cash. It is determined on normal commercial terms and fair and reasonable basis and by reference to the estimated share of shareholder's investment of RMB149,100,000 (approximately HK\$140,660,000) of GY Expressway Company attributable to 30% equity interest in GY Expressway Company, plus a premium of RMB30,080,000 (approximately 28,377,000). The Company shall use its internal resources to settle the Consideration.
- Payment: Pursuant to the terms of the Acquisition Agreement, part of the Consideration in the amount of RMB148,505,000 (approximately HK\$140,099,000) shall be paid to GD Road & Bridges in cash and RMB30,675,000 (approximately HK\$28,939,000) shall be paid to GY Expressway Company Limited in cash as capital reserve fund.
- A deposit of RMB1,000,000 (approximately HK\$943,000) has been paid by the Company to GD Roads & Bridges.
- The balance of the Consideration, i.e. RMB147,505,000 (approximately HK\$139,156,000) payable to GD Roads & Bridges, and RMB30,675,000 (approximately HK\$28,939,000) payable to GY Expressway Company, shall be payable in cash by the Company within 5 working days from:-
- (i) the conversion by GD Roads & Bridges of the shareholders' loan of RMB70,317,674.76 (approximately HK\$66,337,000) provided by GD Roads & Bridges to GY Expressway Company into capital reserve fund of GY Expressway Company; and
 - (ii) the effective date of the Acquisition Agreement.

Effective Date: The Acquisition Agreement shall become effective upon fulfillment of the following conditions:

- (i) obtaining of approval or authorization by GD Roads & Bridges from the GD Communications Group in relation to the Acquisition; and
- (ii) obtaining of approval by the Shareholders in general meeting of the Company of the Acquisition.

Other terms:

- (i) GD Roads & Bridges shall convert the shareholders' loan of RMB70,317,674.76 (approximately HK\$66,337,000) provided by GD Roads & Bridges to GY Expressway Company into the capital reserve fund of GY Expressway Company within 10 days of the signing of the Acquisition Agreement.
- (ii) GD Roads & Bridges shall pay to GY Expressway Company an amount of RMB68,507,000 (approximately HK\$64,629,000) as outstanding capital reserve fund within 10 days upon fulfillment of all the payment obligations by the Company under the Acquisition Agreement.
- (iii) If upon the completion of the Guangwu Project, the settlement costs exceeds the total estimated investment amount of RMB1,420,000,000 (approximately HK\$1,339,623,000) stipulated in the articles and the co-operation contract of GY Expressway Company, 35% of the portion in excess shall be contributed by the shareholders of GY Expressway Company in proportion to their shareholdings. If the settlement costs is less than RMB1,420,000,000 (approximately HK\$1,339,623,000), 35% of the portion saved shall be used to reduce the contribution of capital reserve fund by the shareholders proportionally.
- (iv) If the Company cannot obtain the Shareholders' approval for the Acquisition within 90 days (such period may be extended upon the agreement of the parties) of the signing of the Acquisition Agreement so that the Acquisition Agreement could not be effective, the Acquisition Agreement shall be terminated automatically. However the deposit of RMB1,000,000 (approximately HK\$943,000) paid by the Company to GD Roads & Bridges is not refundable. In such event, the Company shall suffer a loss of RMB1,000,000 (approximately HK\$943,000).

INFORMATION ON GY EXPRESSWAY COMPANY

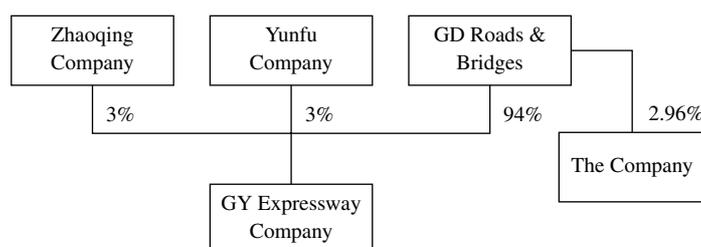
GY Expressway was incorporated in the PRC on 8 November 2002 with registered capital of RMB10,000,000 (approximately HK\$9,434,000). As per the estimated investment costs of the Guangwu Project approved by the relevant government authority, 廣東省發展和改革委員會 (Development and Reform Commission of Guangdong Province), its total investment is estimated to be RMB1,420,000,000 (approximately HK\$1,339,623,000), 35% out of which amounted to RMB497,000,000 (approximately HK\$468,868,000) shall be funded by the shareholders of GY Expressway Company by way of registered capital of RMB10,000,000 (approximately HK\$9,434,000) and capital reserve fund of RMB487,000,000 (approximately HK\$459,434,000). It is not expected that the settlement costs of Guangwu Project would exceed estimated investment costs of RMB1,420,000,000 (approximately HK\$1,339,623,000).

The difference between the total investment amount of RMB1,420,000,000 (approximately HK\$1,339,623,000) and the shareholders' funds of RMB497,000,000 (approximately HK\$468,868,000) in the amount of RMB923,000,000 (approximately HK\$870,755,000) shall be funded by way of bank finance. At present, three PRC banks have already signed loan agreements with GY Expressway Company respectively to provide such finance.

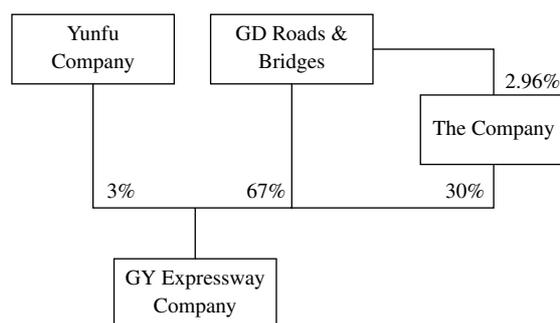
GY Expressway Company is a project company incorporated to carry out the finance, design, construction, operation and management of the Guangwu Project, which is currently the only project of GY Expressway Company. As Guangwu Project is estimated to be completed for operation by the end of 2004 and is still in its construction stage, GY Expressway Company has not recorded any profit since its incorporation. As at 31 August 2004, the net asset value and total assets of GY Expressway Company is RMB290,100,000 (approximately HK\$273,679,000) and RMB1,006,403,206 (approximately HK\$949,437,000) respectively. The fund injected by shareholders of GY Expressway Company shall be RMB497,000,000 (approximately HK\$468,868,000) after the completion of the Acquisition.

GD Roads & Bridges is now holding 94% equity interest in GY Expressway Company before the Acquisition and will hold 67% equity interest in GY Expressway Company after the Acquisition. Below is the corporate chart of GY Expressway Company before and after the Acquisition:

Before the Acquisition:



After the Acquisition



On 8 December 2004, Zhaoqing Company has entered into agreement with GD Roads & Bridges to transfer its 3% equity interest in GY Expressway Company to GD Roads & Bridges. It is expected that such transfer of 3% equity interest in GY Expressway Company will be completed before the completion of the Acquisition.

Upon completion of the Acquisition, the Company is entitled to appoint two directors on the board of directors of GY Expressway Company which comprised of a total of 7 directors.

SCOPE OF BUSINESS

Guangwu Project is a section of the national trunk road from Shantou Guangdong to Qingshuihe Yunnan, running from Maan Town Zhaoqing City Guangdong Province, connecting with the terminal of the expressway from Guangzhou to Zhaoqing, to Hekou Town Yunfu City Guangdong Province, where it connects with the second phase of Guangwu Expressway in planning; with a length of 36.5 km in total, an expressway with dual directional four lanes. Guangwu Project is one of the major expressway projects planned under the “Tenth Five-Year Plan” (十五規劃) of Guangdong Province. Guangwu Expressway is to facilitate the communication between the Pearl River Delta region and Guangxi, Yunnan, Guizhou, Chongqing and Sichuan, and will become the major pathway of western Guangdong.

REASONS FOR THE ACQUISITION

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

The Directors believe that entering into the Acquisition Agreement will allow the Company to participate in the Guangwu Project via its shareholdings in GY Expressway Company, broaden the asset base and the profit source of the Group and hence will further consolidate the Company’s participation in the investment, construction and operational management of toll highways and roads in Shenzhen, the Pearl River Delta region as well as other regions of the Guangdong Province.

The Directors consider that the Acquisition Agreement was entered into in the ordinary course of business and on normal commercial terms and the terms of the Acquisition Agreement are fair and reasonable as far as the shareholders of the Company are concerned and the Acquisition Agreement is in the interest of the Company and its Shareholders as a whole.

GENERAL INFORMATION

GD Roads & Bridges is the promoter of the Company and the fourth largest Shareholder holding 2.96% of the equity interest of the Company. Its principal business includes the investment, construction, operation and management of highways, bridges, property projects and their ancillary facilities; leasing of building machines and provision of technological services; sales of building materials.

The original cost of investment to GD Roads & Bridges attributable to the 30% equity interest in GY Expressway Company is RMB118,425,000 (approximately HK\$111,722,000), which to the best of the knowledge of the Company, has been paid by GD Roads & Bridges to GY Expressway Company from time to time since the incorporation of GY Expressway Company during the course of construction of the Guangwu Project. Under the articles and the co-operation contract of GY Expressway Company, GD Roads & Bridges is obliged to contribute RMB149,100,000 (approximately HK\$140,660,000) to GY Expressway Company for its 30% equity interest in GY Expressway Company as investment. However, GD Roads & Bridges paid only RMB118,425,000 (approximately HK\$111,722,000) and there is an outstanding amount of RMB30,675,000 (approximately HK\$28,939,000) to be paid to GY Expressway Company Limited in cash as capital reserve fund. Instead, such sum will now be paid by the Company to GY Expressway Company Limited under the terms of the Acquisition Agreement as part of the Consideration.

CONNECTED TRANSACTION

As GD Roads & Bridges is one of the promoters of the Company, it is a connected person of the Company. The Acquisition constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Apart from GD Roads & Bridges and its associates, no other Shareholder is interested in the Acquisition Agreement and is required to refrain from voting in Shareholders' meeting accordingly.

The Company has formed an independent board committee comprising all the independent non-executive Directors to advise the independent Shareholders on whether the Acquisition Agreement is fair and reasonable. An independent financial adviser will be appointed to advise the independent board committee and the independent Shareholders on the terms of the Acquisition Agreement.

A circular containing, among other things, details of the Acquisition Agreement, the recommendation from the independent board committee in relation to the Acquisition Agreement and the opinion from the independent financial adviser would be dispatched to the Shareholders within 21 days after the publication of this announcement. A notice to hold a special general meeting for approval of the Acquisition Agreement will be dispatched to the Shareholders together with the circular as soon as possible.

DEFINITIONS

“Acquisition”	The acquisition of 30% equity interest in GY Expressway Company under the Acquisition Agreement
“Acquisition Agreement”	The agreement entered into between the Company and GD Roads & Bridges on 8 December 2004 for the acquisition of 30% equity interest in GY Expressway Company
“associates”	has the same meaning as ascribed thereto in the Listing Rules
“Company”	深圳高速公路股份有限公司 (Shenzhen Expressway Company Limited), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange and A Shares of which are listed on the Shanghai Stock Exchange
“Consideration”	RMB179,180,000 (approximately HK\$169,038,000), being the total amount payable by the Company for the acquisition of 30% equity interest in GY Expressway Company pursuant to the Acquisition Agreement
“Directors”	the directors of the Company
“GD Communications Group”	廣東省交通集團有限公司 (Guangdong Communications Group Company), a company incorporated in the PRC with limited liability
“Guangwu Expressway”	The expressway from Guangzhou (Guangdong) to Wuzhou (Guangxi), comprising the expressway from Guangzhou to Zhaoqing, Guangwu Project and the second phase of Guangwu Expressway
“GY Expressway Company”	雲浮市廣雲高速公路有限公司 (Yunfu Guangyun Expressway Company Limited), a company incorporated in the PRC with limited liability
“Guangwu Project”	the project for the construction of Guangwu Expressway (Maan to Hekou section) which has a length of 36.5 km from Maan Town Zhaoqing City Guangdong Province to Hekou Town Yunfu City

“GD Roads & Bridges”	廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development Company Limited), a company incorporated in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	person who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquires, is third party independent of and are not connected persons of the Company and its subsidiaries, its directors, chief executive, promoters, supervisors or substantial shareholders or their respective associates
“JZ Expressway”	江中高速公路有限公司 (Jiangzhong Expressway Company Limited), a company incorporated in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yunfu Company”	Yunfu Expressway Construction Company (雲浮市高速公路建設公司), a company incorporated in the PRC with limited liability, an Independent Third Party
“YM Expressway”	陽茂高速公路有限公司 (Yangmao Expressway Company Limited), a company incorporated in the PRC with limited liability
“Zhaoqing Company”	Zhaoqing Highway Development Company (肇慶市公路發展總公司), a company incorporated in the PRC with limited liability, an Independent Third Party

As at the date of this announcement, the Directors of the Company are: Mr. Chen Chao (Chairman of the Board); Mr. Wu Ya De (Director and General Manager); Mr. Zhang Rong Xing (Director); Mr. Zhong Shan Qun (Director); Ms. Tao Hong (Director); Mr. Lin Xiang Ke (Director); Ms. Zhang Yang (Director); Mr. Chiu Chi Cheong, Clifton (Director), Mr. Ho Pak Cho, Denis Morgie (Independent Director); Mr. Li Zhi Zheng (Independent Director); Mr. Zhang Zhi Xue (Independent Director) and Mr. Poon Kai Leung, James (Independent Director).

By Order of the Board
Joint Company Secretary
Wu Qian

Shenzhen, the PRC, 8 December 2004

Note: For the purpose of this announcement, the exchange rate between HK\$ and RMB of HK\$1 to RMB1.06 has been used.

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