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Shenzhen International Holdings Limited
深圳國際控股有限公司
(incorporated in Bermuda with limited liability)
(Stock Code : 00152)

DISCLOSEABLE TRANSACTION



深圳高速公路股份有限公司
SHENZHEN EXPRESSWAY COMPANY LIMITED
(a joint stock limited company incorporated in the People's
Republic of China with limited liability)

(Stock Code : 00548)

MAJOR TRANSACTION

**JOINT ANNOUNCEMENT
ACQUISITION OF 20% EQUITY INTEREST IN
CHONGQING DERUN ENVIRONMENT COMPANY LIMITED
BY SHENZHEN EXPRESSWAY**

The respective board of directors of SZ International and SZ Expressway (a 50.889% owned subsidiary of SZ International) are pleased to announce that Environment Company, a wholly-owned subsidiary of SZ Expressway, was determined as the transferee of the 20% equity interest in Derun Environment and entered into the Equity Transfer Agreement with Water Asset on 25 May 2017. Pursuant to the Equity Transfer Agreement, Environment Company agreed to acquire 20% equity interest in Derun Environment at the floor price of the listing of RMB4,408,644,500.

REASONS FOR AND BENEFITS OF THE ACQUISITION

SZ Expressway principally engages in the investment, construction, operation and management of toll highways and roads, as well as other urban and transportation infrastructure facilities. As disclosed in SZ Expressway's 2016 annual report, apart from consolidating and enhancing of its main business of toll highway, SZ Expressway has carefully studied and taken into account the country's industrial policies and its own advantages, adopted the strategic choice of having the large environmental protection industry that takes water environment treatment and solid waste treatment as the main content as its new direction for industry development.

As Derun Environment is a comprehensive environmental enterprise with two major business segments: water treatment and waste incineration power generation, SZ Expressway believes that Derun Environment has stable profitability, abundant cash flow, strong scale advantages, regional competitive advantage and growth potentials. Through the acquisition of Derun Environment's equity interest by Environment Company at a reasonable price, SZ Expressway can expand its environmental business and obtain a reasonable return on investment. On the other hand, SZ Expressway may also carry out deep-level cooperation with Derun Environment and complement each other's advantages in business development. Since SZ Expressway is a subsidiary of SZ International, expansion in the environmental industry by SZ Expressway at a reasonable price and the expected investment returns to be brought along by such expansion is beneficial to SZ International as a whole.

IMPLICATIONS UNDER THE LISTING RULES

For SZ International, the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, and the Acquisition constitutes a discloseable transaction and SZ International is therefore subject to the requirements of reporting and announcement but exempt from the requirement of approval by shareholders under Chapter 14 of the Listing Rules. For SZ Expressway, the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%, and the Acquisition constitutes a major transaction and SZ Expressway is therefore subject to the requirements of reporting, announcement and shareholders' approval under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the directors of SZ Expressway, no shareholder of SZ Expressway has material interest in the Acquisition and the Acquisition Mandate, and none of the shareholders of SZ Expressway is required to abstain from voting if SZ Expressway is to convene a general meeting for the approval of the Acquisition and the Acquisition Mandate.

Pursuant to Rule 14.44 of the Listing Rules, SZ Expressway has obtained written approvals of the Acquisition and the Acquisition Mandate from three wholly-owned subsidiaries of SZ International, namely, Xin Tong Chan Development (Shenzhen) Co., Ltd, Shenzhen Shen Guang Hui Highway Development Company and Advance Great Limited, which held 654,780,000 A Shares, 411,459,887 A Shares and 43,536,000 H Shares, respectively, as at the date of this announcement, which in aggregate represents approximately 50.889% of the issued capital of SZ Expressway. As such, no extraordinary general meeting of SZ Expressway will be convened to approve the Acquisition and the Acquisition Mandate.

A circular containing, among other things, (i) further details of the Acquisition and the Acquisition Mandate; and (ii) other information required under the Listing Rules will be despatched to the shareholders of SZ Expressway on or before 16 June 2017.

INTRODUCTION

Reference is made to the joint announcement of SZ International and SZ Expressway dated 19 May 2017 in relation to the participation in the Internet Bidding for 20% equity interest in Derun Environment by Environment Company, a wholly-owned subsidiary of SZ Expressway.

The respective board of directors of SZ International and SZ Expressway are pleased to announce that since no other potential purchaser apply to participate in the Internet Bidding, Environment Company was determined as the transferee of the 20% equity interest in Derun Environment and entered into the Equity Transfer Agreement with Water Asset on 25 May 2017. Pursuant to the Equity Transfer Agreement, Environment Company agreed to acquire 20% equity interest in Derun Environment at the floor price of the listing of RMB4,408,644,500.

For details of the Internet Bidding, please refer to the joint announcement of SZ International and SZ Expressway dated 19 May 2017.

Since no other potential purchaser apply to participate in the Internet Bidding, Environment Company was determined as the transferee of 20% equity interest in Derun Environment and entered into the Equity Transfer Agreement with Water Asset on 25 May 2017.

EQUITY TRANSFER AGREEMENT

Details of the Equity Transfer Agreement are as follows:

Date: 25 May 2017

Parties: Water Asset (as vendor); and
Environment Company (as purchaser)

To the best knowledge and belief of the respective board of directors of SZ International and SZ Expressway and having made all reasonable enquiries, each of Water Asset and its ultimate beneficial owner(s) is an independent third party of SZ International and SZ Expressway respectively.

Subject of the transaction:

Pursuant to the Equity Transfer Agreement, Environment Company agreed to acquire 20% equity interest in Derun Environment from Water Asset.

Consideration, payment method and determination basis:

Pursuant to the Equity Transfer Agreement, the consideration of the 20% equity interest in Derun Environment is the floor price of the listing of RMB4,408,644,500. Environment Company should pay the consideration to the Assets and Equity Exchange within 5 business days from the date of the Equity Transfer Agreement.

Within 10 business days after the parties having entered into the Equity Transfer Agreement and Environment Company having paid the consideration in full, Water Asset should submit the business registration materials in relation to the transfer of the 20% equity interest in Derun Environment to the relevant authorities. After having processed with the business registration procedures, Water Asset should produce the relevant proof to the Assets and Equity Exchange, and the Assets and Equity Exchange should transfer the said consideration into the designated account of Water Asset within 3 business days.

The board of directors of SZ Expressway had considered Derun Environment's assets composition, operation, development prospects, valuations of other comparable transactions in the market, and the valuation report on Derun Environment and was of the view that the consideration is fair and reasonable. SZ Expressway will settle the consideration of the Acquisition by its internal resources and borrowings.

Breach of agreement:

If Environmental Company fails to pay the consideration on time, it is subject an overdue penalty, which is amount to 0.05% of the consideration (calculated on a daily basis). The aggregate amount of the overdue penalty shall not exceed 30% of the consideration.

Should the Acquisition cannot be completed due to breach of agreement by any party, the defaulting party is liable for a breach penalty of RMB500 million, such breach penalty shall be paid to the non-defaulting party after deducting the service expense charged by the Asset and Equity Exchange.

If the overdue penalty and/or the breach penalty is insufficient for compensating the direct economic loss of the non-defaulting party, the defaulting party shall also pay the

outstanding amount to the non-defaulting party.

Completion:

Completion of the Acquisition shall take place on the completion date of the business registration. Upon completion, Derun Environment will be owned as to 54.9%, 25.1% and 20% by Water Asset, Suyu Industry and Environment Company, respectively.

If the business registration of the transfer of 20% equity interest in Derun Environment cannot be completed before the termination date, i.e. 5 August 2017, the other shareholders of Derun Environment refuse to waive their pre-emptive right in the 20% equity interest in Derun Environment again, and the parties to the transaction cannot reach an agreement on the extension of the said termination date, the transfer shall be terminated and the parties thereto will not be liable for any breach of contract. Nonetheless, if the business registration cannot be completed due to default of either party, such party shall be liable for the breach.

INFORMATION OF DERUN ENVIRONMENT

Derun Environment is a company incorporated in the PRC with limited liability in October 2014 with a registered capital of RMB1 billion. It is owned as to 74.9% and 25.1% by Water Asset and Suyu Industry, respectively. The principal business of Derun Environment is investment holding, its major assets comprise of 50.04% equity interest in Water Group and 57.12% equity interest in San Feng Environment, which were acquired by Derun Environment in December 2015 and May 2015, respectively. The principal business of Water Group covers investment, construction, management, design and technical consultation service in relation to water supply and drainage project and the principal business of San Feng Environment covers construction and operation of waste incineration power generation plants, and consultation service and development of environmental protection technology.

The consolidated financial information of Derun Environment for the two years ended 31 December 2015 and for the 11 months ended 30 November 2016 prepared by Ruihua Certified Public Accountants (LLP) based on the Accounting Standards for Business Enterprises promulgated by Ministry of Finance of the PRC, is set out as follow:

	For the year ended 31 December 2014 (Note)	For the year ended 31 December 2015	For the 11 months ended 30 November 2016
	(Audited)	(Audited)	(Audited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net Profit (before tax, including minority interests)	1,677,614	1,727,562	1,808,988
Net Profit (after tax, attributable to owners of the company)	630,633	647,544	896,079
	As at 31 December 2014 (Note)	As at 31 December 2015	As at 30 November 2016
	(Audited)	(Audited)	(Audited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net Asset (including minority interests)	16,140,699	17,077,974	17,921,533
Net Asset (attributable to owners of the company)	6,759,362	9,226,541	9,654,425

Note: Derun Environment was incorporated on 14 October 2014. It successively acquired the equity interest in Water Group and San Feng Environment in 2015. The financial statements are prepared on the

basis that Water Group and San Feng Environment are already existed in Derun Environment's group as at 1 January 2013 and such companies are deemed as having been included into Derun Environment's consolidated financial statements since 1 January 2013.

The consolidated financial information of Derun Environment for the year ended 31 December 2016 and for the 3 months ended 31 March 2017 as provided by Derun Environment based on the Accounting Standards for Business Enterprises promulgated by Ministry of Finance of the PRC, is set out as follow:

	For the year ended 31 December 2016	For the 3 months ended 31 March 2017
	(Audited)	(Unaudited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net Profit (before tax, including minority interests)	1,526,305	707,506
Net Profit (after tax, attributable to owners of the company)	723,561	348,826
	As at 31 December 2016	As at 31 March 2017
	<i>(Note)</i>	
	(Audited)	(Unaudited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net Asset (including minority interests)	17,801,363	18,527,538
Net Asset (attributable to owners of the company)	9,593,995	9,961,066

According to the valuation report on Derun Environment, the fair value of 20% equity interest in Derun Environment as at 30 November 2017 is approximately RMB4,527,000,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

SZ Expressway principally engages in the investment, construction, operation and management of toll highways and roads, as well as other urban and transportation infrastructure facilities. As disclosed in SZ Expressway's 2016 annual report, apart from consolidating and enhancing of its main business of toll highway, SZ Expressway has carefully studied and taken into account the country's industrial policies and its own advantages, adopted the strategic choice of having the large environmental protection industry that takes water environment treatment and solid waste treatment as the main content as its new direction for industry development.

As Derun Environment is a comprehensive environmental enterprise with two major business segments: water treatment and waste incineration power generation, SZ Expressway believes that Derun Environment has stable profitability, abundant cash flow, strong scale advantages, regional competitive advantage and growth potentials. Through the acquisition of Derun Environment's equity interest by Environment Company at a reasonable price, SZ Expressway can expand its environmental business and obtain a reasonable return on investment. On the other hand, SZ Expressway may also carry out deep-level cooperation with Derun Environment and complement each other's advantages in business development. Since SZ Expressway is a subsidiary of SZ International, expansion in the environmental industry by SZ Expressway at a reasonable price and the expected investment returns to be brought along by such expansion is beneficial to SZ International as a whole.

The respective board of directors of SZ International and SZ Expressway are of the view that the terms and conditions of the Acquisition are fair and reasonable and in the interests of each of SZ International and SZ Expressway and their respective shareholders as a whole.

INFORMATION ON SZ INTERNATIONAL, SZ EXPRESSWAY, ENVIRONMENT COMPANY AND WATER ASSET

SZ International

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.

SZ Expressway

SZ Expressway and its subsidiaries are principally engaged in the investment, construction, operation and management of toll highways and roads, as well as other urban and transportation infrastructure facilities. It is a 50.889%-owned subsidiary of SZ International.

Environment Company

Environment Company is a company incorporated in the PRC with limited liability which principally engages in investment in environmental protection industry, environmental treatment engineering and environmental protection technology development. It is a wholly-owned subsidiary of SZ Expressway.

Water Asset

Water Asset is a company incorporated in the PRC with limited liability which principally engages in investment holding.

IMPLICATIONS UNDER THE LISTING RULES

For SZ International, the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, and the Acquisition constitutes a discloseable transaction and SZ International is therefore subject to the requirements of reporting and announcement but exempt from the requirement of approval by shareholders under Chapter 14 of the Listing Rules. For SZ Expressway, the applicable percentage ratios in respect of the Acquisition are more than 25% but less than 100%, and the Acquisition constitutes a major transaction and SZ Expressway is therefore subject to the requirements of reporting, announcement and shareholders' approval under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the directors of SZ Expressway, no shareholder of SZ Expressway has material interest in the Acquisition and the Acquisition Mandate, and none of the shareholders of SZ Expressway is required to abstain from voting if SZ Expressway is to convene a general meeting for the approval of the Acquisition and the Acquisition Mandate.

Pursuant to Rule 14.44 of the Listing Rules, SZ Expressway has obtained written approvals of the Acquisition and the Acquisition Mandate from three wholly-owned subsidiaries of SZ International, namely, Xin Tong Chan Development (Shenzhen) Co., Ltd, Shenzhen Shen Guang Hui Highway Development Company and Advance Great Limited, which held 654,780,000 A Shares, 411,459,887 A Shares and 43,536,000 H Shares, respectively, as at the date of this announcement, which in aggregate represents approximately 50.889% of the issued capital of SZ Expressway. As such, no extraordinary general meeting of SZ Expressway will be convened to approve the Acquisition and the Acquisition Mandate.

A circular containing, among other things, (i) further details of the Acquisition and the Acquisition Mandate; and (ii) other information required under the Listing Rules will be despatched to the shareholders of SZ Expressway on or before 16 June 2017.

DEFINITIONS

“Acquisition”	the acquisition of 20% equity interest in Derun Environment by Environment Company at the floor price of the listing from Water Asset pursuant to the Equity Transfer Agreement after Environment Company was determined as the transferee of the 20% equity interest in Derun Environment
“Acquisition Mandate”	the acquisition mandate granted by the shareholders to the board of directors of SZ Expressway by way of written approval, pursuant to which the board of directors of SZ Expressway may proceed with the Acquisition
“Assets and Equity Exchange”	Chongqing Assets and Equity Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Derun Environment”	Chongqing Derun Environment Company Limited, a company incorporated in the PRC with limited liability, which is owned as to 74.9% and 25.1% by Water Asset and Suyu Industry as at the date of this announcement
“Environment Company”	Shenzhen Expressway Environment Company Limited (深圳高速環境有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SZ Expressway
“Equity Transfer Agreement”	the equity transfer agreement in relation to the Acquisition entered into between Environment Company and Water Asset on 25 May 2017 after Environment Company was determined as the transferee of the 20% equity interest in Derun Environment
“Internet Bidding”	the bidding process carried out by Water Asset for the sale of 20% equity interest in Derun Environment through Assets and Equity Exchange on the internet in order to determine the purchaser and the consideration
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“San Feng Environment”	Chongqing San Feng Environmental Industrial Group Co., Ltd. (重慶三峰環境產業集團有限公司), a company incorporated in the PRC with limited liability and owned as to 57.12% by Derun Environment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suyu Industry”	Chongqing Suyu Industry Development Company Limited (重慶蘇渝實業發展有限公司), a company incorporated in the PRC with limited liability and the holder of 25.1% equity interest in Derun Environment as at the date of this announcement
“SZ Expressway”	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
“SZ International”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Water Asset”	Chongqing Water Asset Management Company Limited (重慶市水務資產經營有限公司), a company incorporated in the PRC with limited liability and the holder of 74.9% equity interest in Derun Environment as at the date of this announcement
“Water Group”	Chongqing Water Group Company Limited (重慶水務集團股份有限公司), a company incorporated in the PRC with limited liability and listed on the Shanghai Stock Exchange (stock code: 601158), which owned as to 50.04% by Derun Environment

By Order of the Board Shenzhen International Holdings Limited Gao Lei Chairman	By Order of the Board Shenzhen Expressway Company Limited Hu Wei Chairman
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Shenzhen, PRC, 25 May 2017

As at the date of this announcement, the board of directors of SZ International consists of Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Hu Wei as executive directors, Mr. Xie Chu Dao as non-executive director and Messrs. Leung Ming Yuen, Simon, Ding Xun, Nip Yun Wing and Dr. Yim Fung, JP as independent non-executive directors.

As at the date of this announcement, the directors of SZ Expressway are Mr. HU Wei (executive director and Chairman of the board), Mr. WU Ya De (executive director and president), Mr. WANG Zeng Jin (executive director), Mr. LIAO Xiang Wen (executive director), Mr. ZHAO Jun Rong (non-executive director), Mr. TSE Yat Hong (non-executive director), Mr. LIU Ji (non-executive director), Mr. CHEN Yuan Jun (non-executive director), Mr. AU Sing Kun (independent non-executive director), Mr. LIN Chu Chang (independent non-executive director), Mr. HU Chun Yuan (independent non-executive director) and Mr. Cai Shu Guang (independent non-executive director).