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深圳控股有限公司

SHENZHEN INVESTMENT LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 604)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF INTEREST IN
AND CONTRIBUTION OF CAPITAL TO
HUBEI HUAYIN TRAFFIC DEVELOPMENT COMPANY LIMITED**

Financial Adviser to Shenzhen Investment Limited



BOC INTERNATIONAL

A letter from the board of directors of Shenzhen Investment Limited is set out on pages 6 to 21 of this circular.

22 August 2006

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Acquisition”	the acquisition of the entire Equity Interest by the Purchaser from the Vendor as contemplated under the Transfer and Capital Contribution Agreement
“Board”	the board of Directors
“Capital Contribution”	the payment by the Purchaser of capital in the amount of RMB590,700,000 (equivalent to approximately HK\$567,981,000) to Huayin Traffic as capital reserve pursuant to the Transfer and Capital Contribution Agreement
“Company”	Shenzhen Investment Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange
“Complete Road”	a road which has been completed in construction and has passed through testing for completion of construction and complied with technical standards of the Ministry of Communications of the People’s Republic of China, and the quality of construction has reached a good standard or above as shown in the certificate of testing and acceptance upon completion of road construction
“Conditions”	the conditions upon which obligations of the Purchaser to pay the Consideration and the Capital Contribution are subject
“Consideration”	the aggregate consideration for the acquisition of the Equity Interest in the amount of RMB661,879,500 (equivalent to approximately HK\$636,423,000) and for the Capital Contribution in the amount of RMB590,700,000 (equivalent to approximately HK\$567,981,000)
“Construction Completion Date”	the date Jingdong Expressway passes testing by government departments for completion of construction, which shall not be earlier than two years after the Delivery Date and not later than three years after the Delivery Date

DEFINITIONS

“Construction Completion Audited Accounts”	the audited financial statements of Huayin Traffic and Jingdong Company as at the Construction Completion Audited Accounts Date to be issued within 30 Working Days after the Construction Completion Date
“Construction Completion Audited Accounts Date”	if the Construction Completion Date falls between 1st to 15th of a month, the last calendar day of the previous month; if the Construction Completion Date falls between 16th to the end of the month, the last calendar day of the month
“Delivery Date”	the date Jingdong Expressway enters the trial operation period, which is expected to be not later than 30 September 2006
“Delivery Audited Accounts”	the audited financial statements of Huayin Traffic and Jingdong Company as at the Delivery Audited Accounts Date to be issued within 6 months after the Delivery Date
“Delivery Audited Accounts Date”	if the Delivery Date falls between 1st to 15th of a month, the last calendar day of the previous month; if the Delivery Date falls between 16th to the end of the month, the last calendar day of the month
“Director(s)”	director(s) of the Company
“Equity Interest”	an amount of RMB110,000,000 in the registered capital of Huayin Traffic, representing the entire equity interest in Huayin Traffic to be acquired by the Purchaser from the Vendor as contemplated under the Transfer and Capital Contribution Agreement
“First Payment Date”	the date of payment by the Purchaser of the first installment of the Transfer Amount to the Vendor and the Capital Contribution to Huayin Traffic
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“Guangdong Jiasheng”	廣東嘉盛投資有限公司 (Guangdong Jiasheng Investment Co. Ltd.), a limited liability company established under the laws of the PRC and a former shareholder which owned a 60% equity interest in Huayin Traffic
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huayin Group”	湖北華銀實業集團有限公司 (Hubei Huayin Enterprise Group Company Limited), a limited liability company established under the laws of the PRC and a 9% shareholder of Jingdong Company
“Huayin Traffic”	湖北華銀交通開發有限公司 (Hubei Huayin Traffic Development Company Limited), a limited liability company established under the laws of the PRC wholly-owned by the Vendor as at the Latest Practicable Date, which will be renamed as 湖北深業華銀交通開發有限公司 (Hubei Shumyip Huayin Traffic Development Co., Ltd.)
“Jingdong Company”	湖北荊東高速公路建設開發有限公司 (Hubei Jingdong Expressway Construction and Development Company Limited), a limited liability company established under the laws of the PRC which owns and operates the Jingdong Expressway, owned as to 91% by Huayin Traffic and 9% by Huayin Group
“Jingdong Expressway”	the dual four lane expressway under construction beginning at the south bank of Jingzhou Yangzi River Bridge (荊州長江大橋) and ending at Dongyuemiao at the border between Hunan and Hubei Province (湘鄂邊界處東岳廟), with a total distance of 62.9 kilometers (consisting of 58.4 kilometers of main lane and 4.5 kilometers of connecting lanes), exclusively constructed and operated by Jingdong Company, together with its ancillary facilities and service districts
“Latest Practicable Date”	15 August, 2006, being the latest practicable date for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“New Articles of Association”	the new articles of association of Jingdong Company entered into by Huayin Traffic and Huayin Group on 29 July, 2006, which will take effect on the First Payment Date
“PRC”	The People’s Republic of China
“Purchaser”	深業控股（深圳）有限公司 (Shum Yip Investment (Shezhen) Limited), a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“Sallmanns”	Sallmanns (Far East) Limited, an independent valuer appointed by the Company to carry out valuation of Jingdong Company as at the Valuation Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer and Capital Contribution Agreement”	the agreement dated 29 July, 2006 entered into between the Vendor and the Purchaser for the acquisition of the Equity Interest from the Vendor and making of the Capital Contribution to Huayin Traffic by the Purchaser
“Transfer Amount”	the amount of RMB661,879,500 (equivalent to approximately HK\$636,423,000) payable by the Purchaser to the Vendor under the Transfer and Capital Contribution Agreement for the Acquisition
“Valuation Date”	31 December, 2005
“Vendor”	廈門東方金龍投資有限公司 (Xiamen Dongfang Jinglong Investment Co. Ltd.), a limited liability company established under the laws of the PRC and the sole shareholder of Huayin Traffic
“Working Day”	any day other than Saturdays, Sundays and statutory holidays in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent

For the purposes of this circular, the exchange rate at HK\$1 = RMB1.04 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

In this circular, English names of PRC established companies are unofficial English translation of the official Chinese names. In case of inconsistencies, the Chinese names shall prevail.

LETTER FROM THE BOARD



深圳控股有限公司 SHENZHEN INVESTMENT LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 604)

Executive Directors:

HU Aimin (*Chairman*)

ZHANG Yijun

ZHAO Gesheng

XIAO Rihai

ZHAO Mingfeng

LIANG Kaiping

LIU Weijin

ZHANG Huaqiao

TAM Ping Lung

Registered Office:

8th Floor, New East Ocean Centre

9 Science Museum Road

Tsimshatsui, Kowloon

Hong Kong

Non-Executive Directors:

HU Zuoyuan

LEE Yip Wah, Peter

Dr. WU Jiesi

Independent Non-Executive Directors:

WONG Po Yan

LI Wai Keung

WU Wai Chung, Michael

22 August 2006

To the shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF INTEREST IN AND CONTRIBUTION OF CAPITAL TO HUBEI HUAYIN TRAFFIC DEVELOPMENT COMPANY LIMITED

INTRODUCTION

On 1 August 2006, the Company announced that on 29 July 2006, the Purchaser being its subsidiary entered into the Transfer and Capital Contribution Agreement with the Vendor to, subject to fulfillment of the Conditions, (1) acquire the entire equity interest in the Huayin Traffic

LETTER FROM THE BOARD

at an aggregate consideration of RMB661,879,500 (equivalent to HK\$636,423,000); and (2) pay capital in the amount of RMB590,700,000 (equivalent to HK\$567,981,000) to Huayin Traffic as capital reserve. As the applicable percentage ratios for the transactions contemplated under the Transfer and Capital Contribution Agreement exceed 5% but are less than 25%, such transactions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further details of the Acquisition and the Transfer and Capital Contribution Agreement, as well as other information as required by the Listing Rules.

THE TRANSFER AND CAPITAL CONTRIBUTION AGREEMENT

Date

29 July, 2006

The Parties

- (a) the Vendor
- (b) the Purchaser, a wholly-owned subsidiary of the Company.

Interests to be acquired

The Purchaser shall, subject to fulfillment of the Conditions, (1) acquire the entire equity interest in Huayin Traffic from the Vendor at an aggregate consideration of RMB661,879,500 (equivalent to approximately HK\$636,423,000); and (2) pay capital in the amount of RMB590,700,000 (equivalent to approximately HK\$567,981,000) to Huayin Traffic as capital reserve. Upon completion of the transfer of the Equity Interest and the Capital Contribution, the entire registered capital of Huayin Traffic will be owned by the Purchaser.

Save for the Consideration, the Purchaser has no other financial commitment in respect of Huayin Traffic under the Transfer and Capital Contribution Agreement.

Out of the capital of RMB590,700,000 (equivalent to HK\$567,981,000) to be contributed by the Purchaser to Huayin Traffic pursuant to the Transfer and Capital Contribution Agreement, an amount of RMB539,630,000 (equivalent to HK\$518,875,000) will be contributed by Huayin Traffic to Jingdong Company as additional capital pursuant to the New Articles of Association, and the balance will be used to repay a shareholder's loan due from Huayin Traffic to Huayin Group, its original shareholder up to March, 2006.

LETTER FROM THE BOARD

Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser based on the assessed value of Jingdong Company as at the Valuation Date of RMB2,950,000,000 (equivalent to approximately HK\$2,836,538,000) assuming that Jingdong Expressway was a Complete Road on the Valuation Date, while making deductions on account of the following:–

- (i) Huayin Traffic holds 91% of the equity interest in Jingdong Company;
- (ii) the Purchaser will hold 100% of the total equity interest in Huayin Traffic after acquisition of the Equity Interest and the Capital Contribution;
- (iii) after the Acquisition, all liabilities of Huayin Traffic as at the Valuation Date will be attributed to the Equity Interest acquired by the Purchaser;
- (iv) while Jingdong Expressway was not a Complete Road as at the Valuation Date but was still under construction, the total cost of construction of Jingdong Expressway was estimated at RMB2,342,847,200 (equivalent to approximately HK\$2,252,738,000).

On the above basis, the Vendor and the Purchaser regard the Consideration to represent the value of the Equity Interest assuming that Jingdong Expressway was a Complete Road as at the Valuation Date. The Consideration was based on the earnings ability of Jingdong Company (as reflected in its assessed value) and not on the net asset value of Huayin Traffic.

The valuation of Jingdong Company as at the Valuation Date was carried out by Sallmanns, an independent valuer, using the discounted cash flow method, and the principal assumptions on which the valuation was based were as follow:

- The business of construction and management of the Jingdong Expressway can be achieved with the effort of the management of Jingdong Company.
- During the term of business of Jingdong Company, there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the business of Jingdong Company.
- Jingdong Company will be able to provide sufficient manpower, equipment and facilities for future expansion.

LETTER FROM THE BOARD

- The contractual obligations and agreements in relation to the business of Jingdong Company will be honoured.
- Copies of documents and information provided to the valuer in relation to Jingdong Company's incorporation, operation and financial status are reliable and legitimate.
- During the term of business of Jingdong Company, there will be no extended closure of the Jingdong Expressway due to natural disasters or inclement weather such as flooding.

Warranties by the Vendor

As the essential factors upon which the Consideration was based, the Vendor confirms and warrants to the Purchaser various matters (the "Consideration Factors") including (but not limited to):—

- (i) Jingdong Expressway shall totally complete its construction and pass the testing for delivery not later than 30 September, 2006 (such deadline may be extended up to 31 October, 2006 for delay caused by significant unforeseen events), and shall pass the testing for construction completion by government departments within three years after the Delivery Date and reaches the standard of "Complete Road";
- (ii) the total liabilities of Jingdong Company as at the Delivery Audited Accounts Date (after deducting its bank balances, cash and accounts receivables as at the Delivery Date) will not exceed RMB1,572,847,200 (equivalent to approximately HK\$1,512,353,000) and Huayin Traffic and Jingdong Company shall not have any accounts receivables as at the Delivery Date;
- (iii) the total construction costs of Jingdong Expressway shall not exceed RMB2,342,847,200 (equivalent to approximately HK\$2,252,738,000);
- (iv) Jingdong Expressway will be open to traffic and collect toll fees before 30 September, 2006 and after Jingdong Expressway has been approved to open for traffic, Jingdong Company shall have an independent and complete right of toll and the toll fees shall not be lower than similar expressways in Hubei Province;
- (v) any present construction defects of Jingdong Expressway shall be the responsibility of the contractors and Jingdong Company shall not be required to bear any costs.

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- (vi) Jingdong Expressway will, on Construction Completion Date, have achieved the standard of a Complete Road;
- (vii) Huayin Group and Guangdong Jiasheng, the former shareholders of Huayin Traffic with a 20% equity interest and a 60% equity interest respectively which transferred their equity interests in Huayin Traffic to the Vendor, will not assert any right or demand due to the payment for such equity interest not yet paid by the Vendor other than by way of debt due from the Vendor; and
- (viii) no legal approval obstacles are anticipated for Jingdong Company to obtain complete and independent land use rights certificates and building ownership certificates for the Jingdong Expressway and its ancillary facilities and all the related formalities and expenses shall be undertaken by the Vendor.

The Vendor shall compensate the Purchaser, Huayin Traffic or Jingdong Company (as the case may be) for damages or losses caused by breaches of any of the warranties under the Consideration Factors.

Delivery Audit

Within six months after the Delivery Date, Huayin Traffic shall appoint a firm of PRC registered accountants of international repute to carry out audit on Huayin Traffic and Jingdong Company and to prepare the Delivery Audited Accounts in accordance with PRC GAAP.

If the actual amount of the costs and expenses of Jingdong Company for the construction of Jingdong Expressway according to the Delivery Audited Accounts exceeds the estimated amount of RMB2,342,847,200 (equivalent to approximately HK\$2,252,738,000), the excessive amount shall be reimbursed by the Vendor in cash to Huayin Traffic or Jingdong Company. If such actual amount of costs and expenses is lower than the aforesaid estimated amount, the discrepancy multiplied by 91% shall be repaid by the Purchaser in cash to the Vendor. There is no interest on such amounts which may be reimbursed or repaid.

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Out of the estimated total construction costs of Jingdong Expressway of RMB2,342,847,200 (equivalent to approximately HK\$2,252,738,000) to be borne by Jingdong Company, Jingdong Company had incurred construction costs of RMB2,101,885,000 (equivalent to approximately HK\$2,021,043,000) up to 31 March, 2006 (according to the unaudited consolidated management accounts of Huayin Traffic prepared in accordance with PRC GAAP). If according to the Delivery Audited Accounts, the actual total construction expenses of Jingdong Expressway exceeds the estimated amount of RMB2,342,847,200 (equivalent to approximately HK\$2,252,738,000) and the excessive amount has not been reimbursed by the Vendor, the additional capital which Huayin Traffic is required to put in to the Jingdong Expressway project through Jingdong Company shall be borne by the Vendor (for the capital contribution required to be made by the Purchaser) and Huayin Group (for the capital contribution required to be made by virtue of its 9% interest in Jingdong Company).

The Company will comply with the applicable provisions of the Listing Rules when necessary if it is required to make further capital injection into Huayin Traffic and/or Jingdong Company.

Construction Completion Audit

Within 30 Working Days after the Construction Completion Audited Accounts Date, Huayin Traffic shall appoint a firm of PRC registered accountants of international repute to carry out audit on Huayin Traffic and Jingdong Company respectively to prepare and deliver the Construction Completion Audited Accounts in accordance with PRC GAAP.

If according to the Construction Completion Audited Accounts, there occurs to Jingdong Company any adverse change to the Consideration Factors, the Vendor shall compensate for such change by payment in cash to Jingdong Company to the extent such adverse change can be remedied by cash payment. The Vendor shall within 30 Working Days from the Construction Completion Audited Accounts Date take all effective measures to remedy any other adverse changes which cannot be remedied by cash payment and which cause significant legal obstacles or risks to the legality, stability or continuation of the business operation of Jingdong Company. If the Vendor fails to carry out the effective remedy within such timeframe, the Purchaser may request the Vendor to repurchase the Equity Interest at an amount equal to the relevant installment of the Transfer Amount and Contribution Capital paid plus not less than 10% of return for the period from the date of payment of such amount to the date of payment of the repurchase amount and less the amount of actual return received by the Purchaser from Huayin Traffic from the First Payment Date to the date of payment of the repurchase amount.

LETTER FROM THE BOARD

Toll Income of Jingdong Expressway

Jingdong Company shall engage a firm of PRC registered accountants of international repute to carry out audit on the toll income of Jingdong Expressway during the period from 1 February, 2007 to 31 January, 2008 (the “Specific Operation Period”) within 30 days from 1 February, 2008. If the toll income of Jingdong Expressway during the Specific Operation Period does not reach RMB140,000,000 (equivalent to approximately HK\$134,615,000), the Vendor shall return RMB200,825,400 (equivalent to approximately HK\$193,101,000) out of the Transfer Amount to the Purchaser within 30 days from the issue of the audit report. The Specific Operation Period may be extended if the required toll income is not reached due to force majeure events.

Huayin Group executed a pledge agreement on 29 July 2006 in respect of its 9% equity interest in Jingdong Company in favour of the Purchaser to secure the payment obligations of the Vendor referred to above (the “Pledge Agreement”).

Conditions Precedent for the Payment Obligations of the Purchaser

The obligation of the Purchaser to pay any installment of the Transfer Amount to the Vendor and the Capital Contribution to Huayin Traffic is subject to fulfillment (or waiver by the Purchaser in writing) of the following Conditions:–

- (i) the execution of the New Articles of Association by Huayin Group and Huayin Traffic, and approval by the shareholders in general meeting of Jingdong Company of the New Articles of Association taking effect on the First Payment Date;
- (ii) the issue of a business licence to Huayin Traffic by the Administration for Industry and Commerce for Hubei Province without changing the fundamental terms of the Transfer and Capital Contribution Agreement and the new articles of association of Huayin Traffic in substance;
- (iii) obtaining of a confirmation letter from a lending bank of Jingdong Company (a) agreeing to the Acquisition and (b) agreeing to continue the loan agreements with Jingdong Company and not to call for early repayment of the loans;
- (iv) that there has been no breach by the Vendor of its representations, warranties and undertakings in the Transfer and Capital Contribution Agreement up to the date of fulfillment of all the Conditions;
- (v) the issue of an announcement and this circular by the Company in respect of the Acquisition and the Capital Contribution in compliance with the laws of Hong Kong and the Listing Rules.

LETTER FROM THE BOARD

If any of the Conditions is not fulfilled within six months from the date of the Transfer and Capital Contribution Agreement, unless the Vendor and the Purchaser agrees to extend the deadline for fulfillment of the Conditions, the Transfer and Capital Contribution Agreement shall be terminated. Each of the parties shall bear its own costs in connection with the Transfer and Capital Contribution Agreement and no party shall be obliged to the other for any liability or loss.

After fulfillment (or waiver by the Purchaser in writing) of all of the Conditions, the Purchaser shall make payment of the Consideration by way of three installments as follows:–

	Amount	Payment Date
First installment	RMB261,054,100 of the Transfer Amount plus the total amount of Capital Contribution	Within 10 working days of the date of fulfillment (or waiver by the Purchaser in writing) of all of the Conditions
Second installment	RMB200,000,000 of the Transfer Amount	Subject to the contribution of additional capital by Huayin Group to Jingdong Company under the New Articles of Association as mentioned below, within 2 months after the First Payment Date
Third installment	RMB200,825,400 of the Transfer Amount	Provided that the Pledge Agreement has been executed and registered in the register of shareholders of Jingdong Company, within 2 months after the date of payment of the second installment (subject to a grace period of three months)

Payment Arrangements

On 11 August, 2006, the Purchaser effected the Capital Contribution to Huayin Traffic when all the Conditions apart from the issue of this circular had been fulfilled. The Purchaser is certain about the fulfillment of the Condition for the issue of this circular, and agreed to waive such Condition in respect of the Capital Contribution with a view to enable Jingdong Company to reduce its bank loans and finance costs.

LETTER FROM THE BOARD

The Vendor originally owned a 20% equity interest in Huayin Traffic, and acquired a 20% equity interest in Huayin Traffic from Huayin Group in March, 2006 and a 60% equity interest in Huayin Traffic from Guangdong Jiasheng in July, 2006 at the face value of the registered capital being acquired as a restructuring arrangement. The Purchaser shall effect payment of the first installment of the Transfer Amount by paying RMB22,000,000 (equivalent to approximately HK\$21,154,000) to Huayin Group and RMB66,000,000 (equivalent to approximately HK\$63,462,000) to Guangdong Jiasheng to which the Vendor owes such amounts for those previous transfers of equity interest in Huayin Traffic, and the balance of RMB173,054,100 (equivalent to approximately HK\$166,398,000) to the Vendor. Notwithstanding the considerations for the acquisition of equity interests in Huayin Traffic by the Vendor have not yet been paid, the Company has obtained PRC legal opinion that since such equity interests have been registered in the name of the Vendor and the original shareholders have agreed to waive their rights in respect of those equity interest, the Vendor has now obtained complete legal title to the Equity Interest.

From the date of registration of the entire equity interest in Huayin Traffic in the name of the Purchaser and pending payment of the Transfer Amount and the Capital Contribution by the Purchaser, the equity interest in Huayin Traffic shall be pledged to the Vendor as security for such payments. The Equity Interest shall be released from pledge proportionately accordingly to the following schedule:–

Upon payment of the first installment of the Consideration	68% of the total Equity Interest shall be released from pledge
Upon payment of the second installment of the Consideration	16% of the total Equity Interest shall be released from pledge
Upon payment of the third installment of the Consideration	16% of the total Equity Interest shall be released from pledge

Transitional Arrangements

During the period from the date of the Transfer and Capital Contribution Agreement to the First Payment Date, each of the Vendor and the Purchaser shall appoint two persons to form a transitional team to handle all matters in connection with the daily operations and technical matters of Huayin Traffic, Jingdong Company and Jingdong Expressway. The transitional team shall have the full right of knowledge, and each member of the team may make recommendations, in respect of daily operations of Huayin Traffic and Jingdong Company and the construction of Jingdong Expressway. As at the Latest Practicable Date, each of the Vendor and the Purchaser had appointed two persons to form the transitional team.

LETTER FROM THE BOARD

The Purchaser shall be in charge of the daily operations, repair and maintenance and management of Jingdong Expressway from the First Payment Date up to the date of issue of the Delivery Audited Accounts, with necessary assistance from the Vendor. During the period from the Delivery Date to the Construction Completion Date, if any damages occur to Jingdong Expressway or Jingdong Company is being claimed by third parties due to design, quality, material, or construction defects arising before the Delivery Date, Jingdong Company shall claim against the responsible party (including but not limited to the designers, contractors and suppliers), and any deficiency in remedies shall be reimbursed by the Vendor.

From the First Payment Date to the payment of the second installment of the Transfer Amount, the Purchaser shall appoint two persons nominated by the Vendor as directors of Huayin Traffic and procure that three persons nominated by the Vendor be appointed as directors of Jingdong Company (and as members of the liquidation committee if Huayin Traffic or Jingdong Company is dissolved). From the payment of the second installment up to the payment of the third installment of the Transfer Amount, the Purchaser shall appoint one person nominated by the Vendor as a director of Huayin Traffic and procure that two persons nominated by the Vendor be appointed as directors of Jingdong Company (and as members of the liquidation committee if Huayin Traffic or Jingdong Company is dissolved).

From the First Payment Date to the payment of the third installment of the Transfer Amount, the Purchaser shall procure that Huayin Traffic appoint a person nominated by the Vendor as the deputy finance general manager of Jingdong Company.

Guarantee

Huayin Group and Guangdong Jiasheng have executed a letter of guarantee in favour of the Purchaser in respect of the obligations, liabilities, representations, undertakings and warranties of the Vendor under the Transfer and Capital Contribution Agreement.

The Company has executed a letter of guarantee in favour of the Vendor in respect of the obligations, liabilities, representations, undertakings and warranties of the Purchaser under the Transfer and Capital Contribution Agreement.

LETTER FROM THE BOARD

THE NEW ARTICLES OF ASSOCIATION OF JINGDONG COMPANY

Date

29 July, 2006

The Parties

- (a) Huayin Group
- (b) Huayin Traffic

Huayin Traffic, which will become a wholly-owned subsidiary of the Purchaser upon completion of the Acquisition, entered into the New Articles of Association to govern the operations and administration of Jingdong Company.

Scope of Business

The scope of business of Jingdong Company shall be the investment in and development of traffic business, operation of roads and bridges, ancillary services of the Jingdong Expressway.

Registered Capital

Registered capital: RMB100,000,000 (equivalent to approximately HK\$96,154,000).

Contributions to the Registered Capital

- (a) As to RMB9,000,000 (equivalent to approximately HK\$8,654,000) by Huayin Group, representing 9% of the total registered capital of Jingdong Company; and
- (b) As to RMB91,000,000 (equivalent to approximately HK\$87,500,000) by Huayin Traffic, representing 91% of the total registered capital of Jingdong Company

The registered capital of Jingdong Company in the amount of RMB100,000,000 (equivalent to approximately HK\$96,154,000) has been fully paid up. Huayin Group and Huayin Traffic agreed to contribute additional capital to Jingdong Company in the form of capital reserve in the aggregate amount of RMB593,000,000 (equivalent to approximately HK\$570,192,000), payable by Huayin Group as to RMB53,370,000 (equivalent to approximately HK\$51,317,000) and by Huayin Traffic as to RMB539,630,000 (equivalent to approximately HK\$518,875,000). The contribution of capital by Huayin Traffic to Jingdong Company was subject to completion of the Capital Contribution, while the contribution of capital by Huayin Group was subject to the contribution by

LETTER FROM THE BOARD

Huayin Traffic to Jingdong Company being made. Such contributions of additional capital to Jingdong Company were made in cash by Huayin Group and Huayin Traffic respectively on 14 August, 2006.

The Board of Directors

The board of directors of Jingdong Company shall consist of nine directors, one of whom shall be appointed by Huayin Group and eight of whom shall be appointed by Huayin Traffic. The chairman of the board shall be the director nominated by Huayin Traffic.

The quorum of board meetings shall be two-thirds of the directors. Apart from (1) business plans, investment proposals and fund raising proposals; (2) budget, investment and settlement; (3) proposals for profit distribution and making up of losses; (4) internal management organisations; and (5) basic management systems which shall be unanimously approved by all directors at a board meeting, resolutions of the board shall be passed by over half of the directors attending the meeting.

Pre-emption Rights

Any parties to the New Articles of Association wishing to transfer all or part of its equity interest in Jingdong Company shall be subject to pre-emption rights of the other shareholder. Any shareholder proposing to transfer its equity interest in Jingdong Company shall give notice of the same to the other shareholder. If the pre-emption rights of the other shareholder are not exercised within 10 working days of the notice, the offering shareholder may within 3 months from the date of the notice transfer to a third party the equity interest at a price not lower than that stated in the notice.

Pledging of Equity Interest

None of the shareholders of Jingdong Company may pledge or use its equity interest as security without approval by resolution of the shareholders.

Repurchase of Equity Interest

Any shareholder which has voted at a general meeting against a resolution in respect of any of the following matters may in the event of such matter request Jingdong Company to repurchase its equity interest at a reasonable price:—

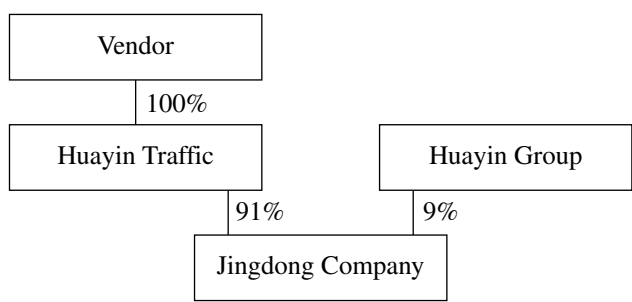
- (1) Jingdong Company has made profits for 5 consecutive years and fulfills the requirements under the Company Law of the PRC for profits distribution but has not distributed its profits to its shareholders for 5 consecutive years;

LETTER FROM THE BOARD

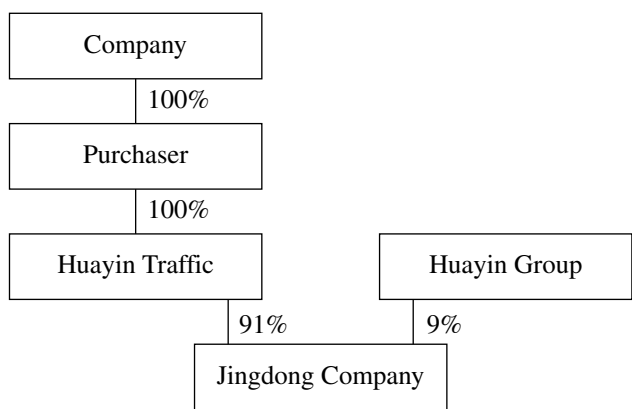
- (2) Merger or separation of Jingdong Company or transfer by Jingdong Company of its principal assets;
- (3) Upon expiry of the term of business of Jingdong Company (being 5 November, 2037) or under other circumstances for dissolution provided in the New Articles of Association but the shareholders in general meeting pass resolutions to extend the continuance of Jingdong Company.

Corporate Structure before and after completion of the Acquisition

Before completion of the Acquisition



After completion of the Acquisition



LETTER FROM THE BOARD

INFORMATION ON THE ASSETS TO BE ACQUIRED

Huayin Traffic is a limited liability company established in the PRC on 9 September, 2005. It is an investment holding company and its sole investment is 91% equity interest in Jingdong Company. Jingdong Company is a limited liability company established in the PRC whose sole business is the investment in, and the construction and operation of the Jingdong Expressway. Jingdong Company has obtained approval by the Hubei Provincial Government of its right to operate the Jingdong Expressway for 34 years from September, 2003, and will apply to the Hubei Provincial Government for the right to charge toll fees for the Jingdong Expressway upon its completion (which is expected to be not later than 30 September, 2006).

Huayin Traffic has a fully paid-up total registered share capital of RMB110,000,000 (equivalent to approximately HK\$105,769,000). The total registered capital in of Huayin Traffic is held by the Vendor at present and will be held by the Purchaser after completion of the Acquisition.

The unaudited consolidated total asset value and the unaudited consolidated net asset value of Huayin Traffic as at 31 March, 2006, according to the unaudited consolidated management accounts of Huayin Traffic prepared in accordance with PRC GAAP for the three months up to 31 March, 2006, amounted to approximately RMB2,456,000,000 (equivalent to approximately HK\$2,361,538,000) and approximately RMB105,842,000 (equivalent to approximately HK\$101,771,000). In the unaudited consolidated balance sheet of Huayin Traffic as at 31 March, 2006 prepared in accordance with PRC GAAP, the largest asset item was construction in progress (being the Jingdong Expressway) of approximately RMB2,057,000,000 (equivalent to approximately HK\$1,977,885,000), and the largest liability item was long term bank borrowings of approximately RMB2,189,000,000 (equivalent to approximately HK\$2,104,808,000) (as of the Latest Practicable Date, such long term bank borrowings amounted to approximately RMB1,596,000,000 (equivalent to approximately HK\$1,535,000,000)).

Huayin Traffic did not have any turnover or profit up to the Latest Practicable Date as the Jingdong Expressway (which is owned by Jingdong Company and the only investment indirectly held by Huayin Traffic) is still under construction. Huayin Traffic incurred an unaudited consolidated loss (both before and after taxation and extraordinary items) of approximately RMB38,661 (equivalent to approximately HK\$37,174) from 9 September, 2005 (the date of establishment) to 31 December, 2005 and an unaudited consolidated loss (both before and after taxation and extraordinary items) of approximately RMB4,158,000 (equivalent to approximately HK\$3,998,000) for the three months ended 31 March, 2006.

LETTER FROM THE BOARD

FINANCIAL EFFECTS

Upon completion of the Acquisition and the Capital Contribution, the Group shall, on consolidation basis, be entitled to 100% of the net earnings/loss of Huayin Traffic.

The aggregate Consideration of RMB661,879,500 (equivalent to approximately HK\$636,423,000) for acquiring the Equity Interest and the Capital Contribution of RMB590,700,000 (equivalent to approximately HK\$567,981,000) in cash will be paid by the Group from its internal resources. The Directors are of the opinion that the Group has sufficient resources to meet this payment and there will be no adverse change to its financial position.

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

The Acquisition is in line with the Group's business of investment in and management of infrastructure facilities. The Jingdong Expressway owned by Jingdong Company is the Hubei section of the principal national traffic way from Er Lian Hao Te (二連浩特) to Guangzhou and has a privileged geographical location. In addition, Hubei Province has rapid economic development and is the core region in the central of China. Jingdong Company has a long term operating right in respect of the Jingdong Expressway for 34 years (with about 31 years remaining). The Directors consider that the investment in Jingdong Expressway will bring good return to the Group. Pursuant to the Transfer and Capital Contribution Agreement, the Vendor warrants that the construction of Jingdong Expressway will be completed for traffic not later than the end of October, 2006. The Group can therefore avoid the risk associated with long construction period for roads. The Directors anticipate that Jingdong Expressway will bring a stable cash flow to the Group when it becomes open to traffic, and will increase the profitability of the Group.

The Directors (including the independent non-executive Directors) consider that the Transfer and Capital Contribution Agreement and the New Articles of Association were on normal commercial terms after arm's length negotiations, and the terms are fair and reasonable and in the interest of the Company and its shareholders taken as a whole.

GENERAL

The Group is principally engaged in property development, property investment and management, infrastructure investment, provision of transportation services, manufacture and sale of industrial and commercial products.

The Vendor is principally engaged in industrial investment, investment consultancy and property development.

LETTER FROM THE BOARD

Huayin Group is principally engaged in the construction and operational management of infrastructure facilities.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor, Huayin Group and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company. The Vendor is a shareholder of Huayin Group which holds 20% of its equity interest.

As the applicable percentage ratios for the transactions contemplated under the Transfer and Capital Contribution Agreement exceed 5% but are less than 25%, such transactions constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

Your attention is drawn to the general information set out in the appendix to this circular.

By order of the Board
SHENZHEN INVESTMENT LIMITED
HU Aimin
Chairman

(1) RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other matters the omission of which would make any statement in this circular misleading.

(2) DISCLOSURE OF INTERESTS

(a) Directors’ interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“the SFO”)) which (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, were as follows:

Name of Director	Capacity	Nature of interests	Number of shares of the Company	Underlying	Aggregate interests in the Company	Percentage of issued share capital of the Company
				shares of the Company pursuant to share options (Note)		
HU Aimin	Beneficial owner	Personal interest	–	10,000,000	10,000,000	0.40
ZHANG Yijun	Beneficial owner	Personal interest	–	8,800,000	8,800,000	0.35
ZHAO Gesheng	Beneficial owner	Personal interest	–	4,000,000	4,000,000	0.16
XIAO Rihai	Beneficial owner	Personal interest	–	4,000,000	4,000,000	0.16
LIANG Kaiping	Beneficial owner	Personal interest	–	8,000,000	8,000,000	0.32

APPENDIX

GENERAL INFORMATION

Name of Director	Capacity	Nature of interests	Number of shares of the Company	Underlying shares of the Company pursuant to share options (Note)	Aggregate interests in the Company	Percentage of issued share capital of the Company
ZHAO Mingfeng	Beneficial owner	Personal interest	–	4,700,000	4,700,000	0.19
LIU Weijin	Beneficial owner	Personal interest	–	6,000,000	6,000,000	0.24
ZHANG Huaqiao	Beneficial owner	Personal interest	–	24,000,000	24,000,000	0.96
TAM Ping Lung	Beneficial owner	Personal interest	–	8,000,000	8,000,000	0.32
HU Zuoyuan	Beneficial owner	Personal interest	–	4,000,000	4,000,000	0.16
WU Jiesi	Beneficial owner	Personal interest	–	10,000,000	10,000,000	0.40
WONG Po Yan	Beneficial owner	Personal interest	–	–	–	0.00
LEE Yip Wah, Peter	Beneficial owner	Personal interest	–	–	–	0.00
WU Wai Chung, Michael	Beneficial owner	Personal interest	–	2,600,000	2,600,000	0.10
LI Wai Keung	Beneficial owner	Personal interest	–	1,400,000	1,400,000	0.06

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules.

(b) Persons or corporations who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to each Director or the chief executive of the Company, as at the Latest Practicable Date, the following persons or corporations, other than the Directors or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person’s / corporate’s interest in such securities, together with particulars of any options in respect of such capital, were as follows:

Name	Capacity	Nature of interest	Number of shares of the Company	Percentage of issued share capital of the Company
Shum Yip Holdings Company Limited (Note)	Beneficial owner	Corporate interest	1,401,123,966	56.12

Note: Hu Aimin, Zhang Yijun, Zhao Gesheng and Hu Zuoyuan, being Directors, are also directors of Shum Yip Holdings Company Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

(3) EXPERTS

- (a) The following are the qualifications of the experts who have give their opinions or advices which are contained in this circular:–

Name	Qualifications
Sallmanns	Professional property valuer and business valuer

- (b) Sallmanns does not have any shareholding, directly, or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Sallmanns has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of references to its name, in the form and context in which they are included.

(4) COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business which competes or is likely to compete, either directly or indirectly with the business of the Group.

(5) SERVICE CONTRACTS

Each of the non-executive Directors and the independent non-executive Directors has been appointed for a term of three years, commencing on 1 January, 2005 (except for Mr. Hu Zuoyuan who was appointed on 23 December, 2005 and for Dr. Wu Jiesi who was appointed on 11 May, 2006) and thereafter eligible for re-election. Save for an annual remuneration of HK\$250,000, none of the non-executive Directors and independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director and an independent non-executive Director (as the case may be).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has entered, or proposed to enter, into a service contract the Group which does not expire or is not determinable by any member of the Group within one year without compensation (other than statutory compensation).

(6) LITIGATION

A statement of claim dated 27 August, 2002 was issued by Fancheng Property Development Co., Limited (the “Plaintiff”) as plaintiff against Shum Yip Group (Shenzhen) Co., Ltd. (“Shum Yip Shenzhen”), a wholly-owned subsidiary of the Company as first defendant and Yaoheng Development Co., Ltd. as the second defendant in a civil claim at the court in PRC. To the best of the Directors’ knowledge, information and belief, both the Plaintiff and Yaoheng Development Co., Ltd. are third parties independent of the Company and its respective connected persons (as defined in the Listing Rules).

The Plaintiff claimed against Shum Yip Shenzhen for, inter alia, damages suffered by the Plaintiff as a result of the breach by Shum Yip Shenzhen of the terms of a cooperation agreement entered into between the Plaintiff and Shum Yip Shenzhen dated 8 July 1991, which include (i) Shum Yip Shenzhen’s deliberate registration of the properties named Shenfa Garden under the name of Shum Yip Shenzhen and its refusal to give the properties to the Plaintiff and (ii) Shum Yip Shenzhen’s appropriation of the Plaintiff’s sales proceeds to compensate the individual owners and the construction party of Shenfa Garden and the keeping of the income in relation to certain car parks and the kindergarten situated within the area of Shenfa Garden. The Plaintiff claimed a total compensation of approximately RMB1.3 million against the Plaintiff on 22 October, 2002. This case was heard in court on 26 March, 2003 and 5 November, 2004, the arbitration process is complicated and time-consuming. As at the Latest Practicable date, the parties are still waiting for the delivery of the arbitration award. The PRC lawyers of the Company are of the view that the outcome of the case is not determinable at this stage.

As advised by the Hong Kong lawyers of the Company, pursuant to a deed (the “Deed”) entered into on 12 February, 1997 by Shum Yip Holdings Company Limited, the controlling shareholder of the Company, as covenantor in favour of the Company as cantee in connection with the listing of the Company, the Company may be able to claim indemnity from Shum Yip Holdings Company Limited if the Plaintiff and/or the applicant are successful in their claims against Shum Yip Shenzhen on the ground that Shum Yip Shenzhen had materially breached the cooperation agreement, and the circumstances which gave rise to the above litigation was already in existence at the time of execution of the Deed.

Save as disclosed above, as at the Latest Practicable Date and so far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

(7) GENERAL

- (a) The secretary of the Company is Mr. Cheung Wing Yui, who is a practising solicitor of Hong Kong.
- (b) The qualified accountant of the Company is Ms. Kwan Ka Yuet, who is a fellow of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.
- (c) The head office and registered office of the Company is situate at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong.
- (d) The share registrar and transfer office of the Company is Standard Registrars Ltd. of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.