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: 548)

2007 Annual Results Announcement

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2007, prepared in accordance with HKFRS, together with comparative figures for the corresponding year in 2006, as follows:

Consolidated income statement

	Note	**Year ended 31 December 2007** *RMB'000*	2006 *RMB'000* *(Restated)*
Revenue	3	**1,103,455**	769,291
Business tax and surcharges	4	**(37,427)**	(24,685)
Cost of services	4	**(338,666)**	(209,955)
Gross profit		**727,362**	534,651
Other income	5	**38,386**	41,903
Other gains/(losses) - net	5	**349**	(4,285)
Administrative expenses	4	**(50,232)**	(45,357)
Operating profit		**715,865**	526,912
Finance costs	6	**(131,777)**	(81,558)
Share of profit of jointly controlled entities		**203,950**	202,266
Share of loss of associates		**(13,486)**	(16,948)
Profit before income tax		**774,552**	630,672
Income tax expenses	7	**(106,630)**	(39,899)
Profit for the year		**667,922**	590,773

	Note	Year ended 31 December	
		2007	2006
		RMB'000	*RMB'000*
			(Restated)
Attributable to:			
Equity holders of the Company		**674,347**	579,090
Minority interest		**(6,425)**	11,683
		667,922	590,773
Earnings per share for profit attributable to equity holders of the Company			
(expressed in RMB per share)			
- Basic and diluted	8	**0.309**	0.266
Dividends	9	**348,912**	283,491

Consolidated balance sheet

	Note	As at 31 December	
		2007	2006
		RMB'000	*RMB'000*
			(Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**7,410,318**	3,634,655
Construction in progress		**4,208,432**	857,525
Land use rights		**215,526**	226,869
Investments in jointly controlled entities		**1,513,630**	1,685,182
Investments in associates		**1,141,828**	3,006,665
Deferred income tax assets		**-**	1,878
		14,489,734	9,412,774
Current assets			
Inventories		**2,956**	2,403
Trade and other receivables	10	**223,886**	95,283
Restricted cash		**16,032**	6,872
Cash and cash equivalents		**466,990**	328,494
		709,864	433,052
Non-current assets classified as held for sale		**-**	53,029
		709,864	486,081
Total assets		**15,199,598**	9,898,855

	Note	As at 31 December 2007	2006
		RMB'000	*RMB'000*
			(Restated)
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**2,180,700**	2,180,700
Other reserves		**3,586,887**	3,264,104
Retained earnings			
- Proposed final dividend		**348,912**	283,491
- Others		**1,133,714**	876,343
		7,250,213	6,604,638
Minority interest		**712,480**	-
Total equity		**7,962,693**	6,604,638
LIABILITIES			
Non-current liabilities			
Borrowings		**5,251,963**	855,789
Deferred income tax liabilities		**474,235**	26,867
Government grants		**337,263**	350,461
		6,063,461	1,233,117
Current liabilities			
Other payables		**754,895**	835,244
Current income tax liabilities		**27,565**	22,715
Borrowings		**390,984**	1,203,141
		1,173,444	2,061,100
Total liabilities		**7,236,905**	3,294,217
Total equity and liabilities		**15,199,598**	9,898,855
Net current liabilities		**(463,580)**	(1,575,019)
Total assets less current liabilities		**14,026,154**	7,837,755

Notes:

1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with HKFRS. The PRC statutory financial statements of the Group have been prepared in accordance with CAS. Appropriate restatements have been made to the PRC statutory financial statements to conform with HKFRS.

The Group reported net current liabilities of approximately RMB463,580,000 as at 31 December 2007. The directors of the Company had made an assessment and concluded that there is no going concern issue of the Group based on the facts that the Group has been generating positive and increasing operating cash flows and the total equity of the Group at 31 December 2007 amounted to approximately RMB7,962,693,000 and it has not experienced any difficulties in renewing its banking facilities and there is no evidence indicating that the banks will not renew the facilities. In addition, the Group had unutilised committed banking facilities of approximately RMB8.3 billion at 31 December 2007 in order to meet its obligations and commitments. Consequently, the financial statements have been prepared by the directors of the Company on a going concern basis.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HKFRS 7 and the complementary amendment to HKAS 1 issued by the Hong Kong Institute of Certified Public Accountants are effective for financial year ended 31 December 2007. These standards and interpretations do not have significant impact on the Group's financial statements.

2 Changes in accounting policies

In previous years, the Group adopted the proportionate consolidation method under HKAS 31, 'Interests in Joint Ventures', to account for its interests in jointly controlled entities. Effective from 1 January 2007, the Group changed to adopt equity method of accounting, the alternative method under HKAS 31, to account for its interests in jointly controlled entities.

The directors of the Company are of the view that the change in accounting method for interests in jointly controlled entities would provide more reliable, relevant and comparable information of its interests in jointly controlled entities on the Group's financial position, financial performance and cash flows, which is consistent with the basis adopted in the Group's PRC statutory financial statements prepared based on the CAS effective from 1 January 2007. According to CAS, equity method of accounting is mandatorily adopted for the accounting of interests in jointly controlled entities. Given the fact that the CAS is formulated based on a similar conceptual framework as HKFRS and HKAS 31 does not specify whether proportionate consolidation method or equity method of accounting is superior than the other, the directors of the Company consider that consistent application of equity method of accounting would enhance the comparability of financial information presented in its statutory financial statements prepared under CAS as well financial statements prepared under HKFRS. It is also noted that the International Accounting Standards Board is currently considering the removal of proportionate consolidation method of accounting for interests in joint arrangements in the Exposure Draft 9, 'Joint Arrangements'.

There was no impact on net profit and earnings per share as a result of this change in accounting policy. The opening retained earnings at 1 January 2006 has been increased by RMB3,187,000, as a result of restatements made to share of reserve appropriation of the jointly controlled entities.

In addition, in previous years, the Group reported its share of statutory reserve appropriations made by the entities consolidated in the Group's consolidated financial statements based on the respective equity interests held by the Group in these entities. Effective from 1 January 2007, the Group does not make such reserve appropriations upon the preparation of its consolidated financial statements of the Group, and the corresponding changes to the reserves have been retrospectively restated.

There was no impact on net profit and earnings per share as a result of the change. The opening retained earnings at 1 January 2006 has been increased by RMB126,361,000.

3 Segment information

At 31 December 2007, the Group is organised into two main business segments:

- Toll road business

- Provision of construction management services

Revenue consists of income from operations of toll roads and service income derived from the construction management services segment, which are RMB1,068,100,000 and RMB750,535,000 for the years ended 31 December 2007 and 2006, respectively.

Other group operations mainly comprise provision of advertising services and other services. None of these operations constitutes a separately reportable segment individually or in aggregate.

The segment results for the year ended 31 December 2007 are as follows:

	Toll road	**Construction management services**	**Others**	**Unallocated**	**Group**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	965,850	102,250	35,355	-	1,103,455
Segment result	614,907	94,494	17,961	-	727,362
Other income	29,301	-	-	9,085	38,386
Other gains/(losses) - net	2,516	-	-	(2,167)	349
Administrative expenses	-	-	-	(50,232)	(50,232)
Operating profit					715,865
Finance costs - net	(140,326)	-	-	8,549	(131,777)
Share of profit of jointly controlled entities	203,950	-	-	-	203,950
Share of loss of associates	(14,457)	-	971	-	(13,486)
Profit before income tax					774,552
Income tax expenses					(106,630)
Profit for the year					667,922

The segment results for the year ended 31 December 2006 (restated, note (a)) are as follows:

	Toll road	**Construction management services**	**Others**	**Unallocated**	**Group**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	719,067	31,468	18,756	-	769,291
Segment result	504,809	21,118	8,724	-	534,651
Other income	31,187	-	-	10,716	41,903
Other losses - net	(4,142)	-	-	(143)	(4,285)
Administrative expenses	-	-	-	(45,357)	(45,357)
Operating profit					526,912
Finance costs - net	(83,052)	-	-	1,494	(81,558)
Share of profit of jointly controlled entities	202,266	-	-	-	202,266
Share of loss of associates	(17,508)	-	560	-	(16,948)
Profit before income tax					630,672
Income tax expenses					(39,899)
Profit for the year					590,773

Other segment items included in the income statement are as follows:

	Year ended 31 December 2007					**Year ended 31 December 2006 (restated, note (a))**				
	Toll road	Construction management services	Others	Unallocated	Group	Toll road	Construction management services	Others	Unallocated	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation	172,899	-	1,262	4,153	178,314	109,298	-	1,555	3,990	114,843
Amortisation	11,343	-	-	-	11,343	11,343	-	-	-	11,343

Note (a): During 2006, construction management services did not qualify as a separate segment. However, the segment qualifies as a separate segment in 2007 and comparative figures for 2006 have been restated accordingly.

The segment assets and liabilities and capital expenditure are as follows:

	Business segment				
	Toll road	Construction management services	Others	Unallocated	Group
As at 31 December 2007 and for the year then ended	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets	12,073,960	150,498	21,679	2,953,461	15,199,598
Liabilities	923,388	19,161	11,441	6,282,915	7,236,905
Capital expenditure	7,206,261	-	3,574	123,064	7,332,899
As at 31 December 2006 and for the year then ended					
Assets	4,890,176	59,528	14,856	4,934,295	9,898,855
Liabilities	1,111,151	12,496	5,360	2,165,210	3,294,217
Capital expenditure	1,105,979	-	3,478	3,836	1,113,293

Segment assets and liabilities are reconciled to the Group's assets and liabilities as follows:

	31 December 2007		31 December 2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets/liabilities	12,246,137	953,990	4,964,560	1,129,007
Unallocated:				
Property, plant and equipment	36,642	-	36,187	-
Construction in progress	134,204	-	10,214	-
Investments in jointly controlled entities	1,513,630	-	1,685,182	-
Investments in associates	1,141,828	-	3,006,665	-
Cash and cash equivalents	88,781	-	129,181	-
Trade and other receivables	38,376	-	11,959	-
Deferred tax assets	-	-	1,878	-
Non-current assets classified as held for sale	-	-	53,029	-
Other payables	-	138,168	-	56,698
Current income tax liabilities	-	27,565	-	22,715
Deferred income tax liabilities	-	474,235	-	26,867
Current borrowings	-	390,984	-	1,203,141
Non-current borrowings	-	5,251,963	-	855,789
Total	15,199,598	7,236,905	9,898,855	3,294,217

No geographical segment information is presented as substantially all the Group's business activities were carried out and substantially all the Group's assets are located in the PRC.

4 Expenses by nature

	Note	Year ended 31 December 2007	
		2007	**2006**
		RMB'000	**RMB'000 (Restated)**
Business tax and surcharges	(a)	37,427	24,685
Employee benefit expenses		80,733	57,603
Road maintenance expenses		49,611	11,501
Depreciation and amortisation		189,657	126,186
Other expenses		68,897	60,022
Total cost of services and administrative expenses		426,325	279,997

(a) The amount represents PRC business tax and surcharges levied on the Group's toll road income at RMB30,135,000 (2006: RMB22,434,000); service income derived from the provision of construction management services income at RMB3,190,000 (2006: RMB982,000); and income arising from the provision of other services at RMB4,102,000 (2006: RMB1,269,000).

Toll income of the Group is subject to the following taxes and surcharges:

- PRC business tax at 3% or 5% of toll income;
- City development tax at 1% of the PRC business tax; and
- Education supplementary fee at 3% of the PRC business tax.

5 Other income and other gains/(losses)

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000 (Restated)
Other income			
Government subsidy income		18,198	20,947
Subsidies from local government		11,103	10,240
Interest income from bank deposits		9,085	5,689
Interest income from a loan extended to a jointly controlled entity		-	5,027
		38,386	41,903
Other gains/(losses)			
Excess of fair value of net identifiable assets acquired in a business combination over the cost of acquisition	(a)	127,206	-
Adjustment on fair value of the equity interest previously held in the acquiree at acquisition date	(a)	(127,206)	-
Gain on disposals of non-current assets classified as held for sale		1,902	-
Change in fair value of derivative instrument		614	-
Loss recognised for measurement of non-current assets classified as held for sale		-	(4,142)
Others		(2,167)	(143)
		349	(4,285)

(a) Please refer to "Financial Review and Analysis" of "Management Discussion and Analysis" for details.

6 Finance costs

	Year ended 31 December 2007 RMB'000	2006 RMB'000 (Restated)
Interest on bank and other borrowings	229,097	63,130
Interest on short-term commercial papers	-	22,962
Interest on convertible bonds and corporate bonds	15,756	-
Less: interest expenses capitalised in construction in progress	(104,527)	(3,040)
	140,326	83,052
Other borrowing costs	326	7,686
Net foreign exchange gains	(8,875)	(9,180)
	131,777	81,558

Borrowing costs of RMB104,527,000 (2006: RMB3,040,000) arising on financing specifically entered into for the construction of toll roads and related facilities were capitalised during the year and are included in additions of construction in progress. Capitalisation rates ranged from 4.86% to 6.48% (2006: 5.05% to 5.24%) per annum were used, representing the borrowing costs of the loans used to finance the projects.

7 Income tax expenses

		Year ended 31 December	
	Note	**2007**	**2006**
		RMB'000	**RMB'000**
			(Restated)
Current income tax			
- PRC enterprise income tax		88,576	64,740
Deferred income tax			
- Originating temporary differences		1,179	(598)
- Amounts reversed		-	(24,243)
- Adjustment to the enacted tax rate	(e)	16,875	-
		18,054	(24,841)
		106,630	39,899

(a) In 2007, the Company is subject to PRC enterprise income tax at a rate of 15% (2006: 15%), the preferential tax rate for enterprises established in the Shenzhen Special Economic Zone.

(b) The PRC enterprise income tax charged to the consolidated income statement has been calculated based on the assessable profits of the Company and its subsidiaries located in the PRC of the year at a rate of tax applicable to the respective companies at 15% (2006: 15%).

(c) The applicable tax rate to Mei Wah Company, a subsidiary of the Company incorporated in Hong Kong, is 17.5% (2006: 17.5%). No provision for Hong Kong profits tax has been made in the financial statements since the subsidiary has no income assessable under Hong Kong profits tax. Maxprofit Gain Limited is incorporated in the British Virgin Islands, which is not subject to profits tax.

(d) On 16 March 2007, the National People's Congress approved the New Tax Law. Effective from 1 January 2008, all enterprises are subject to a standard PRC enterprise income tax rate of 25%, except for particular provisions and preferential policies. According to the New Tax Law and the relevant regulations, the income tax rate applicable to the Company and all of its subsidiaries established in the PRC will be gradually increased to 25% over a five-year period from 2008 to 2012.

(e) Please refer to "Financial Review and Analysis" of "Management Discussion and Analysis" for details.

8 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	Year ended 31 December	
	2007	**2006**
Profit attributable to equity holders of the Company (RMB'000)	674,347	579,090
Number of ordinary shares in issue (thousands)	2,180,700	2,180,700
Basic earnings per share (RMB per share)	0.309	0.266

The Company had no dilutive potential shares in both 2007 and 2006 and the diluted earnings per share presented is the same with basic earnings per share.

9 Dividends

The dividends paid during the years ended 31 December 2007 and 2006 were RMB283,491,000 (RMB0.13 per share) and RMB261,684,000 (RMB0.12 per share), respectively. The directors recommend the payment of a final dividend of RMB0.16 per share for the year ended 31 December 2007, totalling RMB348,912,000. Such dividend shall be subject to approval by shareholders at the 2007 annual general meeting of the Company. This proposed dividend was not reflected as a dividend payable in the financial statements for the year, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

	Year ended 31 December	
	2007	**2006**
	RMB'000	**RMB'000**
Proposed final dividend of RMB0.16 (2006: RMB0.13) per share	348,912	283,491

10 Trade receivables

At 31 December 2007 and 2006, the ageing analysis of trade receivables was as follows:

	As at 31 December	
	2007	**2006**
	RMB'000	**RMB'000**
		(Restated)
Within 1 year	121,140	45,695
Over 1 year	31,420	15,810
	152,560	61,505

11 Contingencies

Pursuant to the terms of the relevant contract, the Company had arranged a bank to issue irrevocable performance guarantees on its behalf to the Shenzhen Longgang Highway Bureau amounting to RMB19,000,000. The Company also paid a guarantee deposit of RMB9,425,000 for assuring the progress, quality and safety standards for the construction of the Hengping Project.

During the year, the Company entered into project construction management contracts with the Shenzhen Communications Bureau (representing the Shenzhen Municipal Government). The Company was appointed to manage the construction of Nanping (Phase Ⅱ) and Shenyun Project. Pursuant to the terms of the relevant contracts, the Company had arranged banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau amounting to RMB50,000,000 and RMB1,000,000 respectively.

12 Reconciliation of financial statements

The Group has prepared its PRC statutory financial statements for the year ended 31 December 2007 in accordance with the CAS which is effective from 1 January 2007. The differences between the financial statements prepared under the CAS and HKFRS are summarised as follows:

	Profit attributable to equity holders of the Company for the year ended 31 December 2007 RMB'000	**Capital and reserves attributable to the Company's equity holders as at 31 December 2007 RMB'000**
As per PRC statutory financial statements	673,602	7,275,144
Impact of HKFRS adjustments:		
Deferred income recognition for government grants recorded in capital reserve under CAS	745	(24,931)
As restated after HKFRS adjustments	674,347	7,250,213

ANNUAL RESULTS AND DIVIDENDS

In accordance with HKFRS, during the Reporting Period, the Group recorded a revenue of RMB1,103,455,000 (2006: RMB769,291,000), representing an increase of 43.44% as compared to the corresponding period of 2006. Profit attributable to equity holders of the Company during the Reporting Period amounted to RMB674,347,000 (2006: RMB579,090,000), whereas earnings per share was RMB0.309 (2006: RMB0.266), representing an increase of 16.45% as compared to the corresponding period of 2006.

The Board recommended the payment of a final dividend of RMB0.16 per share to all shareholders (2006: RMB0.13 per share), totaling RMB348,912,000, for the year ended 31 December 2007. Such dividend shall be subject to approval by shareholders at the 2007 annual general meeting of the Company. The date of annual general meeting, the book closing period, the record date for dividend payment, dividend payment procedures and payment date will be notified separately.

MANAGEMENT DISCUSSION AND ANALYSIS

Toll highway operation and investments are the primary source of the Group's income. Summary of business operation during the Reporting Period and financial status as at the end of the Reporting Period are as follows:

1. Business Review and Discussion

1) Toll Highway Operations

Economic growth, increasing car ownership and the road networking effect remained the primary engines for the stable growth in traffic volume and toll revenue on expressways. Currently, given the fact that the growth of the domestic economy remains stable, the transformation of road networks and changes in neighbouring roads have particular bearings upon the operating performance of the highways during the period.

Toll Highways	Percentage of interests held by the Group	Percentage of revenue consolidated	Average daily mixed traffic volume (number of vehicles in thousands)		Average daily toll revenue (RMB'000)	
			2007	Change as compare to 2006	2007	Change as compare to 2006
Shenzhen Region:						
Meiguan Expressway	100%	100%	98	9.3%	903	2.8%
Jihe West	100%	100%	66	22.3%	945	21.8%
Yanpai Expressway*1	100%	100%	26	(*1) N/A	370	(*1) N/A
Yanba (A & B) *2	100%	100%	12	(*2) -11.9%	173	12.9%
Jihe East	55%	—	89	26.2%	1,151	27.2%
Shuiguan Expressway	40%	—	103	37.1%	965	41.3%
Shuiguan Extension	40%	—	28	10.2%	182	11.8%
Other Regions in Guangdong Province:						
Yangmao Expressway	25%	—	16	23.7%	913	27.0%
Guangwu Project	30%	—	9.2	19.4%	266	18.7%
Jiangzhong Project	25%	—	39	51.2%	582	50.6%
GZ W2 Expressway*1	25%	—	6.2	(*1) N/A	181	(*1) N/A
Qinglian Project*3	76.37%	100%	19	-9.3%	255	-20.7%
Other Provinces in the PRC:						
Wuhuang Expressway	55%	—	28	18.3%	1,052	18.5%
Changsha Ring Road	51%	—	5.8	4.7%	62	13.8%
Nanjing Third Bridge	25%	—	17	37.8%	629	33.2%

*1. Yanpai Expressway and GZ W2 Expressway commenced toll operation in May 2006 and December 2006 respectively.

*2. To facilitate the travel of Shenzhen residents to and from the eastern coast for leisure and vacation, the government entered into an agreement with the Company pursuant to which the government would, from February 2007, pay the tolls collectively for all vehicles travelling between the Yantian-to-Dameisha section on Yanba Expressway by means of the standard and method mutually agreed upon. The tolls collectively paid by the government are included monthly in Yanba (A & B)'s toll revenue, while the traffic volume in this section was no more included in the scope of statistics, leading to a decrease in traffic volume in Yanba Expressway as compared to 2006.

*3. The revenue of Qinglian Project was included into the scope of consolidation of the Group's financial statement since January 2007, while the information shown for 2006 is for reference only. Qinglian Class 1 Highway is now being reconstructed into an expressway; depending on the reconstruction progress, it will be closed section by section for construction works.

Compared to 2006, the Group recorded respective growths of 22.0% and 21.8% in average daily mixed traffic volume and average daily toll revenue generated on its toll highways located in Shenzhen during the Reporting Period (the figures of Yanpai Expressway and Yanba Expressway were not computed, considering the lack of comparability of the figures). Besides the strong regional economic growth which lends support to the overall operating performance, other major factors affecting the operations of our roads in the Shenzhen region over the past 2 years include:

- **Changes in road networks:** After its opening, Yanpai Expressway has been facilitating the growth in large truck traffic on Jihe Expressway. The opening of Yanpai-Shuiguan Interchange in March 2007 also provided a new source of growth for Shuiguan Expressway. Meanwhile, the full opening of Longda Expressway(Longhua, Shenzhen to Dalingshan, Dongguan)in 2007 led to certain changes in the traffic distribution in neighbouring road networks, with the resulting traffic volume increase for the Group's relevant highways exceeding the diversions resulted, thereby boosting the growth in toll revenue. Shenzhen-Hong Kong Western Corridor was opened in mid-2007, incurring a minor impact on Meiguan Expressway. By end-2007, Fulong Road, a municipal road connected to Longda Expressway, was open for traffic and this new road is expected to have a certain traffic diversion impact on Meiguan Expressway and Jihe Expressway.

- **Maintenance and repairs of neighbouring roads:** In the fourth quarter of 2007, Guangshen Expressway (Guangzhou-Shenzhen) and Guanshen Expressway (Dongguan-Shenzhen) underwent road repairs and brought about certain negative impact on the operating performance of Jihe Expressway and Meiguan Expressway. The traffic congestion caused by the construction works on Shenyan Pathway 2 (Shenzhen City -Yantian) reduced the east-bound traffic of small vehicles, thereby affecting Yanba Expressway's revenue to a certain extent. Meanwhile, the construction works of Shenzhen Metro Line 3 and the reconstruction of Shenhui Highway and Bulong Highway diverted traffic to Jihe East, Yanpai Expressway and Shuiguan Expressway, thereby facilitating the traffic volume growth on these roads. In addition, the reconstruction of Huiyan (Huizhou-Yantian in Shenzhen) Expressway was completed by end-2006, thereby eliminating the negative impact on Jihe Expressway.

- **Implementation of the urban traffic arrangement scheme:** To separate urban traffic from port-bound traffic and cross-border traffic so as to mitigate the impact of the travel of container vehicles on the environment and livelihood of residents in the urban areas and to raise highway network utilisation and traffic quality, a cargo traffic arrangement scheme was implemented by phase in Shenzhen in August and September 2006. According to the scheme, large trucks were restricted from travelling on certain main roads in the urban areas, including Luosha Road, Huanggang Road and Nigang Road. Meanwhile, in line with such traffic arrangement scheme implemented by the Shenzhen Municipal Government, the Company has also timely adopted a series of marketing measures by offering a certain discount to trucks running on the relevant highways including Yanpai Expressway, Jihe Expressway, Shuiguan Expressway and Shuiguan Extension. These measures have attracted more trucks, particularly container vehicles commuting to and from the port, to travel on the expressways. However, due to traffic restrictions on large trucks on Huanggang Road (connecting Meiguan Expressway and Huanggang Port), Meiguan Expressway's traffic volume growth slowed down and the proportion of small vehicles in the traffic mix further increased, leading to just a slight growth in its 2007 toll revenue.

Qinglian Class 1 Highway has been under reconstruction into an expressway since 2006. Subject to reconstruction progress, it will be closed section by section for construction works, while the sections which remain open will still allow traffic and will generate toll revenues at the standards of a class 1 highway. In 2007, following the progress of the expressway reconstruction, Qinglian Project saw a slight decrease in overall traffic volume. In addition, with most vehicles required to travel on Qinglian Class 2 Road later on, the project's average daily mixed traffic volume (including traffic volume charged by annual tickets) and toll revenue decreased by 9% and 21% respectively during the Reporting Period as compared to 2006. The road reconstruction of Qinglian Class 1 Highway will be gradually completed in 2008, which will facilitate the highway's revenue growth. However, substantial growth in the project's overall performance will take place only upon the completion of the expressway reconstruction and the commencement of toll charging at expressway standards.

During 2007, both traffic volume and toll revenue on Wuhuang Expressway witnessed substantial growth as compared to 2006. Amid such growth, the average daily traffic volume and toll revenue for trucks increased by approximately 23% and 24%, respectively. A toll-by-weight system has been implemented in Hubei Province since April 2006. The change in toll charges for trucks and the punitive toll policy towards overloaded trucks have directly increased the truck traffic volume, leading to a substantial increase in toll revenue for Wuhuang Expressway. In addition, rapid economic development in the vicinity and an increase in car ownership also gave rise to relevant positive impacts. Meanwhile, the opening to traffic of Wuhan Third Ring Road's certain sections offered a more convenient route for vehicles to use Wuhuang Expressway, while the completion of Daihuang Class 1 Highway's reconstruction into an expressway has enhanced the region's road network. These factors have driven up the growth of Wuhuang Expressway's overall traffic volume and revenue.

2) Project Construction and Management

During the Reporting Period, the Group's toll highway projects under construction or reconstruction included Nanguang Expressway, Yanba C and the reconstruction of Qinglian Class 1 Highway into an expressway.

As at the end of the Reporting Period, an aggregate investment amount (with accounting recognition basis) of approximately RMB2,030 million (2006: RMB750 million) had been utilised for Nanguang Expressway, equivalent to approximately 77% of the project budget. The main trunk of Nanguang Expressway was opened to traffic on 26 January 2008. Affected by the government's adjustment of the Nanping Expressway road planning proposal, the construction of the section connecting the southern end of Nanguang Expressway and the municipal roads are yet to be completed and completion is scheduled in 2008.

Construction of Yanba C officially commened in October 2006. As at the end of the Reporting Period, approximately 85% of the subgrades and bridge-culvert construction works were completed. An aggregate investment amount (with accounting recognition basis) of approximately RMB340 million (2006: RMB95 million) had been utilised, equivalent to approximately 52% of the project budget. Yanba C is scheduled to be completed by end-2008.

As at the end of the Reporting Period, an aggregate investment amount (with accounting recognition basis) of approximately RMB1,680 million (2006: RMB350 million) had been utilised for Qinglian Project, equivalent to approximately 35% of the project budget. According to the project design budget amended in the first half of 2007, the total capital expenditure (including capitalised interests) for the expressway reconstruction of Qinglian Project is expected to be approximately RMB4,765 million. As at the end of 2007, completed road reconstruction for one side amounted to about 200 km. The whole expressway reconstruction will be completed by end-2008 as planned.

3) Entrusted Construction Management

Nanping (Phase I) and Wutong Mountain Project were completed in mid-2006 and mid-2007 respectively. Currently, such projects are undergoing tasks such as completion settlement and construction defect liability stage management. The relevant settlement work is subject to the auditing and affirmation by the Shenzhen Municipality's Specialised Audit Bureau. Pursuant relevant requirement of the government, Hengping Project had been suspended since April 2006 and the construction of part of contact sections is estimated to resume in 2008. Currently, the Company is primarily taking care of finishing works and settlement of accounts upon work suspension, as well as making preparation for a resumption of construction for the two contracted sections.

In November 2007, the Company and the Shenzhen Communications Bureau, which represented the Shenzhen Municipal Government, signed a contract under which the Company was again entrusted by the government as the administrator of two projects, Nanping (Phase II) and Shenyun Project. The Company will be responsible for the management of the construction drawing design stage of the projects, as well as the construction management (excluding land requisition, demolition and relocation) of the projects during the construction preparation stage, the construction stage and the defect liability stage. The assumption of the aforementioned entrusted construction management businesses will help the Company to further "export" its expertise and experience in road construction management and consolidate its position in Shenzhen's entrusted construction market.

4) Project Investment and Development

Pursuant to the requirements of the relevant regulations and having undergoing a public tender and obtaining the approval from various departments of the Shenzhen Municipal Government, the Company has been awarded the development rights for Shenzhen Outer Ring Expressway. Currently, the surveying and design work and other preliminary work are underway, and the project's investment mode and development plan will be decided according to the relevant work's results. In addition, the Board has also approved the commencement of the preliminary work on Coastal Expressway (Shenzhen Section). The invesment decisions of the relevant projects will be submitted to the Board for review, according to the preliminary work's results. The aforementioned tasks will help to reinforce and expand the Group's share of the toll highway sector in Shenzhen whilst building up project resources for the Group's long-term steady development.

2. Financial Review and Analysis

During 2007, the Group maintained steady growth in its operating results and profitability. Profit attributable to equity holders of the Company amounted to RMB674,347,000 with earnings per share being RMB0.309, representing an increase of 16.45% over 2006. During the Reporting Period, as stipulated by the New Tax Law and the requirements of the relevant notices, the deferred income tax liabilities for temporary differences of the Group were adjusted based on the stipulated income tax rates. Accordingly, net profit during the Reporting Period decreased by RMB67,596,000. In addition, affected by factors such as rising interest rates and inflation, the Group made an impairment provision for the Group's 51% interests in the highway assets of Changsha Ring Road, thereby reducing net profit during the Reporting Period by RMB66,750,000. After deducting the impact of the above, the Group's net profit during the Reporting Period increased by 39.5% over 2006 after deducting the same.

During the Reporting Period, the Company completed the acquisition of 20.09% interests in Qinglian Company and holds aggregate interests of 76.37% in Qinglian Company. Accordingly, Qinglian Company has changed from an associate to a subsidiary of the Company. Effective from January 2007, the financial statements of Qinglian Company were included in the scope of the Group's consolidated financial statements. Accordingly, the Group's total assets, total liabilities, total equity and gearing ratio recorded a certain degree of increase. As Qinglian Project is currently being reconstructed into an expressway, the impact on the Group's profits during the Reporting Period was relatively minor.

1) Analysis of Operating Results

The operating results of the Group's various businesses in 2007 were in line with expectation, recording a revenue of RMB1,103,455,000, representing a 43.44% increase over 2006. Of this amount, toll revenue amounted to RMB965,850,000, representing a 34.32% increase over 2006.

During the Reporting Period, after deducting the impact of the deferred income tax liabilities adjustment of the jointly controlled entities and asset impairment provision for Changsha Ring Road, the Group's earnings before interests, tax and administrative expenses amounted to RMB1,082,582,000, representing an increase of 38.1% over 2006.

Profit before interests, tax and administrative expenses (Unit: RMB million)	**2007**	**Percentage**	**2006**	**Percentage**	**Change**
(1) Profit from toll highways operated by the Group	**644**	59.47%	**539**	68.71%	**19.52%**
(2) Share of profit of jointly controlled entities and associates (after excluding the adjustment to deferred income tax liabilities)	**308**	28.44%	**210**	26.81%	**46.51%**
(3) Profits from entrusted construction management services	**95**	8.73%	**21**	2.71%	**344.49%**
(4) Others	**36**	3.36%	**14**	1.77%	**162.45%**
Total	**1,083**	100.00%	**784**	100.00%	**38.10%**

(1) Profit from toll highways operated by the Group: During the Reporting Period, the Group recorded a toll revenue of RMB965,850,000, representing an increase of 34.32% over 2006. Of such revenue, Qinglian Project was included into the scope of consolidation during the Year, while Yanpai Expressway opened to traffic in May 2006. The above two highways accounted for 23.63% of the Group's toll revenue. Revenue from other toll highways increased by 11.83% as compared to 2006. During the Reporting Period, operating costs for the Group's toll highways amounted to RMB320,808,000, representing an increase of 67.24% as compared to 2006, which is mainly attributable to Qinglian Project's inclusion into the scope of consolidation and an additional four months of operating period of Yanpai Expressway. During the Reporting Period, the two highways increased operating costs by RMB137,887,000 in aggregate, representing 42.98% of the Group's operating costs. Operating costs for other toll highways increased by 8.56% as compared to 2006, mainly a result of increased highway maintenance costs. Profit from toll highways operated by the Group for the Period amounted to RMB643,782,000, representing an increase of 19.52% as compared to the last year.

Toll highways	**Toll revenue**		**Operating costs**		**Gross margin**		**Profit before interest and tax**	
	2007 (RMB'000)	**Change**	**2007 (RMB'000)**	**Change**	**2007**	**Change**	**2007 (RMB'000)**	**Change**
Meiguan Expressway	329,606	2.81%	69,842	-1.67%	78.81%	0.97%	256,251	3.85%
Jihe West	344,966	21.82%	60,125	17.88%	82.57%	0.58%	279,821	22.13%
Yanba Expressway	63,041	12.89%	52,953	13.97%	16.00%	-0.80%	*24,323	-14.94%
Yanpai Expressway	135,093	N/A	48,814	N/A	63.87%	N/A	83,155	N/A
Qinglian Project	93,144	N/A	89,074	N/A	4.37%	N/A	232	N/A
Total	965,850	34.32%	320,808	67.24%	66.78%	-6.54%	643,782	19.52%

* The profits before interests and tax for Yanba Expressway and Yanpai Expressway included government subsidies of RMB17,453,000 and RMB745,000, respectively (2006: RMB20,624,000 and RMB323,000, respectively).

(2) Share of profit of jointly controlled entities and associates: During the Reporting Period, the Group's share of profit of jointly controlled entities and associates amounted to RMB190,464,000, representing an increase of 2.78% as compared to 2006. As stipulated by the New Tax Law and the requirement of the relevant notices, the Company has increased the deferred income tax liabilities for Magerk Company, Jihe East Company and Qinglong Company as at the end of the Reporting Period by RMB50,721,000. In addition, according to asset valuation results, the Group made an

impairment provision for the highway assets of the Group's 51% interests in Changsha Ring Road, thereby reducing the Group's net profit during the Reporting Period by RMB66,750,000 accordingly. Excluding the above factors, the Group's share of profit of jointly controlled entities and associates would be RMB307,935,000, representing an increase of 46.51% as compared to 2006. During the Reporting Period, the finance costs of the Group's invested enterprises increased as a result of the rise in RMB borrowing interest rates; however, due to the strong growth in traffic flows and revenues from the aforementioned toll highways operated by these entities as well as solid controls on operating costs, the Company's investment gains during the Reporting Period met expectations in general.

Principal toll highways	Percentage of interests held by the Group	Toll income		Operating costs of toll highway		Profit/loss attributable to the Group	
		2007 (RMB'000)	Change	2007 (RMB'000)	Change	2007 (RMB'000)	Change (RMB'000)
Jointly Controlled Entities:							
Jihe East	55%	419,956	27.21%	87,527	17.28%	153,362	35,120
Shuiguan Expressway	40%	352,161	41.31%	75,829	35.04%	82,021	30,050
Wuhuang Expressway	55%	383,971	18.54%	126,522	13.24%	84,396	22,507
Changsha Ring Road	51%	22,488	13.84%	20,324	-2.99%	1,641	7,704
Associates:							
Yangmao Expressway	25%	333,267	26.99%	142,724	25.25%	18,050	6,870
Jiangzhong Project	25%	212,367	49.55%	128,003	37.45%	-6,627	6,301
Nanjing Third Bridge	25%	229,681	33.18%	107,794	23.68%	-4,040	4,114
Guangwu Project	30%	97,108	18.70%	48,583	33.13%	-2,122	-515
GZ W2 Expressway*	25%	65,957	N/A	49,169	N/A	-22,979	-20,284
Shuiguan Extension	40%	66,391	11.82%	27,681	18.00%	3,262	-589
Total		2,183,347	33.04%	816,846	18..07%	306,964**	91,278

* GZ W2 Expressway commenced toll operation from December 2006

** The Group's share of profit/loss for 2007 does not include RMB50,721,000 of deferred income tax liabilities adjustment, RMB66,750,000 of impairment provision for Changsha Ring Road and RMB971,000 of profit from 深圳高速工程顧問有限公司(Shenzhen Expressway Engineering Consulting Company Limited).

(3) Profits from entrusted construction management services: During the Reporting Period, the Company recognised an income of RMB89,017,000 from entrusted construction management services for the entrusted construction project Nanping (Phase I). Nanping (Phase I) was completed and opened to traffic in June 2006. As at the end of the Reporting Period, approximately 95% of the project was completed and the project's construction settlement work was close to completion. The remaining tasks mainly include settlement, final settlement and defect liability stage management, etc. The relevant authorities of Shenzhen Municipal Government confirmed the budgeted project cost of Nanping (Phase I) at approximately RMB2.99 billion and the government's auditing of the project's total construction costs is underway. Based on the updated status of settlement and claims, the Company further confirmed the estimates on total construction costs. Pursuant to the aforesaid confirmed budgeted project cost, the Company's reasonable estimates on the total construction costs, the cost-savings sharing conditions promulgated by the entrusted construction agreement and the Company's preliminary communications with the government, the Company estimates that it can enjoy an approximately RMB200 million share of construction cost savings in the project. According to the project's completion progress, the Company should recognise RMB191,876,000 in entrusted construction management income in aggregate. After deducting recognised aggregate income for the past periods, an entrusted construction management income of RM89,017,000 should be recognised for the Reporting Period. During the Reporting Period, the Company also recognised an income of RMB13,233,000 from entrusted construction management services for the entrusted construction project Wutong Mountain Project, primarily based on the Company's current reasonable estimates on budgeted

project costs and total construction costs and the recognised proportion of service completed. After deducting the Company's administrative expenses and business tax, a profit of RMB94,494,000 was recognised during the Reporting Period from entrusted construction management services for the two aforementioned entrusted construction projects. Meanwhile, as for Hengping Project, according to the actual status of accounts settlement at present, no profit or loss was recognised or provided for the Reporting Period.

The Group's administrative expenses during the Reporting Period increased by 10.75% to RMB50,232,000 as compared to 2006, mainly due to rise in remunerations for employees at the headquarters and an increase in employees. The Group's finance costs for the Reporting Period increased by 61.57% to RMB131,777,000 as compared to 2006. The main reasons included the following: (i) the expansion of the Group's total borrowings due to capital expenditures incurred during the Reporting Period and due to Qinglian Company's inclusion into the scope of consolidation during the Reporting Period; (ii) the cessation of capitalisation of borrowing interests for Yanpai Expressway upon its commencement of operation in May 2006; and (iii) the rise in the Group's average borrowing costs caused by a rise in interest rates in the market.

During the Reporting Period, the Group's income tax expenses amounted to RMB106,630,000, representing an increase of RMB66,731,000 as compared to 2006. As stipulated by the New Tax Law and the requirements of the relevant notices, the Group has increased the deferred income tax liabilities as at the end of the Reporting Period by RMB16,875,000, thereby increasing the Group's income tax expenses. Excluding the above factor, income tax expenses amounted to RMB89,755,000, representing an increase of 39.93% as compared to 2006.

<u>Adjustment to deferred income tax liabilities</u>

The Company and the enterprises in which the Company invests in the Shenzhen region, as well as certain enterprises in which it invests in other regions of the country, were qualified for the 15% concessionary enterprise income tax rate during the Reporting Period. As stipulated by the New Tax Law and required by State Council through Document 國發[2007]39 號(Guo Fa [2007] No.39), the enterprise income tax rate will be a unified 25% effective from 1 January 2008. For the enterprises established before the New Tax Law's implementation and having been enjoying the concessionary tax rate of 15% under the then tax law, there will be a gradual transition to the tax rate stipulated by the New Tax Law within 5 years as from 1 January 2008, and the income tax rates for 2008, 2009, 2010, 2011 and 2012 will be 18%, 20%, 22%, 24% and 25%, respectively.

Pursuant to the aforementioned regulations, the Group and its jointly controlled entities increased the deferred income tax liabilities as at 31 December 2007 by an aggregate amount of RMB67,596,000, thereby reducing their profits during the Reporting Period accordingly.

Toll highways	**Adjustment to deferred income tax liabilities in 2007 (RMB'000)**
Meiguan Expressway	1,420
Jihe West	4,447
Yanba Expressway	11,008
Subtotal—Impact on Income Tax	*16,875*
Jihe East	7,606
Shuiguan Expressway	-3,335
Wuhuang Expressway	46,450
Subtotal—Impact on Share of Profit/Loss of Jointly Controlled Entities	*50,721*
Total	67,596

In addition, the implementation of the New Tax Law will raise the Company's overall tax burden in future by about 10 percentage points. According to the above assumption for the transition period and using the profit before tax for 2007 as the basis, the Company's income tax expenses will increase by an average of approximately RMB15,000,000 in each of the next 5 years, thereby reducing the Company's profits accordingly. However, the operating profits of the Company in future will maintain considerable growth and it is estimated that such growth can compensate for the additional income tax expenses mentioned above.

<u>Fair value recognition for Qinglian Company</u>

According to the relevant requirements of accounting standards, the Company had recognised the fair value of net assets of Qinglian Company on the acquisition date at RMB3.042 billion, with reference to the valuation report prepared by a professional valuer. The corresponding fair value for the Group's 76.37% interests was RMB2.323 billion, basically in line with the Group's aggregate acquisition costs. Under HKFRS, the excess of fair value of net assets acquired over the cost of the current acquisition in relation to 20.09% interests, that is in the amount of RMB127,206,000, was recognised as other gain, while the decrease in fair value of RMB127,206,000 for the 56.28% interests previously held during the period from the first purchase date to acquisition date was recognised as assets revaluation loss. The above two items offset each other and had no significant impact in general on the net profit for the Reporting Period. As at the end of the Reporting Period, there was no material change in the fair value of the acquired net assets of Qinglian Company.

<u>Asset impairment provision for Changsha Ring Road</u>

During the Reporting Period, the rise in market interest rates led to a corresponding rise in discount rates based on which the Company calculated the projected present values of cash flows from assets. In addition, projected cash outflows from assets increased as a result of rising inflation. Accordingly, the Company conducted impairment tests on the Changsha Ring Road assets for which impairment provisions had already been made in the past years, as well as appointing an independent valuer to assess the value in use of Changsha Ring Road over its remaining operating period. Pursuant to the valuation for Changsha Ring Road, the Group made an impairment provision of RMB89,000,000 during the Reporting Period for the Group's 51% interests in Changsha Ring Road. After deducting the corresponding deferred income tax, net profit for the Reporting Period decreased by RMB66,750,000. As at 31 December 2007, aggregate impairment provisions for the highway assets of Changsha Ring Road amounted to RMB223,000,000, representing 58% of the highway asset's book value, while the corresponding balance of deferred income tax assets amounted to RMB54,611,000. Such deferred income tax assets are expected to be set off in future operating periods. As at the end of the Reporting Period, the net book value of the Company's investment in Shenchang Company amounted to RMB200,460,000.

In 2007, the Group realised a net profit of RMB674,347,000, representing an increase of 16.45% over 2006. The Company is always committed to enhancing its return on assets and shareholders' return. In recent years, since a higher proportion of highway assets among the Group's total assets were under construction or had operations newly commenced, the Group's overall return on assets has been diluted. However, the continued profit growth for the Group's major toll highways and the appropriate increase in the Company's financial leverage ratios have allowed the Group's return on shareholders' equity to maintain considerable growth. In the future, with the Group's highway projects under construction gradually entering operation and with traffic volume on the Group's toll highways increasing, the Company's overall profit level will rise further.

	2007	2006
Return on Assets（net profit / total assets as at the end of the year）	4.4%	5.9%
Return on Equity (net profit / equity attributable to shareholders as at the end of the year)	9.3%	8.8%

2) Analysis of Financial Position

The Group is principally engaged in the operation of toll highways, with its assets comprising mainly fixed asset investments, as well as jointly controlled entities and associates investments, in high-grade toll highways. In recent years, in line with the progress of the Company's business development plans, the Group's asset size has been increasing steadily. As at 31 December 2007, the Group's total assets amounted to RMB15,199,598,000, representing an increase of 53.55% as compared to the end of 2006. The increase was primarily owing to Qinglian Company's inclusion into the scope of consolidation, as well as increased investments in the reconstruction of Qinglian Class 1 Highway into an expressway and in the construction of Nanguang Expressway and Yanba C. At present, the progress and costs of the above projects under construction met the Company's expectations. Upon the completion and opening of such projects to traffic, it is estimated that the size of newly added operating assets will account for approximately 50% of the Company's total assets, and will become the Group's new sources of profit growth in the future.

Liquidity and cash management

As at the end of the Period, the Group's current assets amounted to approximately RMB709,864,000, while current liabilities amounted to approximately RMB1,173,444,000, and the net current liabilities amounted to approximately RMB463,580,000. During the Reporting Period, amid a tightening monetary policy, the Company adopted financial strategies such as reducing the size and proportion of current liabilities, expanding the banking facilities with several banks and increasing cash reserves to strengthen the Company's liquidity. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks as current or short-term fixed deposits, with no deposit in non-bank institutions or any amount applied to securities investments.

	As at 31 December 2007 (RMB million)	As at 31 December 2006 (RMB million)	Change
Net current liabilities	464	1,575	-70.53%
Cash and cash equivalents	467	328	42.38%
Banking facilities available	8,300	4,852	71.06%

Operating Cash Flow

The toll revenue of the Group's principal toll highway operation is collected in cash, thereby giving a steady and highly predictable operating cash flow. During the Reporting Period, riding on a booming economy and a gradual improvement of road networks, revenues from the toll highways operated and invested in by the Company continued to grow. The Group's net cash inflow from operating activities (excluding RMB204,748,000 of interests paid) and cash return on investments totalled RMB1,211,275,000 (2006:RMB1,028,796,000), representing an 17.74% increase. In the future, following the completion of Nanguang Expressway, Yanba C and the reconstruction of Qinglian Class 1 Highway into an expressway and the opening of these projects to traffic, the Company's operating cash inflow is expected to increase substantially. A steady increase in the Company's net operating cash flow has safeguarded the implementation of the Company's capital expenditure and external financing plans, as well as the maintenance of sound financial liquidity.

Foreign-currency based assets and liabilities

All major operations of the Group are located in China. Save for Mei Wah Company which finances and settles in HK dollars, the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB16,864,000 and RMB95,511,000 worth of foreign currency-based liabilities denominated in US dollars and HK dollars, respectively, while RMB12,210,000 worth of foreign currency-based assets were denominated in HK dollars. All foreign currency-based items netted off in the form of net liabilities. With RMB on an appreciating trend under the current market conditions, it is projected that the trend of exchange rate fluctuations will benefit the Group but there will be no substantial impact on the Group's results.

Capital structure and debt repayment capabilities

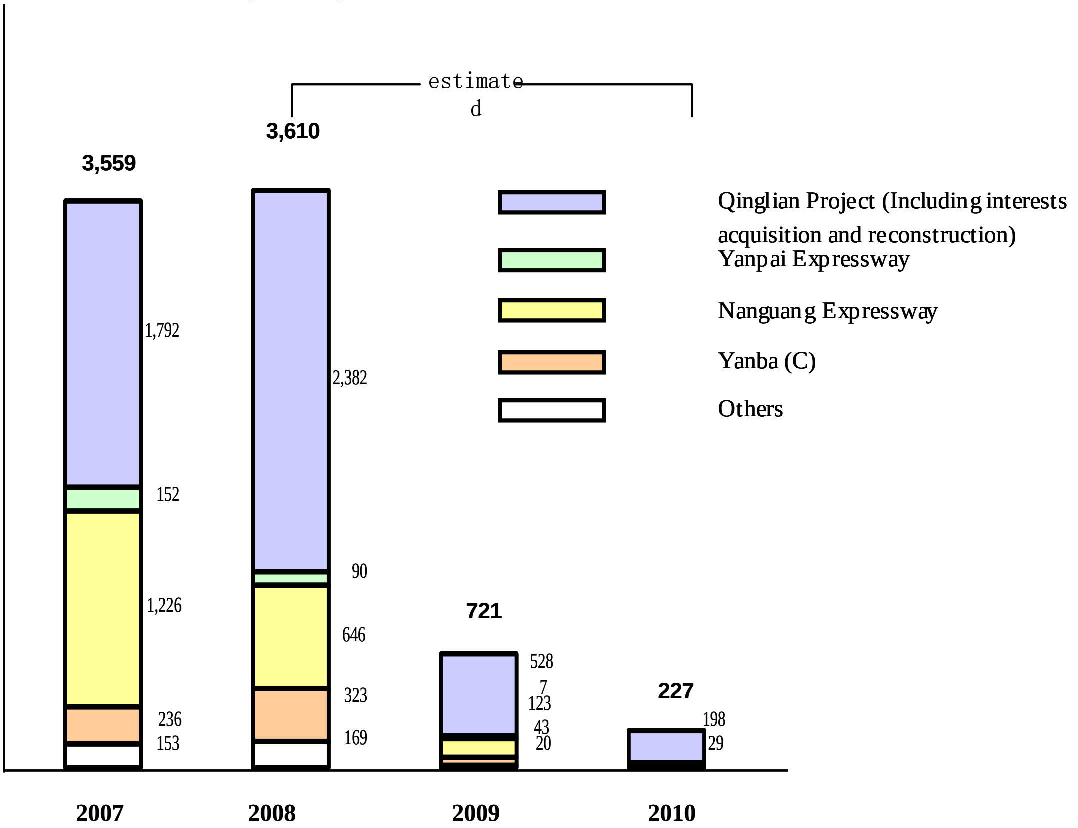
During the Reporting Period, as the Group's investment and construction expenditures were paid and that Qinglian Company was included into the scope of consolidation, the Group's borrowing scale and gearing ratio increased. As at 31 December 2007, the Group's outstanding borrowings (including loans, bonds payable and bills payable, the same as thereinafter) amounted to RMB5,737,270,000, representing an increase of RMB3,319,097,000 over the Year's beginning. In recent years, the Group's various financial leverage ratios have increased more substantially, mainly due to additional borrowings for investments in new projects. Given the Group's steady growths in operating results and cash flows, expected profit growth after the commencement of new projects and the existing borrowing structure arrangement, the Directors are of the view that the leverage ratios remained at safe levels as at the end of the Reporting Period.

	31 December 2007	31 December 2006
Debt-to-asset ratio (total liabilities/total assets)	47.6%	33.3%
Net borrowings-to-equity ratio ((total borrowings-cash and cash equivalents)/total equity)	66.2%	31.6%
	For the year 2007	**For the year 2006**
EBITDA interest multiple (profits before interest, tax, depreciation and amortization /interest expenses (including bills))	4.3	9.1

Capital expenditure plans

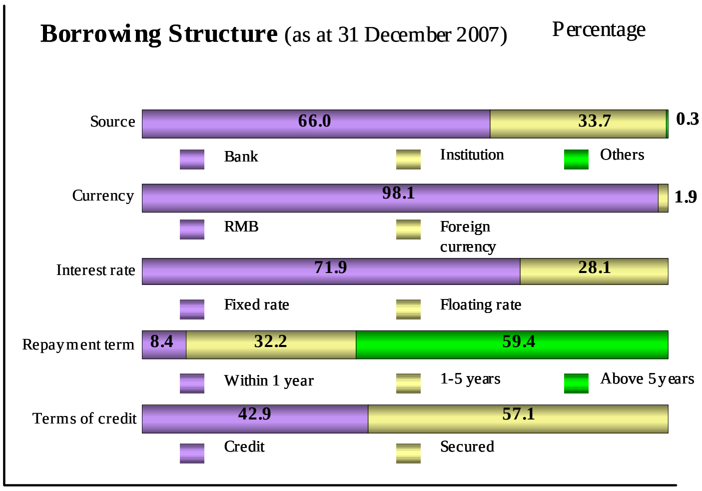
As at 31 December 2007, the Group's planned capital expenditures comprised mainly construction investments in Nanguang Expressway, Yanba C and the reconstruction of Qinglian Class 1 Highway into an expressway. It is expected that by the end of 2010, the Group's capital expenditures will total RMB4.558 billion approximately. The Company plans to satisfy its capital needs with its own capital reserve and through bank borrowings. According to the Directors' estimate, the Group's financial resources and financing capability can meet the various capital expenditure needs.

Capital Expenditure Plans (Unit: RMB million)



Financing activities

Backed by a solid financial position, a steady growth in cash flows, a sound credit record and an excellent industry reputation, the Company continued to attain the highest ratings for various credit rating categories in 2007. This allows the Company to maintain good access to financing channels and to maintain lower financing costs amid a contractionary monetary policy.



In addition, the Company has actively capitalised on the aforementioned advantages and the opportunity that the capital market and banks have been continuously launching new financing products, thereby broadening the financing channels and increasing the proportions of direct financing, medium/long-term financing and fixed-rate financing. This has helped the Company to realise its financial strategies and objectives.

During the Reporting Period, the Company used RMB970 million of commercial bills in aggregate to settle construction payments, thereby reducing financing costs. In August and October 2007, the Company issued fixed-rate corporate bonds of RMB800 million with a term of 15 years and Bonds with Warrants of RMB1.5 billion with a term of 6 years, and the interest rates of the bonds are 5.5% and 1%, respectively. Moreover, in August 2007, the Company has applied to the Shanghai Branch of ABN-AMRO for a loan of RMB300 million with a term of 2 years. The Company has also, based on such loan, arranged with the bank a RMB interest rate swap deal involving a swap for fixed rates from floating rates, with a view to reducing and locking up financing costs.

As at 31 December 2007, the Group has obtained RMB11.7 billion of banking facilities from banks, of which RMB3.4 billion has been utilised and total unutilised banking facilities available amounted to RMB8.3 billion. Of these amounts, facilities with terms over 10 years accounted for 47.8% and fixed-rate facilities accounted for 26.6%.

During the Reporting Period, by arranging the aforementioned financing activities, the Company's overall borrowing costs were 5.307%, below the market average. However, affected by the RMB interest rate increase in the market, the overall borrowing costs increased by 0.46 percentage point over that of the previous year.

Financial strategies and objectives

According to the Company's development strategies and plans, its capital expenditures have been peaking in recent years and both the borrowing scale and gearing ratio have risen to higher levels. During 2007, the Chinese government continued to implement macro-economic control measures such as a contractionary monetary policy, raising the RMB lending rates by 0.99-1.35 percentage in aggregate, whereas the impact of the US economy's slowdown on the global economy and financial market is gradually emerging. Meanwhile, the development and enhancement of China's capital market has been rationalising the Company's valuation and capital costs.

Currently, the focus of the Company's financial strategies is to maintain a solid financial position. The principal objective of the Company's financial strategies is to maintain "a rational and solid capital structure, safe and abundant liquidity and lower financing costs". The Company believes that by implementing the aforementioned financial strategies and objectives, it will possess adequate financial capability to capitalise on acquisition and investment opportunities in the market, on the premise of effectively preventing financial risks.

3. Outlook and Strategy

The continued growth in transportation demand and the State's overall road network planning provide room for development of the expressway industry. In addition, the State has been continuously initiating relevant policies to regulate the management of the toll highway industry, thereby giving more competitive advantages to professional, market-oriented and regulated companies. Meanwhile, with the investment and construction scales ever-increasing, the Company cannot ignore the risks it faces in recent years. The first and foremost are financial and financing risks. Because of the vast scale of capital expenditure and that the domestic market is in a stage of rising in interest rates, the increase in finance costs will exert considerable pressure upon the Company's results. Secondly, development brings a demand for quality human resources. The Company has to escalate its effort on performance management and motivation to attract and retain talent. Thirdly, the construction side witnesses rising material costs and costs in land requisition, demolition and relocation, as well as increased scale and difficulties in new projects. This poses greater demand on management and cost control upon the Company. The management will adhere to the regulated and market-oriented operation model and will tackle challenges in a proactive manner, striving for continued growth in the Company's profits and creating higher returns to shareholders.

USE OF PROCEEDS

The Company raised RMB604 million from the issue of A Shares in 2001. During the Reporting Period, the Company applied such proceeds on the construction of Yanba B in strict compliance with the representations made in the prospectus. An amount of RMB77,548,000 was applied during the Reporting Period and the cumulative amount of proceeds applied was RMB562,590,000. As at 31 December 2007, proceeds in the amount of RMB41,538,000 remained unutilised and were mainly held as deposits with domestic commercial banks in the PRC to be used for Yanba B, involving payment for 2-km uncompleted works as well as settlement of payment for a small quantity of completed works.

The Company issued corporate bonds of RMB800 million with a term of 15 years in August 2007, with net proceeds of RMB787,498,000. The bonds were tradable in the inter-bank bonds market since 10 August 2007. During the Reporting Period, the Company strictly complied with the undertakings presented in the prospectus and used the proceeds for the reconstruction of Qinglian Class 1 Highway into an expressway. As at 31 December 2007, the proceeds have been used up.

The Company issued Bonds with Warrants of RMB1.5 billion with a term of six years in October 2007, with net proceeds of RMB1,458,697,000. The bonds and warrants after separation were listed respectively on SSE on 30 October 2007. During the Reporting Period, the Company strictly complied with the undertakings presented in the prospectus and used the proceeds for the construction of and investment in Nanguang Expressway. As at 31 December 2007, the proceeds have been used up.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save as the issue and listing of the securities disclosed above in "Use of Proceeds", during the Reporting Period, no listed securities of the Company were purchased, sold or redeemed by the Company, any of its subsidiaries or any of its jointly controlled entities.

PROFILE OF SHAREHOLDERS

As at 31 December 2007, the Company had 43,218 shareholders in total, including 257 holders of H Shares and 42,961 holders of domestic shares.

As at 31 December 2007, the top ten holders of non-restricted circulating shares of the Company based on the shareholders' registers supplied by the share registrar and the transfer offices of Hong Kong and the PRC were as follows:

Name of shareholders	Number of shares	Type of shares
HKSCC Nominees Limited (Note)	737,661,098	H Share
BoComm–Bosera Growth Securities Investment Fund	8,999,868	A Share
ICBC – China Universal Balanced Growth Securities Investment Fund	6,810,610	A Share
Social Insurance Fund Portfolio 102	6,000,000	A Share
ABC–Dacheng Innovation Mixed Growth Securities Investment Fund	5,414,633	A Share
CMB–Everbright Pramerica AdvantagePortfolio Securities Investment Fund	5,079,049	A Share
ABC–China AMC Stable Growth Mixed Securities Investment Fund	5,001,280	A Share
ICBC-Lion Balance Securities Investment Fund	4,519,336	A Share
BOC–China AMC Sector Selected Securities Investment Fund	3,348,114	A Share
Arsenton Nominees Limited	3,000,000	H Share

Note: The H Shares held by HKSCC Nominees Limited were held on behalf of various clients.

EMPLOYEES, REMUNERATION AND TRAINING

The Company has always been committed to the people-focused management principle, viewing its staff and talent as the pillar of corporate development and pushing forward the transformation from an "emphasis on human costs" to an "emphasis on human capital" in terms of human resource management. Through initiatives such as strengthening staff training, cultivating a teamwork culture, creating a pleasant working environment, and implementing and continuously enhancing the incentive, control and talent selection regimes, the Company strives to reach the objective of adding value to human resources and achieving a win-win situation between the interests of the staff and the Company.

As at 31 December 2007, the Company and its wholly-owned subsidiaries had 1,272 employees, of whom 339 were management and professional staff while 933 were toll collection staff.

An employee's remuneration of the Company comprises three parts, namely monthly salary, annual performance bonus and statutory and company fringe benefits. The remuneration is determined in accordance with the results of an overall assessment, of which the salary and the performance bonus are respectively determined according to the individual staff's position and performance and with a view to maintaining market competitiveness. Pursuant to statutory requirements, the Group has participated in an employee retirement scheme organised by the local government authorities (social endowment insurance), and has provided basic medical insurance package, industrial injury insurance and unemployment insurance to its staff. In addition, the Company has also obtained commercial insurance on personal accidents for all the staff, and makes regular enterprise pension contributions on behalf of the management staff and key technical staff besides making the statutory social security contribution.

The Company values staff training and cultivates a corporate culture of continued learning, encouraging employees to keep upgrading their work capabilities and market competitiveness. During the Reporting Period, the Company completed trainings including theme training for new management staff, entry training for toll collection staff, management skills enhancement training for first-level managers, comprehensive corporate risk management system training, themed training on an excellent performance management regime and "change management" for middle/senior management members, etc. A total of 2,165 participants were involved.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Company has fully complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of HKEX. The codes on corporate governance currently adopted by the Company go beyond the requirements of the aforesaid Code in certain aspects.

COMPLIANCE WITH THE MODEL CODE

The Securities Transaction Code of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules of HKEX entitled Model Code for Securities Transactions by Directors of Listed Issuers, as a written guide to regulate dealings in the Company's securities by Directors, Supervisors and relevant staff. The standards set under Appendix 10 to the Listing Rules have been incorporated into the Securities Transaction Code of the Company.

After specifically inquiring with all the Directors, Supervisors and senior management, the Company confirms that all the Directors, Supervisors and senior management complied with the standards for securities transactions by directors as stipulated under the aforesaid codes during the Reporting Period.

AUDIT COMMITTEE/RESULTS REVIEW

The audit committee of the Company has reviewed and confirmed the results announcement and financial statements of the Company for the year ended 31 December 2007.

AUDITORS' PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2007 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

DEFINITIONS

1. Names of Highway and Road Projects

Changsha Ring Road	Changsha National Highway Ring Road (Northwestern Section)
Coastal Expressway (Shenzhen Section)	The Shenzhen Section of Guangshen Coastal Expressway
Guangwu Project	Ma'an to Hekou Section of the Expressway from Guangzhou, Guangdong Province to Wuzhou, Guangxi Province
GZ W2 Expressway	Xiaotang to Maoshan Section of National Trunk Highway Guangzhou Ring Road, also referred to as Guangzhou Western Second Ring Expressway
Hengping Project	Shenzhen Hengping Class 1 Highway (Western Section), the Company has been appointed as project administrator for the project
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan, located in Guangdong Province
Jihe Expressway	The expressway from the airport to He'ao in Shenzhen City, comprising Jihe East and Jihe West
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue
Nanjing Third Bridge	Nanjing Yangtze Third Bridge
Nanping (Phase Ⅰ)	Shenzhen Nanping Freeway (also referred to as Nanping Avenue) Phase Ⅰ, the Company has been appointed as project administrator for the project
Nanping (Phase Ⅱ)	Main route of Shenzhen Nanping Freeway (also referred to as Nanping Avenue) Phase Ⅱ, the Company has been appointed as project administrator for the project
Outer Ring Expressway	The Shenzhen Outer Ring Expressway
Qinglian Class 1 Highway	Class 1 Highway from Qingyuan to Lianzhou in Guangdong Province

Qinglian Project	Qinglian Class 1 Highway, and/or its being reconstructed into an expressway, and/or Qinglian Class 2 Road (Qingyuan to Lianzhou) (as the case may be)
Shenyun Project	renovation project of the Shenyun-North Ring Interchange in Shenzhen
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen, also referred to as the No.2 Longgang Passage
Shuiguan Extension	An extension to the Shuiguan Expressway, Phase Ⅰ of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen, also referred to as Yuping Avenue)
Wuhuang Expressway	The expressway from Wuhan to Huangshi, located in Hubei Province
Wutong Mountain Project	Shenzhen Wutong Mountain Avenue (Ancillary Road) and Jihe Expressway Yantian Subsidiary Road Checkpoint Station Project, the Company has been appointed as project administrator for the project
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen, comprising Yanba A, Yanba B and Yanba C
Yangmao Expressway	The expressway from Yangjiang to Maoming in Guangdong Province
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road to Jihe Expressway

2. Enterprises invested

Jihe East Company	深圳機荷高速公路東段有限公司(Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited), which owns Jihe East
Magerk Company	湖北馬鄂高速公路經營有限公司(Hubei Magerk Expressway Management Private Limited), which owns the operating rights of Wuhuang Expressway
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited
Qinglian Company	廣東清連公路發展有限公司(Guangdong Qinglian Highway Development Company Limited), which owns Qinglian Project
Qinglong Company	深圳清龍高速公路有限公司(Shenzhen Qinglong Expressway Company Limited), which owns Shuiguan Expressway
Shenchang Company	湖南長沙市深長快速幹道有限公司(Hunan Changsha Shenchang Expressway Company Limited), which owns Changsha Ring Road

3. Others

A Shares	Renminbi-denominated ordinary shares of the Company with a par value of RMB1.00 each, which were issued in the PRC and subscribed in RMB and are listed on the Shanghai Stock Exchange
Board	The board of Directors of the Company
Bonds With Warrants	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately
CAS	The Accounting Standards for Business Enterprises (2006) of the People's Republic of China
The Company, Company	Shenzhen Expressway Company Limited
Director(s)	The director(s) of the Company
The Group, Group	The Company and its subsidiaries
H Shares	Overseas-listed Foreign Shares of the Company with a par value of RMB1.00 each, which were issued in Hong Kong and subscribed in HK$ and are listed on HKEX
HK$	Hong Kong dollars, the lawful currency of the Hong Kong Special Administration Region of the PRC
HKEX	The Stock Exchange of Hong Kong Limited
HKFRS	Hong Kong Financial Reporting Standards
Listing Rules	The Rules Governing the Listing of Securities on HKEX and/or the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (as the case may be)

New Tax Law	《中華人民共和國企業所得稅法》(The Enterprise Income Tax Law of the People's Republic of China), which came into effect on 1 January 2008
PRC	The People’s Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
The Reporting Period, The Period, The Year	For the year ended 31 December 2007
RMB	Renminbi, the lawful currency of the PRC
SSE	The Shanghai Stock Exchange
Supervisor(s)	The supervisor(s) of the Company

By Order of the Board
Yang Hai
Chairman

Shenzhen, the PRC, 14 March 2008

As at the date of this announcement, the directors of the Company are: Mr. Yang Hai (Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Li Jing Qi (Non-executive Director), Mr. Wang Ji Zhong (Non-executive Director), Mr. Liu Jun (Non-executive Director), Mr. Lin Xiang Ke (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Li Zhi Zheng (Independent non-executive Director), Mr. Zhang Zhi Xue (Independent non-executive Director), Mr. Poon Kai Leung, James (Independent non-executive Director) and Mr. Wong Kam Ling (Independent non-executive Director).

This Results Announcement, which has been published on the website of HKEX at http://www.hkex.com.hk, only gives a summary of the information and particulars contained in the full Annual Report of the Company. A detailed Annual Report containing all the information required by Appendix 16 to the Listing Rules will be subsequently published on the website of HKEX at http://www.hkex.com.hk in due course.