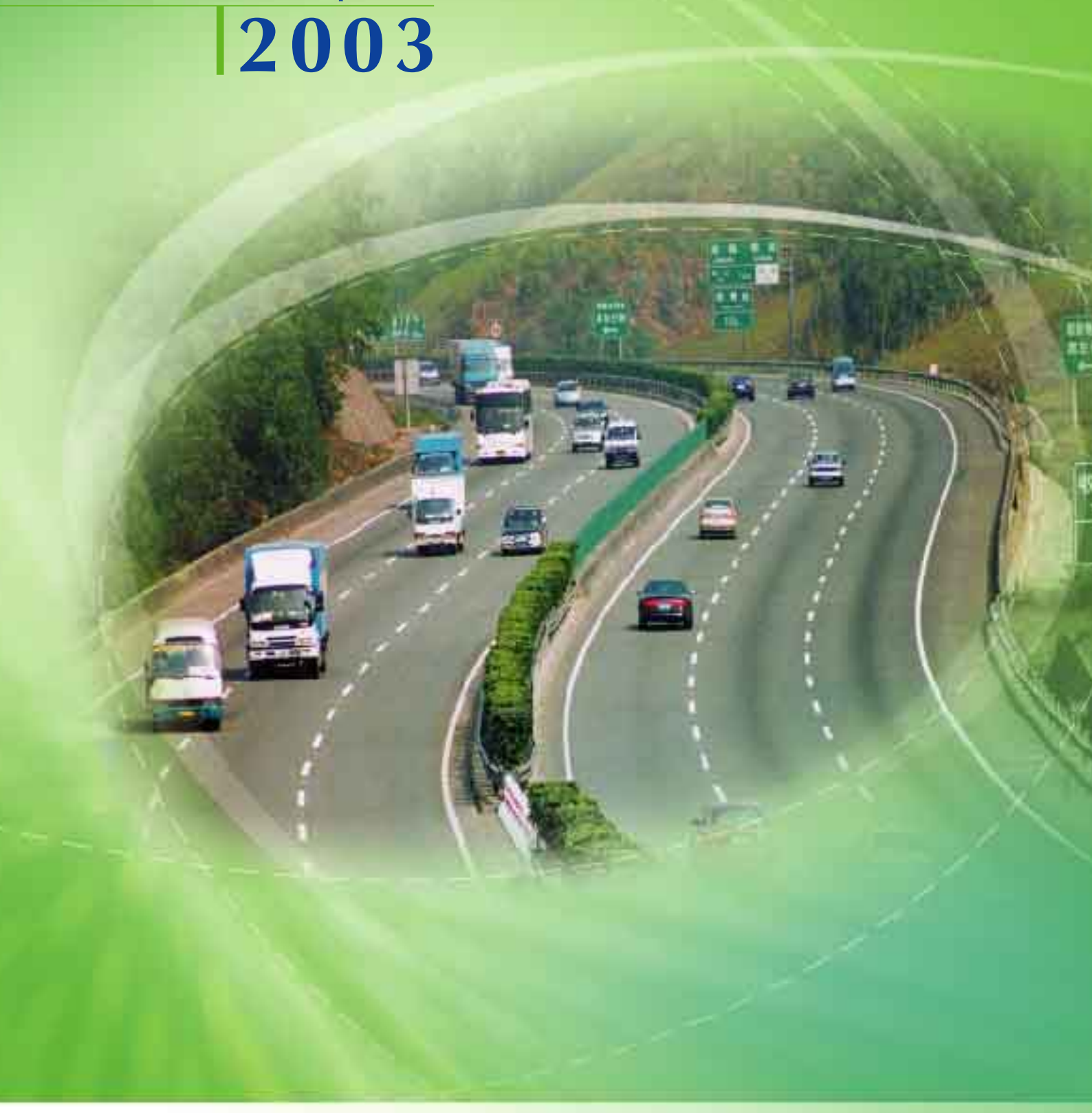


Annual Report

2003



SHENZHEN EXPRESSWAY COMPANY LIMITED

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

Leading with an Excellent Corporate System.
Striving for the Best, not the Biggest.

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Company Profile

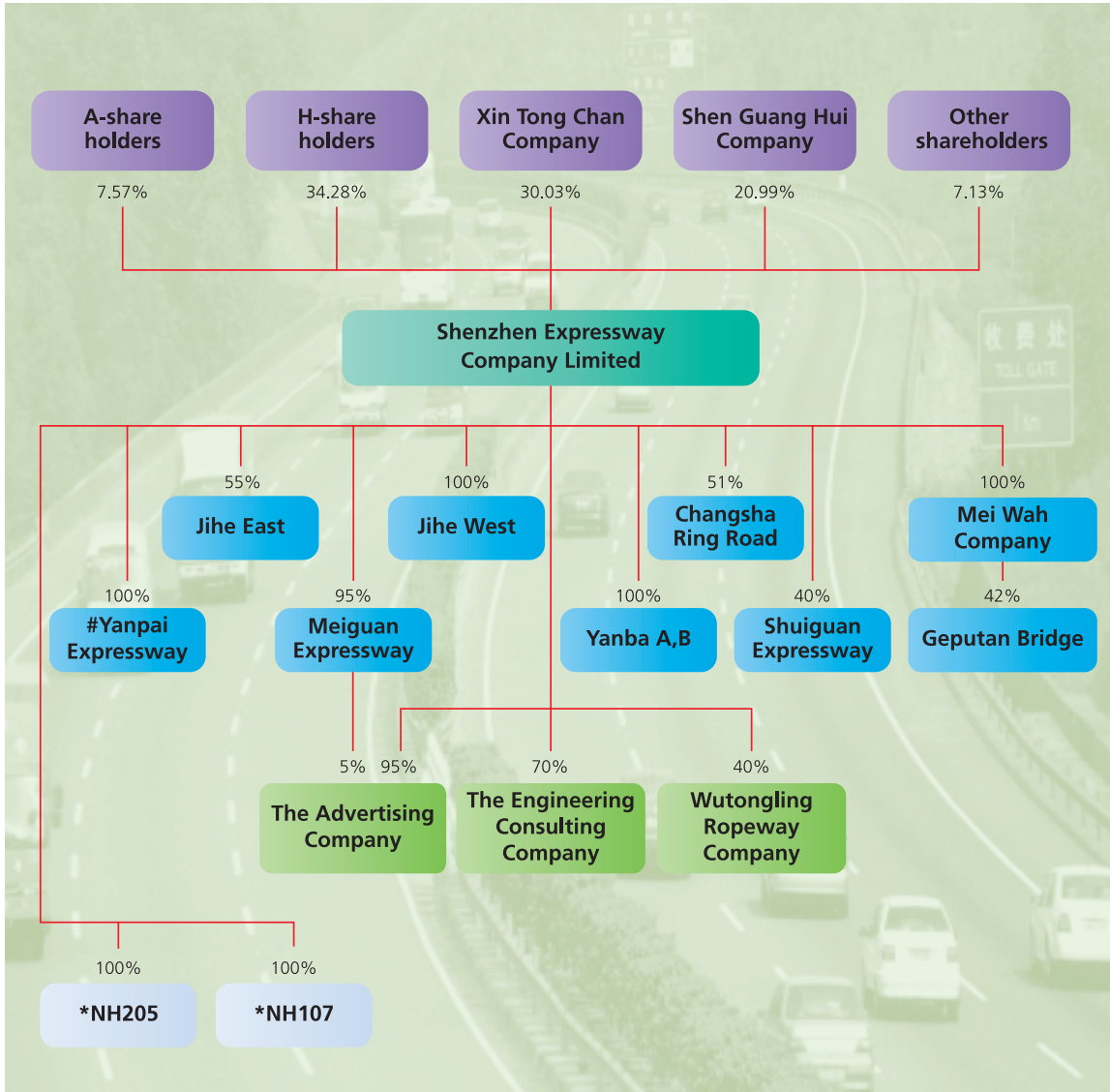
Shenzhen Expressway Company Limited is principally engaged in the construction, operation and management of toll highways and expressways in the PRC. It was granted the concession rights to operate its existing expressways, and a right of first refusal to develop and operate new expressways in Shenzhen. The Company focuses on developing toll roads in Shenzhen, investing and operating road projects, managing and constructing highways and roads in Pearl River Delta and other regions of the PRC. It is committed to supplying high quality and efficient services to the public and the government at reasonable costs. The toll roads in Shenzhen operated by the Company have already formed a complete road network, which not only connects the main ports, the airport, customs checkpoints and industrial zones in Shenzhen, but also forms the main component of the national and provincial road networks. This road network constitutes the major gateway between Shenzhen and Hong Kong and serves as the main passage to the Pearl River Delta. Therefore, it plays a very important role in Shenzhen's ground transportation.

The Company was established on 30th December 1996 with the total share capital of RMB1,268,200,000. In March 1997, the Company issued 747,500,000 foreign shares (H Shares), which were listed on HKEX on 12th March 1997 (code: 0548). It issued 165,000,000 Renminbi-denominated ordinary shares (A Shares) in December 2001, which were listed on the Shanghai Stock Exchange on 25th December 2001 (code: 600548). The total share capital of the Company at present is RMB2,180,700,000. The controlling shareholder of the Company is Shenzhen International Holdings Limited (HKEX stock code: 0152), holding approximately 30.03% of the existing issued share capital of the Company through its wholly-owned subsidiary, Xin Tong Chan Development (Shenzhen) Co. Ltd.



Company Profile

The shareholding and asset structure of the Company



Note: # Under construction

* The Company entered into an agreement with the Shenzhen Communications Bureau on 18th March 2003, pursuant to which the Company transferred NH107 and NH205 to the Shenzhen Municipal Government.

Financial Highlights

I Prepared in accordance with the Hong Kong Accounting Standards

Results Highlights *(audited)*

For the year ended 31st December

	2003	*As restated 2002	*As restated 2001	*As restated 2000	*As restated 1999
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	421,531	524,291	489,813	420,455	342,069
Profit before taxation	1,054,530	414,018	424,605	365,598	339,035
Profit attributable to shareholders	899,372	347,064	408,222	348,958	331,030
Earnings per share (RMB)	0.412	0.159	0.187	0.173	0.164

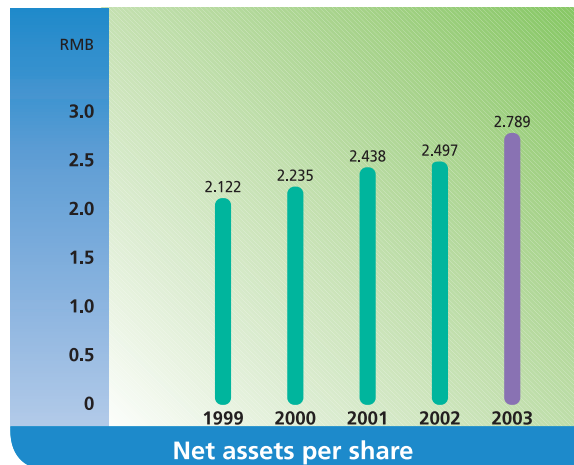
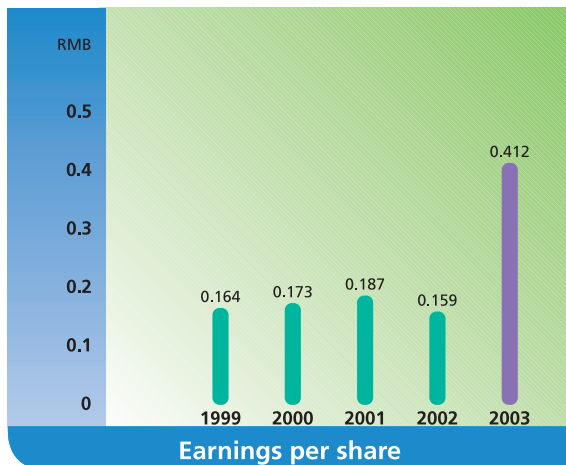
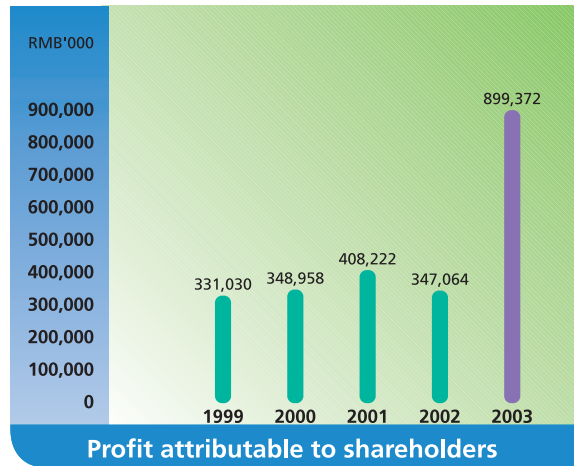
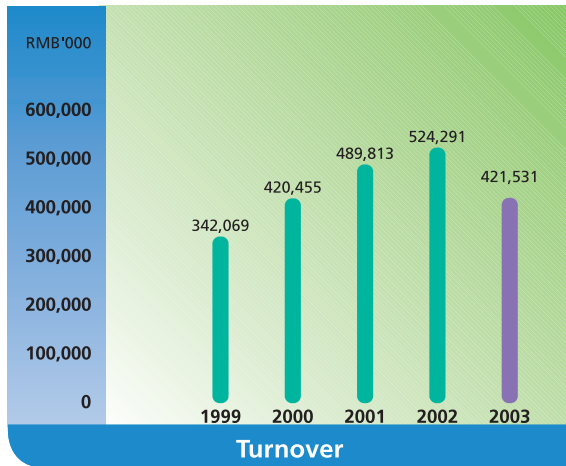
Assets Highlights *(audited)*

As at 31st December

	2003	*As restated 2002	*As restated 2001	*As restated 2000	*As restated 1999
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	6,988,973	6,700,302	6,764,379	5,712,406	5,427,435
Total liabilities	906,904	1,255,021	1,448,092	1,206,899	1,150,844
Total net assets	6,082,069	5,445,281	5,316,287	4,505,507	4,276,591
Net assets per share (RMB)	2.789	2.497	2.438	2.235	2.122

- * The Group adopted Statement of Standard Accounting Practice ("SSAP") 12 (revised)-"income taxes", issued by the Hong Kong Society of Accountants, which is effective for accounting period commencing on or after 1st January 2003. This represents a change in accounting policy which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Financial Highlights



Financial Highlights

II Prepared in Accordance with the PRC Accounting Standards

Principal accounting data and financial indicators *(audited)*

(RMB'000)

For the year ended 31st December 2003

Indicators	As at 31st December 2003	As at 31st December 2002 (As restated)	As at 31st December 2001 (As restated)
Principal operating income	598,137	646,128	604,519
Net profit	852,037	337,454	388,050
Total assets	7,105,309	6,922,503	6,968,564
Shareholders' funds (excluding minority interest)	5,952,866	5,363,352	5,243,872
Earnings per share (RMB)	0.391	0.155	0.178
Net asset per share (RMB)	2.73	2.46	2.41
Adjusted net asset per share (RMB)	2.73	2.44	2.39
Net cash flows from operating activities per share (RMB)	0.20	0.20	0.26
Return on net assets (fully diluted)	14.31%	6.29%	7.40%
Return on net assets after extraordinary items (weighted average)	3.51%	6.06%	7.68%

Note: Adjustments were made to the figures of the previous year due to the following reasons:

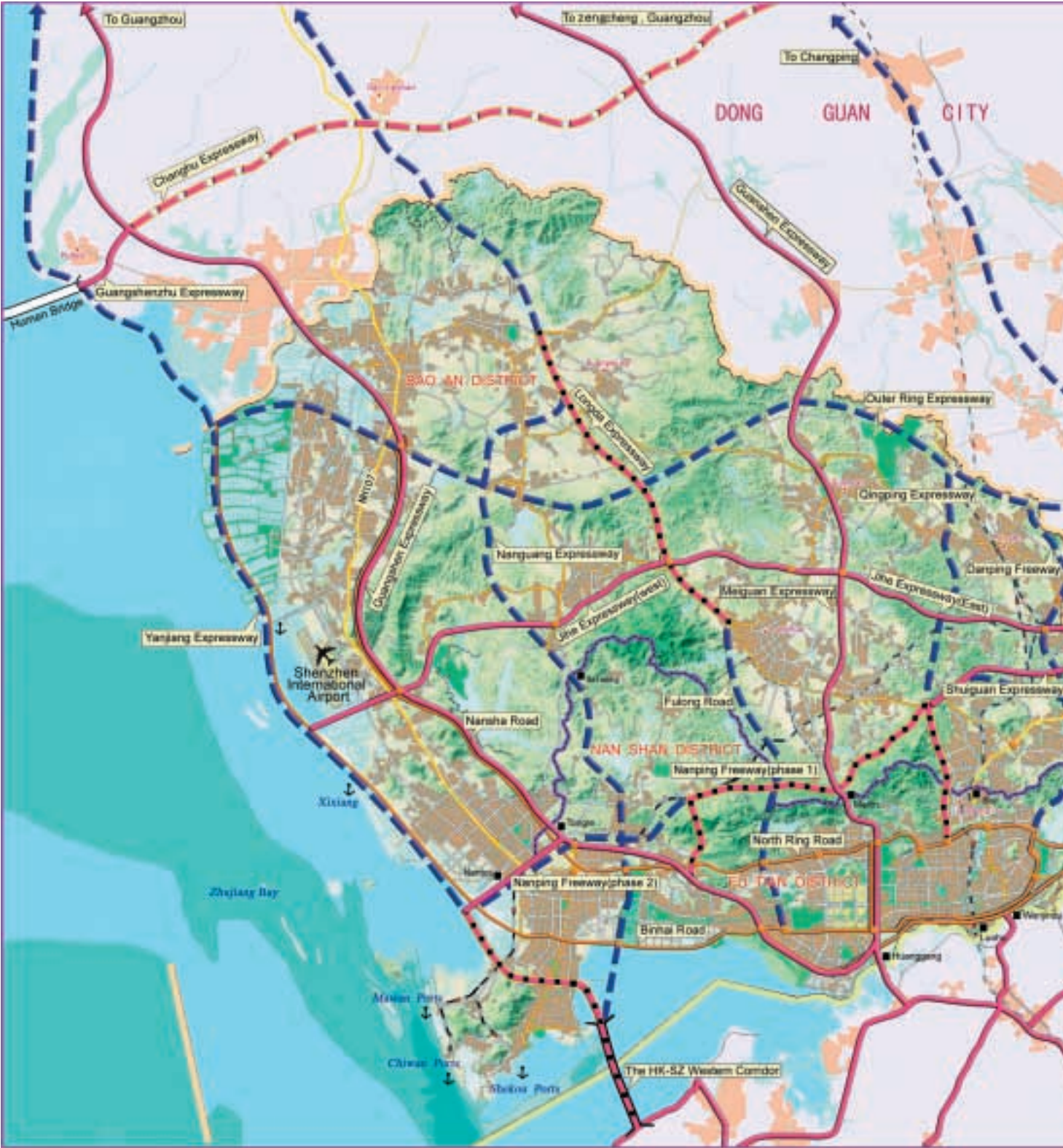
1. The profit tax accounting policy of PRC adopted by the Company during the reporting period has changed from the tax payable method to the liability method and retrospective adjustments have been made to the relevant items.
2. Retrospective adjustments have been made to the distribution of cash dividends after the balance sheet date pursuant to "Accounting Standards for Business Enterprises – Events Occurring After the Balance Sheet Date" (2004 Revised).

Financial Highlights

III The Major Differences Between Accounts Prepared in accordance with HK GAAP and the PRC Accounting Standards

	Profit attributable to shareholders for the year ended 31st December 2003 (RMB'000)	Net assets as at 31st December 2003 (RMB'000)
As per PRC statutory accounts	852,037	5,952,866
Impact of HKGAAP adjustments		
Amortization of land use rights	(3,979)	65,356
Depreciation of fixed assets	2,447	16,368
Extra compensation in respect of assets disposal	106,109	106,109
Imputed interest adjustment on long-term portion of consideration and extra compensation in respect of assets disposal	(48,833)	(48,833)
Deferred tax	(8,475)	(9,797)
Others	66	—
Net amount of adjustments	47,335	129,203
As restated after HK GAAP adjustments	899,372	6,082,069

Master Plan of the Road Network of Shenzhen







Chairman's Statement

The Company is well positioned for the development of toll roads in Shenzhen, with unique advantages in its geographic location and superb corporate system ...

Meanwhile, the Shenzhen Municipal Government approved a new highway network plan in September 2003. In the coming ten years, RMB20 billion will be invested to construct 270 kilometers of new expressways ... Undoubtedly, the Company is now faced with development opportunities unprecedented in its history.

Chairman's Statement

To all shareholders:

The operational and financial performance of the Group in 2003 has been satisfactory. Despite the impact brought about by SARS to Guangdong and Hong Kong during the first half of 2003, the Company has strengthened its sales and marketing efforts, cooperated with transport administration authorities to attract traffic flow and to divert large goods vehicles to use our expressways, and obtained remarkable results therefrom. During the second half of the year, the Company capitalised on the opportunities arising from the economic recovery after SARS as well as significant growth in exports and imports for both the PRC and Shenzhen, and achieved rapid growth on the Company's expressway operation. On the other hand, leveraging the opportunities arising from the government's adjusted tariff policy regarding Class 1 highways, the Company has successfully reached an agreement with the Shenzhen Municipal Government to dispose of the assets of two Class 1 highways as a means of pursuing effective marketing strategies for the long-term development of the Company and the benefits of the shareholders. A good return on investment was achieved as a result.

Results

The Group recorded a turnover of RMB421,531,000 for year 2003. Turnover for the operation of expressways amounted to RMB382,738,000, representing an increase of 19.94% compared to the corresponding period of the previous year, whilst operating profit increased by 24.13%, compared to the corresponding period of the previous year. Turnover for Yanba Expressway, Jihe West and Meiguan Expressway operated by the Company increased by 72.29%, 25.84% and 11.72%, respectively when compared to the corresponding period of the previous year. For year 2003, profit attributable to shareholders was RMB899,372,000, representing an increase of 159.14%, compared to the corresponding period of the previous year, of which an after-tax profit of RMB586,272,000 was mainly attributable to the disposal of the assets of two Class 1 highways. Earnings per share was RMB0.412.

Dividends

The Company has made its best endeavours to maximise its corporate value in order to provide good return to shareholders. The board of directors will recommend a resolution in respect of the payment of a final dividend of RMB0.19 per share for year 2003 (2002: RMB0.12), including a special dividend of RMB0.09 per share, at the forthcoming Annual General Meeting. The payment of special dividends has taken into account the significant growth in profits arising from the disposal of assets and the abundant amount of cash in hand. Therefore the Company has increased the shareholders' return in 2003. The Company is confident that a steady dividend arising from the ordinary business will be maintained in future.

Chairman's Statement

Review

During 2003, the Company implemented various decisions made by the board of directors in a dutiful and practical manner. Guided by the core beliefs of "Leading with an Excellent Corporate System" and "Striving for the Best, not the Biggest", our employees of various levels shared the same values. In view of the impacts of policies, resources and the environment upon the principal operation, our employees turned the unfavourable factors around, took proactive measures and strove for the best. Remarkable results were achieved on various fronts.

The Company successfully disposed of the assets of two Class 1 highways to the Shenzhen Municipal Government in March 2003. The improved asset structure of the Company resulted therefrom will better facilitate its development in the long-run. In June 2003, the construction of Yanba B was completed for operation whereas the construction of Yanbai Expressway was commenced. On the operational front, the Company made changes to the management structure in 2003, which reduced the hierarchy, shortened the management chain and saved operating costs. As a result of the increased marketing and sales efforts on attracting the flow of vehicles, our expressways achieved significant growth in traffic volume as well as in income and profit margins. Meanwhile, the Company has proactively enhanced its scale of operation and its earnings ability through procuring investment projects of expressways in the Pearl River Delta region, Guangdong Province. In addition, as the Shenzhen Municipal Government put construction management of municipal projects to the market, the Company expanded the provision of its consultancy service on construction management to the government sector, and made breakthrough developments by securing the management contract for Phase 1 of Nanping Freeway in Shenzhen, a project involving construction investment at a value of RMB2,268 million.



Business Opportunities

It is essential at this moment for the Company to sustain its development in a stable, healthy and rapid manner by way of capitalising on the business opportunities available. The Company is well positioned for the development of toll roads in Shenzhen, with unique advantages in its geographic location and superb corporate system. Growth of the Shenzhen economy has ranked among the first in the PRC for many years. Shenzhen has ranked first in the nation for 11 consecutive years in terms of exports and imports which exceeded the US\$100 billion benchmark in 2003. In 2003, 120,000 new vehicles were registered in Shenzhen whereas total vehicle ownership exceeded 700,000. In terms of per capita ownership of small private vehicles, Shenzhen ranked among the highest in the PRC. In 2003, throughput of goods and containers at the ports of Shenzhen were 112,400,000 tonnes and 10,650,000 TEU respectively, which were increases of 28.2% and 40% respectively when compared to the corresponding period of the previous year. There were 10,840,000 passengers travelling through Shenzhen, representing an increase of 16% when compared to the corresponding period of the previous year. It is anticipated that the throughput capacity of Shenzhen for containers will be increased by 10,000,000 TEU in the coming ten years. All in all, the grand economic picture resulted from CEPA, the formation of the Pan Pearl River Delta economy, and the development of manufacturing, sales, transportation and logistics industries as promoted by the government's implementation of "zero" tariff have brought greater demand on road transport. All these will produce direct, most stimulating effects on toll road traffic.

Transport is fundamental to the development of an economy. Recently, a development plan has been implemented in Guangdong Province which is based on the transport infrastructure as a development platform, aiming at the construction of expressways connecting adjacent provinces and regions. By 2007, Guangdong Province has to complete construction of ten expressways connecting major cities in the region. The expressways in Guangdong Province will have a total length of 4,000 kilometers. Meanwhile, the Shenzhen Municipal Government approved a new highway network plan in September 2003. In the coming ten years, RMB20 billion will be invested to construct 270 kilometers of new expressways so as to develop an expressway network matrix. Undoubtedly, the Company is now faced with development opportunities unprecedented in its history.

Chairman's Statement

Subsequent to the closer economic partnership arrangement (CEPA) established between mainland China and Hong Kong, the Company is poised for a stable, healthy and rapid development. In this regard, the economic developments in Shenzhen and the Pearl River Delta will play an indispensable role. The GDP of Guangdong Province has ranked first in the PRC for many years. Meanwhile, Guangdong has become one of the largest manufacturing bases for consumer goods not only in the PRC but also in the world. The IT manufacturing industry of Guangdong Province occupies an important position in the world. Meanwhile, Shenzhen is a major city in southern China, a major regional economy as well as a hub for finance and logistics. In terms of overall competitiveness, Shenzhen ranks second in the PRC with obvious development advantages.

Outlook

In order to capitalise on the above-mentioned unprecedented development opportunities, the Company adopts certain strategies to adapt to the environment. These include focusing on investing, constructing and operating toll roads as its principal operation; speeding up the market-oriented transformation of the Company's corporate governance; striving to establish a first-rate brand name as a public utilities operator; and providing premier and efficient services to the public and the government at reasonable costs. Leveraging its concession rights, the Company enjoys the first-mover advantage, and will take Shenzhen as a foothold for its further investment in cooperative ventures for expressway projects in the more economically developed regions, in particular the Pearl River Delta region, so as to improve returns on investment and on net asset. It is expected that growth in the Company will take a faster and healthier route as a result of the economic recovery in the PRC and in particular the South China region.

With nearly ten years of experience in project construction management, the Company is equipped with clear competitive advantages in the field. The Company was engaged to manage the construction of Phase 1 of Nanping Freeway which is invested by the government. The Company will be engaged in more construction management projects of this kind. This project signifies the Company's first successful step in "exporting" its services on expressway construction management, and was a major reward for the Company's past emphasis on acquiring experience from project construction management. Such segment of business is expected to become a new income base for the Company in future.

Chairman's Statement

Through further realignment and explications of its development strategies, on-going research on its strategic development, and analysis on the prospects of the toll road business and the competitive advantages of the Company, the Company will enhance its profitability by leveraging its competitive edges. The Company will actively participate in the investment and construction of expressway networks in the Pearl River Delta region in accordance with the planning and development requirements on expressway networks in Shenzhen, Guangdong and other regions, and establish the Company as an operator that provides total solutions to its clients on operation and project construction management of transport infrastructure facilities.

Looking ahead, traffic volume on the toll roads operated by the Company will continue to increase. The Five Year Action Plan and the Ten Year Development Outline for the construction of highway network in Shenzhen have provided ample room for the Company's development. The prospects of acquiring expressway projects in Guangdong and other regions will rapidly expand the Company's scale of operation and improve its profitability. The Company will continue to leverage its competitive advantages in expressway management and further enhance the standard of its corporate governance so as to facilitate an all-rounded and rapid development of the Company.

CHEN CHAO

Chairman

Shenzhen, the PRC, 5th March 2004



Corporate Governance

The motto for the Company's management ...

Integrity and Diligence

In Pursuit of Excellent Returns for Shareholders

Corporate Governance

Since its establishment in December 1996, the Company has made its best endeavours to improve the corporate governance structure of the Company as a legal person. It has established a system of a modern enterprise and standardised the Company's operations. We believe that good corporate governance is the cornerstone for enterprise development, which may enhance corporate competitiveness and ensure that the Company will operate for the maximum benefits of its shareholders.

Board of Directors

The current Board of Directors is the third Board of Directors since the establishment of the Company. In accordance with the Articles of Association of the Company, Directors shall be removed or elected for a term of three years at the shareholders' general meetings. The term of the current Board of Directors is from 1st January 2003 to 31st December 2005.

In order to facilitate an independent, accountable and dutiful operation of the Board of Directors, the roles between the Chairman and the Managing Director of the Company are clearly defined. The Chairman is responsible for formulating strategies and policies of the Company as a whole, whilst the Managing Director is responsible for managing the business, implementing significant strategies, making decisions during the usual course of operation and coordinating the overall business operations of the Group with the assistance and support of other Directors and senior management of the Company.

The Company held eight board meetings during 2003. The attendance was 100% (including those Directors appointing other Directors as proxies) whilst the attendance of Directors in person was 80%. During the board meetings, discussions were effectively conducted and decisions were promptly and prudently made.

Date of board meeting	Total number of Directors	Number of Directors attended	Attendance	Number of Directors attended	
				in person	Attendance
20th January 2003	11	11	100%	9	81.82%
11th April 2003	11	11	100%	9	81.82%
29th April 2003	11	11	100%	9	81.82%
30th May 2003	11	11	100%	9	81.82%
15th August 2003	12	12	100%	12	100%
11th September 2003	12	12	100%	8	66.67%
30th October 2003	12	12	100%	10	83.33%
5th December 2003	12	12	100%	8	66.67%

Directors

Directors are elected at the shareholders' general meetings for a term of three years and are eligible to offer themselves for re-election upon expiry of the term. The Board of Directors of the Company comprises 12 Directors of whom five are recommended by shareholders of domestic legal person shares, whereas three Directors and four independent Directors are recommended by the Board of Directors. The Directors to be elected by the Board of Directors shall be nominated by the Human Resources and Nomination Committee. The proposed Directors shall be reviewed and approved by the Board of Directors before submitting to the shareholders' general meetings for approval. Independent Directors shall not be nominated by the substantial shareholders but by any independent third parties or the Human Resources and Nomination Committee.

The Company has laid down a standardised and transparent process for the election of Directors in the Articles of Association of the Company, which is to ensure that Directors are elected openly, fairly, justifiably and independently. Starting from the course of electing an additional Independent Director at the annual general meeting convened on 28th May 2003, a cumulative voting system has been adopted for electing Directors, so as to adequately reflect the opinions of minority shareholders. Pursuant to the cumulative voting system, the number of votes each shareholder has is equal to the multiple of the number of shares held by him and the number of Directors whom he is entitled to elect. Each shareholder may cast all the votes for a particular candidate, or allocate the votes to all the candidates he is entitled to vote for at his discretion, or cast all the votes to two or more candidates. The candidates who obtain the most votes will be elected. Polls will be separately conducted for Independent Directors and Non-independent Directors.

There are three Directors who are involved in specific operation and management functions of the Company. When performing their duties, the Directors of the Company shall perform on a fiduciary basis and give their independent opinions.

The Directors and the special-purpose committees under the Board of Directors of the Company have the right to engage independent and professional agencies to provide services whilst the fees incurred shall be borne by the Company. In 2003, such special-purpose committees of the Company engaged independent legal advisors and financial advisors to provide professional advices.

In accordance with the Articles of Association of the Company and regulatory requirements it is subjected to, any Director who fail twice consecutively to attend a board meeting in person or to appoint other Directors as proxy to attend the meeting on his behalf shall be deemed as not performing his duties. In such a case, the Board of Directors shall recommend to the general meeting for his removal and replacement accordingly.



Independent Directors

Two Independent Directors were engaged by the Company in 1997, and the number increased to three in 1999. There are currently four Independent Directors, representing one-third of the total number of Directors. The Independent Directors come from different industries and are professionals in accounting, finance, enterprise management or human resources. They have considerable experience in their expertise and are independent of the management and substantial shareholders of the Company.

The Independent Directors play an increasingly important role in the Board of Directors of the Company. All of them are familiar with the rights and obligations of directors for listed companies, and have attended board meetings and the shareholders' general meetings in an extremely conscientious and responsible manner. They have actively participated in the Company's introduction meetings to be briefed on the Company's businesses and operations, and have conducted on-site visits to the key expressway projects invested by the Company. In addition, they have given independent opinions and recommendations in respect of significant matters and connected transactions of the Company and have assumed major duties in the special-purpose committees under the Board of Directors. The Independent Directors have ensured that the Board of Directors would maintain reporting obligations on finance and other necessary aspects in a quality manner, and have performed their monitoring and check-and-balance functions for the purpose of safeguarding the interests of the Company and its shareholders as a whole.

Secretary to the Board of Directors

The Secretary to the Board of Directors reports to the Board of Directors and is responsible for ensuring that the Company complies with relevant and appropriate laws and regulations, and that procedures of the Board of Directors are consistently implemented. The Secretary to the Board of Directors is also responsible for the disclosures of information of the Company and providing advice to the Board of Directors in that regard. The Secretary to the Board of Directors is concurrently a director of the Company.

Chief Financial Officer

Chief Financial Officer is the person in charge of the Company's financial matters and reports to the General Manager. It is the responsibility of the Chief Financial Officer to prepare financial statements in accordance with the generally accepted accounting principles in the PRC and Hong Kong and to comply with relevant disclosure requirements under the Listing Rules of HKEX, as well as those of the CSRC and Shanghai Stock Exchange. The Financial Controller is also responsible for formulating annual budget proposals and final accounts of the Company, and monitoring the implementation of the Company's annual financial and operating plans. In addition, the Chief Financial Officer has to work with relevant systems of risk management as formulated by the Board of Directors and make recommendations to the Board of Directors accordingly.

Special-Purpose Committees under the Board of Directors

Audit Committee

The Audit Committee was established by the Board of Directors of the Company in August 1999 pursuant to the Listing Rules. The Audit Committee is responsible for reviewing and overseeing the financial reporting procedures and internal control measures of the Group.

Members of the Audit Committee are generally appointed for a term of three years. The terms of office for existing members are from their respective dates of appointment until 31st December 2005. Members of the current committee include:

- | | | |
|---|---|---|
| Ho Pak Cho, Independent Director | - | Chairman of the Committee (appointed on 12th January 2003) |
| Chiu Chi Cheong, Non-executive Director | - | former Independent Director and Chairman of the Committee (appointed on 12th January 2003) |
| Li Zhi Zheng, Independent Director | - | Resigned from the committee on 30th June 2003 due to the heavy workload as he held positions in 3 committees concurrently |
| James K. L. Poon, Independent Director | - | appointed as a member of the Audit Committee by the Board of Directors on 15th August 2003 |

All members of the current Audit Committee are experienced professionals in the fields of accounting, securities or finance, with substantial exposure in the industry as well as financial matters. They have performed their duties with integrity and diligence as well as an independent and objective attitude. They hold themselves accountable to the Company and its shareholders as a whole, in particular the interests of minority shareholders. They have played a very important check-and-balance role during the decision-making process of the Board of Directors.

Corporate Governance

The major accomplishments made by the Audit Committee during the Year included:

- The “Terms of References for the Audit Committee” were further reviewed and amended, which were then approved by the Board of Directors;
- The annual and interim reports and financial statements of the Group, as well as the recommendations to management as issued by the external auditors and the responses made by the management of the Company, were reviewed;
- The accounting policies being adopted by the Company and matters relating to accounting issues were reviewed;
- Recommendations to the Board of Directors in respect of the appointment of external auditors, audit fees and appropriateness of the audit plan were made;
- Supervision on the work of the audit department of the Company was carried out;
- Assistance was provided to the Board of Directors on the conduct of an independent assessment as to the effectiveness of financial reporting procedures and internal control mechanisms of the Group;
- The implementation and the effect on the Share Appreciation Right Scheme of the Company were reviewed;
- Independent advice in respect of significant matters of the Company was provided and recommendations on management issues were made to the management of the Company.



Corporate Governance

The Audit Committee held seven meetings in 2003. The meetings were chaired by Mr Ho Pak Cho and all members attended the meetings. Information relating to attendance of the meetings was as follows:

Date of committee meeting	Total number of members	Number of members attended	Attendance
20th January 2003	3	3	100%
20th March 2003	3	3	100%
23th April 2003	3	3	100%
20th June 2003	3	3	100%
11th August 2003	2	2	100%
21th October 2003	3	3	100%
19th December 2003	3	3	100%

The Chairman, Managing Director, Secretary to the Board of Directors, Chief Financial Officer and Manager of Audit Department of the Company were also invited to attend the aforesaid meetings. In order to enhance the independence of reporting by the auditors, meetings were separately held between all members of the Committee and the external auditors. In addition, the Committee also required the external auditors to change the partners in charge of the Company on a regular basis.

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All the matters passed at meetings of the Audit Committee were recorded and filed appropriately pursuant to the relevant rules. The Chairman of the Audit Committee would submit a report to the Board of Directors in respect of the significant matters discussed after each meeting, and reported to the Board of Directors in respect of work and progress of the Committee at least once every six months.

The Company has established its internal audit department since August 2000. In accordance with possible risks (and their significance) pertaining to the internal control system of the Company's various businesses and workflows, the internal audit department will review, oversee and evaluate the disclosures of financial information, operation and internal control activities of the Company on a regular and as-needed basis. Transparency of external information disclosure, efficiency of operation and effectiveness of corporate control mechanisms of the Company are thus assured. In addition, independent and objective assessments and recommendations will be provided in the form of the audit reports.

Internal staff of the audit department have access to all information of the Company and may make enquiries to relevant staff. The manager of the audit department reports directly to the Audit Committee on the results and opinions of the relevant tasks, upon the review of which the Committee will make relevant recommendations to the management and report regularly to the Board of Directors. Such reporting mechanisms effectively maintain, and capitalise on, the independence of the internal audit function, and ensure that significant issues found during the internal audit process will be given sufficient regard and will be improved thereupon.

Strategic Development and Investment Committee

The Company established the Strategic Development and Investment Committee on 19th November 2001. Its main duties include the review and evaluation on the Company's strategic directions, deliberation on the Company's strategic plans and its long and medium term development strategies and objectives, and monitoring on the implementation of strategies.

On 20th January 2003, the Company elected members of the committee for another session. Mr. Chen Chao, the Chairman, is the chairman of the Strategic Development and Investment Committee. Other members include Mr. Chiu Chi Cheong, a Director; Mr. Wu Ya De, a Director; and Mr. Li Zhi Zheng, an Independent Director and a professional from the community. The new term of the committee commenced from the date the members were elected until 31st December 2005.

In 2003, the committee and the Company's task force on strategies have put forward preliminary proposals on the Company's strategic development after in-depth analysis and research on the external environment, internal conditions and mechanisms, and the characteristics and conditions of resources available.

Human Resources and Nomination Committee

The Company established the Human Resources and Remuneration Committee on 19th November 2001. The authorities and duties of the committee include human resources management; salaries, remuneration and share options scheme management; appraisal, appointment, removal and nomination, etc. The Company elected members of the committee for a new term and renamed the committee as the Human Resources and Nomination Committee on 20th January 2003. The committee is chaired by Mr. Li Zhi Zheng, an Independent Director. Other members include Mr. Chen Chao, the Chairman, and Mr. Zhang Zhi Xue, an Independent Director and a professional from the community. The term of office of the above members commenced from the date they were elected until 31st December 2005.

The main work completed by the committee during the year included:

- The Share Appreciation Right Scheme being implemented by the Company was considered and reviewed, with proposals for amendments and improvements being put forward;
- The performance of the General Manager upon the expiry of the probation period was assessed on behalf of the Board of Directors;
- The performance of senior management officers of the Company during the period was assessed;
- The salaries structure and the incentive scheme of the Company were reviewed, and the proposals on restructuring the salaries and fringe benefits system of the Company were considered.

During year 2003, the committee conducted 4 meetings, chaired by Mr. Li Zhi Zheng and attended by all committee members.

Shareholders' General Meetings

A shareholders' general meeting is the organ of power for the Company. The meeting exercises its power on deciding major issues of the Company pursuant to the laws. Annual general meetings and extraordinary general meetings provide channels of communication directly between the Board of Directors and its shareholders every year. As such, the Company has placed great emphasis on the shareholders' general meetings and requires all directors and senior management officers to attend the meetings as much as possible. The Company will give notice on any meeting 45 days in advance. It encourages all shareholders to attend the annual general meetings and other shareholders' general meetings, and welcomes questions from shareholders during the meetings.

Supervisory Committee

In accordance with the requirements as stipulated by relevant laws and regulations, the Company has set up a supervisory committee which comprised two supervisors as appointed by shareholders and one supervisor as elected by staff. Supervisors shall conscientiously fulfill their duties, and oversee the financial affairs as well as the performance of duties by the Directors, Managers and other senior management officers of the Company to ensure compliance with relevant laws and regulations.

The Controlling Shareholder

The activities of the Company's controlling shareholder have been governed. There have been no circumstances in which the controlling shareholder directly or indirectly interfered with the decision by, or the operation of, the Company beyond the shareholders' general meetings in an *ultra vires* manner. The Company maintains its own staff, assets, finance, corporate structure and operation independently from those of the controlling shareholder.

Corporate Governance

The top two shareholders of the Company have undertaken in writing upon the establishment of the Company not to engage in any business which competes with the principal operation of the Company. Such undertaking has been abided by during the previous years.

Regulations on Corporate Governance

The Company formulated and approved the “Regulations on the Operation of Shareholders’ General Meetings” and the “Regulations on the Operation of the Supervisory Committee” on 23rd May 2000. These two set of Regulations have been prepared under the premises of the Company Law and the Articles of Association with an emphasis on procedures, and have expressly defined the rights and obligations of the shareholders, in particular the controlling shareholder, so as to ensure compliance with relevant provisions.

Between 2000 and 2001, an internationally renowned consultant was engaged by the Company and with its advice, the Company formulated and approved in August 2001 the “Regulations on the Operation of the Board of Directors” and the “Regulations on the Operation of General Manager” after considering the uniqueness of the Company’s business and subsequent to several discussions and revisions. In November 2001, the Company promulgated the Company’s “Corporate Governance Handbook” by incorporating the above-mentioned four sets of rules together with the Terms of References for its three special-purpose committees, namely the Audit Committee, the Strategic Development and Investment Committee and the Human Resources and Nomination Committee. Full implementations of the rules and the terms of references have been rolled out within the Company’s scope of operation.

Investor Relations

The Directors consider that corporate governance enhancement is the premises of its investors relations endeavours. A sound corporate governance structure is key to building a most effective operation of the Board of Directors. The Company has placed emphasis on its relations with investors. Analysis was made on the management of investor relations activities and weaknesses were identified, where proposals for improvements were made and an investor relations management system was formulated accordingly. Such a system aims to cultivate expertise in investor relations management and to establish a sound investor relations management structure. It embraces investor relations management into the scope of the Company’s strategic management. Different channels and means are applied to promote and present the Company’s development strategies to its investors, including shareholders, prospective investors, securities analysts and the financial media, so as to seek their recognition of such strategies.

The Company endeavours to ensure that all shareholders, in particular minority shareholders, shall rank *pari passu* with each other and to ensure that all shareholders can fully exercise their rights. The Company has established an investor hotline to collect comments, opinions and suggestions from investors and to respond to their enquiries about the Company.

The Company is committed to safeguarding the legal interests of its stakeholders, including banks and other creditors, staff and consumers. It cares about environmental protection and community welfare, and will pursue a sustainable and healthy development of the Company.



Management Discussion and Analysis

Traffic volume of and toll revenue from the Group's expressways sustained rapid growth. The Master Plan of Road Network of Shenzhen will further consolidate its existing expressway network. By 2015, Shenzhen is expected to have expressways and Class 1 highways with a total length of 1,065 kilometers and a coverage of 54.7 kilometers per 100 square kilometers. There is ample room for the future development of the Company in its business of investment, construction and operation of expressways.

Management Discussion and Analysis

Business Review

The Group is engaged in the investment, construction, operation and management of toll roads. During 2003, the Company's employees overcame the impact of SARS on the social economy and traffic volume, and capitalised on the recovery of goods and travelers flow. Remarkable results were achieved on various fronts. In 2003, the two principal operations of the Company, namely the operation of toll roads and construction of highways, either fulfilled or exceeded planned targets. We are well positioned to further expand in the market.

In 2003, the Group achieved a turnover of RMB421,531,000. Turnover from the operation of expressways amounted to RMB382,738,000, representing an increase of 19.94% when compared to the corresponding period of the previous year.

	RMB'000								
	Company and subsidiaries					Jointly controlled entities			
	Total	NH107 & NH205	Jihe West	Meiguan Expressway	Yanba Expressway	Jihe East Expressway	Shuiguan Expressway	Changsha Ring Road*	Yungang Transporation
Turnover	421,531	38,794	167,635	193,936	21,166	173,107	103,998	16,138	1,541
Other revenues	46,761	—	3,953	6,517	36,291	4,796	438	60	—
Operating expense	115,676	12,863	29,262	46,156	27,395	38,076	41,478	18,888	1,216
Operating profits	352,616	25,931	142,326	154,297	30,062	139,827	62,958	-2,690	325

* Operating profit is stated before provision for impairment

I Operation and Management

During 2003, the Group's core business was the operation and management of toll roads, namely, Meiguan Expressway, Jihe East, Jihe West, Yanba A, Yanba B, Shuiguan Expressway and Changsha Ring Road. In October 2003, the Company has acquired Mei Wah Industrial (Hong Kong) Limited and in turn, owns 42% equity interest of Geputan Bridge. The toll roads operated by the Group in Shenzhen have formed an interconnected network, linking the main logistics hubs within the region and connecting cities such as Guangzhou, Huizhou and Dongguan. This has created a network effect upon traffic flow. In 2003, traffic volume of and toll revenue from the Group's expressways sustained rapid growth.

Management Discussion and Analysis

1 Management on toll collection

Toll Road	Average daily mixed traffic volume (vehicle)	Year-on-year (%)	Average daily toll revenue (RMB)	Year-on-year (%)
Meiguan Expressway	46,397	23.51	560,477	11.72
Jihe East	33,308	25.47	499,489	16.13
Jihe West	28,284	29.69	484,467	25.84
Yanba A	7,357	37.69	47,228	33.02
Yanba Expressway ¹	7,423	N/A	61,171	N/A
Shuiguan Expressway	30,397	33.54	300,079	27.83
Changsha Ring Road	3,454	34.07	46,836	29.38
Geputan Bridge	2,706	8.76	24,359	4.84
NH107 ²	25,668	2.65	261,279	3.50
NH205 ²	46,930	12.38	378,120	11.03

Notes: 1. Yanba Expressway comprised sections A and B. Yanba A and Yanba B were opened to traffic in April 2001 and June 2003, respectively.

2. Traffic volume and toll revenue of NH107 and NH205 were calculated up to 18 March 2003.

During the first half of 2003, the social economy as well as traffic flow on toll roads were affected by SARS, and consequently growth rates in toll revenue of the Company's various toll roads were four to five percentage points less than expected. As SARS had ended, traffic flow on expressways grew gradually, and the Company strengthened management to enhance the quality of its toll services. It also implemented measures to attract traffic so as to ensure that the Group's expressways continued to sustain high growth in traffic volume and toll revenue for year 2003.

Meiguan Expressway is closely related with the imports and exports concerning foreign trade. Following the expanded trade relations between Shenzhen and Hong Kong, traffic flow of container trucks between Shenzhen and Hong Kong increased significantly. On the other hand, owing to the adoption of a series of measures by the Shenzhen Government to improve traffic flow, traffic flow on Meiguan Expressway further increased. In 2003, average daily traffic flow of Meiguan Expressway increased by 23.51% over the previous year, whilst toll revenue increased by 11.72% over the previous year.



In 2003, passenger and goods traffic at Shenzhen airport increased drastically, bringing rapid growth in traffic flow on Jihe Expressway, especially Jihe West, with average daily traffic flow increasing by approximately 29.69% over the previous year. Of such increase, increases for Category 1 and Category 5 vehicles were the most outstanding, with growths of 26.8% and 105% over the previous year, respectively. Average daily traffic flow of Jihe East increased by 25.47% over the previous year.

Yanba B was formally opened to traffic on 12th June 2003. It was organically linked to the National Trunk and the highway networks of Shenzhen and Huizhou, thereby improving the highway network in eastern Shenzhen and gradually creating a network effect. Average traffic flow and toll revenue of the Yanba A increased by 37.69% and 33.03%, respectively. Currently, the traffic flow on Yanba Expressway is still seasonal and cyclical, and there is a less proportion of large vehicles. It is anticipated that following the simultaneous completion of Yanba C and Phase III of the Yantian Port, there will be a faster growth of overall traffic flow and toll revenue.

In the fourth quarter of 2003, Changsha Ring Road implemented a new toll tariff system, thereby enabling the actual toll of Changsha Ring Road to increase by approximately 10% from the original level. At the same time, the Changsha Government strengthened the management on urban road communications, which has promoted traffic flow and enabled Changsha Ring Road to grow its average daily toll revenue by 33.5% over the previous three quarters. In 2003, the average daily traffic flow of Changsha Ring Road attained a growth of 34.07%.

Shuiguan Expressway has entered its second year of operation since its opening to traffic, and its traffic growth rate has surpassed expectations. Although the removal of toll stations on NH205 by the Shenzhen Government has caused certain traffic diversion, owing to the expressway's unique geographical advantage, such impact subsided within three months. For 2003, average daily traffic flow of Shuiguan Expressway has increased by 33.54% over the previous year.

2 Impact of SARS

During the first half of 2003, the social economy as well as traffic flow on toll roads were affected by SARS. Growth rates in toll revenue of the Company's various toll roads were four to five percentage points less than expected. In the second half of 2003, both traffic flow and toll revenue of various toll roads increased. The Company capitalised on the opportunities arising, strengthened the management of toll stations, and improved the quality of its toll collection management services so as to provide speedy, smooth and convenient services to its customers. In addition, the Company co-operated jointly with communications administrative authorities to attract large goods vehicles to use expressways through better marketing and sales efforts, and obtained good results.

3 Repair and maintenance of highways

The maintenance and repair policies adopted by the Company for highways are preventive in nature, emphasising an integrated and comprehensive maintenance and repair programme so that highways and their facilities are maintained at superb working conditions. These policies also assure safe, smooth and comfortable driving for customers. The Company focuses on management of maintenance and repair techniques, while taking proactive and appropriate maintenance and repair measures to enhance the quality of highways and extend their operating life. The Company's performance quality on highway maintenance and repair has been maintained at an index of above 80 whilst adaptability of its bridges' loading reached 100%.

At the present stage, maintenance and repair works of the Company mainly involve intermediate, minor repair and routine maintenance. Daily operation is administered in accordance with plans. Maintenance and repair service providers are selected through invitation for tenders such that expenses incurred are under reasonable control. In 2003, expenses on intermediate, minor repair and routine maintenance accounted for approximately 1.75% of the turnover.

The road surfaces of all the expressways operated by the Company have an operating life of 15 to 20 years. Based on the prevailing conditions of road surfaces, it is anticipated that major repair works of road surfaces will be incurred after fifteen years of use.

4 Monitoring on toll collection and toll collection intra-network

The Company's expressways adopt an advanced electronic system for toll collection management. The system integrates toll data, the monitoring on toll collection procedures and payment through banks by way of information technology, and ensures that information on toll collection is transmitted in a timely, accurate and secure manner.

The toll collection monitoring system of the Company is centrally operated and maintained by the operation center of the Group. The system collects toll from different sections of expressways and different investment entities on a unified basis, and re-allocate the income in a timely manner. The complete process on administering toll collection monitoring is a comprehensive internal system comprising four parts: recording of information by toll collection computers, real-time monitoring on toll collection procedures at the control room, monitoring of toll collection through on-site inspection, and income clearing and settlement verification. This will ensure that no toll receivable is missed. The Company has formulated a stringent "Code of Conduct on Toll Road Management" which regulates various toll collection operations and the conduct of toll collectors.

A non-stop electronic toll collection system (“ETC”) was introduced to the Company’s expressways since 2001. At present, 11 toll stations with 28 special lanes of the Group’s toll roads have provided non-stop toll collection. More than 8,000 units of vehicles have used the ETC system which shortens toll payment time and improves traffic conditions, so much so that the capacity and efficiency on the traffic flow at various toll stations are greatly enhanced. The system also facilitates the formation of AutoPass service in most areas of Shenzhen, which will play an active role in building customer loyalty and stabilising customer sources.

In 2003, Guangdong Province eliminated or minimised toll stations on trunk highways and proposed a reform plan for intra-province toll collection for the purpose of enhancing capacity of its road networks. The Company considers that intra-province toll collection is in the interests of the Company in the long term, and is in line with our aim to provide excellent services for customers. The Company is proactively participating in the design of the reform plan and in relevant equipment upgrade works with respect to intra-province toll collection, in accordance with the relevant requirements and in view of the characteristics of Shenzhen. It is expected that the plan will be completed by the end of 2004 with an investment of approximately RMB50 million.

5 Reform on operational system

In order to strengthen the administration of toll stations, the Company adjusted the operational structure of its management entities. Pursuant to such adjustment, the system of operating one expressway by one company was changed. Project companies and their administration entities ceased to exist, which in turn reduced the hierarchy of management. Toll stations in all sections are now directly managed by the Group’s operation structure. The reform on the operational structure will enhance the responsiveness of the Company’s operation towards market changes so that operational management and sales and customer policies will be more effective.

6 Toll rates remained unchanged

In 2002, Guangdong Province implemented intra-province toll collection. There was a new standard for toll rates which would be applicable to Meiguan Expressway and Jihe Expressway operated by the Company. The Company consulted, reviewed and commented on the policy, and pursued with the government to lobby for continuity and stability of toll standards applicable to the Company’s toll roads that would be affected. This was understood and supported by the Guangdong Provincial Government. In July 2003, the provision in respect of “new arrangements for new roads, and existing arrangements for existing roads” was enacted accordingly by the Guangdong Provincial Government, allowing the toll rates as approved in the past to remain unchanged. As a result, the risks on adjustment of toll standards have been eliminated.

7 To establish as a young and modern entity

During its course of enhancing the efficiency of toll collection, the Company also put an emphasis on the provision of high-quality services to customers, Meiguan Company was awarded the national-grade “Young and Modern Entity” and “Modern Model Entity” of Shenzhen in the activities for promoting high-quality services. Jihe East Company and Yanba Company were awarded “Young and Modern Entity” of Guangzhou and Shenzhen respectively. These awards have enhanced the quality of our services and the brand effect.

II Investment and Construction

All the expressways operated by the Company had their project construction managed by the Company. The Company has the concession right to operate expressways in Shenzhen as well as the right of first refusal on developing and operating expressways planned for Shenzhen. In May 1995, Meiguan Expressway, the first expressway constructed and invested by Shenzhen itself, was completed and commenced operation as planned. It was awarded a quality grade of 85 (out of 100) upon project completion, examination and inspection. On 31st October 1997, Jihe East was completed and commenced operation. It was awarded a quality grade of 88 upon completion examination and inspection which was the highest score ever attained by expressway projects in Guangdong Province at the time, and Jihe East was regarded as the “Best Expressway in Guangdong” in the market. Jihe West, Yanba A and Yanba B were completed and commenced operation in May 1999, April 2001 and June 2003, respectively.

1 The investment and construction of Yanba B

In June 2003, the Company invested in and completed the construction of Yanba B with a length of 7.75 kilometers, linked with Yanba A which had been completed in April 2001. The total length of this expressway is 18.37 kilometers. Construction of Yanba B commenced in June 2001, with an approximate budget of RMB655 million which was mainly financed by net proceeds from the issue of A Shares by the Company amounting to RMB604 million. The water and soil of Yanba B is maintained in line with environmental management, and positive comments were received from the public in this regard. It was nominated by the Shenzhen Municipal Government to the “Model Project for Outstanding Preservation in Water and Soil” as conferred by the State.

Yanba Expressway starts from the Yantian Port in the west and ends at the border between Shenzhen and Huizhou in the east. It connects with Huizhou Class 1 Highway and links with Shenshan Expressway. The total length of Yanba Expressway is 28.92 kilometers, with a designed speed of 80km/hour. Yanba Expressway serves as the backbone of the network of high-class roads in Shenzhen, and is the main outreaching route for the eastern coastal area of Shenzhen. The construction of Yanba Expressway is of great significance to Shenzhen in terms of satisfying the increasing traffic demand in the eastern coastal area of Shenzhen and alleviating the bottleneck traffic of container transportation at the Yantian Port. It also serves to facilitate the economic and tourism development in eastern Shenzhen, the emergency evacuation of Daya Bay Nuclear Plant, the enhancement of the expressway network in East Guangdong as well as the southeast coastal areas of China, and a better linkage between Shenzhen and Hong Kong.



2 The investment and construction of Yanpai Expressway

Yanpai Expressway in Shenzhen runs from the Yantian Port via Henggang in the north to Paibang Interchange along Jihe East. It is a major trunk expressway facilitating the traffic flow around the Yantian Port. With a length of 15.2 kilometers, the expressway project involves an investment budget estimated to be RMB1.189 billion. The feasibility study report of the expressway project has been approved by the communications authorities of Guangdong Province. Construction commenced in June 2003 and is expected to be completed by December 2005, simultaneously with the completion of Phase 3 of the Yantian Port.

3 The acquisition of the entire equity interests in Mei Wah Industrial (Hong Kong) Limited

In October 2003, the Company acquired the entire interests of Mei Wah Company held by Jin Teng Investment Company at a consideration of HK\$24.875 million. The sole asset of Mei Wah Company was the ownership of 42% in Hubei Yungang Transportation Development Company Limited. The registered capital of Mei Wah Company was HK\$17 million. It had total assets of HK\$17.336 million at the end of 2003.

Yungang Company Limited is a sino-foreign cooperative joint venture established under the approval of the Hubei Provincial Government with a registered capital of RMB43 million. Mei Wah Company was interested in 42% of Yungang Company by virtue of an equity contribution of RMB18 million and is a partner of this jointly controlled entity. This jointly controlled entity is principally engaged in construction and operation of Geputan Bridge (隔蒲潭大橋). The term of toll operation is 15 years commencing from 1st April 2002.

At the end of 2003, Yungang Company had assets of RMB41.385 million in total. Total revenue recorded for the full year was RMB8.768 million and net profit was RMB3.281 million.

Results of Mei Wah Company and Yungang Company have been included in the Group since 1st November 2003.

4 The investment in expressways in Shenzhen

Taking full advantage of its concession rights to operate expressways granted by the Shenzhen Municipal Government, the Company will put its priority on developing expressways planned for Shenzhen. In accordance with the Five Year Action Plan and the Ten Year Development Outline in respect of the Shenzhen highway network, the Company will pursue early-stage construction activities for Nanguang Expressway and Yanba C so as to lay the foundation for construction works of year 2004. Meanwhile, the Company is proactively studying the feasibility study report in respect of the project of Shenzhen's eastern border passage, and is involved in discussion and prospecting as well as design of a second passage for Yantian under the support of the relevant government departments.

5 The investment in expressways in other regions

By capitalising on the opportunities arising from the government's disposal of Class 1 highways, the Company will set its sight on the sale by Guangdong Province of shareholdings in expressways projects which are either already constructed, under construction or being planned, with an aim to invest and develop expressways planned for the Pearl River Delta region in Guangdong.

On 5th March 2004, the Company entered into an agreement with Guangdong Expressway Company Limited to acquire a 25% interest in Yangmao Expressway, located in Guangdong Province, at a consideration of RMB271,680,000. The Company was in negotiation with Guangdong Province Highway Construction Company Limited to enter into an agreement to acquire a 25% interest in Jiangzhong Expressway Company Limited at a consideration of RMB167,500,000. The effectiveness of the above mentioned agreements were subject to approval from shareholders' meeting of the Company.

6 Project construction management for Phase 1 of Nanping Freeway

Project construction management

Project construction management for the expressways operated by the Company was all carried out by the Company itself. Invitations for tenders and selection of project design consultants, project contractors and construction managers were carried out in accordance with international practices. Meiguan Expressway was completed in different phases in May 1995. Between October 1997 and May 1999, Jihe East and Jihe West were completed respectively. Section A and section B of Yanba Expressway were completed in April 2001 and June 2003, respectively. The Company entered into fixed-amount construction contracts with its contractors so as to ensure that project costs would be within budget. Therefore, actual construction costs were always lower than those prescribed by the communications authorities. The Company has fulfilled its objectives in terms of quality, construction time and construction costs, and was regarded by the Guangdong Communications Bureau as a model expressway operator renowned for achieving quality and cost efficiency.

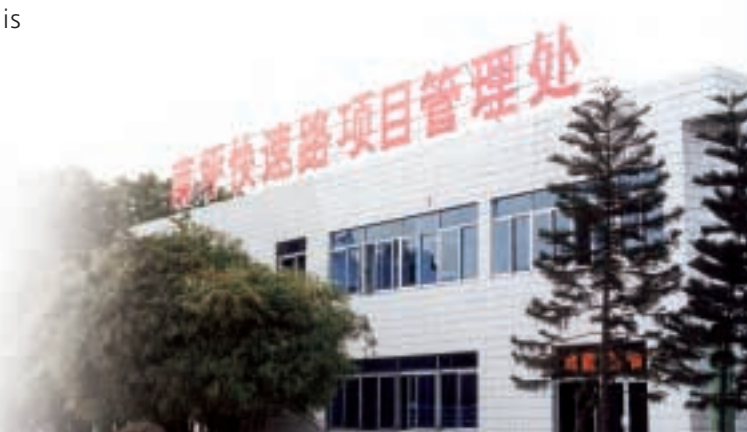
Entrusted with project management

The Shenzhen Municipal Government has appointed the Company to undertake the construction management of Phase 1 of Nanping Freeway. Entrusted by the Shenzhen Municipal Government to manage this project, the Company is being recognised for its years' experience in project construction

management and for its management excellence. Such an engagement also demonstrates the affirmation on the Company with respect to equal treatment, fairness and openness and transparency during the course of project construction and management, as well as the excellent performance obtained from a standardised operation. In accordance with the project management agreement entered into between the Company and the Shenzhen Communications Bureau on behalf of the Shenzhen Municipal Government, the Company was appointed as the manager of the construction project. The Company will, on behalf of the Shenzhen Communications Bureau, directly enter into contracts with entities responsible for the construction of the project. The funding for the construction of the project is financed by the Shenzhen Municipal Government and shall be paid pursuant to the specific arrangement under the project management agreement. In accordance with the project management agreement entered into between the Company and the Shenzhen Communications Bureau on behalf of the Shenzhen Municipal Government, the Company would be responsible for the preparation of environmental assessment and reporting of the project, preparation of project agreements and subsequent tendering (including construction, monitoring, materials and equipment); management and coordination on actual construction as well as during defect warranty period of the project; cost control; and control over quality and materials usage by contractors as well as monitoring on their work progress. Upon the completion of the project, the Shenzhen Highway Bureau (a highway administration entity under the Shenzhen Municipal Government) will be responsible for the management of the expressway.

Nanping Freeway

Nanping Freeway is an urban expressway connecting eastern and western Shenzhen. Pursuant to the construction specifications as laid down in the blueprint of Phase 1 of Nanping Freeway, Nanping Freeway starts from the western parts of Shenzhen, Nanshan in the west and ends at Longgang Industrial Area in the east, with a total length of 44.5 kilometers. It is an important two-way expressway intersecting with the second-tier ring of Shenzhen, Nanping Freeway was constructed in different stages upon the implementation of an one-off plan. Phase 1 works comprise a main trunk and a subsidiary road. The main trunk highway is a two-way eight-lane road with a total length of 13.9 kilometers, starting from No.9 Daxuecheng Road, Tanglangshan and ending at the intersection of the to-be-constructed Shuiguan Expressway and Shenping Expressway. The main trunk is scheduled to be completed and opened for traffic at the end of 2004. The subsidiary road starts from No. 9 Daxuecheng Road and ends at the intersection of Shenyun Road and Guangzhen Expressway with a length of approximately 4.17 kilometers. It is scheduled to be completed at the end of June 2005. Investment in the construction of Phase 1 of Nanping Freeway is estimated to be approximately RMB2.268 billion.



When Nanping Freeway commences operation, vehicles running in the urban area of Shenzhen will be further diverted to the expressway, which in turn will facilitate vehicles to make use of the expressways operated by the Company to travel to destinations outside Shenzhen. In addition, the main trunk of Nanping Freeway directly connects with Shuiguan Expressway, of which the Company holds 40% interests, which will significantly enhance the traffic volume on Shuiguan Expressway.

The Company has years of experience in project construction management with distinct competitive advantages. The project management agreement enables the Company to be engaged in the business of project management for urban highways invested by the government. It will also contribute project management revenue to the Company in 2004 and 2005.

III Other Businesses

1 The Advertising Company

The Company holds 95% equity interests in Shenzhen Expressway Advertising Company Limited which is engaged in the leasing of billboards utilising the land-use rights of the Company alongside the Company's toll roads or at their toll stations, the provision of design and production of advertising and related consulting services. In 2003, advertising revenue of RMB4.138 million and net profit of RMB1.037 million were respectively recorded for the year.

2 Wutongling Company

The Company holds 40% equity interests in Shenzhen Wutongling Ropeway Company Limited ("Wutongling Company") which is principally engaged in the construction and management of Shenzhen Wutongling Ropeway. As there were disputes between the parties involved pending the government's renewed review, construction of the project was suspended. Taking into account the prevailing condition of the project, impairment losses on investment and loans were provided for by the Company.

3 Expressway Engineering Consulting

Shenzhen Expressway Engineering Consulting Company Limited is principally engaged in the provision of project management consultancy to external parties; information technology consultancy; engineering consultancy; sales and distribution of engineering and construction materials, equipment and software; and imports and exports. The Company holds 70% of equity interests in this company. It intends to reduce its shareholding to 30% by transferring the same to staff who are engineers and technicians. In 2003, an income of RMB1.243 million and a net loss of RMB218,000 were respectively recorded for the company.

IV Disposal of Assets

NH107 and NH205

NH107 (Shenzhen section) commences at Nantou checkpoint in Shenzhen and extends to the intersection between Shenzhen and Dongguan in the west. It is a major passage in Shenzhen which links towards the west to such regions as Dongguan and Guangzhou in the Pearl River Delta region. NH205 (Shenzhen section) commences at Buji checkpoint in Shenzhen and extends to the intersection between Shenzhen and Huizhou in the east. It is a major passage in Shenzhen which links towards the east to Shantou, Huizhou. Both NH107 and NH205 are open-system Class 1 toll highways. Vehicles passing through the Songgang toll station of NH107 (Shenzhen section) and Henggang toll station of NH205 (Shenzhen section) shall pay a one-off toll fee.

Benefiting from the important position of Shenzhen in respect of the road networks formed historically as well as the extensive industrial areas in the neighbourhood, NH107 and NH205 remain the major trunk highways and play an important role in respect of communications and transportation. However, the terms of operation of these national highways are relatively long, and their traffic volumes have been very high, making it difficult to carry out highway maintenance or widening of road surface. Traffic congestion on these two highways has not only hindered the development of cities and towns and industrial areas along the highways, but has also deterred any further increase in traffic volume.

Transfer

In order to improve the transport environment in Shenzhen, the Shenzhen Municipal Government reviewed its toll policies for non-expressways in Shenzhen and decided to cancel or relocate toll stations within Shenzhen City proper. Such policies led to the transfer of NH107 and NH205 operated by the Company. Assets of both national highways were valued by independent valuers within and outside the PRC. On 18th March 2003, the Company entered into a transfer agreement with the Shenzhen Communications Bureau on behalf of the Shenzhen Municipal Government, pursuant to which the Company's interests in NH107 (Shenzhen section) and NH205 (Shenzhen section) were transferred to the Shenzhen Communications Bureau at a consideration of RMB1.93 billion. On 19th March 2003, the Shenzhen Communications Bureau assumed its rights over the assets of the aforementioned national highways as well as the employment of all staff concerned.

In 2003, the Company received 50% of the consideration (i.e. RMB965 million) from the Shenzhen Municipal Government pursuant to the agreement. In accordance with the provisions of the agreement, the Shenzhen Municipal Government shall pay 30% of the consideration for the transfer by 31st December 2004 whilst the remaining shall be fully paid by 31st December 2005.

Management Discussion and Analysis

Impact on the Company's development

NH107 and NH 205 were transferred to the Company by the promoters in 1996 for a toll concession period of 30 years starting from 1997. The only source of income derived from these two highways has been toll revenues. In 2002, turnover for these two national highways was RMB205,194,000 and operating profit was RMB136,382,000, which accounted for 39.14% and 37.25%, respectively, of the total turnover and operating profits of the Company's expressways. The disposal of titles in these two highways by the Company allowed the Company to realise its investment and apply the proceeds to invest in other expressways with high growth potential in Shenzhen and other regions of China, with a view to improving the asset structure as a whole for the Company's long term development. However, in the years to come, a major challenge for the Company's management will be to recuperate its turnover and operating profits to the same levels as those generated under the former operating scale.

Financial Analysis

I Analysis on Operating Results

During the Year, the Group's turnover from expressways increased by 19.94% when compared to the corresponding period of the previous year, of which turnover from Yanba Expressway, Jihe West and Meiguan Expressway increased by 72.29%, 25.84% and 11.72% respectively. The days included in the toll collection period for NH107 and NH205 were less than the corresponding period of the previous year by 288 days due to the transfer of these highways on 18th March 2003. Therefore, the Group's turnover decreased by 19.6% when compared to the corresponding period of the previous year.

During the Year, profit attributable to shareholders was RMB899.372 million, representing an increase of 159.14% as compared with that in the previous year, which was mainly attributable to the after-tax contribution of RMB586.272 million from the transfer of titles in Class 1 highways.

	2003	As restated	% change
	(RMB'000)	2002 (RMB'000)	
Turnover	421,531	524,291	-19.60%
of which: turnover attributable to expressways	382,738	319,097	19.94%
Gain from disposal of assets	691,416	—	N/A
Other revenue	79,510	66,536	19.50%
Total operating costs	(183,881)	(213,755)	-13.98%
Operating profits	1,008,576	377,072	167.48%
Share of profits less losses of jointly controlled entities	59,094	61,873	-4.49%
Finance costs	(13,140)	(24,927)	-47.29%
Profit before taxation	1,054,530	414,018	154.71%
Taxation	(148,641)	(61,085)	143.33%
Profit attributable to shareholders	899,372	347,064	159.14%
Earnings per share (RMB)	0.412	0.159	159.12%
Dividends per share (RMB)	0.19	0.12	58.33%

Management Discussion and Analysis

1 Gains from disposal of assets

NH107 and NH205 were transferred by the Company during the year, and the gain from the disposal of interests was as follows:

	2003 (RMB'000)	2004 (RMB'000)	2005 (RMB'000)
Total consideration under the transfer agreement	1,930,000	—	—
Additional subsidy upon the transfer	106,169	—	—
Interest as discounted from the portion of installment payment	(48,833)	35,779	13,054
	<u>1,987,276</u>		
Stamp duty arising from the transfer of titles	(965)		
Book value of the interests transferred	(1,294,895)		
Profit before taxation arising from the transfer of interests	691,416		
Provision for income tax arising from the proceeds of the interests transferred	(105,144)		
	<u>586,276</u>	<u>35,779</u>	<u>13,054</u>
Net gain from the disposal of assets	<u><u>586,276</u></u>	<u><u>35,779</u></u>	<u><u>13,054</u></u>

During the year, profit after taxation arising from the transfer of interests was RMB586.272 million, accounting for 65.19% of the Company's profit attributable to shareholders.

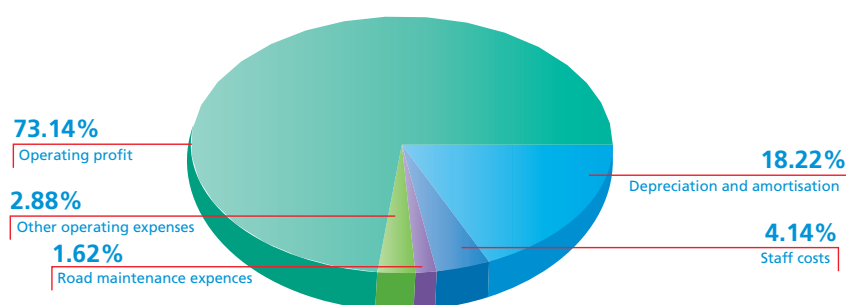
2 Operating profits

Item	2003 (RMB'000)	2002 (RMB'000)	% change
Expressways	326,273	262,853	+24.13%
Class 1 highways	25,931	136,382	-80.99%
	<u>352,204</u>	<u>399,235</u>	-11.78%
Sub-total	352,204	399,235	-11.78%
Gain on disposal of assets	691,416	—	N/A
Other expenses	(35,044)	(22,163)	58.12%
	<u>1,008,576</u>	<u>377,072</u>	<u>+167.48%</u>
Total operating profits	<u><u>1,008,576</u></u>	<u><u>377,072</u></u>	<u><u>+167.48%</u></u>

Management Discussion and Analysis

During the reporting period, the Group's toll expressway operation continued to perform well. Operating profits from expressways increased by 24.13% over 2002. Jihe West demonstrated strong growth, with an increase in operating profit for the year by 29.84% when compared to 2002. Operating profits from Meiguan Expressways also increased by 14.69%. The Group's operating profits increased by 167.48% as compared to 2002, which was mainly attributable to the transfer of interests in NH107 and NH205 during the Year.

The following chart demonstrated the percentage of various operating costs for the expressways to the turnover of the expressways:



Percentage of various costs of the expressways to turnover

3 Share of profits less losses of jointly controlled entities

Item	2003 (RMB'000)	2002 (RMB'000)	% Change
Jihe East Company	76,896	63,904	+20.33%
Shenchang Company	(1,372)	(2,031)	-32.45%
Qinglong Company	12,348	—	N/A
Yungang Company	196	—	N/A
Sub-total	88,068	61,873	42.34%
Provision for impairment loss on Shenchang Company	(77,000)	—	N/A
Early receipt of interests in special borrowings on entrustment	50,026	—	
Impairment of the Ropeway	(2,000)	—	
Share of profits less losses of jointly controlled entities	59,094	61,873	-4.49%

During the reporting period, the Company has added two new jointly controlled entities, namely Shenzhen Qinglong Expressway Company Limited (“Qinglong Company”) and Hubei Yungang Transportation Development Company Limited (“Yungang Company”). Meanwhile, as a result of growth of profits generated by Jihe East, share of profits of jointly controlled entities increased by 42.34% before the deduction of provisions for impairment losses on Shenchang Company and Wutongling Company. After deducting the provisions for impairment losses, share of profits of jointly controlled entities dropped slightly.

4 Finance costs

Finance costs during the year decreased, which was mainly attributable to the decrease in bank borrowings of the Company that reduced expenses on interest payment.

5 Provisions for impairment losses on assets

Provision for impairment loss on the fixed assets of Shenchang Company

The traffic volume and operating profits of Changsha Ring Road as operated by Changsha Shenchang Expressway Company Limited (“Shenchang Company”), a jointly controlled entity of the Company, failed to satisfy the Company’s investment objectives, and loss had been incurred since its commencement of operation in November 1999.

In 2003, directors of the Company engaged a professional transport consultancy company to forecast the traffic volume of Changsha Ring Road for the remaining operating term, and also engaged an asset appraisal firm with qualification in the securities industry to assess the valuation of the toll road on the basis of traffic volume forecasted. In accordance with the assets appraisal report, Shenchang Company made for the Year a provision for impairment loss in the amount of RMB150,981,000 in respect of highway fixed assets, and recognised deferred taxation asset of RMB49,824,000. As a result, the Company’s share of profits from jointly controlled entity was reduced by RMB77,000,000, which in turn reduced deferred income tax by RMB25,410,000, and in effect reduced profit attributable to shareholders by RMB51,590,000. In the event that there is any significant change in the external business environment and estimates, the Company will regularly revalue the amounts concerned for the purpose of adjustment or reversal of impairment provision.

In December 2003, the Company entered into agreement with Ring Road Co., whereby Ring Road Co., paid early interest payment for the entrusted loan due 31 October 2007. Since it is necessary to make a provision for impairment on the toll roads of Shenchang Company in the Year, an amount of RMB50,026,000 representing the early receipt of interests less tax payable was used to set off the Company’s provision for impairment loss attributable to Shenchang Company, in order to reflect the financial impact for the Company in respect of such investment and transaction. After setting off the provision for impairment loss attributable to Shenchang Company by the early receipt of interests, profit attributable to shareholders for the Year was reduced by RMB1,564,000, which will not have any significant impact on the Company’s profit.

Management Discussion and Analysis

A review on the return of the Company's investment in Changsha Ring Road

The Company invested in Shenchang Company jointly with Ring Road Co. in 1999, wherein the Company contributed RMB408,000,000 (RMB102,000,000 in the form of registered capital and RMB306,000,000 in the form of entrusted loan). Pursuant to the joint venture agreement of Shenchang Company, the Company's gain from investment shall mainly be derived from two sources, being interest income from the entrusted loan of RMB306,000,000, which will be payable by the Ring Road Co. to the Company for eight years before the operation of Changsa Ring Road on the basis of interest rates for Renminbi loans of over five years as announced by the People's Bank of China, and gain in shared operating income from Shenchang Company in accordance with the 51% equity held by the Company.

Between 1999 and 2003, the Company received from Ring Road Co. interests (including early receipt of interests as referred to above) amounting to RMB132,376,000, equivalent to after-tax profits amounting to RMB123,378,000. The Company received a distribution of operating cash from Shenchang Company as capital refund in the amount of RMB9,390,000. Share of operating loss in Shenchang Company by the Company amounted to RMB18,479,000, and the Company's share of provision on impairment losses attributable to Shenchang Company amounted to RMB515,900,000. Therefore, as at 31st December 2003, the aggregate cash inflow received by the Company from the Changsa Ring Road investment project amounted to RMB141,766,000, and RMB53,309,000 in total was recognised as net income (net of provisions and taxation).

Provision for impairment loss on Wutongling Company

As at the end of the Year, the relevant government authorities have not yet granted approval in respect of reconstruction of Wutongling Ropeway. Taking into account the long suspension of the construction project and the uncertainty as to resumption of construction, the Company made provisions on impairment loss for the investment costs and the carrying amount of advances outstanding. The original value of the Company's equity investment and its loans to Wutongling Company amounted to RMB57,524,000 in aggregate. Based on provisions for impairment losses in value of RMB27,213,000 made in previous years, the Company made further provisions of RMB2,000,000 for the investment costs (under share of profit from jointly controlled entities) and RMB28,311,000 for the carrying amount of advances outstanding (under other operating expenses), respectively. After deducting deferred taxation, the provisions effectively reduced the Company's profit attributable to shareholders by RMB28,433,000 for the Year.

At present, the Company is proactively pursuing a resumption on the construction and operation of Wutongling Ropeway. In case the project is revoked by the relevant government authorities, the Company will use its best endeavours to claim for damages from the authorities concerned.

6 The change of income tax accounting policies and its effect

In the current year, the Group adopted the Statement of Standard Accounting Practice ("SSAP") 12 (revised) - "Income taxes", issued by the Hong Kong Society of Accountants, which is effective from 1st January 2003.

The effect of change in accounting policy arising from the adoption of the revised standard by the Group is set out as follows:

The retrospective adjustments, representing the unprovided deferred tax liabilities on temporary differences arising from different basis of depreciation of toll roads and amortisation of land use rights leading to differences in accounting and the tax bases, the decrease in the Group's share of profits of jointly controlled entities due to the provision of deferred taxation made by the jointly controlled entities following the change in accounting policy; and the corresponding reversal of appropriations made to reserves have resulted in an increase in deferred tax liabilities as at 31st December 2002 by RMB36,754,000, a decrease in interests in jointly controlled entities by RMB24,224,000, a decrease in minority interests by RMB1,006,000 and a decrease in reserves by RMB12,398,000 (Adjustment in reserves is made according to relevant PRC rules and regulations). The profit and amount transferred to equity for the year ended 31st December 2002 have been reduced by RMB12,867,000 and RMB59,972,000, respectively. Opening retained earnings at 1st January 2002 and 2003 have been reduced by RMB37,647,000 and RMB47,574,000, respectively.

7 Results and dividend

In accordance with HK GAAP, the Group reported a turnover of RMB421,531,000 for the year ended 31st December 2003, representing a decrease of 19.6% as compared to the corresponding period of the previous year. The decrease in turnover was mainly due to the disposal of NH107 and NH205 on 18th March 2003 which resulted in a decrease of 288 days in the toll collection period during the reporting period. Turnover from expressways was RMB382,738,000, an increase of 19.94% as compared to the corresponding period of the previous year. Operating profit from expressways increased by 24.13% as compared to the corresponding period of the previous year. As the Company has realised an after-tax profit of RMB586,272,000 from the disposal of two Class 1 highways, profit attributable to shareholders for the Year amounted to RMB899,372,000, an increase of 159.14% as compared to the corresponding period of the previous year. Earnings per share was RMB0.412.

The board of directors has recommended a final dividend of RMB0.19 per share (2002: RMB0.12) including a special dividend of RMB0.09 to H-share holders whose names appear on the registers of shareholders of the Company at the close of business on Tuesday 23rd March 2004. The payment of the special dividend has taken into account the significant growth in profits arising from the disposal of assets. The board of directors has also prudently considered the fund requirement for its current and future business development, as well as the will to increase shareholders' return. However, such declaration of special dividend should not be regarded as a regular payment and should be subject to the approval by shareholders at the 2003 Annual General Meeting to be held on Friday, 23rd April 2004. The registration date, dividend payment procedures and payment date for A-share holders will be announced separately.

Management Discussion and Analysis

II Financial Position and Analysis

The Company has adopted prudent financial policies and a risks control system has been set up in respect of investment, financing and cash management. As a result, a solid, healthy capital structure has been maintained. The Company also adjusts its financial policies in respect of investment, financing and capital structure in response to changes in the external policy environment and in its internal resources capability.

1 Capital liquidity

	2003	2002
Current ratio	5.44	1.30
Liquidity ratio	5.43	1.29

The Company's current assets comprise mainly cash and the consideration receivable for the transfer of NH107 and NH205 before 31st December 2004 pursuant to the terms as provided in respective contracts. As at the end of the reporting period, the ratio of cash to total current assets is 65.56%. The Company is principally engaged in the operation and management of toll roads, and has a strong and stable cash inflow from its daily operations. During the reporting period, the Company made use of its strong cash resources to repay bank borrowings, and as such various liquidity indicators were significantly enhanced as compared with those of the previous year.

2 Financial resources

	As at 31st December 2003 RMB'000	As at 31st December 2002 RMB'000
Cash and cash equivalents:		
Cash on hand	150	193
Bank deposits		
- Fixed deposits in RMB with a term of over 3 months	70,000	202,000
- Current deposits and deposits with a term of 3 months or less in RMB	1,133,493	663,597
- Deposits in HKD	64,572	89,231
- Deposits in USD	603	1,715
Capital in other currencies	6,000	6,000
	1,274,818	962,736
Subtotal	1,274,818	962,736
Bank borrowings		
- Short-term borrowings	40,000	610,000
- Long-term borrowings	36,177	24,419
	76,177	634,419
Subtotal	76,177	634,419

3 Cash and cash equivalents

Cash held by the Company includes proceeds from share issuance and other working capital. The Company has applied the proceeds raised from share issuance in strict compliance with the representations made in the Prospectus and the funds for different applications are managed separately. The proceeds pending utilisation are deposited in various commercial banks in the PRC.

4 Bank borrowings

The Company strictly maintains its liabilities at reasonable levels, and makes reasonable arrangements as to terms of its bank borrowings with reference to its medium and long-term financial plans, capital liquidity and flexibility as well as prevailing interest rates. Owing to its sound credit worthiness, the Company manages to obtain preferential interest rates for its bank borrowings.

As at the end of the reporting period, the Company's bank borrowings amounted to RMB76,177,000. During the reporting period, the Company was granted bank borrowing facilities of an aggregate amount of RMB2.99 billion. As at the end of the reporting period, total bank borrowing facilities amounted to RMB4.09 billion, with RMB4.05 billion remaining available.

5 Government subsidies

The Shenzhen Municipal Government planned to provide the Company with an aggregate of RMB150 million as financial subsidies for Yanba B. During the reporting period, the Company received subsidies amounting to RMB80 million. As such, all subsidies given by the Shenzhen Municipal Government for the Yanba B have been received.

6 Impact on financial resources by transfer of National Highway No.107 and No.205

Pursuant to the asset transfer agreement, the Company will receive a consideration of approximately RMB1.93 billion. As at 31st December 2003, the Company has received a sum of RMB965 million. The remaining balance will be received in two lump sums by 31st December 2005. The consideration for the transfer of assets has provided considerable financial resources for the Company's future investments in expressway development. In addition, the collaterals created upon the operating rights of NH107 and NH205 in respect of the RMB1.9 billion credit facilities granted by PRC banks to the Company were released on 11th April 2003.

7 Capital commitments

The Company's capital commitments are mainly for the construction of expressways and equity investments in expressway projects, including Yanba Expressway and Yanba C. The amounts of capital commitments are set out below:

	RMB'000
Contracted but not provided for	328,000
Authorised by the board of director but not contracted	1,808,000
Total	<u>2,136,000</u>

The Company's current financial resources are able to meet the expenditure for the above-said capital commitments.

Management Discussion and Analysis

8 Management of foreign exchange risks

The Company's deposits and loans in foreign currencies are minimal. Its payment in foreign currencies during its usual course of business comprises mainly the payment of dividends for its H shares. During the Year, the exchange rates concerned remained relatively stable, which did not have any material effect on the Company's results for the reporting period.

9 Cash inflow and outflow

Item	2003 RMB'000
Net cash flow from operating activities	294,006
Net cash flow from investment activities	899,275
Net cash flow from financing activities	(749,199)
	<u>444,082</u>

During the reporting period, net increase in cash was RMB444,082,000.

10 Net cash flow from operating activities

The Company's net cash inflow from operating activities comes mainly from toll revenues of its toll roads, and cash can be received on the day of transacting the business operation.

11 Cash flow from investment activities

The Company's cash inflow from investment activities comprised mainly the consideration from the transfer of NH107 and NH205 amounting to RMB965,000,000, interest received amounting to RMB28,179,000, and dividend from jointly controlled entities and shareholders' loan amounting to RMB168,255,000.

The cash outflow from investment activities comprised mainly capital expenditure paid for the construction of Yanba A and Yanba B amounting to RMB177,264,000, the consideration for the acquisition of the entire share capital of Mei Hua Company amounting to RMB26,574,000, and the shareholders' loan provided to Qinglong Company, a jointly controlled entity, amounting to RMB190,000,000.

12 Cash flow from financing activities

During the reporting period, the Company reduced its bank borrowings by RMB558,242,000, and received RMB80 million of government advances provided by the Shenzhen Municipal Government for the construction of Yanba B. An amount of RMB261,684,000 was distributed as dividends.

Management Discussion and Analysis

13 Capital structure

The Company's capital structure comprised mainly shareholders' funds and liabilities. As at 31st December 2003, the Company's shareholders' funds amounted to RMB6,082,069,000, and its liabilities were RMB856,937,000. As at 31st December 2003, its gearing ratio (ratio of total liabilities to shareholders' funds as at the balance sheet date) was 14.09% (31st December 2002: 22.12%).

The Group's indebtedness as a whole has been relatively low and its capital structure remained sound. It has strong risk tolerance and great flexibility in debt financing.

The Group's profit before interests and tax and interest cover:

	2003	2002
Profit before interests, depreciation, amortisation and tax (RMB'000)	1,149,858	539,619
Profit before interests and tax (RMB'000)	1,067,670	438,945
Interest cover	81.25 times	17.61 times

The above indicators increased remarkably as compared to the corresponding period of the previous year, owing to a substantial increase in operating profits as a result of the sale of NH107 and NH205 during the reporting period.

Set out below is the capital structure of the Company analysed in terms of capital liquidity:

	2003		2002	
	Amount (RMB'000)	Percentage	Amount (RMB'000)	Percentage
Current liabilities	357,133	5.11%	760,047	11.34%
Long-term liabilities	499,804	7.15%	444,692	6.64%
Shareholders' funds	6,082,069	87.02%	5,445,281	81.27%
Minority interests	49,967	0.72%	50,282	0.75%
Total	<u>6,988,973</u>	<u>100.00%</u>	<u>6,700,302</u>	<u>100.00%</u>

Current liabilities decreased by 53.01%, which was mainly attributable to the repayment of bank borrowings, whilst its long-term liabilities increased by 12.39%, which was mainly attributable to the increase of deferred income and deferred tax.

Management Discussion and Analysis

Set out below is the capital structure of the Company analysed in terms of interest rates:

	As at 31st December 2003		As at 31st December 2002	
	Amount (RMB'000)	Percentage	Amount (RMB'000)	Percentage
Fixed rate liabilities	76,177	1.09%	634,419	9.47%
Interest-free liabilities	780,760	11.17%	570,320	8.51%
Shareholders' funds	6,082,069	87.02%	5,445,281	81.27%
Minority interests	49,967	0.72%	50,282	0.75%
Total	<u>6,988,973</u>	<u>100.00%</u>	<u>6,700,302</u>	<u>100.00%</u>

During the reporting period, the Company's bank borrowings in the PRC were all short-term bank borrowings, amounting to RMB40 million in total, with a fixed interest rate of 4.536% per annum. Foreign borrowings comprised long-term fixed rate loans from the Spanish Government of USD4,371,000 (equivalent to RMB36,177,000), of which USD2,234,000 was at an interest rate of 7.17% per annum and the remaining USD2,137,000 at an interest rate of 1.8% per annum. As all the Company's current bank borrowings are subject to fixed interest rates, fluctuations in interest rates will not have any material effect on the Company's operating results.

The Company's interest-free liabilities represent current account payables and deferred income.

Other Matters

1 Use of proceeds

The Company raised RMB604 million from the issue of RMB denominated ordinary A shares. During the reporting period, the Company applied such net proceeds in the construction of Yanba B in strict compliance with the representations as made in the Prospectus. The project was completed and the expressway commenced toll collection on 12th June 2003. As at 31st December 2003, RMB383,507,000 of the proceeds has been injected into the project. The balance of the proceeds amounted to RMB220 million.

2 Repurchase of H Shares

The Company's shareholders approved the special resolution on 30th May 2003 in respect of authorising the board of directors to repurchase the Company's H Shares up to 10% of the nominal value of total H shares in issue during the reporting period. The Company has completed the relevant procedures with the CSRC pursuant to the requirements of relevant laws and regulations of the PRC and has obtained the CSRC's approval in February 2004.

Pursuant to the authority given by the shareholders, the Company's board of directors may repurchase H shares on HKEX during the relevant period, whilst the relevant period will expire on 23rd April 2004 when the 2003 annual general meeting of the Company is concluded. To date, there is no H share repurchased by the Company.

3 Provision and performance of guarantees to external parties

As at the end of the reporting period, the Company, its subsidiaries and associated companies have not provided any guarantee to any external party.

4 Charges on the Group's assets

As at the end of the reporting period, the jointly controlled entity of the Company, Qinglong Company, pledged the following assets to the banks as collateral for the provision of bank loans and banking facilities:

Secured assets	Bank	Maximum amount secured	Validity
Toll collection rights of Shuiguan Expressway	China Development Bank	RMB550 million of loan principal and interest	28th April 2013



Management Discussion and Analysis

5 Material contracts and their performance

At 31st December 2003, the material contracts of the Group included:

Banking facilities contracts:

Bank	Banking facilities	Term	Bank borrowings obtained during the reporting period
Shenzhen Branch, China Minsheng Banking Corporation Limited	RMB600 million	From 28th August 2002 to 28th August 2004	
Shangbu Sub-branch, Shenzhen Branch, China Everbright Bank	RMB500 million	From 1st July 2002 to 1st July 2005	RMB20 million
Shenzhen Huanggang Sub-branch, China Merchants Bank	RMB550 million	From 10th June 2003 to 10th June 2004	
Futian Sub-branch, Shenzhen Branch, Industrial and Commercial Bank of China	RMB700 million	From 27th September 2003 to 26th September 2004	RMB20 million
Futian Sub-branch, Shenzhen Branch, Industrial and Commercial Bank of China*	RMB740 million	From 20th October 2003 to 20th October 2015	
Shangbu Road Sub-branch, Shenzhen Branch, Guangdong Development Bank	RMB300 million	From 1st November 2003 to 1st November 2006	
Shangbu Sub-branch, Shenzhen branch, China Construction Bank	RMB300 million	From 5th November 2003 to 5th November 2006	
Dongmen Sub-branch, Shenzhen Branch, Citic Industrial Bank	RMB400 million	From 26th November 2003 to 25th November 2008	

* Concerning the pledge of toll collection rights of Yanpai Expressway for the provision of banking facilities at an amount of RMB740 million, the Company had been granted facilities in the form of credit before Yanpai Expressway commenced toll collection and such facilities were changed to the pledge of toll collection rights after Yanpai Expressway commenced toll collection.

6 Litigation and arbitration

Arbitration

With respect to the dispute between the Company and Huarong Trade (Group) Company Limited (“Huarong Trade”) which has incurred economic losses to the Company in such entrusted investments, the Company submitted the dispute to arbitration at the Shenzhen Arbitration Commission in 2003. The arbitration award made by the Shenzhen Arbitration Commission on 15th September 2003 was as follows: Huarong Trade (Group) Company Limited shall repay to the Company the entrusted investments of RMB34,804,000 and the interest loss of RMB1,648,000. The liquidation committee of Anshan Securities Company shall be responsible for settling one-third of the entrusted Investments and the loss of interest which is payable but unable to be settled by Huarong Trade (Group) Company Limited. The Company is proactively demanding the payment of such damages. As at the end of the reporting period, the Company has not yet recovered the damages. The Company has recorded the related economic losses in the accounts in 2001.

7 Material connected transactions - Implementation of entrusted loan agreement entered into with Ring Road Company

On 23rd December 2003, the Company entered into an agreement with Changsha Ring Road Construction and Development Co. Ltd. (“Ring Road Company”) and Shenzhen International Trust and Investment Company (“SITIC”), whereby the aggregate loan interest of RMB80,702,000 to be payable by Ring Road Company to the Company from 23rd December 2003 to 31st October 2007 would be settled by Ring Road Company in advance in a one-off lump-sum payment of RMB66,800,000. Concurrently, the principal of the loan concerned would be treated as an interest-free shareholder’s loan made to Changsha Shenchang Expressway Co. Ltd. (“Shenchang Company”) by the Company. As an incentive for such one-off lump-sum interest payment, the Company and SITIC agreed to receive from Ring Road Company RMB66,800,000 as the final settlement in place of RMB80,702,000 due, and waived the right of demanding for payment of the interest balance of RMB13,902,000.

Ring Road Company settled the interests on the remaining period for the entrusted loan of RMB306 million on 26th December 2003. Pursuant to the Agreement and the relevant resolutions passed by the board of directors and shareholders’ meetings of Shenchang Company, out of the shareholders’ loan of RMB600 million originally made by Ring Road Company to Shengchang Company, an amount of RMB306 million was changed into the form of a shareholders’ loan by the Company to Shengchang Company.

On 25th December 2003, the Company entered into an agreement with a PRC bank (the “Bank”) whereby the Bank would grant a facility of RMB70,000,000 to Ring Road Company with dedicated purpose, and procure Ring Road Company to remit to the Company an amount of RMB66,800,000 out of the facility to settle on an one-off basis the damages due from Ring Road Company to the Company for the interests on the above-mentioned loan. In return, the Company agreed to take a controlling interest in the investment, borrowings, distribution of income and pledge of toll collection rights of Shenchang Company, and to impose restrictions on any transfer of its 51% equity interest in Shenchang Company.

If the Company is in breach of the commitments as referred to above and Ring Road Company fails to repay its banking facilities due, and where by way of auction the Bank fails to solicit any party who will assume the interests pledged in favour of the Bank in accordance with the loan agreement and pledge agreement entered into with Ring Road Company or the bidding price resulted thereon is less than RMB70,000,000, the Company has undertaken to acquire such interests pledged at an amount of RMB70,000,000.

The above-said agreement has been entered into by the Company as part of the arrangement for early interest repayment of RMB66,800,000 by Ring Road Company and would enable the Company to obtain capital resources from Ring Road Company through the Bank, which is in the interest of the Company. The Company does not foresee that it would be in breach of such agreement resulting in the Company to purchase the interests pledged. The Company also expects that the interests pledged will be worth more than RMB70,000,000 throughout the term of the agreement and that the Company will not incur a loss therefrom. As the agreement does not affect the usual course of operation of Shenchang Company, the Company does not consider that the agreement will have any significant impact on the operation of Shenchang Company or the Group.

Strategies and Future Prospects

1 Investment strategies

The investment strategies of the Company are to develop toll expressways in Shenzhen on the one hand, and to acquire toll road projects of quality and high return in other regions in the PRC on the other hand. The Company will invest in the construction of other expressways as envisaged in the Master Plan of Road Network of Shenzhen. In addition, the Company is now exploring new projects in the Pearl River Delta region and other regions in the PRC with an aim to invest and acquire equity interests in expressways that have commenced operation. Through acquiring projects of quality and high return, the Company aims to further enhance its profitability and to ensure a prosperous, sustainable development of the Company.

2 The development of a corporate culture

Through ten years development, the Company has developed its core values of "Leading with an Excellent Corporate System", "Striving for the Best, not the Biggest" and "Integrity and Diligence". Emphasis has been placed on contribution to the society, devotion to the enterprise and attainment of public interests. The Company will proactively carry out the establishment of a corporate culture, cultivate a superb work environment, develop an excellent team of employees, achieve first-rate results and create a superior brand name.

3 Staff and training

As at 31st December 2003, the Group had 1,029 employees, among whom 91 were administrative staff, 32 were finance staff, 141 were technical staff and the remaining 765 were toll collection staff. There were 156 staff in the Company with various professional qualifications, accounting for 15.2% of the total number of staff; 44.9% of the Company's staff were graduates from universities and post-secondary institutes; and toll collection staff were graduates from high schools or above.

The Group provides social retirement insurance, social medical insurance, labour insurance and unemployment insurance benefits for its staff. As at 31st December 2003, two staff of the Group retired and have completed retirement procedures at the Shenzhen Social Security Bureau.

The Company placed a lot of emphasis on staff training. In 2003, the Company expanded its staff training programmes to enhance staff's knowledge and skills in accordance with the Company's development and management needs. In 2003, 34 training courses for different operations and staff levels were carried out with a total of 352 training hours completed. Such training activities were well organised and have improved the performance of our staff, departments concerned and the Company itself. The Company will continue to provide training to enhance staff's quality, knowledge and abilities in accordance with the Company's medium and long-term development plans and with reference to actual circumstances.

4 Future plans and prospects

In accordance with the Master Plan of Road Network of Shenzhen, Shenzhen plans to invest RMB20 billion in the construction of expressways with a total length of 270 kilometers within the next 10 years, with a view to consolidating its existing expressway network. By 2015, Shenzhen is expected to have expressways and Class 1 highways with a total length of 1,065 kilometers, covering 54.7 kilometers per 100 square kilometers. This development plan will provide ample room for the future development of the Company's principal business.

In the coming years, Shenzhen's foreign trade will continue to grow. Trade activities between Shenzhen and Hong Kong will remain frequent. Container and ports transportation business in Shenzhen will continue to enjoy robust growth. Sales and production of vehicles will remain prosperous. Private cars in the Pearl River Delta region will increase at a rapid pace. Car ownership in Shenzhen has ranked first in the PRC, which has provided a steady traffic flow for the Company's toll roads. The Shenzhen Municipal Government has decided to devote more efforts to the development of modern e-commerce business and logistics, which will also lead to even greater demand for highway transportation and has set a benign operating environment for the Company's toll roads.





Basic Information of Existing Toll Roads

Currently, the core business of the Group is to operate and manage six existing expressways and one bridge, namely Meiguan Expressway, Jihe East, Jihe West, Yanba Expressway (A and B) and Shuiguan Expressway which are located in Shenzhen; Changsha Ring Road in Hunan Province; and Geputan Bridge in Hubei Province.

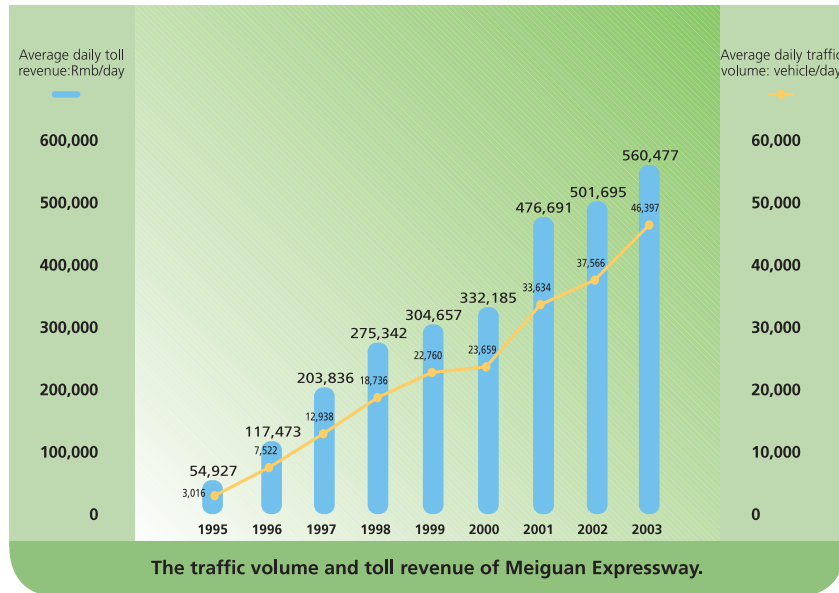
Basic Information of Existing Toll Roads

General information

Toll roads	Length (km)	Interest owned	Lanes	Designed capability (vehicle per day)	Operating duration
Meiguan Expressway	19.30	95%	6/4	120,000	May 1995~Mar. 2027
Jihe East	23.30	55%	6	120,000	Mar. 1997~Mar. 2027
Jihe West	21.00	100%	6	120,000	Mar. 1997~Mar. 2027
Yanba (A&B)	18.40	100%	6	120,000	Mar. 2001~Mar. 2031
Shuiguan Expressway	20.14	40%	6	120,000	May 1995~May 2024
Changsha Ring road	34.52	51%	4	100,000	May 1995~May 2024
Geputan Bridge	0.58	42%	4	100,000	Apr. 2002~Apr. 2017

Meiguan Expressway

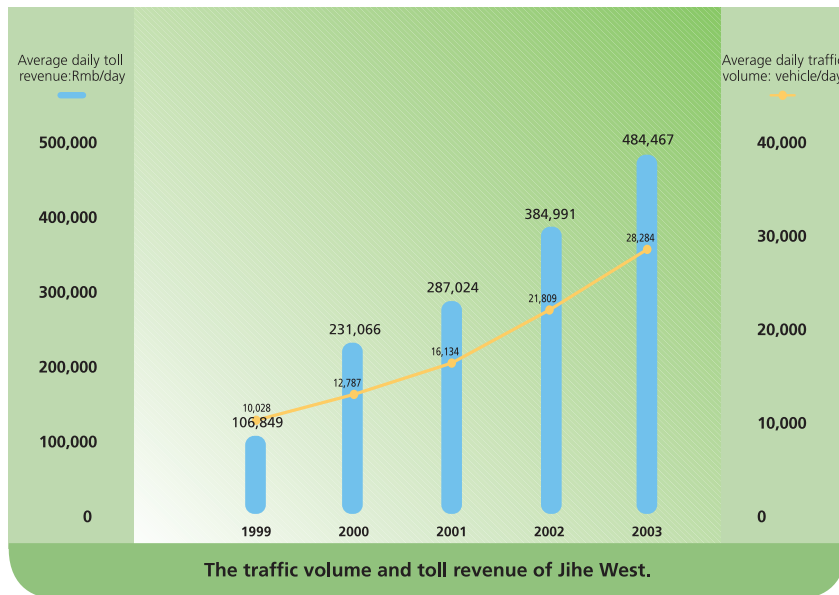
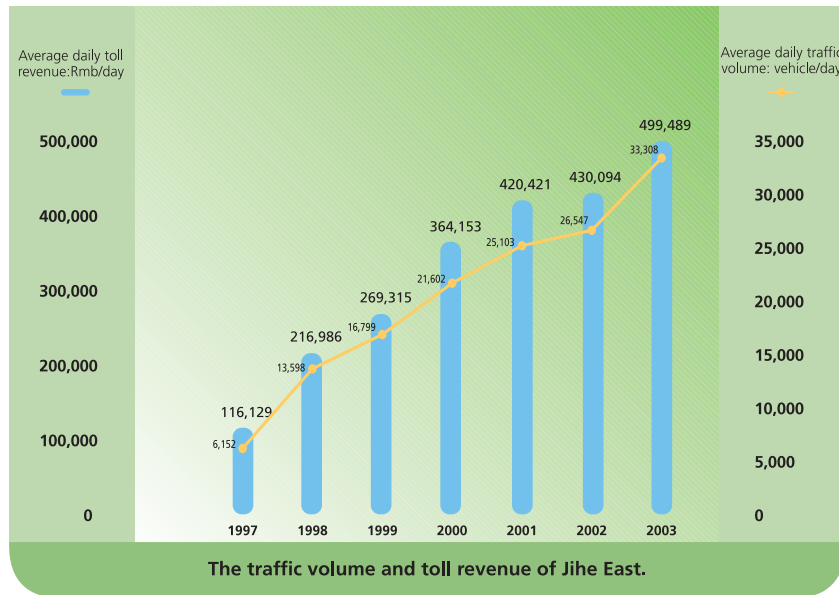
Meiguan Expressway is a main road running from south-to-north in the middle of Shenzhen. It connects Huanggang Immigration and Customs Control, the largest immigration and customs control in Asia, in the south, and connects with Guanshen Expressway running from Dongguan City to Shenzhen in the north, whilst Dongguan City is known as an exports processing centre in the Guangdong province and Pearl River Delta region. Meiguan Expressway intercepts Jihe Expressway and is the main route for ground transportation between Hong Kong and mainland China.



Basic Information of Existing Toll Roads

Jihe Expressway

Jihe Expressway is an outer ring road connecting the east and west of Shenzhen, and is part of the coastal national trunk highway. It connects with Shenshan Expressway, Huiyan Expressway and NH205 in the east and links Guangshen Expressway, NH107 and Shenzhen International Airport in the west. It is a trunk highway in the Pearl River Region. The whole section of Jihe Expressway was divided into the eastern section and the western section for construction and was completed and opened for traffic in May 1999.

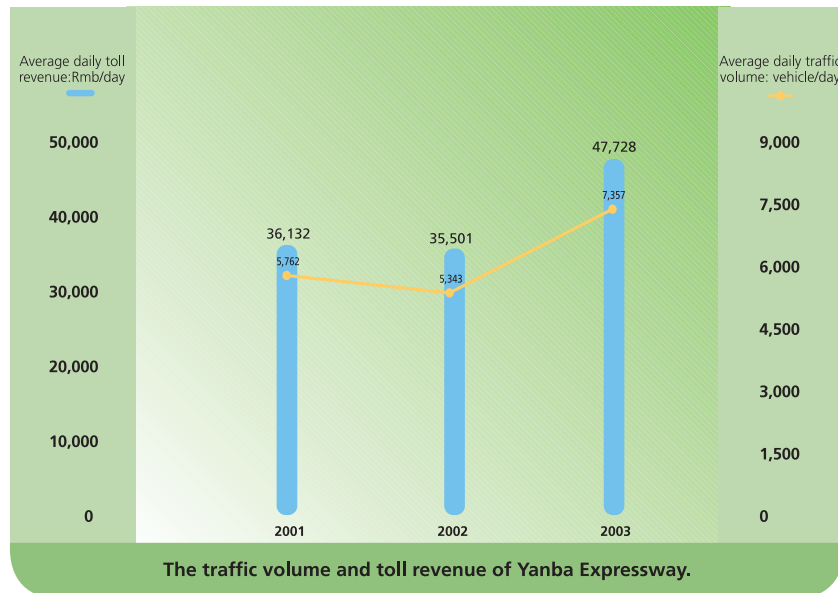


Basic Information of Existing Toll Roads

Yanba Expressway

Yanba Expressway is a coastal expressway in the east of Shenzhen. It connects Shenzhen Yantian Ports and downtown of Shenzhen in the west and links with the Pingxi Class 1 Highway, Huizhou Class 1 Highway and Shenshan Expressway in the east. With a length of 28.92 kilometers, the whole section of Yanba Expressway was divided into three phases for construction. Yanba A and Yanba B, with a length of 18.84km in aggregate, were opened for traffic in March 2001 and June 2003 respectively.

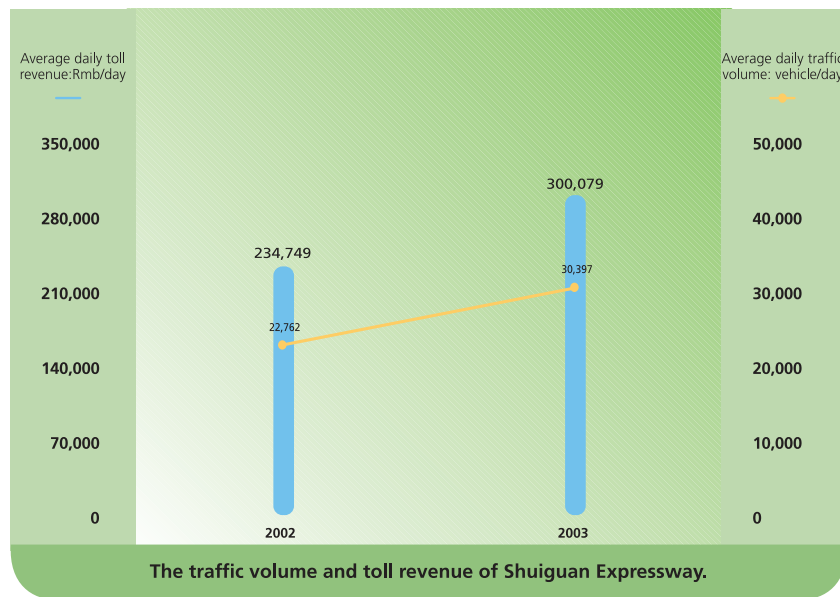
Yanba Expressway is the main passage between the coastal area in the east of Shenzhen and other areas. The construction of the Yanba Expressway is of great significance to cater the increasing traffic demand and alleviate the traffic of container transportation at the Yantian Ports, and to improve the development of the tourism and economy in the east of Shenzhen. It is also significant for the evacuation of Daya Bay Nuclear Plant on emergency and helpful for the development of the Shell's large base of petrochemical industry in Huizhou City.



Basic Information of Existing Toll Roads

Shuiguan Expressway

Shuiguan Expressway is the expressway that connects the downtown of Shenzhen and the Longgang Industrial Zone, which is the biggest industrial zone in Shenzhen. It runs from southern west towards northern east and is the trunk expressway in the direction from Longgang to the neighbouring areas of Shenzhen. It commenced operation in February 2002 and is operated by Qinglong Company. The Company acquired a 40% equity interest in Qinglong Company, a sino-foreign cooperative joint venture, at a consideration of RMB40,000,000 at the end of 2002.

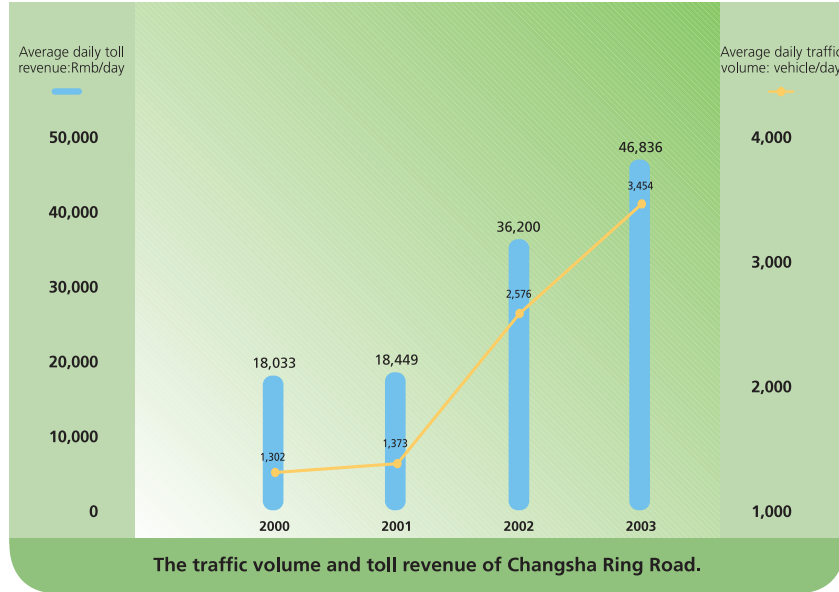


Changsha Ring Road

Changsha Ring Road is the northwestern section of the Hunan Changsha Ring Road. It connects with Jingzhu Expressway, NH107 (Changsha Section) in the north-east and links with Changyi Expressway and NH319 (Changsha Section) in the west.

Basic Information of Existing Toll Roads

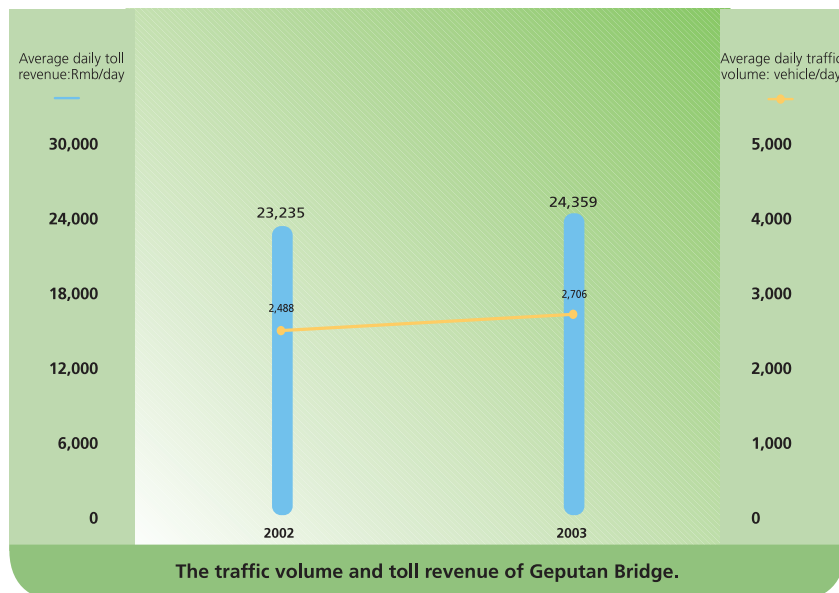
It is expected that the traffic volume of Changsha Ring Road will increase rapidly after the operation of the Southwestern Section of Changsha Ring Road, and with the economic development of the Northwestern part of Changsha and with the completion of the relevant municipal roads connected with it.



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Hubei Geputan Bridge

Located at the cross-border between Xiaogan City and Yingcheng in Yunmeng Town, Hubei Geputan Bridge is a large bridge on the linkage of NH316 and Hanyi highway crossing over the Fu River, a tributary of The Changjiang River. It is a dual-two-lane bridge with a total length of 579 meter, invested and operated by Yungang Company with a total investment of RMB43,000,000. The Company owns a 42% equity interest of Yungang Company through Mei Wah Company, a wholly owned subsidiary of the Company.



Basic Information of Existing Toll Roads

Classification of Vehicles and Toll Rates of Toll Roads

Classification of Vehicles and Toll Rates of Meiguan Expressway and Jihe Expressway (include East and West)

Class	Vehicles	Toll rates (RMB/km)
1	Vans, jeeps, small-sized lorries, motorcycles	0.60
2	Mini buses, station wagons, light vans, small passenger-cars	1.20
3	Medium-size and large-sized buses, medium-sized lorries	1.80
4	Large deluxe buses, large-sized lorries, large tractors, vehicles towing 20-foot container	2.40
5	Double-decker passenger cars, heavyweight lorries, heavyweight tractors, vehicles towing 40-foot container	3.60

Classification of Vehicles and Toll Rates of Yanba Expressway and Shuiguan Expressway:

Class	Standard of classification				Vehicles	Coefficient	Toll rates (RMB/km)
	Axle	Wheels	Head height (m)	Wheelbase (m)			
1	2	2~4	<1.3	<3.2	Vans, jeeps, small-sized lorries, motorcycles	1	0.60
2	2	4	≥1.3	≥3.2	Mini buses, station wagons, light vans, small passenger vehicles	1.5	0.90
3	2	6	≥1.3	≥3.2	Medium-sized and large-sized buses, medium-sized lorries	2	1.20
4	3	6~10	≥1.3	≥3.2	Large deluxe buses, double-decker passenger vehicles, large-sized lorries, large tractors, vehicles towing 20-foot container	3	1.80
5	>3	>10	≥1.3	≥3.2	Heavyweight lorries, heavyweight tractors, vehicles towing 40-foot container	4	2.40

Basic Information of Existing Toll Roads

Classification of Vehicles and Toll Rates of Changsha Ring Road

Class	Vehicles	Toll rates (RMB/km)
1	Lorries with a capacity of 2 tonnes or below, passenger cars with 12 seats or below	0.40
2	Lorries with a capacity of 2 to 6 tonnes, passenger cars with 13 to 19 seats	0.70
3	Lorries with a capacity of 6 to 11 tonnes, passenger cars with 20 to 49 seats	1.00
4	Lorries with a capacity of 11 to 18 tonnes, passenger cars with 50 seats or above	1.30
5	Lorries with a capacity of 18 to 25 tonnes	1.60
6	Lorries with a capacity of 25 tonnes or above	1.90



Report of the Directors

The Company has made its best endeavours to maximise its corporate value and to provide long-term return to shareholders. Dividends form an important part of shareholders' investment return ...

The Group has sufficient funds and is optimistic about the future, and will continue to pursue a high pay-out rate and steady distribution of dividends.

Report of the Directors

The directors are pleased to present herewith their report and the audited accounts for the year ended 31st December 2003.

1 Details of the Company

The Company was established as a joint stock limited company in the PRC on 30th December 1996. Its H Shares and A Shares were listed on the HKEX and the Shanghai Stock Exchange on 12th March 1997 and 25th December 2001, respectively.

2 Summary of the Report of the Board of Directors

During the year, eight board meetings were held, at which the following issues were discussed:

- the report of the Board of directors for the year 2002;
- the audited financial report for the year 2002;
- proposal for profit distribution scheme for the year 2002 and the profit distribution policy for the year 2003;
- the budget plan for the year 2003;
- the emoluments of directors and supervisors for the year 2003;
- the re-appointment of Messrs. PricewaterhouseCoopers Certified Public Accountants and Shenzhen Tianjian Xinde Certified Public Accountants as the international auditors and the statutory auditors of the Company, respectively, and the authorisation of the Board of the Company to fix their remuneration;
- the authorisation of the signing on the banking facilities and the bank loans for the year 2003;
- the necessary amendments to the articles of association of the Company;
- the convening of the 2002 Annual General Meeting;
- the first and third quarterly reports of the Company for the year 2003;
- the disposal of the interests and rights in NH107 and NH205 owned by the Company;
- the proposal to invest and construct Yanpai Expressway (Yantian subsidiary road of Jihe Expressway);
- the proposals to acquire equity interests in several expressway projects;
- the project construction management agreement for Phase I of Nanping Freeway;



Report of the Directors

- 2003 Interim Results Report and the financial reports;
- the proposals to suspend the operation of the Share Appreciation Right Scheme and to amend;
- the amendment to the *Regulation of the Board of Directors*; and approval of the *Basic Regulation of Financial system*;
- the passing of the repurchase of its H Shares;
- the convening of 2003 Extraordinary General Meeting to amend the Share Appreciation Right Scheme;
- the proposal to strengthen the investor relationship management and setting up the Department of Public Relationship.

3 Principal Activities

The principal activities of the Group are the development, operation and management of toll highways and expressways in the PRC.

An analysis of the Group's turnover and contribution to operating profit for the year is set out on page 27.

No analysis of the Group's turnover and contribution to operating profit by geographical area were prepared as turnover and results of the Group during the year were principally derived from the operations of the Group's toll roads in the PRC.

4 Financial Results

The results of the Group for the year ended 31st December 2003 are set out in the consolidated profit and loss account on page 83.

The financial position of the Group and the Company as at 31st December 2003 are set out in the balance sheets on page 84 to page 87, respectively.

A summary of the results for the last five financial years, and of the assets and liabilities of the Group is set out on page 4 of this report.

5 Dividend

The Board of directors recommended the payment of a dividend of RMB0.19 per share, totaling RMB414,333,000, for the year ended 31st December 2003 to shareholders whose names appear in the register of shareholders of the Company at the close of business on 23rd March 2004 (the time of the declaration of dividends for holders of A Shares will be otherwise notified).

According to the articles of association of the Company, the dividend distributed to the shareholders of domestic shares and H Shares will be paid in RMB and HKD, respectively. The exchange rate for the final dividend is the average of the median exchange rate for converting RMB into HKD quoted by the People's Bank of China for the five working days preceding the day on which the final dividend was declared.

6 Election and Change of Directors, Supervisors and Senior Management

- (1) At the 1st board meeting of the Third Board of Directors of the Company held on 13th January 2003, Mr. Chen Chao was elected to be the chairman of the Company. At the 1st meeting of the Third Supervisory Committee of the Company held on 15th January 2003, Mr. Wang Ji Zhong was elected to be the chairman of the Supervisory Committee of the Company.
- (2) At the 2002 Annual General Meeting held on 28th May 2003, Mr. Poon Kai Leung, James, was elected to be the Independent Director of the Third Board of Directors of the Company, with a term of office from the date of appointment to 31st December 2005.
- (3) The nomination proposal of the senior management officers putting forward by Human Resources and Nomination Committee was considered and approved at the 5th board meeting held on 15th August 2003, that Mr. Wang Xue Feng and Mr. Fang Li Ping were appointed as the Deputy General Manager and Chief Operation Management Officer, Deputy General Manager and Chief Project Management Officer of the Company, respectively. Mr. Wu Xian was appointed as the Chief Engineering and Technology Officer of the Company, and was ceased to be the Deputy General Manager with effect from the aforesaid day. Their terms of office shall be two years from 15th August 2003. Mr. Xu Mei Sheng was ceased to be the Chief Engineering and Technology Officer of the Company due to his retirement.
- (4) The resignation of Mr. Li Zhi Zheng, independent director of the Company, from the position of member of Audit Committee was approved at the 5th board meeting of the Third Board of Directors due to his heavy workload resulting from his positions in the three special Committees of the Board of Directors.

7 Service Contracts for Directors

Each of the directors has entered into a service contract with the Company. Contents of such contracts are the same in all material respects. All such service contracts are from 1st January 2003 to 31st December 2005 except that the service contract with Mr. Poon Kai Leung, is all for 3 years from 28th May 2003 till 31st December 2005. Save as the aforesaid, no service contracts that can be terminated within one year with compensation (other than general statutory compensation) have been or proposed to be entered into between the directors or supervisors and the Company.

8 Emoluments of the Directors, Supervisors and Senior Management

- (1) The emoluments of the directors and supervisors is considered and approved at the Annual General Meeting. Apart from 4 independent directors and Mr. CHIU Chi Cheong, the director who was not recommended by shareholders, directors (including those who hold management position in the Company) do not receive any emoluments from the Company. Directors who hold management position in the Company receive management remuneration according to their respective position in the Company.

Report of the Directors

- (2) The total remuneration of directors, supervisors and senior management in 2003 amounted to approximately RMB6,372,000.
- (3) In 2003, remuneration for all of the independent directors is RMB552,000. The subsidies for the four independent directors for the year amounted to RMB40,000. As a result, the total amount of the emoluments for the four independent directors for the year 2003 amounted to RMB592,000.
- (4) The total amount of the highest paid directors amounted to RMB1,970,000.
- (5) The total amount of the highest paid senior management amounted to RMB1,783,000.
- (6) The Company has altogether 19 directors, supervisors and senior management, and each of them obtained remuneration from the Company. Distribution of the range of remuneration in each category of personnel (including bonus from exercising share options and subsidies from the meeting) is set out as follows:

(RMB)

	0~100,000	100,000~500,000	500,000~1,000,000
Directors	3	6	3
Supervisors	2	1	0
Senior Management	0	0	4

9 Directors' and Supervisors' Interests in Contracts

As at 31st December 2003 or at any time during the year, no contract of significance in relation to the Company's business to which the Company, its subsidiaries or its jointly controlled entities was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Report of the Directors

10 Disclosure of Interests

As at 31st December 2003, the interests and short positions of the directors or supervisors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept by the Company under section 352 of Part XV of the Securities and Futures Ordinance, are set out as follows:

Name	Number of units involved	Exercise price	Time of Exercise
Chen Chao	771,188	Note 1	16th March 2003
Wu Ya De	1,595,925	Note 4	Note 1
	2,750,700	Note 5	Note 2
	2,750,700	Note 5	Note 3
Zhang Rong Xing	1,628,363	Note 4	Note 1
	2,750,700	Note 5	Note 2
	2,750,700	Note 5	Note 3
Zhong Shan Qun	65,625	Note 1	16th March 2003
Tao Hong	194,625	Note 1	16th March 2003
Lin Xiang Ke	155,700	Note 1	16th March 2003
Zhang Yang	155,700	Note 1	16th March 2003
Chiu Chi Cheong Clifton	155,700	Note 1	16th March 2003
Yi Ai Guo	1,608,900	Note 4	Note 1
	2,750,700	Note 5	Note 2
	2,750,700	Note 5	Note 3

Notes:

1. Unit holders is entitled to cash in the difference between the exercise price of RMB3.456 and the reference price which is calculated by reference to the aggregate of 60% and 40% of the average closing prices of the H Shares and A Shares respectively for the five trading days commencing on the sixth trading day after the date of making application for cashing in the relevant units under the share appreciation right scheme.
2. The receipts from exercise of the units represent the difference between RMB3.456 per unit and the arithmetic average of the closing price of the listed shares of the Company during the period of 16th March 2003 to 15th March 2004.
3. The receipts from exercise of the units represent the difference between RMB3.456 per unit and the arithmetic average of the closing price of the listed shares of the Company during the period of 16th March 2004 to 15th March 2005.

Report of the Directors

4. It represents the units including 1,544,025 units collectively held by the management and management staff of the Company on or before 31st December 2003.
5. It represents the units collectively held by the management and the management staff of the Company from the relevant time of exercise.

The aforesaid units were granted under the share appreciation right scheme approved by the shareholders on 6th March 2001 and amended by the shareholders on 30th October 2003. After the amendment, the units granted under such scheme are held by the senior management and management staff of the Company instead of holding by individual. The time and the price of the exercise are amended to that the receipts from exercise of the units represent the difference between issued price and the arithmetic average of the closing price of the listed shares of the Company during the period of exercise. And the receipts from exercise of the units shall be applied as special incentive fund and distributed by the Company according to the proposal putting forward by Human Resources and Nomination Committee.

All the units not exercised on or before 31st December 2003 in the share appreciation right scheme held by the Directors individually have been cancelled after 31st December 2003. Subsequent to the cancellation, units in the share appreciation right scheme granted by the Company and collectively held by the senior management and management staff of the Company are 5,501,400. Mr. Wu Ya De, Mr. Zhang Rong Xing (Directors) and Yi Ai Guo (Supervisor) may or may not be granted by the Company part of the receipts from the exercise of such as inventive, subject to the approval of Human Resources and Nomination Committee.

11 Major Customers and Suppliers

No disclosures with regard to the Group's major customers and suppliers are made since the Group's customers are users of its toll roads while its major suppliers are contractors for the construction of toll roads.

12 Interest of Directors in Competing Business

During the Year and up to the date of this report, none of the directors or management shareholders has any interest in business which competes or may compete with the business of the Group under the Rules Governing the Listing of Securities on HKEX.

13 Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

14 Share Capital

The total capital of the Company was RMB2,180,700,000. For details, please refer to note 20 to the accounts.

Report of the Directors

15 Substantial Shareholders' Shareholdings

As at 31st December 2003, the interests or short positions of substantial shareholders, other than a director, supervisor or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the Securities and Futures Ordinance are as follows:

Long position in the shares of the Company:

Name of Shareholder	Class of Shares	Number of Shares held	Capacity	Percentage of the relevant class of share capital	Percentage of total issued share capital
J.P. Morgan Chase & Co. (note 1)	H Shares	53,508,000(L)	Interest of a controlled corporation	7.16%(L)	2.45%(L)
		52,906,000(P)		7.08%(P)	2.43%(L)
Xin Tong Chan	Legal Person Shares (State owned)	654,780,000(L)	Beneficial owner	45.68%(L)	30.03%(L)
Shen Guang Hui	Legal Person Shares	457,780,000(L)	Beneficial owner	31.94%(L)	20.99%(L)
Huajian Transportation and Economic Development Centre	Legal Person Shares	91,000,000(L)	Beneficial owner	6.35%(L)	4.17%(L)

(L) - Long Position (P) - Lending Pool

Notes

- J.P. Morgan Chase & Co and its associates were holding 53,508,000 H Shares, representing approximately 7.16% of H Shares, of which 380,000 H Shares were held by J.P. Morgan Chase & Co and its associates as beneficial owner, 222,000 H Shares as investment manager, and 52,906,000 H Share shares as custodian corporation/ approved lending agent.

Save as disclosed above, the register required to be kept under section 336 of Part XV of the Securities and Futures Ordinance showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31st December, 2003.

16 Reserves

The amounts and particulars of material transfers to and from reserves during the Year are set out in note 21 to the accounts.

17 Fixed Assets

The movements in fixed assets during the Year are set out in note 14 to the accounts.

Report of the Directors

18 Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at 31st December 2003 are set out in note 23 and note 24 to the accounts.

19 Interest Capitalized

The amount of interest capitalized by the Group and the Company for the year ended 31st December 2003 are disclosed in note 8 to the accounts.

20 Use of Proceeds from Issue of A Shares

The Company issued an aggregate of 165,000,000 A shares in December 2001, with the issue price of RMB3.66 per share (equivalent to HKD3.45). The net proceeds from the A Shares issue were approximately RMB604 million, which is used for the construction of Yanba B. As at 31st December 2003, RMB383.5million from the net proceeds has been invested into it, all of which are from proceeds of the A shares issue. The remaining RMB220million is kept as bank deposits.

21 Income Tax Rate and Business Tax Rate

Commencing from 1st January 2002, the Company is required to pay PRC enterprise income tax at the rate of 15%, the preferential tax rate for enterprises established in the Shenzhen Special Economic zone.

The Group is subject to PRC Business Tax at 5% of toll income.

22 Trust Deposits and Overdue Time Deposits

As at 31st December 2003, the Company did not have any trust deposit or overdue time deposit.

23 Purchase, Sale or Redemption of Shares

During the year, no shares of the Company were purchased, sold or redeemed by the Company or any of its jointly controlled entities.

24 Undertaking

The two major shareholders of the Company, Xin Tong Chan Company and Shen Guang Hui Company, each of which has more than 5% shareholding, have given undertaking in the promoters' agreement that they will not engage in Shenzhen in any industry or business in any form, directly or indirectly, which competes with the Company. The board of directors of the Company was in the opinion that the above two major shareholders have strictly complied with the undertaking during the reporting period.

25 Material Litigation and Arbitration

Please refer to the section headed Arbitration of Litigation and arbitration under Management Discussion and Analysis for the litigations and arbitration matters of the Company in 2003.

26 Investment and Acquisition

Please refer to the section headed Investment and Construction under Management Discussion and Analysis for the investment and acquisition matters of the Company in 2003.

27 Material Connected Transactions

Please refer to the section headed Material connected transaction-Implementation of entrusted loan agreement entered into with Ring Road Company under Management Discussion and Analysis for matters regarding material connected transactions of the Company in 2003.

28 Subsidiaries and Jointly Controlled Entities

Details of the Company's subsidiaries and jointly controlled entities are set out in notes 15 and 16 to the accounts respectively.

29 Pre-emptive Rights

According to the articles of association of the Company and the laws of the PRC, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

30 Employees' basic medical insurance scheme

Since its establishment, the Company has participated in the basic medical insurance scheme for its employees in accordance with the Provisional Regulations on the Basic Medical Insurance Scheme of Shenzhen promulgated by the Shenzhen Municipal Government in May 1996. The medical expenses for employees are included under staff costs. In addition, the Group provides social retirement insurance, labour insurance and unemployment insurance benefits for its staff.

31 Retirement Scheme for Employees

Details of the retirement scheme for employees of the Group are set out in note 6(c).

32 Subsequent Events

On 11th February 2004, the Company and Shenzhen Communication Bureau on behalf of the Shenzhen Municipal Government, entered into a project management agreement in relation to construction of Phase I of Nanping Freeway as project manager.

On 5th March 2004, the Company entered into an agreement with Guangdong Expressway Company Limited to acquire a 25% interest in Yangmao Expressway, located in Guangdong Province, at a consideration of RMB271,680,000. The Company was in negotiation with Guangdong Province Highway Construction Company Limited to enter into an agreement to acquire a 25% interest in Jiangzhong Expressway Company Limited at a consideration of RMB167,500,000. The effectiveness of the above mentioned agreements were subject to approval from shareholders' meeting of the Company.

33 Compliance with the Code of Best Practice

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of HKEX.

Report of the Directors

34 Audit Committee

The audit committee of the Company has reviewed and confirmed the final results announcement and the final report for the twelve months ended 31st December 2003.

35 Auditors

The accounts in this annual report were prepared in accordance with accounting principles generally accepted in Hong Kong and the PRC accounting standards, respectively, and have been audited by PricewaterhouseCoopers Certified Public Accountants and Shenzhen Tianjian Xinde Certified Public Accountant, respectively.

The remuneration of the auditors in the year 2003 is set out as follows:

	2003	2003	2002	2002
	Audit fees	Other fees	Audit fees	Other fees
PricewaterhouseCoopers				
Certified Public Accountants	RMB 1,145,000	—	RMB 1,150,000	—
Shenzhen Tianjian Xinde				
Certified Public Accountants	RMB 710,000	RMB 270,000	RMB 640,000	RMB 84,000

Note: The above audit fees include audit and review service expenses for the auditors. Other fees represent specific audit fees and service assessment fees on the due diligence review of the Company's investment provided by the auditors. The Company took no responsibility for the travel expenses of PricewaterhouseCoopers Certified Public Accountants, but it would pay for the travel expenses for Shenzhen Tianjian Xinde Certified Public Accountants on providing audit services.

Terms for auditors

PricewaterhouseCoopers Certified Public Accountants has been the Company's auditors for eight consecutive years since 1996, while Shenzhen Tianjian Xinde Certified Public Accountants has been providing audit services to the Company for three consecutive years, including auditing the Company's A-share issue since August 2001 and providing audit services in 2002 and 2003.

Chen Chao

Chairman

Shenzhen, the PRC, 5th March 2004

Report of the Supervisory Committee

To the shareholders:

Pursuant to the Company Law of the People's Republic of China, the Listing Rules of HKEX, Listing Rules of Shanghai Stock Exchange, and the articles of association of the Company, the Supervisory Committee of Shenzhen Expressway Company Limited (the "Company") has performed faithfully its duties as prescribed by the articles of association of the Company during the year ended 31st December 2003. By adhering to the principle of integrity, the Supervisory Committee fulfilled its responsibilities and duties strictly by carrying out the activities enumerated in the *Rules on the Operation of the Supervisory Committee* and were committed to serving the interests of the Company and the shareholders with prudent and active endeavours.

The Company has disposed a Secretary to the Supervisory Committee, as a part of Company Secretariat, to manage the daily affairs and help the communication between the Supervisory Committee and the Company management. The Supervisory Committee convened four meetings in 2003, all members attended these meetings. The procedures of the notice, quorum and resolutions made by the Supervisory Committee are in compliance with the relevant regulations. During the meetings, the report of the Supervisory Committee for the year 2002 was considered and passed; the Chairman of the Supervisory Committee was elected; the work plan for 2003 was made; and the financial report for year 2002, the financial report for the six months ended 30th June 2003, the first and the third quarterly reports in 2003 were reviewed. Furthermore, The Supervisory Committee reviewed all resolutions signed by the Directors entitled to vote on it and oversaw the tenders of the Nanping Project and Yanpai Project.

During the year, all members of the Supervisory Committee attended all eight board meetings and the two shareholders' general meetings, monitoring the procedure, resolutions of the Board and the general meetings and the Board's execution of the resolutions of the general meetings. It considers that the Board's activities in 2003 were carried out in strict compliance with the Company Law of the People's Republic of China, the Securities Laws, the Listing Rules of HKEX, the Listing Rules of the Shanghai Stock Exchange, and the articles of association of the Company; and that a good internal control system has been established. It considers that the Board executed the resolutions of the shareholders' general meetings with a serious attitude, and all Directors, General managers and other senior management have adhered to the principle of integrity with a prudent attitude when they performed their duties. They have also acted sincerely for the maximum interest of the Company without any violation of the law and regulations. There have been no abuse of authority and no harmful act against the interests of the Company, its shareholders or employees.

The members of the Supervisory Committee have also reviewed the accounts and other accounting information of the Company carefully. They consider that the accounts are clear, and the auditing and financial management is in line with relevant regulations. They do not notice anything that is in contravention of relevant laws and regulations. PricewaterhouseCoopers Certified Public Accountants and Shenzhen Tianjian Xinde Certified Public Accountants have audited the financial reports of the Company for year 2003 prepared in accordance with the Hong Kong accounting standards and PRC accounting standards, respectively and issued unqualified audit reports. The Supervisory Committee considers that those audit reports have reflected the Company's financial position and operating results on a true basis, and they are fair, objective, true and reliable.

Report of the Supervisory Committee

There have been neither disputes between any Supervisors representing the Company and any of the directors nor litigation instituted against any of the directors.

The Supervisory Committee consents to the work report of the Board of Directors for year 2003, and believes that with the correct decisions of the Board of Directors and the positive efforts of the senior management, the Company will grow and expand continuously.

By Order of the Committee

Wang Ji Zhong

Chairman of the Supervisory Committee

Shenzhen, the PRC, 5th March 2004

Directors



Mr. CHEN Chao, aged 48, senior economist and engineer, is the Chairman of the Board, chairman of the Strategic Development & Investment Committee and the member of the Human Resources & Nomination Committee of the Company. Mr. Chen graduated from Wuhan University of Technology (武漢理工大學) and obtained a bachelor's degree in engineering. Then he served as the deputy director of the Highway Bureau and the secretary to the deputy minister of the Ministry of Communications. Then, he worked as the deputy general manager of Zhong Tong (Group) Industry & Trade Co., which was under the supervision of the Ministry of Communications. Mr. Chen has twenty years of experience in the management of road. He was the first general manager of the Company since the establishment of the Company till January 2000 and is currently responsible for the overall management and strategic planning of the Company. From April 1993 to September 2000, Mr. Chen served as the general manager of Xin Tong Chan Company. Since September 2000, he has been the chairman of Xin Tong Chan Company. Since March 2000, he has been the vice-Chairman and chief executive of Shenzhen International Holdings Limited (0152) (Hong Kong Listed). He is also the non-executive director of Shenzhen Hi-Tech Holdings Limited (0106) (Hong Kong Listed), the director of Shenzhen Venture Capital Company Limited, and the chairman of CSG Technology Holdings Co., Limited.



Mr. WU Ya De, aged 40, is a director and the General Manager of the Company and the member of the Strategic Development & Investment Committee of the Company. Mr. Wu graduated from the Administration Institute of Guangdong Province (廣東行政學院) in 1987. He served as the chief of the administration department of Shenzhen Roads Bureau, manager of a toll road company, the general manager and chairman of Shen Guang Hui and deputy chairman of the Labour Union of Shenzhen Roads Bureau. Since January 2002 to October 2002, Mr. Wu was the acting general manager of the Company and he has been the general manager of the Company since 1st November 2002. Mr. Wu is also the chairman of Qinglong Company. Mr. Wu is responsible for the daily operating and management of the Company and carrying out the resolutions of the Board.

Directors, Supervisors and Senior Management



Mr. ZHANG Rong Xing, aged 41, engineer, is a director and Company Secretary to the Company. Mr. Zhang graduated from South China University of Technology (華南理工大學) and obtained a bachelor's degree and a master's degree in mechanical engineering in 1985 and 1988, respectively. He worked in large sino-foreign joint ventures and was responsible for technology, administration and management before he joined Xin Tong Chan Company in 1993 and served as the chief of the H.R Department and deputy officer of the Shares Restructuring Department of the Company. Since the establishment of the Company, he has been the company secretary to the Company. He has been a director of the Company with effect from December 2002. Mr. Zhang is mainly responsible for the planning, supervision, coordination and investor relations management.



Mr. ZHONG Shan Qun, aged 40, engineer, is a director of the Company. Mr. Zhong graduated from Changsha Institute of Communications (長沙交通學院) in 1985, with a bachelor's degree in civil engineering and economics. He obtained a master's degree in Management Science and Engineering from Hunan University in 2002. Mr. Zhong worked in the Research Institute of the Highway System Engineering of Changsha Institute of Communications and Guangshenzhu Expressway Company Limited. He joined Xin Tong Chan Company in May 1993 and served in sequence as manager of the Engineering Department, assistant to general manager and deputy general manager of Xin Tong Chan Company. He is the general manager since March 2003.



Ms. TAO Hong, aged 42, senior accountant, is a director of the Company. She graduated from Xi'an University of Highways and Communications (西安公路交通大學) and obtained a bachelor's degree in finance and accounting in 1984 and a master's degree in engineering in 1990. Ms. Tao has many years of experience in financial management. She had been the chief accountant of the Company since its establishment until January 2000, being responsible for the financial management and planning of the Company. She was the general manager of the Company from January 2000 to January 2002. She is currently the general economist of Xin Tong Chan Company.

Directors, Supervisors and Senior Management



Mr. LIN Xiang Ke, aged 48, accountant, is a director of the Company. Mr. Lin has been working in various enterprises in the PRC for almost 30 years and has extensive experience in finance and management. Mr. Lin worked as the deputy director of the Finance Department and deputy director of the Audit Department. He is currently the chairman of Shen Guang Hui Company.



Ms. ZHANG Yang, aged 40, political officer, is a director of the Company. Ms. Zhang graduated from Lanzhou University and obtained a bachelor's degree in economics in 1987. She obtained a master degree in economics from the Department of Economic Management from the Central Party School in 2001. She worked at the Ministry of Aviation and joined Huajian Transportation and Economic Development Center in 1994, working as project manager and department manager. Ms. Zhang is currently the assistant to general manager and the manager of the Securities Department of Huajian Center. She is also the director of Xiamen Roads and Bridges Company Limited, Zhejiang Expressway Company Limited and Sichuan Expressway Company Limited.



Mr. CHIU Chi Cheong, Clifton, aged 50, a public accountant in the USA, is the director, member of the Audit Committee and the Strategic Development & Investment Committee. He graduated from the University of Southern California with an MBA degree in 1977. Mr. Chiu has extensive experience in international finance, securities and accounting. Mr. Chiu has been a member of Shenzhen Political Consultative Committee since March 1994. He has been the vice chairman of the Takeovers and Mergers Panel of the Securities and Futures Commission since January 1996 and formerly the vice chairman of the Main Board and Growth Enterprise Market Listing Committee of the Stock Exchange of Hong Kong Limited. Mr. Chiu had been an independent director of the Company for six years. He is currently the managing director of (Hong Kong) Harvester Holdings Co. Ltd.

Directors, Supervisors and Senior Management



Mr. HO Pak Cho, Denis Morgie, aged 62, is an independent director and chairman of the Audit Committee of the Company. He graduated from the University of Melbourne with a bachelor's degree in commerce. He is a fellow of both the Institute of Chartered Accountants in Australia and the Hong Kong Society of Accountants. He served as a government appointed Independent Director of the Hong Kong Securities Clearing Company Limited and was also a member of the Listing Committee of the Hong Kong Stock Exchange between 1995 and 1999. After 35 years in the accounting profession, Mr. Ho retired as a senior partner of PricewaterhouseCoopers Hong Kong in 1999.



Mr. LI Zhi Zheng, aged 62, senior research engineer, is an independent director, Chairman of Human Resources & Nomination Committee, the member of the Strategic Development & Investment Committee. He has almost 35 years experience in technology, administration and operation management. He held senior administration posts in the former Ministry of Aero-Space Industry for many years. He was Chief Executive Officer of CATIC Shenzhen Holdings and was chairman of several listed companies. Mr. Li is currently the chairman of Shenzhen Kaidi Investment Management Company Limited.



Mr. ZHANG Zhi Xue, aged 35, is an independent director and the member of the Human Resources & Nomination Committee of the Company. He graduated from the Institute of Labour and Personnel of Renmin University of China in 1991 with a bachelor's degree and obtained a master's degree of economics from the Institute of Economics of Jinan University. Mr. Zhang has more than ten years experience in human resources management and consultation. Mr. Zhang worked at Nanshan District Government of Shenzhen City and at Shenzhen Huawei Technologies Co., Ltd. He is currently the general manager of Zuo You Management Consultants Co. Ltd.

Directors, Supervisors and Senior Management



Mr. POON Kai Leung, James, aged 39, is an independent director and the member of the Audit Committee of the Company. Mr. Poon holds a Master Degree of Business Administration and a Ph.D. Degree in Finance from the Chinese University of Hong Kong and is a fellow member of The Society of Registered Financial Planner in Hong Kong. He is currently the Director, Greater China of ING Bank Hong Kong. Prior to that, Mr. Poon was the Head of Corporate Financial Services of ING Bank Shanghai Branch and the General Manager of ING Bank Shenzhen Branch. He has extensive experience in managing international and Chinese client relationships and has concluded numerous capital market transactions in the Region. Mr. Poon is also a Non-executive Director of ING Beijing Investment Company Limited listed on the Hong Kong Stock Exchange and is a part-time professor for a Master Degree Program at the Chinese University of Hong Kong. He was the Chairman of the Association of Shenzhen Foreign Financial Institutions in 2000 and 2001, Vice-Chairman of the Shenzhen Information Industry Association and Director of Hong Kong Chamber of Commerce in China - Guangdong in 2001.

Supervisors



Mr. WANG Ji Zhong, aged 57, top senior accountant, is the Chairman of the Supervisory Committee of the Company. After he graduated from the institute, Mr. Wang has worked in accounting and management in different sized enterprises of Architecture, materials, instruments and tobacco for more than thirty years, and has extensive management experience. Before his entering into Xin Tong Chan Company as the deputy general manager in October 1997, Mr. Wang was the director of the Finance Department of Shenzhen Investment and Management Co.



Mr. YANG Qin Hua, aged 36, accountant, is the Supervisor of the Company. Mr. Yang graduated from Administration Institute of Zhongshan University with a bachelor's degree in accounting. He served as the accountant of Guangdong Roads Bureau. Since March 2001, Mr. Yang has served as the deputy chief accountant and the manager of the Audit Department of Guangdong Roads and Bridges. Mr. Yang is also the director of Guangdong Luda Expressway Co. Ltd. and Guangdong Yuefeng Expressway Co. Ltd and, the supervisor of Heyuan Helong Expressway Co. Ltd and Yunfu Guangyun Expressway Co. Ltd.

Directors, Supervisors and Senior Management



Mr. Yi Ai Guo, aged 41, economist, is the Supervisor of the Company. He obtained a bachelor's degree and a master's degree in Transportation Administration from Xinan University of Communications in 1984 and 1987, respectively. He served as the section chief of the Administrative Office of Guangzhou Railway Group, Company Secretary of Guangshen Railway Company Limited. Mr. Yi joined the Company in October 1998 as the manager of the Operation Department. He is currently the deputy chief of the Operation Center and the chairman of the Labour Branch of the Operation Center of the Company, director of Meiguan Company, Jihe East Company, Shenchang Company and the Advertising Company.

Senior Management



Mr. WANG Xue Feng, aged 43, senior economist, is the Deputy General Manager and Chief Operation Management Officer of the Company. Mr. Wang obtained a bachelor's degree in mechanical engineering and economics from Central China University of Agriculture (華中農業大學). He worked in the local governmental departments in Hubei Province. Mr. Wang joined Xin Tong Chan Company in 1994 and was the human resources manager. Mr. Wang is now responsible for the operation management of the toll roads of the Company. He is also the chairman of Meiguan Company and Jihe East Company and vice-chairman of Shenchang Company.



Mr. FAN Li Ping, aged 41, senior engineer, is the Deputy General Manager and Chief Project Management Officer of the Company. Mr. Fan obtained a bachelor's degree in engineering from Chongqing Institute of Architecture and Engineering (重慶建築工程學院). He worked in the No.1 Highway Survey, Planning and Design Institute of the Ministry of Communications (交通部第一公路勘察設計院) and joined Xin Tong Chan Company in 1994 as senior engineer and manager of the Contracting Department of the Administration Office of Jihe East. Upon the establishment of the Company, he served as the deputy manager of the Department of Engineering, manager of the Operations and Management Dept and the deputy general manager of the Project Administration Office of Jihe West, the general manager of the Project Administration Office of Yanba A and Mr. Fan is now mainly responsible for the construction management of expressway projects.

Directors, Supervisors and Senior Management



MS. GONG Tao Tao, aged 31, certified public accountant and certified public valuer of China, is the Chief Financial Officer of the Company. Ms Gong graduated from the Accounting Department of Shanghai University of Finance & Economics (上海財經大學) in 1994 and obtained a master's degree of business administration from Fudan University (復旦大學) in 1999. She served as the auditor, project manager and department manager of Shenzhen Dahua Certified Public Accountants. Ms. Gong joined the Company in 1999, serving in sequence as the deputy manager of the Finance Department and manager of the Audit Department of the Company. Ms. Gong is also the director of the Advertising Company and the Engineering Consulting Company.



Mr. WU Xian, aged 46, engineer, is the Chief Engineering and Technology Officer of the Company. Mr. Wu obtained a bachelor's degree in civil engineering from the Xi'an University of Highways and Communications (西安公路交通大學). He joined Xin Tong Chan Company in 1995 and was a deputy general manager. He was the deputy general manager of the Company since its establishment until August 2003. He is mainly responsible for the technology management, communications and training of the Company. Mr. Wu is also the director of Wutongling Company.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

TO THE SHAREHOLDERS OF SHENZHEN EXPRESSWAY COMPANY LIMITED

(incorporated in the People's Republic of China with limited liability)

We have audited the accounts on pages 83 to 136 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2003 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5th March 2004

Consolidated Profit and Loss Account

For the year ended 31st December 2003

	Note	2003 RMB'000	As restated 2002 RMB'000
Turnover	3	421,531	524,291
Other revenues	3	79,510	66,536
Gain on disposal of assets	4	691,416	—
Depreciation and amortisation		(82,188)	(100,674)
Staff costs	6	(36,646)	(45,950)
Road maintenance expenses		(7,369)	(16,561)
Other operating expenses		(57,678)	(50,570)
		<hr/>	<hr/>
Operating profit	5	1,008,576	377,072
Finance costs	8	(13,140)	(24,927)
Share of profits less losses of jointly controlled entities		59,094	61,873
		<hr/>	<hr/>
Profit before taxation		1,054,530	414,018
Taxation	9	(148,641)	(61,085)
		<hr/>	<hr/>
Profit after taxation		905,889	352,933
Minority interests		(6,517)	(5,869)
		<hr/>	<hr/>
Profit attributable to shareholders	10	899,372	347,064
		<hr/> <hr/>	<hr/> <hr/>
Dividends	11	414,333	261,684
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	12	RMB0.412	RMB0.159
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Balance Sheet

As at 31st December 2003

	Note	2003 RMB'000	As restated 2002 RMB'000
Non-current assets			
Goodwill	13	5,614	—
Fixed assets	14	3,306,899	4,205,215
Construction in progress	18	39,849	269,146
Interests in jointly controlled entities	16	1,319,175	1,240,010
Long-term receivable	17	372,946	—
		<hr/> 5,044,483	<hr/> 5,714,371
Current assets			
Inventories		6,131	5,892
Amount due from a jointly controlled entity	19	637	1,124
Current portion of long-term receivable	17	649,330	—
Other receivables, prepayments and deposits		13,574	16,179
Bank balances and cash		1,274,818	962,736
		<hr/> 1,944,490	<hr/> 985,931
Current liabilities			
Other payables and accrued expenses		192,760	145,484
Taxation payable		121,291	4,563
Current portion of long-term liabilities	23	3,082	—
Short-term bank loans, secured	24	—	480,000
Short-term bank loans, unsecured	24	40,000	130,000
		<hr/> 357,133	<hr/> 760,047
Net current assets		<hr/> 1,587,357	<hr/> 225,884
Total assets less current liabilities		<hr/> 6,631,840	<hr/> 5,940,255

Consolidated Balance Sheet

As at 31st December 2003

	Note	2003 RMB'000	As restated 2002 RMB'000
Financed by:			
Share capital	20	2,180,700	2,180,700
Reserves	21	3,127,484	2,938,740
Proposed final dividend	21	414,333	261,684
Retained earnings	21	359,552	64,157
		<hr/>	<hr/>
Shareholders' funds		6,082,069	5,445,281
Minority interests		49,967	50,282
Non-current liabilities			
Long-term liabilities	23	102,389	167,626
Deferred tax liabilities	22	42,943	36,754
Deferred income	25	354,472	240,312
		<hr/>	<hr/>
		6,631,840	5,940,255
		<hr/> <hr/>	<hr/> <hr/>

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Chen Chao

Director

Wu Ya De

Director

Balance Sheet

As at 31st December 2003

	Note	2003 RMB'000	As restated 2002 RMB'000
Non-current assets			
Fixed assets	14	2,315,064	3,188,397
Construction in progress	18	39,540	268,692
Investments in subsidiaries	15	873,333	915,509
Investments in jointly controlled entities	16	1,294,874	1,243,645
Long-term receivable	17	372,946	—
		<hr/> 4,895,757	<hr/> 5,616,243
Current assets			
Inventories		5,479	5,609
Amount due from a jointly controlled entity	19	2,340	2,360
Current portion of long-term receivable	17	649,330	—
Other receivables, prepayments and deposits		10,610	16,793
Bank balances and cash		1,241,688	900,817
		<hr/> 1,909,447	<hr/> 925,579
Current liabilities			
Other payables and accrued expenses		185,998	137,239
Taxation payable		115,092	1,135
Current portion of long-term liabilities	23	3,082	—
Short-term bank loans, secured	24	—	480,000
Short-term bank loans, unsecured	24	40,000	130,000
		<hr/> 344,172	<hr/> 748,374
Net current assets		<hr/> 1,565,275	<hr/> 177,205
Total assets less current liabilities		<hr/> 6,461,032	<hr/> 5,793,448

Balance Sheet

As at 31st December 2003

	Note	2003 RMB'000	As restated 2002 RMB'000
Financed by:			
Share capital	20	2,180,700	2,180,700
Reserves	21	3,055,498	2,885,088
Proposed final dividend	21	414,333	261,684
Retained earnings	21	347,406	60,615
		<hr/>	<hr/>
Shareholders' funds		5,997,935	5,388,087
Non-current liabilities			
Long-term liabilities	23	87,095	148,419
Deferred tax liabilities	22	21,530	16,630
Deferred income	25	354,472	240,312
		<hr/>	<hr/>
		6,461,032	5,793,448
		<hr/> <hr/>	<hr/> <hr/>

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Chen Chao

Director

Wu Ya De

Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2003

	Note	2003 RMB'000	2002 RMB'000
As at 1st January, as previously reported		5,505,253	5,363,392
Effect of change in accounting policy	2(j)	(59,972)	(47,105)
As at 1st January, as restated		5,445,281	5,316,287
Profit for the year		899,372	347,064
Dividends	21	(261,684)	(218,070)
Other decrease	21	(900)	—
Total equity as at 31st December		<u>6,082,069</u>	<u>5,445,281</u>

Consolidated Cash Flow Statement

For the year ended 31st December 2003

	Note	2003 RMB'000	2002 RMB'000
Operating activities			
Cash received from toll income		445,140	553,925
Cash payments to suppliers		(17,963)	(47,091)
Cash paid to employees		(39,744)	(42,159)
Other cash payments		(53,478)	(68,315)
		<hr/>	<hr/>
Net cash inflow generated from operations	26(a)	333,955	396,360
Interest paid		(13,812)	(25,962)
PRC taxation paid		(36,320)	(36,150)
Government subsidies		10,183	—
		<hr/>	<hr/>
Net cash inflow from operating activities		294,006	334,248
Investing activities			
Purchase of fixed assets and payment for construction in progress		(177,264)	(304,010)
Proceeds from sale of major fixed assets		965,000	—
Proceeds from sale of other fixed assets		463	100
Interest received		28,179	25,938
Purchase of a subsidiary, net of cash acquired	26(d)	(24,318)	—
Purchase of a jointly controlled entity		—	(40,000)
Sale of equity interests in a jointly controlled entity		—	618
Dividends received from investments		—	7,862
Dividends received from jointly controlled entities		113,861	52,663
Decrease/(increase) in fixed bank deposits		132,000	(140,725)
Decrease in other investments		—	358,300
Loans to jointly controlled entities		(193,040)	(140,000)
Repayment of loans receivable from jointly controlled entities		54,394	41,526
		<hr/>	<hr/>
Net cash inflow/(outflow) from investing activities		899,275	(137,728)
		<hr/>	<hr/>
Net cash inflow before financing		1,193,281	196,520
		<hr/>	<hr/>

Consolidated Cash Flow Statement

For the year ended 31st December 2003

	Note	2003 RMB'000	2002 RMB'000
Financing activities	26(b)		
New bank loans borrowed		366,758	1,255,359
Repayment of bank loans borrowed		(925,000)	(1,390,000)
Other long-term advance granted		80,000	30,000
Capital contribution from a minority shareholder of a subsidiary		—	900
Repayment of advance from a minority shareholder		(3,913)	(4,674)
Dividends paid		(261,684)	(218,070)
Dividends paid to minority shareholders		(5,360)	(10,112)
		<hr/>	<hr/>
Net cash outflow from financing activities		(749,199)	(336,597)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Increase/(decrease) in cash and cash equivalents		444,082	(140,077)
Cash and cash equivalents at 1st January		760,736	900,813
		<hr/>	<hr/>
Cash and cash equivalents at 31st December		1,204,818	760,736
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		1,274,818	962,736
Fixed bank deposits		(70,000)	(202,000)
		<hr/>	<hr/>
		1,204,818	760,736
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

1 General

Shenzhen Expressway Company Limited (the "Company") was established as a joint stock limited company in the People's Republic of China (the "PRC") on 30th December 1996. The principal activities of the Company and its subsidiaries (collectively the "Group") and its jointly controlled entities are the development, operation and management of toll highways and expressways in the PRC.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HK GAAP"). This basis of accounting differs in certain material respects from that used in the preparation of the Group's statutory accounts in the PRC. The PRC statutory accounts of the Group have been prepared in accordance with accounting principles and financial regulations applicable to joint stock limited companies in the PRC. Appropriate restatements have been made to the PRC statutory accounts to conform with HK GAAP. Differences arising from the restatements are not incorporated in the Group's accounting records.

The accounts have been prepared under the historical cost convention.

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") 12 (revised) — "Income taxes", issued by the Hong Kong Society of Accountants, which is effective for accounting period commencing on or after 1st January 2003.

The effect of the change in accounting policy arising from the adoption of the revised standard by the Group is set out in note 2(j).

2 Principal accounting policies (Continued)

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital or paid-in capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties establish a company to undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

2 Principal accounting policies (Continued)

(d) Goodwill

Goodwill, which represents the excess of the cost of an acquisition over the fair values of the Group's share of the net assets of the acquired subsidiaries or jointly controlled entities at the date of acquisition, is recognised as an asset and is amortised using the straight-line method over its estimated useful life or 20 years, whichever is shorter. Any unamortised goodwill is charged to the profit and loss account upon disposal of the subsidiaries or jointly controlled entities.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation/amortisation and accumulated impairment losses.

Depreciation of toll roads and amortisation of land use rights in relation to toll roads are calculated to write off their cost on an units-of-usage basis whereby depreciation and amortisation are provided based on the share of actual traffic volume for a particular period over the projected total traffic volume throughout the periods for which the Group is granted the rights to operate those roads. It is a Group policy to review regularly the projected total traffic volume throughout the operating periods of respective toll roads. If it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

Depreciation of buildings, structures and leasehold improvements is calculated to write off their cost on a straight-line basis over the unexpired periods of the leases or the unexpired periods of the rights to operate relevant roads or their expected useful lives, whichever is shorter. The principal annual rates are 3% to 7%.

Other tangible fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis taking into account its estimated residual value. The principal annual rates are as follows:

Equipment	
— traffic related	10%
— electronic and others	20%
Motor vehicles	17%

2 Principal accounting policies (Continued)

(e) Fixed assets (Continued)

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements and major costs incurred in restoring fixed assets to their normal working condition to allow continued use of the overall assets are capitalised and depreciated in accordance with the aforementioned depreciation policy of the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) Construction in progress

Construction in progress is stated at cost which includes development expenditure and other direct costs, including interest cost on the related borrowed funds during the construction period, attributable to the development of toll roads, buildings and structures for the Group's own use. Costs are transferred to fixed assets upon completion.

(g) Inventories

Inventories mainly represent materials and spare parts for the repairs and maintenance of expressways, and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, represents the actual cost of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 Principal accounting policies (Continued)

(h) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(i) Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Principal accounting policies (Continued)

(j) Deferred taxation (Continued)

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

The retrospective adjustments, representing the unprovided deferred tax liabilities on temporary differences arising from different basis of depreciation of toll roads and amortisation of land use rights leading to differences in accounting and the tax bases, the decrease in the Group's share of profits of jointly controlled entities due to the provision of deferred taxation made by the jointly controlled entities following the change in accounting policy; and the corresponding reversal of appropriations made to reserves have resulted in an increase in deferred tax liabilities as at 31st December 2002 by RMB36,754,000 (note 22), a decrease in interests in jointly controlled entities by RMB24,224,000, a decrease in minority interests by RMB1,006,000 and a decrease in reserves by RMB12,398,000 (adjustment in reserves is made according to relevant PRC rules and regulations). The profit and amount transferred to equity for the year ended 31st December 2002 have been reduced by RMB12,867,000 and RMB59,972,000, respectively. Opening retained earnings at 1st January 2002 and 2003 have been reduced by RMB37,647,000 and RMB47,574,000 (note 21), respectively.

(k) Other receivables

Provision is made against other receivables to the extent they are considered to be doubtful. Other receivables in the balance sheet are stated net of such provision.

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(m) Translation of foreign currencies

Transactions in foreign currencies are translated into Renminbi at exchange rates quoted by the People's Bank of China at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated into Renminbi at rates of exchange quoted by the People's Bank of China at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

2 Principal accounting policies (Continued)

(n) Revenue recognition

Toll revenue from operation of toll roads, net of business tax and surcharge, is recognised on a receipt basis.

Construction management services income is recognised using the percentage of completion method by reference to the stage of completion of the construction. The stage of completion is measured by reference to the construction costs incurred to date as a percentage of total estimated costs.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Investment income and dividend income are recognised when the right to receive the payment is established.

Government grants in relation to subsidies for compensation of toll revenue are recognised as income over the periods for which they are intended to benefit in accordance with the policy as stated in note 2(o).

(o) Deferred income — government grants

A government grant is initially recognised as deferred income, when there is reasonable assurance that the grant will be received.

Government grants provided to the Group in relation to subsidies for compensation of toll revenue of a specific toll road are deferred and amortised over the period during which the Group is granted the rights to operate such road.

The subsidies recognised in the profit and loss account for the year is calculated based on the attributable share of the total amount of the government grants intended to be compensated for the year with reference to actual traffic volume for the year and the projected total traffic volume throughout the period of which the Group is granted the rights to operate the road.

It is a Group policy to review regularly the projected total traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment is made should there be a material change.

2 Principal accounting policies (Continued)

(p) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) *Bonus plans*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus in relation to the unexercised rights under the Share Appreciation Right Scheme but not exercised are accrued by reference to the Company's share price as at the balance sheet date.

(iii) *Pension obligations*

The Group contributes to a defined contributions retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The Group's contributions to the defined contributions retirement scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund. Details of the Group's retirement benefits are set out in note 6(c).

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

Notes to the Accounts

3 Turnover and revenue

Revenues recognised during the year are as follows:

	2003 RMB'000	2002 RMB'000
Turnover		
Income from toll roads	444,653	553,048
Less: taxes related to toll income (a)	(23,122)	(28,757)
	421,531	524,291
Other revenues		
Interest income from bank deposits	9,616	12,312
Interest income from a long-term loan	18,563	13,010
Income from construction management services	—	2,413
Government subsidies (note 25)	35,840	32,982
Government subsidies from local government (b)	10,183	—
Others	5,308	5,819
	79,510	66,536
Total revenues	501,041	590,827

(a) Taxes related to toll income comprise:

- PRC Business Tax at 5% on toll income
- City Development Tax at 1% of PRC Business Tax
- Education Supplementary Tax at 3% of PRC Business Tax

(b) This represents government subsidies granted by the Shenzhen Municipal Government in relation to the cancellation of the preferential policies on the PRC enterprise income tax of the Group. Pursuant to a circular Shencaihan [2003] No. 784 issued by the Shenzhen Municipal Ministry of Finance dated 28th October 2003, government subsidies of RMB10,183,000 were granted to the Group by the Shenzhen Municipal Ministry of Finance.

(c) No segment information is presented as all turnover of the Group is toll income earned in the PRC.

4 Gain on disposal of assets

- (a) Pursuant to a transfer agreement (the "Transfer Agreement") signed between the Company and the Shenzhen Communications Bureau, an authorised representative of the Shenzhen Municipal Government, on 18th March 2003, the Company transferred all its rights and interests in National Highway No. 107 (Shenzhen Section) and National Highway No. 205 (Shenzhen Section) to the Shenzhen Communications Bureau at a consideration of RMB1.93 billion. The Shenzhen Communications Bureau took over ownerships of these two highways on 19th March 2003.
- (b) The consideration for the disposal of the above assets is satisfied by cash in the following manners:
- (1) 25% of the total consideration, being the first installment amounting to RMB482.5 million, paid within 10 days after the signing of the Transfer Agreement;
 - (2) 25% of the total consideration, being the second installment amounting to RMB482.5 million, paid before 31st December 2003;
 - (3) 30% of the total consideration, being the third installment amounting to RMB579 million, is payable before 31st December 2004; and
 - (4) the balance of the consideration, being the final installment amounting to RMB386 million, is payable before 31st December 2005.

As at 31st December 2003, the Company had already received the first and second installments of the consideration amounting to RMB965 million.

4 Gain on disposal of assets (Continued)

(c) The gain on disposal of the assets is calculated as follows:

		RMB'000
Total consideration according to the Transfer Agreement		1,930,000
Assets Disposal Extra Compensation	(i)	106,109
Imputed interest of long-term portion of consideration receivable	(ii)	<u>(48,833)</u>
		1,987,276
Stamp duty on assets disposed		(965)
Book value of assets disposed		<u>(1,294,895)</u>
Gain on disposal of assets		<u><u>691,416</u></u>

(i) The Company paid stamp duty of RMB965,000 and provided PRC enterprise income tax of RMB105,144,000 for this assets disposal transaction (see note 9). Total taxes paid/payable amounted to RMB106,109,000. Pursuant to the Transfer Agreement, the Shenzhen Communications Bureau will also grant an amount to the Company in 2004, equal to the actual tax payments to be made by the Company to the relevant tax authorities arising from this assets disposal transaction, as a subsidy to the Company for compensating the effect of assets disposal on the principal activities of the Company ("Assets Disposal Extra Compensation"). Such extra compensation receivable was recognised during the year by the Company.

(ii) As certain portions of the consideration and Assets Disposal Extra Compensation will be paid by installment after 2003, the Company calculated the discounted value of the consideration receivable in the future using an imputed rate of interest of 3.5% per annum, being the prevailing rate for a similar financial instrument offered by an issuer in the PRC with a similar credit rating.

Notes to the Accounts

4 Gain on disposal of assets (Continued)

(d) Total gain on disposal of assets has been/will be recognised in the Company's accounts for the year ended/ending 31st December:

	RMB'000
2003: Gain on disposal of assets	691,416
Provision for PRC enterprise income tax on disposal of assets	(105,144)
	586,272
2004: Imputed interest on long-term portion of the consideration	35,779
2005: Imputed interest on long-term portion of the consideration	13,054
	635,105
Total	635,105

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2003 RMB'000	2002 RMB'000
Crediting		
Net exchange gain	286	—
Charging		
Realised losses on other investments	—	3,475
International auditors' remuneration	1,145	1,220
Statutory auditors' remuneration	980	724
Net exchange loss	—	297
Loss on disposal of other fixed assets	69	39
Provision for doubtful debts		
— Other receivables	—	131
— Loans to a jointly controlled entity (note 16(e))	28,311	14,519
Amortisation of goodwill	153	—

Notes to the Accounts

6 Staff costs

Staff costs, including directors' remuneration, are as follow:

	2003	2002
	RMB'000	RMB'000
Wages and salaries	25,267	30,244
Bonus — Share Appreciation Right Scheme (a)	4,284	4,870
Pension costs — defined contribution plans (c)	2,415	2,147
Other staff welfare benefits	4,680	8,689
	36,646	45,950
	36,646	45,950

(a) At the 2001 Annual General Meeting of the Company held on 6th March 2001, the Share Appreciation Right Scheme (the "Scheme") was approved and adopted. Total number of rights available under the Scheme (the "Rights") is 60,471,000. Rights are granted to directors and key management staff. Rights can be exercised one year after the date of grant and before the respective expiry date. Under the Scheme, the grantees are benefited by way of exercising their Rights to the extent of the higher of the prevailing share price over the pre-determined exercise price of the Rights and receiving a bonus reward in the form of cash from the Company. The amounts payable to the grantees under the Scheme are expensed in the profit and loss account as staff costs.

(i) Movements in the number of Rights during the year are as follows:

		Directors	Management staff	Total
Number of Rights exercisable during the year	(ii)	1,498,538	3,477,300	4,975,838
Number of Rights exercised during the year		(1,498,538)	(3,477,300)	(4,975,838)
Number of Rights not exercised at the end of of the year		—	—	—

6 Staff costs (Continued)

- (ii) Bonus amount paid and payable for such exercisable Rights during the year totalling RMB4,284,000 was charged as staff costs for the year. Out of the amount, bonus in relation to those Rights exercised by directors and management staff of the Company during the year amounted to RMB1,617,000 and RMB2,667,000, respectively.

Pursuant to an Extraordinary Shareholders' Meeting held on 30th October 2003, a resolution was passed to revise the rights attested to the Scheme that they are no longer held by individual but collectively held by senior management and management staff of the Company. The timing to exercise the Rights and the exercise price of the Scheme were also revised. Money arising from exercising the revised Rights of the Scheme will be maintained as a specific bonus fund. The Company shall appropriate such fund to senior management and management staff according to relevant proposal made by the general manager and the Human Resources and Nomination Committee of the Company. All non-executive directors of the Company have signed an undertaking and agreed to forfeit their Rights as attested to the Scheme that had not been exercised as at 31st December 2003.

- (b) As at 31st December 2003, details of the Rights which had not been exercised are set out below:

Number of the Rights which had not been exercised	Provision for the year RMB'000	Exercisable date
2,750,700	—	16th March 2004
2,750,700	—	16th March 2005
<u>5,501,400</u>	<u>—</u>	

- (c) The Group participates in the Shenzhen Municipal Retirement Scheme managed by Shenzhen Social Security Administration Bureau. Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 12% and 7% respectively (2002: 12% and 7% respectively) of the monthly salary in respect of its full-time and temporary employees. The Bureau is responsible for the pension payments to be made to the retired employees of the Group and the Group has no further obligations. For the year ended 31st December 2003, total contributions made in this connection amounted to RMB2,415,000 (2002: RMB2,147,000).

7 Directors' and senior management's emoluments

(a) Directors' remuneration

The aggregate amounts of emoluments payable to directors during the year are as follows:

	2003	2002
	RMB'000	RMB'000
As directors		
— executive	—	—
— non-executive		
— remuneration	872	477
— allowances	82	116
— bonus from Share Appreciation Right Scheme	690	129
For management		
— basic salaries and allowances	696	723
— bonuses	319	250
— contributions to the retirement scheme	29	18
— bonus from Share Appreciation Right Scheme	927	89
	3,615	1,802
	3,615	1,802

In accordance with the Share Appreciation Right Scheme approved by the shareholders at the 2001 Annual General Meeting on 6th March 2001, 1,498,538 Rights which were exercisable by the directors under the Scheme during the year were fully exercised. Bonus payable to directors in relation to such exercised Rights amounted to RMB1,617,000. Please refer to note 6(a) to the accounts for details of Rights exercisable and exercised during the year.

No directors waived any emoluments in respect of the years ended 31st December 2003 and 2002.

During the years ended 31st December 2003 and 2002, no emoluments had been paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office.

7 Directors' and senior management's emoluments (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2002: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2002: three) individuals during the year are as follows:

	2003	2002
	RMB'000	RMB'000
Basic salaries and allowances	592	828
Bonuses	285	255
Contributions to a retirement scheme	32	30
Bonus from Share Appreciation Right Scheme	286	108
	1,195	1,221
	1,195	1,221

The emoluments for all the directors (executive and non-executive) and senior management fell within the band of nil to RMB1,060,000 (HK\$1,000,000) during the years ended 31st December 2003 and 2002.

8 Finance costs

	2003	2002
	RMB'000	RMB'000
Interest on bank loans and other loans	13,812	25,962
Less: interest capitalised in construction in progress	(672)	(1,035)
	13,140	24,927
	13,140	24,927

The capitalisation rate applied to funds borrowed and used for the development of construction in progress ranged between 1.8% and 7.17% (2002: 1.8% and 7.17%) per annum.

Notes to the Accounts

9 Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2003	As restated
	RMB'000	2002
		RMB'000
Current taxation		
— PRC enterprise income tax	47,904	40,679
— PRC enterprise income tax on disposal of assets (note 4)	105,144	—
Deferred taxation (note 22)	6,189	8,025
	159,237	48,704
Share of taxation attributable to jointly controlled entities	(10,596)	12,381
	148,641	61,085

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the location of the Company as follows:

	2003	2002
	RMB'000	RMB'000
Profit before taxation	1,054,530	414,018
Calculated at a taxation rate of 15% (2002: 15%)	158,180	62,103
Effect of different taxation rates in other locations	(12,487)	1,525
Income not subject to taxation	(23,100)	(12,074)
Expenses not deductible for taxation purposes	20,433	3,382
Unrecognised tax losses	6,457	6,149
Share of preferential tax benefits of jointly controlled entities	(842)	—
Taxation charge	148,641	61,085

Notes to the Accounts

9 Taxation (Continued)

- (a) The Company is subject to PRC enterprise income tax rate of 15% for the year ended 31st December 2003, the preferential tax rate for enterprises established in the Shenzhen Special Economic Zone, as compared with the standard rate of 33%.
- (b) Pursuant to the approvals of the relevant authorities, two jointly controlled entities of the Company, Shenzhen Qinglong Expressway Company Limited ("Qinglong") and Hubei Yungang Transportation Development Company Limited ("Yungang"), are to be exempted from PRC enterprise income taxes for the first two profit-making years and a 50% reduction of the PRC enterprise income taxes for the three consecutive years thereafter. As a result, the two jointly controlled entities have not provided PRC enterprise income taxes in 2003 as it is the first profit-making year of Qinglong and the second profit-making year of Yungang.

The PRC enterprise income taxes charged to the consolidated profit and loss account have been calculated on the assessable profits of the Company, its subsidiaries and other jointly controlled entities for the year at rates of taxation applicable to the respective companies.

- (c) No provision for Hong Kong profits tax has been made in the accounts as the Group has no income assessable under Hong Kong profits tax.

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10 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of RMB871,532,000 (2002 (as restated): RMB295,348,000).

11 Dividends

	2003	2002
	RMB'000	RMB'000
Final, proposed, of RMB0.19 (2002: RMB0.12) per ordinary share	<u>414,333</u>	<u>261,684</u>

At a meeting held on 5th March 2004 the directors declared a final dividend of RMB0.19 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2004.

12 Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of RMB899,372,000 (2002: RMB347,064,000) and 2,180,700,000 (2002: 2,180,700,000) ordinary shares in issue during the year.

No fully diluted earnings per share is presented as the Company has no dilutive potential shares.

13 Goodwill

	Group
	RMB'000
Year ended 31st December 2003	
Beginning net book value	—
Acquisition of a subsidiary (note 26(d))	5,689
Amortisation charge	(75)
	5,614
Closing net book value	5,614
At 31st December 2003	
Cost	5,689
Accumulated amortisation	(75)
	5,614
Net book value	5,614

The addition in goodwill was in relation to the acquisition of a subsidiary during the year (note 15(c)).

Notes to the Accounts

14 Fixed assets

Group

	Toll roads RMB'000	Land use rights of toll roads RMB'000	Buildings, structures and leasehold improvements RMB'000	Equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1st January 2003	3,628,529	533,569	222,195	179,443	16,146	4,579,882
Additions	—	—	—	9,129	1,780	10,909
Transfer from construction in progress (note 18)	435,743	—	11,197	19,115	—	466,055
Reclassifications	39,888	(39,888)	—	—	—	—
Disposals of toll roads (note 4)	(1,269,647)	(161,491)	(52,726)	(14,980)	(6,448)	(1,505,292)
Disposals of other assets	—	—	—	(196)	(2,347)	(2,543)
At 31st December 2003	<u>2,834,513</u>	<u>332,190</u>	<u>180,666</u>	<u>192,511</u>	<u>9,131</u>	<u>3,549,011</u>
Accumulated depreciation						
At 1st January 2003	239,515	38,841	32,924	52,055	11,332	374,667
Charge for the year	45,426	7,744	7,208	19,294	2,516	82,188
Disposals of toll roads (note 4)	(162,723)	(21,452)	(18,492)	(4,092)	(5,973)	(212,732)
Disposals of other assets	—	—	—	(152)	(1,859)	(2,011)
At 31st December 2003	<u>122,218</u>	<u>25,133</u>	<u>21,640</u>	<u>67,105</u>	<u>6,016</u>	<u>242,112</u>
Net book value						
At 31st December 2003	<u>2,712,295</u>	<u>307,057</u>	<u>159,026</u>	<u>125,406</u>	<u>3,115</u>	<u>3,306,899</u>
At 31st December 2002	<u>3,389,014</u>	<u>494,728</u>	<u>189,271</u>	<u>127,388</u>	<u>4,814</u>	<u>4,205,215</u>

Notes to the Accounts

14 Fixed assets (Continued)

Company

	Toll roads	Land use rights of toll roads	Buildings, structures and leasehold improvements	Equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1st January 2003	2,830,481	293,986	188,472	135,012	13,629	3,461,580
Additions	—	—	—	8,068	1,665	9,733
Transfer from construction in progress (note 18)	435,743	—	8,514	15,882	—	460,139
Reclassifications	39,888	(39,888)	—	—	—	—
Disposals of toll roads (note 4)	(1,269,647)	(161,491)	(52,726)	(14,980)	(6,448)	(1,505,292)
Disposals of other assets	—	—	—	(196)	(2,347)	(2,543)
At 31st December 2003	<u>2,036,465</u>	<u>92,607</u>	<u>144,260</u>	<u>143,786</u>	<u>6,499</u>	<u>2,423,617</u>
Accumulated depreciation						
At 1st January 2003	188,839	23,805	25,021	25,906	9,612	273,183
Charge for the year	25,937	2,338	5,435	14,144	2,259	50,113
Disposals of toll roads (note 4)	(162,723)	(21,452)	(18,492)	(4,092)	(5,973)	(212,732)
Disposals of other assets	—	—	—	(152)	(1,859)	(2,011)
At 31st December 2003	<u>52,053</u>	<u>4,691</u>	<u>11,964</u>	<u>35,806</u>	<u>4,039</u>	<u>108,553</u>
Net book value						
At 31st December 2003	<u>1,984,412</u>	<u>87,916</u>	<u>132,296</u>	<u>107,980</u>	<u>2,460</u>	<u>2,315,064</u>
At 31st December 2002	<u>2,641,642</u>	<u>270,181</u>	<u>163,451</u>	<u>109,106</u>	<u>4,017</u>	<u>3,188,397</u>

Notes to the Accounts

14 Fixed assets (Continued)

- (a) The toll roads and related land use rights and buildings of the Group are all located in the PRC.
- (b) As detailed in note 4, the Company transferred all its rights and interests in two toll roads, National Highway No. 107 (Shenzhen Section) and National Highway No. 205 (Shenzhen Section), to the Shenzhen Communications Bureau during the year. The total net book value of the assets disposed of amounted to RMB1,294,895,000, comprising fixed asset costs of these toll roads as at the date of disposal of RMB1,292,560,000 and the related receivable balance of RMB2,335,000.

15 Investments in subsidiaries

		Company	
		2003 RMB'000	2002 RMB'000
Unlisted investments, at cost		750,040	721,050
Advance to a subsidiary	(d)	123,293	194,459
		873,333	915,509

- (a) The following is a list of major subsidiaries as at 31st December 2003:

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Interest held
Shenzhen Meiguan Highway Company Limited ("Meiguan")	PRC, limited liability company	Construction, operation and management of Meiguan Expressway in Shenzhen, the PRC	*95%
Shenzhen Expressway Advertising Company Limited ("Advertising Company")	PRC, limited liability company	Advertising agency	(b) 99.75%

15 Investments in subsidiaries (Continued)

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Interest held
Shenzhen Expressway Project Consulting Company Limited ("Project Consulting Company")	PRC, limited liability company	Project management consulting, construction consulting and selling of construction materials	*70%
Mei Wah Industrial (Hongkong) Limited ("Mei Wah")	Hong Kong, limited liability company	Investment in Yungang	* 100%

* Interests held directly by the Company

- (b) The Company previously held 60% equity interest in Advertising Company. During the year, the Company and Meiguan acquired additional equity interests in Advertising Company of 35% and 5%, respectively. Since then, the Company held an aggregate equity interest in Advertising Company of 99.75%, directly and indirectly.
- (c) In October 2003, the Company acquired 100% equity interest of Mei Wah from a third party at a consideration of HKD24,875,000 (equivalent to RMB26,574,000). Mei Wah is principally engaged in investment holding and its major asset was a 42% equity interest in Yungang, its jointly controlled entity. Goodwill on this acquisition amounted to RMB5,689,000.

The operating profit of Mei Wah from 1st November 2003, the effective acquisition date, to 31st December 2003 of RMB202,000 has been included in the consolidated profit and loss account of the Group. The assets and liabilities of Mei Wah as at 31st December 2003 amounted to RMB18,476,000 and RMB42,000, respectively.

- (d) The advance of RMB123,293,000 (2002: RMB194,459,000) was made to Meiguan and is unsecured, non-interest bearing and is repayable out of the funds to be generated from its toll road project. In the opinion of the directors, there is no recoverability problem associated with this advance.

Notes to the Accounts

16 Interests in jointly controlled entities

	Group		Company	
	2003 RMB'000	As restated 2002 RMB'000	2003 RMB'000	2002 RMB'000
Unlisted investments, at cost	—	—	395,060	395,060
Provision for impairment of investments cost (h)	—	—	(62,650)	(9,060)
	—	—	332,410	386,000
Share of net assets other than goodwill	354,998	382,365	—	—
Goodwill on acquisition of jointly controlled entities less amortisation (b)	10,773	9,060	—	—
Provision for impairment of goodwill (e)	(9,060)	(9,060)	—	—
	356,711	382,365	332,410	386,000
Advances to jointly controlled entities (c)	962,464	526,374	962,464	526,374
Loans to a jointly controlled entity (d)	46,464	43,424	46,464	43,424
Provision for doubtful loans (e)	(46,464)	(18,153)	(46,464)	(18,153)
Interests in jointly controlled entities — direct	1,319,175	934,010	1,294,874	937,645
Interests in jointly controlled entities — indirect				
Long-term loan (g)	—	306,000	—	306,000
Total	1,319,175	1,240,010	1,294,874	1,243,645

Notes to the Accounts

16 Interests in jointly controlled entities (Continued)

(a) The following is a list of all jointly controlled entities as at 31st December 2003:

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Percentage of interest in ownership
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao")	PRC, Sino-foreign cooperative enterprise	Construction, operation and management of Jihe Expressway (East) in Shenzhen	*55%
Changsha Shenchang Expressway Company Limited ("Shenchang")	PRC, limited liability company	Construction, operation and management of Changsha Ring Road (Northwestern) in Changsha	*51%
Shenzhen Wutongling Ropeway Company Limited ("Wutongling")	PRC, limited liability company	Construction and management of a cable car project in Shenzhen	*40%
Shenzhen Qinglong Expressway Company Limited (formerly known as "Shenzhen Fountain Infrastructure Corporation")	PRC, Sino-foreign cooperative enterprise	Construction, operation and management of Qinglong Expressway in Shenzhen	*40%
Hubei Yungang Transportation Development Company Limited	PRC, Sino-foreign cooperative enterprise	Construction, operation and management of Hubei Yunmeng Geputan Bridge	**42%

The articles of association of all the above companies specify that the economic activity is subject to joint control and none of the participating parties has unilateral control over the economic activity.

* Interests held directly by the Company

** Held by a wholly-owned subsidiary of the Company, Mei Wah

16 Interests in jointly controlled entities (Continued)

- (b) The amount relates to goodwill arising on acquisition of Qinglong, a jointly controlled entity, in December 2002 of RMB1,791,000 and its amortisation charge during the year was RMB78,000. The Group's share of the post-acquisition results of Qinglong was insignificant in 2002 and thus the accounts of the jointly controlled entity were only equity accounted for by the Group commencing from 1st January 2003.
- (c) These represent advances made to Airport-Heao of RMB401,453,000 (2002: RMB416,374,000), Qinglong of RMB264,401,000 (2002: 110,000,000) and Shenchang of RMB296,610,000 (2002: Nil), respectively. The advances are unsecured, non-interest bearing and are repayable out of the funds to be generated from the respective toll road projects. In the opinion of the directors, there is no recoverability problem associated with the advances.
- (d) The loans were advanced to Wutongling and are secured by various equipment and operating facilities of Wutongling. The loans are interest bearing at prevailing bank loan borrowing rate in the PRC and have no fixed terms of repayment.
- (e) Wutongling did not commence operations as originally scheduled, provision for impairment loss has been made against goodwill arising from the acquisition of Wutongling of RMB9,060,000 in 2001, and provision for doubtful loans totalling RMB18,153,000 was made in 2001 and 2002.

As at 31st December 2003, the approval for the continuous construction of the project of Wutongling could not be obtained from the relevant government authorities and the project had been suspended. The directors have considered the above circumstances and decided to make full provision against the investment cost and the respective loans to Wutongling. Accordingly, additional provisions for investment cost of RMB2,000,000 and doubtful loans of RMB28,311,000 have been made during the year.

Notes to the Accounts

16 Interests in jointly controlled entities (Continued)

(f) Information on significant jointly controlled entities

Financial information of Airport-Heao, Shenchang and Qinglong, over which the Company has joint control, as at 31st December 2003 and for the year then ended prepared under HK GAAP is as follows:

	Airport-Heao		Shenchang (ii)		Qinglong
	As restated (i)		As restated (i)		
	2003	2002	2003	2002	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit and loss account					
Turnover	173,107	149,056	16,138	12,473	103,998
Operating profit/(loss) before taxation	139,810	116,188	(153,671)	(3,983)	30,870
Taxation	(20,462)	(17,430)	44,888	(5,480)	(2,609)
Profit/(loss) after taxation	119,348	98,758	(108,783)	(9,463)	28,261
Net assets					
Fixed assets	1,207,197	1,211,521	617,079	781,884	942,796
Other long-term assets	—	26	—	—	—
Deferred tax assets	—	—	49,824	—	—
Current assets	53,801	23,758	8,025	14,396	46,969
Current liabilities	(10,378)	(9,892)	(4,387)	(3,650)	(9,775)
Net current assets	43,423	13,866	3,638	10,746	37,194
Amounts due to owners	(523,417)	(609,385)	(581,758)	(600,000)	(292,072)
Long-term loan	—	—	—	—	(558,008)
Deferred tax liabilities	(28,105)	(24,661)	(25,838)	(20,902)	(6,126)
Net assets	699,098	591,367	62,945	171,728	123,784

16 Interests in jointly controlled entities (Continued)

- (f) Information on significant jointly controlled entities (Continued)
- (i) In the current year, Airport-Heao and Shenchang adopted the revised SSAP 12 which represents a change in accounting policy and has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. Details are described in note 2(j).
- (ii) Shenchang has been in operation for four years. The traffic volume and revenues of past years could not be achieved as expected and Shenchang has been suffering loss as in the past four years. During the year, the directors of the Company appointed a professional traffic consultant to update and revise the forecast traffic volume throughout the future operating period as well as an independent valuer to perform a valuation on Shenchang's toll roads based on the re-projected traffic volume. According to the revaluation results, Shenchang has made an impairment provision against fixed assets balance (toll road) of RMB150,981,000 and it has recognised related deferred tax asset of RMB49,824,000 during the year.

(g) Long-term loan

Long-term loan as at 31st December 2002 represents long-term loan made to Changsha Ring Road Construction and Development Co., Ltd. ("Ring Road Co."), the joint venture partner of Shenchang. The background and terms of the loan are summarised below:

On 22nd July 1998, the Company entered into an agreement (the "Agreement") with Ring Road Co., an independent third party in the PRC, in order to establish Shenchang to construct, manage and operate a highway, Changsha Ring Road. The total investment of Shenchang is RMB800 million, out of which the registered capital is RMB200 million. The Company was responsible to contribute RMB102 million, representing 51% of the registered capital of Shenchang. The difference between the total investment and the registered capital of Shenchang of RMB600,000,000 was entirely contributed by Ring Road Co. by means of non-interest bearing advance made by the two owners (the "Advance").

A part of the Advance of RMB306,000,000, representing 51% of RMB600,000,000, was required to be advanced by the Company to Ring Road Co. in the form of loan. The loan is unsecured and interest-bearing at loan borrowing interest rate quoted by the People's Bank of China for a term over five years from time to time. Ring Road Co. has pledged its 49% equity interest in Shenchang to the Company to secure its payment obligations of the interest accrued on the loan.

16 Interests in jointly controlled entities (Continued)

(g) Long-term loan (Continued)

Pursuant to the Agreement, the loan was scheduled to be repaid in one lump sum by setting off against the Company's commitment to contribute the same loan amount to Shenchang in 2007. On 23rd December 2003, the Company entered into a supplementary agreement with Ring Road Co., under which the aggregate interest of the loan of RMB80,702,000 for the period ended 31st October 2007 which was expected to be payable by Ring Road Co. to the Company was settled by Ring Road Co. in advance by a lump sum payment of RMB66,800,000. The Company was required to waive the right to claim the remaining balance of RMB13,902,000. On the same date, the loan principal balance of RMB306,000,000 due from Ring Road Co. was converted into a non-interest bearing advance to Shenchang granted by the Company. Due to the fact that provision for impairment loss had been made against the asset value associated with the toll roads of Shenchang during the year, in the opinion of the directors of the Company, the interest received in advance, net of related applicable taxes, should be offset against the Company's share of the provision for impairment loss of Shenchang in the consolidated profit and loss account. It is considered to be a fair presentation of the financial impact on the Company arising from the transactions.

(h) Provision for impairment of investment costs

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		Company	
		2003	2002
		RMB'000	RMB'000
As at 1st January	16(e)	9,060	9,060
Increase of impairment provision for			
Wutongling	16(e)	2,000	—
Provision for impairment of Shenchang	(i)	51,590	—
		62,650	9,060
As at 31st December			

(i) As detailed in note 16 (f) (ii), Shenchang has made an impairment provision against its toll road and recognised the related deferred tax asset during the year accordingly. The related accounting treatments enacted in the Group's accounts have been described in note 16(g) above. In the Company's accounts, an impairment loss provision against the investment cost in Shenchang of RMB51,590,000 has been made.

Notes to the Accounts

17 Long-term receivable

The amount represents the consideration of RMB919,755,000, receivable in 2004 and 2005 and the Assets Disposal Extra Compensation of RMB102,521,000 to be received in 2004 in respect of the disposal of assets pursuant to the Transfer Agreement entered into between the Company and the Shenzhen Communication Bureau on 18th March 2003. Details are as follows:

		Consideration	Imputed	Net present
		RMB'000	interests	value
			RMB'000	RMB'000
Consideration for disposal of assets:				
	note 4 (b)			
— third installment		579,000	(32,191)	546,809
— fourth installment		386,000	(13,054)	372,946
		<u>965,000</u>	<u>(45,245)</u>	<u>919,755</u>
Assets Disposal Extra Compensation	note 4 (c) (i)	106,109	(3,588)	102,521
		<u>1,071,109</u>	<u>(48,833)</u>	<u>1,022,276</u>
Current portion of long-term receivable		<u>685,109</u>	<u>(35,779)</u>	<u>649,330</u>
Long-term receivable		<u><u>386,000</u></u>	<u><u>(13,054)</u></u>	<u><u>372,946</u></u>

Notes to the Accounts

18 Construction in progress

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
At 1st January	269,146	64,175	268,692	64,066
Additions	236,758	229,819	230,987	228,268
Transfer to fixed assets (note 14)	(466,055)	(24,848)	(460,139)	(23,642)
At 31st December	39,849	269,146	39,540	268,692

Construction in progress mainly comprises expenditures incurred on construction of toll roads not yet completed as at 31st December 2003.

19 Amount due from a jointly controlled entity - Group and Company

The amount mainly represents the net balance of toll income collected by the Group on behalf of Airport-Heao, a jointly controlled entity against the toll income collected by that jointly controlled entity on behalf of the Group. The amount is unsecured, interest free and it is settled on a monthly basis.

During the year, toll income collected by the Group on behalf of that jointly controlled entity was RMB72,295,000 (2002: RMB61,594,000), and toll income collected by that jointly controlled entity on behalf of the Group was RMB79,256,000 (2002: RMB63,094,000). All toll income collected is paid back to the counter party on a monthly basis without charging any handling charges.

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20 Share capital

	Registered, issued and fully paid				Total RMB'000
	Shares held by the State RMB'000	Shares held by legal persons RMB'000	Ordinary shares, listed in the PRC ("A shares") RMB'000	Foreign Invested Shares, listed in Hong Kong ("H shares") RMB'000	
At 31st December					
2003 and 2002	654,780	613,420	165,000	747,500	2,180,700

Pursuant to the Company's articles of association, all shares are of nominal value of RMB1 each and are all registered ordinary shares carrying equal rights.

Notes to the Accounts

21 Reserves

Group	Share premium RMB'000	Statutory			Total RMB'000	Retained earnings RMB'000
		Statutory surplus reserve RMB'000	public welfare fund RMB'000	Discretionary surplus reserve RMB'000		
At 1st January 2003, as previously reported	2,060,909	227,303	209,535	453,391	2,951,138	373,415
Effect of adopting SSAP 12 (Revised) (note 2(j))	—	(6,311)	(6,087)	—	(12,398)	(47,574)
At 1st January 2003, as restated	2,060,909	220,992	203,448	453,391	2,938,740	325,841
Profit for the year	—	—	—	—	—	899,372
Transfer from/(to)						
other reserves	—	98,028	91,616	—	189,644	(189,644)
2002 final dividend paid	—	—	—	—	—	(261,684)
Other decreases	(900)	—	—	—	(900)	—
At 31st December 2003	2,060,009	319,020	295,064	453,391	3,127,484	773,885
Representing:						
2003 final dividend proposed						414,333
Others						359,552
Retained earnings as at 31st December 2003						773,885
Company and subsidiaries	2,060,009	319,020	295,064	453,391	3,127,484	755,659
Jointly controlled entities	—	—	—	—	—	18,226
At 31st December 2003	2,060,009	319,020	295,064	453,391	3,127,484	773,885

Notes to the Accounts

21 Reserves (Continued)

Group	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory		Total RMB'000	Retained earnings RMB'000
			public welfare fund RMB'000	Discretionary surplus reserve RMB'000		
At 1st January 2002, as previously reported	2,060,909	156,574	156,574	453,391	2,827,448	355,244
Effect of adopting SSAP 12 (Revised) (note 2(j))	—	(4,814)	(4,644)	—	(9,458)	(37,647)
At 1st January 2002, as restated	2,060,909	151,760	151,930	453,391	2,817,990	317,597
Profit for the year, as restated	—	—	—	—	—	347,064
Transfer from/(to) other reserves, as restated	—	69,232	51,518	—	120,750	(120,750)
2001 final dividend paid	—	—	—	—	—	(218,070)
At 31st December 2002	2,060,909	220,992	203,448	453,391	2,938,740	325,841
Representing:						
2002 final dividend proposed						261,684
Others						64,157
Retained earnings as at 31st December 2002						325,841
Company and subsidiaries	2,060,909	220,992	203,448	453,391	2,938,740	313,008
Jointly controlled entities	—	—	—	—	—	12,833
At 31st December 2002	2,060,909	220,992	203,448	453,391	2,938,740	325,841

Notes to the Accounts

21 Reserves (Continued)

Company	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Total RMB'000	Retained earnings RMB'000
At 1st January 2003, as previously reported	2,060,009	191,709	191,709	453,391	2,896,818	327,199
Effect of adopting SSAP 12 (Revised) (note 2(j))	—	(5,865)	(5,865)	—	(11,730)	(4,900)
At 1st January 2003, as restated	2,060,009	185,844	185,844	453,391	2,885,088	322,299
Profit for the year	—	—	—	—	—	871,532
Transfer from/(to) other reserves	—	85,204	85,204	—	170,408	(170,408)
2002 final dividend paid	—	—	—	—	—	(261,684)
At 31st December 2003	<u>2,060,009</u>	<u>271,048</u>	<u>271,048</u>	<u>453,391</u>	<u>3,055,496</u>	<u>761,739</u>
Representing:						
2003 final dividend proposed						414,333
Others						347,406
Retained earnings as at 31st December 2003						<u>761,739</u>

Notes to the Accounts

21 Reserves (Continued)

Company	Share premium RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Total RMB'000	Retained earnings RMB'000
At 1st January 2002, as previously reported	2,060,009	156,574	156,574	453,391	2,826,548	313,711
Effect of adopting SSAP 12 (Revised) (note 2(j))	—	(4,475)	(4,475)	—	(8,950)	(1,200)
At 1st January 2002, as restated	2,060,009	152,099	152,099	453,391	2,817,598	312,511
Profit for the year, as restated	—	—	—	—	—	295,348
Transfer from/(to) other reserves, as restated	—	33,745	33,745	—	67,490	(67,490)
2001 final dividend paid	—	—	—	—	—	(218,070)
At 31st December 2002	<u>2,060,009</u>	<u>185,844</u>	<u>185,844</u>	<u>453,391</u>	<u>2,885,088</u>	<u>322,299</u>
Representing:						
2002 final dividend proposed						261,684
Others						60,615
Retained earnings as at 31st December 2002						<u>322,299</u>

21 Reserves (Continued)

(a) Pursuant to relevant PRC regulations and the articles of association of the Company, profit after taxation shall be appropriated in the following sequence:

- (i) make up accumulated losses;
- (ii) transfer 10% of the profit after taxation to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the share capital, such transfer need not be made;
- (iii) transfer 10% of the profit after taxation to the statutory public welfare fund;
- (iv) transfer to the discretionary surplus reserve an amount as approved by the shareholders in annual general meeting;
- (v) distribute dividends to shareholders.

The amounts of transfer to the statutory surplus reserve and statutory public welfare fund shall be based on profit after taxation in the statutory accounts of the Company prepared in accordance with the PRC accounting standards.

(b) **Share premium**

Share premium mainly represents premium on issue of shares net of issuing expenses. According to relevant PRC regulations, share premium can only be used to increase the share capital.

(c) **Statutory surplus reserve and discretionary surplus reserve**

According to relevant PRC regulations, statutory surplus reserve and discretionary surplus reserve can be used to make up losses or to increase the share capital.

(d) **Statutory public welfare fund**

According to relevant PRC regulations, the use of the statutory public welfare fund is restricted to capital expenditures incurred for employees welfare facilities. The statutory public welfare fund is not available for distribution to shareholders except upon liquidation of the Company.

Notes to the Accounts

21 Reserves (Continued)

(e) Profit distributable to shareholders

Pursuant to the relevant PRC regulations and the articles of association of the Company, profit distributable to shareholders shall be the lower of the accumulated distributable profits determined according to PRC accounting standards as stated in the PRC statutory accounts and the accumulated distributable profits adjusted based on HK GAAP. In the PRC statutory accounts as at 31st December 2003, profit distributable to shareholders of the Company, after the final dividend declared of RMB414,333,000 for the year, amounted to RMB229,881,000 (2002 (as restated): accumulated loss of RMB18,179,000).

22 Deferred taxation

Deferred taxation are provided in full on temporary differences under the liability method, using a principal taxation rate of 15% (2002 : 15%).

The movement of the deferred tax liabilities account is as follows:

	Group		Company	
	2003 RMB'000	As restated 2002 RMB'000	2003 RMB'000	As restated 2002 RMB'000
At 1st January	36,754	28,729	16,630	10,150
Charged to profit and loss account (note 9)	6,189	8,025	4,900	6,480
At 31st December	42,943	36,754	21,530	16,630

Notes to the Accounts

22 Deferred taxation (Continued)

The movement of deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax asset

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
At 1st January	—	—	—	—
Charged to the profit and loss account	(1,878)	—	(1,878)	—
At 31st December	(1,878)	—	(1,878)	—

The deferred tax asset represents the deferred tax recognised for the impairment provision made against the investment in Wutongling (excluding the provision made for doubtful bank loans of Wutongling guaranteed by the Company).

Deferred tax liabilities

	Group		Company	
	2003 RMB'000	As restated 2002 RMB'000	2003 RMB'000	As restated 2002 RMB'000
At 1st January	36,754	28,729	16,630	10,150
Charged to the profit and loss account	8,067	8,025	6,778	6,480
At 31st December	44,821	36,754	23,408	16,630

Deferred tax liabilities of the Group of RMB44,821,000 (2002: RMB36,754,000) and those of the Company of RMB23,408,000 (2002: RMB16,630,000) represent the deferred tax on temporary differences arising from the different basis adopted for depreciation of toll roads and amortisation of land use rights which lead to differences in accounting and the tax bases.

Notes to the Accounts

22 Deferred taxation (Continued)

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes are related to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group		Company	
	2003 RMB'000	As restated 2002 RMB'000	2003 RMB'000	As restated 2002 RMB'000
Deferred taxation asset	(1,878)	—	(1,878)	—
Deferred taxation liabilities	44,821	36,754	23,408	16,630
	42,943	36,754	21,530	16,630

23 Long-term liabilities

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Other loans, secured (note (a))	36,177	24,419	36,177	24,419
Other long-term advance (note (b))	54,000	124,000	54,000	124,000
Advance from a minority shareholder of a subsidiary (note (c))	15,294	19,207	—	—
	105,471	167,626	90,177	148,419
Current portion of other loans (note (a))	(3,082)	—	(3,082)	—
	102,389	167,626	87,095	148,419

Notes to the Accounts

23 Long-term liabilities (Continued)

- (a) Other loans totalling USD4,370,897 were borrowed from the Spanish Government through the China Construction Bank. The loans comprise two portions, with a portion of USD2,136,697 bearing interest at 1.8% per annum, while the remaining amount of USD2,234,200 at 7.17% per annum. The loans are repayable by several instalments from 2nd February 2004 to 1st August 2011 and they are guaranteed by XinTongChan Development (Shenzhen) Co., Ltd, a substantial shareholder of the Company.
- (b) Other long-term advance was obtained from local government authorities as an inducement of the Company to participate in a toll road project. The advance is unsecured, non-interest bearing and has no fixed terms of repayment. In the opinion of the directors, the advance is not repayable within five years.
- (c) The advance was granted to Meiguan, a subsidiary of the Company, by a minority shareholder of Meiguan. The advance is unsecured, non-interest bearing and is repayable out of the funds to be generated from Meiguan's toll road project.

24 Borrowings

At 31st December 2003, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans		Other loans, other long-term advances and advances from a minority shareholder	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Within one year	40,000	610,000	3,082	—
In the second to fifth year	—	—	19,401	19,401
After the fifth year	—	—	82,988	148,225
Total	40,000	610,000	105,471	167,626

As at 31st December 2003, total banking facilities available to the Group amounted to RMB4,090,000,000 (2002: RMB3,000,000,000), of which bank loans drawn down of RMB40,000,000 (2002: RMB610,000,000) had been utilised.

25 Deferred income

		Group and Company	
		2003	2002
		RMB'000	RMB'000
At 1st January	(a)	240,312	273,294
Transfer from other long-term advance	(b)	150,000	—
Government subsidy income recognised for the year		(35,840)	(32,982)
		354,472	240,312
At 31st December		354,472	240,312

- (a) Deferred income represents government grants provided to the Company in relation to subsidies for toll revenue of the Yanba Expressway Section A and Section B (the “Expressway”), as a result of the anticipated insufficient traffic volume caused by the early construction of the expressway as requested by the Shenzhen Municipal Government in order to be with its overall town planning requirements. Pursuant to a circular Shenjitouzi [2001] No. 764 issued by the Shenzhen Municipal Government dated 21st November 2001, Shenzhen Municipal Government approved the non-repayment of a long-term advance totalling RMB300,000,000 previously provided to the Company, and the conversion of such advances to a government grant for subsidising the toll revenue of the Company. Such government grants are treated as deferred income and are recognised in the profit and loss account according to the Group’s accounting policies as shown in note 2(n) over the period during which the Company is granted the right to operate the related expressway.
- (b) During the year, the construction of Yanba Expressway Section B was completed and the expressway was put into operation. Pursuant to the circular, Shenjitouzi [2001] No. 764, issued by the Shenzhen Municipal Government dated 21st November 2001, Shenzhen Municipal Government further approved the non-repayment of a long-term advance totalling RMB150,000,000 previously provided to the Company, and the conversion of such advance into a government grant for subsidising toll revenue to the Company. Such government grants are treated as deferred income and are recognised in the profit and loss account according to the Group’s accounting policies as shown in note 2(n) over the period during which the Company is granted the right to operate the Expressway.

Notes to the Accounts

26 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2003	2002
	RMB'000	RMB'000
Operating profit	1,008,576	377,072
Depreciation and amortisation	82,188	100,674
Amortisation of goodwill	153	—
Provision for doubtful debts of other receivables	—	131
Provision for doubtful loans to a jointly controlled entity	28,311	14,519
Gain on disposal of major fixed assets	(691,416)	—
Loss on disposal of other fixed assets	69	39
Increase in inventories	(239)	(77)
Increase in other receivables, prepayments and deposits	(2,950)	(5,646)
Decrease in amount due from a jointly controlled entity	487	—
Decrease in amount due to a jointly controlled entity	—	(3,088)
Decrease in other payables and accrued expenses	(17,022)	(32,435)
Interest income from bank deposits	(9,616)	(12,312)
Interest income from a long-term loan	(18,563)	(13,010)
Investment losses from other investments	—	3,475
Government subsidies	(35,840)	(32,982)
Government subsidies from local government	(10,183)	—
	333,955	396,360
Net cash inflow generated from operations	333,955	396,360

Notes to the Accounts

26 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Share capital and Share premium		Minority interests		Bank loans and other non-current liabilities	
	2003 RMB'000	2002 RMB'000	As restated		2003 RMB'000	2002 RMB'000
			2003 RMB'000	2002 RMB'000		
At 1st January	4,241,609	4,241,609	50,282	48,414	777,626	886,941
Capital contribution from a minority shareholder of a subsidiary	—	—	—	900	—	—
Minority interests in share of profits	—	—	6,517	5,869	—	—
Dividend paid/payable to minority shareholders of subsidiaries	—	—	(5,360)	(4,901)	—	—
New loans granted	—	—	—	—	366,758	1,255,359
New advance granted	—	—	—	—	80,000	30,000
Repayment of advance from minority shareholder of subsidiaries	—	—	—	—	(3,913)	(4,674)
Repayments of loans borrowed	—	—	—	—	(925,000)	(1,390,000)
Transfer from other long-term advance to deferred income	—	—	—	—	(150,000)	—
Others	(900)	—	(1,472)	—	—	—
At 31st December	4,240,709	4,241,609	49,967	50,282	145,471	777,626

(c) Major non-cash transactions

As detailed in note 16(g), the Company converted the long-term loan to Ring Road Co. of RMB306,000,000 into an owner's advance to Shenchang.

Notes to the Accounts

26 Notes to the consolidated cash flow statement (Continued)

(d) Purchase of a subsidiary (note 15(c))

	2003 RMB'000
Net assets acquired	
Interest in a jointly controlled entity	18,595
Other receivables	117
Bank balances and cash	2,256
Other payables and accrued expenses	(83)
	20,885
Goodwill	5,689
	26,574
Satisfied by cash consideration	26,574

The subsidiary, Mei Wah, acquired during the year, paid RMB20,000 for operating activities. No payment was made in respect of investing and financing activities and no taxes were paid.

Analysis of the net outflow in respect of the purchase of the subsidiary:

	2003 RMB'000
Cash consideration	26,574
Bank balances and cash acquired	(2,256)
	24,318
Net cash outflow in respect of the purchase of the subsidiary	24,318

Notes to the Accounts

27 Commitments

As at 31st December 2003, the Group and the Company had the following commitments for construction of expressways and investment:

	2003	2002
	RMB'000	RMB'000
Capital commitment		
— Contracted but not provided for	328,000	252,630
— Authorised but not contracted for	1,197,000	496,000
	1,525,000	748,630
Investment commitment		
— Authorised but not contracted for	611,000	—
	2,136,000	748,630

The jointly controlled entities had no significant capital or investment commitments as at 31st December 2003.

28 Related party transactions

Save as disclosed in the notes to the accounts, the Group had not entered into any other material transactions with related parties during the year.

29 Subsequent events

- (a) On 11th February 2004, a project construction management agreement (the "Management Agreement") was entered into between the Company and the Shenzhen Communications Bureau, an authorised representative of the Shenzhen Municipal Government, in relation to provision of management services on the construction of Shenzhen Nanping Freeway (Phase I) project (the "Project"). Pursuant to the Management Agreement, the Company was appointed as the project manager of the Project. The expected construction cost of the Project is approximately RMB2.268 billion. As authorised by the Shenzhen Communications Bureau, the Company shall enter into construction contracts directly with the contractors responsible for the Project on behalf of the Shenzhen Communications Bureau. The Project will be funded by the government grants from the Shenzhen Municipal Government. The income to be desired by the Company from rendering the construction management service represents the savings between the actual costs to be incurred and the budgeted costs of the Project.
- (b) On 5th March 2004, the Company entered into an agreement with Guangdong Expressway Company Limited ("Guangdong Expressway"), a fellow subsidiary of Guangdong Roads Construction Company Limited which is a promoter and shareholder of the Company, for the acquisition of a 25% equity interest in Yangmao Expressway Company Limited at a consideration of RMB271,680,000. A deposit of RMB1,000,000 has been paid by the Company to Guangdong Expressway. The balance of RMB270,680,000 shall be payable within 5 working days from the effective date of the agreement. The effectiveness of the agreement is subject to approval from the shareholders' meeting of the Company.

30 Approval of accounts

The accounts were approved by the board of directors on 5th March 2004.

Supplementary Information (Unaudited)

For the year ended 31st December 2003

Reconciliation of accounts

The Group has prepared a separate set of accounts for the year ended 31st December 2003 in accordance with PRC accounting standards. The major differences between the accounts prepared under the PRC and HK accounting standards are summarised as follows:

	Profit attributable to shareholders for year ended 31st December 2003 RMB'000	Net assets as at 31st December 2003 RMB'000
As per PRC statutory accounts	852,037	5,952,866
Impact of HK GAAP adjustments:		
Amortisation of land use rights	(3,979)	65,356
Depreciation of fixed assets	2,447	16,368
Assets Disposal Extra Compensation	106,109	106,109
Imputed interest adjustment on the consideration receivable from assets disposal and Assets Disposal Extra Compensation	(48,833)	(48,833)
Deferred taxation	(8,475)	(9,797)
Others	66	—
	<hr/>	<hr/>
Net amount of adjustments	47,335	129,203
	<hr/>	<hr/>
As restated after HK GAAP adjustments	<u>899,372</u>	<u>6,082,069</u>

Notice of 2003 Annual General Meeting

Notice is hereby given that the 2003 Annual General Meeting (the "AGM") of Shenzhen Expressway Company Limited (the "Company") will be held at the conference room of the Company at 19/F, Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen, on 23rd April 2004 (Friday) at 10:00 a.m. for the following purposes:

- 1 To consider and approve the report of the Directors for the year 2003;
- 2 To consider and approve the report of the Supervisory Committee for the year 2003;
- 3 To consider and approve the audited accounts for the year 2003;
- 4 To consider and approve the proposed distribution scheme of profits for the year 2003 (including declaration of the final dividend);
- 5 To consider and approve the budget plan for the year 2004;
- 6 To consider and approve the emoluments of the directors and supervisors for the year 2004;
- 7 To consider and approve the re-appointment of Messrs. PricewaterhouseCoopers (Certified Public Accountants, Hong Kong) as the international auditors and PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. as the statutory auditors of the Company, respectively, and to authorise the Board of directors of the Company to fix their remuneration;
- 8 To consider and approve the amendment to the articles of association of the Company as a special resolution.

That Articles 12,66(2),81,92,95 and 105 of the articles of association of the Company are replaced in their entirety with the following:

[Article 12 The business scope included: investment, construction, operations, and management of highways and roads; imports and exports business (in compliance with the qualification certificate).

Article 66(2) In the event that a shareholder of the Company is a recognized clearing house (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or a clearing house as recognized by the laws of the jurisdiction where the securities of the Company are listed ("Clearing House"), it may appoint a proxy (or proxies) it considers appropriate to attend any general meeting or class meeting of the Company. The proxy form to appoint such proxy (or proxies) shall set out the number and class of shares such proxy (or proxies) is (are) authorized for. The person (or persons) so authorized is (are) entitled to exercise the right of and on behalf of the Clearing House (or its nominee) as if such shareholder is an individual shareholder of the Company.

Notice of 2003 Annual General Meeting

Article 81 Where a resolution on a connected transaction is put to vote at the shareholders' general meeting, each shareholder involved in the connected transaction shall abstain from voting and the votes represented by such shareholders shall not be counted into the total number of effective voting shares. The voting of uninterested shareholders shall be disclosed fully in the notice of the resolutions of shareholders' general meeting. In the event the shareholder involved in the connected transaction cannot be abstained from voting due to unusual circumstances, the Company may continue the voting according to the usual procedures after obtaining the consent of the relevant authorities. A detailed statement thereof shall be provided in the notice of the resolutions of shareholders' general meeting.

Save and except the Company's commercial secrets which cannot be disclosed in the shareholders' general meeting, the Board of Directors and the Supervisory Committee shall reply to the enquiries and proposals of the shareholders and make explanations.

Where any shareholder is, under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Article 92 The directors shall be elected or replaced at the shareholders' general meeting and their term of office shall be three years. Upon the expiry of the term, a director shall be eligible for re-election and re-appointment. The relevant notice to nominate the director in writing shall be lodged seven days before the shareholders' meeting and the candidate is allowed to issue a notice to the Company acknowledging his intention to be elected. The election of the director shall adopt the accumulated voting system whereby, on election of the directors, the number of votes of each shareholder equals to the number of shares that he holds multiplies the number of directors he has the right to elect. Each shareholder may elect a director by using all the votes that he holds or may allocate his votes to all the candidates or elect two or more candidates by using all his votes. The candidate with more votes will be elected. The voting on the election of independent directors and non-independent directors shall be conducted separately.

Commencing on the second date after the dispatch of the notice of the meeting appointed for election of director(s), a shareholder is entitled to lodge a notice in writing to the Company to nominate directors, the period (during which the candidate is allowed to issue a notice to the Company acknowledging his intention to be elected) for lodgment of such notice shall be 7 days. In any event, the aforesaid period shall end seven days before the date of such meeting;

Notice of 2003 Annual General Meeting

- Article 95 (1) The board of directors shall not, without the prior approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of the amount or value of the consideration for the proposed disposition, and the amount or value of the consideration for any such disposition of any fixed assets of the Company that has been completed in the period of four (4) months immediately preceding the proposed disposition, exceeds 33 per cent of the value of the Company's fixed assets as shown in the last balance sheet placed before the shareholders in general meeting.

For the purpose of this Article, disposition includes an act involving some transfer of an interest in property other than by way of provision of security.

- (2) The validity of a disposition by the Company shall not be affected by the breach of the first paragraph of this Article.
- (3) The Company shall obtain the written consent of more than two third of the members of the Board of Directors or the approval of the shareholders at general meeting prior to its giving any guarantee of the liabilities of an external party. The Company shall not provide any guarantee, direct or indirect, of the liability of any entities with a gearing ratio of over 70%. No guarantee shall be provided for any controlling shareholder, any affiliate in which the Company holds less than 50% interests, any unincorporated entity or any individual. The aggregate amount of all guarantees provided by the Company shall not exceed 50% of its total net assets as shown in the combined financial statements for the latest financial year.

- Article 105 When the board is resolving a matter which a director is interested in, such director shall not be present and shall not have any right to vote. Such director shall not be counted in the quorum of the relevant meeting. If the number of disinterested directors in the meeting is less than half of the number of the directors, the interested directors can attend and vote and be counted the in quorum of the meeting approval from relevant supervising authorities are obtained. The Company shall explain the matter in the relevant announcement.

Directors shall abstain from voting at the board meeting on any matter in which any of his associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) has a material interest and are not to be counted towards the quorum of the relevant board meeting.”]

and authorize the board of directors to file the amended articles of association of the Company with the relevant government authorities of the PRC.

Notice of 2003 Annual General Meeting

- 9 To consider and approve the Company's proposed change as a Sino-foreign investment joint stock limited company;
- 10 To consider and, if thought fit, pass the following special resolution to authorize the Board of directors to repurchase H Shares of the Company up to a maximum of 10 per cent. of the aggregate nominal value of the H Shares in issue of the Company:

"THAT:

- (a) subject to paragraphs (b) and (c) below, the Relevant Period (as defined in paragraph (d) below) during which the Board of directors may exercise all the powers of the Company to repurchase H Shares in issue of the Company on The Stock Exchange of Hong Kong Limited ("SEHK"), subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the SEHK or of any other governmental or regulatory body be and is hereby approved;
- (b) the aggregate nominal value of H Shares authorised to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal value of H Shares in issue of the Company as at the date of the passing of this resolution;
- (c) the approval in paragraph (a) above shall be conditional upon:
 - (i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (c)(i)) at (aa) the extraordinary general meeting for holders of overseas listed foreign shares of the Company to be held on 23rd April 2004 (or on such adjourned date as may be applicable); and (bb) the extraordinary general meeting for holders of domestic shares of the Company to be held on 23rd April 2004 (or on such adjourned date as may be applicable);
 - (ii) the approvals of the China Securities Regulatory Commission and any other regulatory authorities as required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and
 - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 25 of the articles of association of the Company;

Notice of 2003 Annual General Meeting

- (d) for the purpose of this special resolution, "Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of;
 - (i) the conclusion of the next annual general meeting following the passing of this special resolution;
 - (ii) the expiration of a period of twelve months following the passing of this special resolution; or
 - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting; and
- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be hereby authorized to:
 - (i) make such amendments to the articles of association accordingly as it thinks fit so as to reduce the registered share capital of the Company and to reflect the new capital structure of the Company upon the repurchase of H Shares of the Company as contemplated in paragraph (a) above; and
 - (ii) file the amended articles of association of the Company with the relevant governmental authorities of the PRC."

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- 11 To consider and approve the following resolutions as special resolutions:
- (a) subject to any governmental and/or regulatory approval under the applicable law, issue, allot, and deal with additional overseas shares of the Company (not exceeding 20 per cent of the aggregate nominal amount of the limited foreign shares in issue as at the date of passing of the shareholders' special resolution); and
 - (b) if applicable, amend the Company's Articles of Association accordingly, subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the PRC Company Law (as may be respectively amended from time to time) as well as approval from the relevant PRC government authorities.

By Order of the Board
Zhang Rong Xing
Director & Company Secretary

Shenzhen, the PRC, 5th March 2004

Notice of 2004 Extraordinary General Meeting for Holders of Overseas-listed Foreign Shares

Notice is hereby given that the 2004 extraordinary general meeting for holders of overseas-listed foreign shares (“H shares”) (“H Shareholders EGM”) of Shenzhen Expressway Company Limited (the “Company”) will be held at the conference room of the Company at 19/F, Tower A, United Plaza, No. 5022 Binhe road North, Shenzhen, on 23rd April 2004 (Friday) at 11:00 a.m. for the following purposes:

To consider and, if thought fit, pass the following special resolution to authorize the Board of directors to repurchase H Shares of the Company up to a maximum of 10 per cent. of the aggregate nominal value of the H Shares in issue of the Company:

“THAT:

- (a) subject to paragraphs (b) and (c) below, the Relevant Period (as defined in paragraph (d) below) during which the Board of directors may exercise all the powers of the Company to repurchase H Shares in issue of the Company on The Stock Exchange of Hong Kong Limited (“SEHK”), subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the SEHK or of any other governmental or regulatory body be and is hereby approved;
- (b) the aggregate nominal value of H Shares authorised to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal value of H Shares in issue of the Company as at the date of the passing of this resolution;
- (c) the approval in paragraph (a) above shall be conditional upon:
 - (i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (c)(i)) at (aa) the AGM to be held on 23rd April 2004 (or on such adjourned date as may be applicable); and (bb) the extraordinary general meeting for holders of domestic shares of the Company to be held on 23rd April 2004 (or on such adjourned date as may be applicable);
 - (ii) the approvals of the China Securities Regulatory Commission and any other regulatory authorities as required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and
 - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 25 of the articles of association of the Company;

Notice of 2004 Extraordinary General Meeting for Holders of Overseas-listed Foreign Shares

- (d) for the purpose of this special resolution, "Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of;
 - (i) the conclusion of the next annual general meeting following the passing of this special resolution;
 - (ii) the expiration of a period of twelve months following the passing of this special resolution; or
 - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting; and
- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be hereby authorized to:
 - (i) make such amendments to the articles of association accordingly as it thinks fit so as to reduce the registered share capital of the Company and to reflect the new capital structure of the Company upon the repurchase of H Shares of the Company as contemplated in paragraph (a) above; and
 - (ii) file the amended articles of association of the Company with the relevant governmental authorities of the PRC."

By Order of the Board
Zhang Rong Xing
Director & Company Secretary

Shenzhen, the PRC, 5th March 2004

Notice of 2004 Extraordinary General Meeting for Holders of Domestic Shares

Notice is hereby given that the 2004 extraordinary general meeting for holders of domestic shares (“Domestic Shareholders EGM”) of Shenzhen Expressway Company Limited (the “Company”) will be held at the conference room of the Company at 19/F, Tower A, United Plaza, No. 5022 Binhe road North, Shenzhen, on 23rd April 2004 (Friday) at 11:30 a.m. for the following purposes:

To consider and, if thought fit, pass the following special resolution to authorize the Board of directors to repurchase H Shares of the Company up to a maximum of 10 per cent. of the aggregate nominal value of the H Shares in issue of the Company:

“THAT:

- (a) subject to paragraphs (b) and (c) below, the Relevant Period (as defined in paragraph (d) below) during which the Board of directors may exercise all the powers of the Company to repurchase H Shares in issue of the Company on The Stock Exchange of Hong Kong Limited (“SEHK”), subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the SEHK or of any other governmental or regulatory body be and is hereby approved;
- (b) the aggregate nominal value of H Shares authorised to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal value of H Shares in issue of the Company as at the date of the passing of this resolution;
- (c) the approval in paragraph (a) above shall be conditional upon:
 - (i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (c)(i)) at (aa) the AGM to be held on 23rd April 2004 (or on such adjourned date as may be applicable); and (bb) the extraordinary general meeting for holders of overseas listed foreign shares of the Company to be held on 23rd April 2004 (or on such adjourned date as may be applicable);
 - (ii) the approvals of the China Securities Regulatory Commission and any other regulatory authorities as required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and
 - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 25 of the articles of association of the Company;

Notice of 2004 Extraordinary General Meeting for Holders of Domestic Shares

- (d) for the purpose of this special resolution, "Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of;
 - (i) the conclusion of the next annual general meeting following the passing of this special resolution;
 - (ii) the expiration of a period of twelve months following the passing of this special resolution; or
 - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting; and
- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be hereby authorized to:
 - (i) make such amendments to the articles of association accordingly as it thinks fit so as to reduce the registered share capital of the Company and to reflect the new capital structure of the Company upon the repurchase of H Shares of the Company as contemplated in paragraph (a) above; and
 - (ii) file the amended articles of association of the Company with the relevant governmental authorities of the PRC."

By Order of the Board
Zhang Rong Xing
Director & Company Secretary

Shenzhen, the PRC, 5th March 2004

Notes:

- 1 **Eligibility for Attending the AGM, the H Shareholders' EGM and the Domestic Shareholders' EGM**
Shareholders of the Company whose names appear on the registers of shareholders of the Company at the close of business on 23rd March 2004 shall have the right to attend the AGM after complying with the necessary registration procedures. Holders of H Shares of the Company whose names appear on the registers of the shareholders of the Company on the same date shall have the right to attend the H Shareholders' EGM while the holders of the Domestic shares of the Company whose names appear on the registers of the shareholders of the Company on the same date shall have the right to attend the Domestic Shareholders' EGM.

Notice of 2004 Extraordinary General Meeting for Holders of Domestic Shares

- 2 **Registration procedures for attending the AGM, H Shareholders' EGM and the Domestic Shareholders' EGM**
- i Shareholders intending to attend the AGM, H Shareholders' EGM and Domestic Shareholders' EGM should deliver to the Company, on or before 3rd April 2004, either in person, by post or by fax, the reply slip (together with any required registration documents) for attending the AGM, H Shareholders' EGM and Domestic Shareholders' EGM.
 - ii Register of H Share holders of the Company will be closed from 24th March 2004 to 23rd April 2004 (both days inclusive), during which period no transfer of H Shares will be registered. Holders of H Shares of the Company who intend to attend the AGM and the H Shareholders' EGM must deliver their instruments of transfer together with the relevant share certificates to Hong Kong Registrars Limited ("Hong Kong Registrars"), the registrar of H Shares of the Company, at or before 4:00 p.m. on 23rd March 2004.
- 3 **Proxy**
- i Shareholders entitled to attend the above meetings are entitled to appoint, in written form, one or more proxies to attend and vote on behalf of him. A proxy needs not be a shareholder of the Company.
 - ii A proxy should be appointed by written instrument signed by the appointor or his attorney. If the written instrument is signed by the attorney of the appointor, the written authorization or other authorization documents of such attorney should be notarized. In order to be valid, for shareholders of domestic capital shares, the written authorization or authorization documents which have been notarized together with the completed proxy form must be delivered to the Company 24 hours before the time of the holding of the above meetings. In order to be valid, for shareholders of H Shares, the above documents must be delivered to Hong Kong Registrars within the same period.
 - iii If a shareholder appoints one or more proxies, the proxies shall not have the right to vote individually on a show of hands.
 - iv Shareholder or his proxy should produce identify proof when attending the above meetings.
- 4 **Other businesses**
- i Registration date equity interest, method and time of the declaration of dividends for holders of A Shares will be otherwise notified.
 - ii The duration of the above meetings is expected not to exceed one day. Shareholders who attend the above meetings shall arrange for food and accommodation at their own cost.
 - iii Address of Hong Kong Registrars Limited:
rooms 1901-5, 19th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
 - iv Address of the Company:
19/F, Tower A, United Plaza
No. 5022 Binhe Road North
Shenzhen, 518026 PRC
Telephone: (86) 755-82945880
Facsimile: (86) 755-82910496/82910696

Definitions

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

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 Renminbi and are listed on SSE
The Advertising Company	Shenzhen Expressway Advertising Company Limited
The Board	The Board of directors of the Company
CEPA	Closer Economic Partnership Arrangement, signed between HKSAR and PRC
Changsha Ring Road	Hunan Changsha Ring Road (Northwestern Section)
Changsha Ring Road Co., Ltd	Hunan Changsha Ring Road Construction and Development Co., Ltd
The Company	Shenzhen Expressway Company Limited
CSRC	China Securities Regulatory Commission
The directors	The directors of the Company
Engineering Consulting Company	Shenzhen Expressway Engineering Consulting Company Limited
Geputan Bridge	Hubei Geputan Bridge
The Group	Shenzhen Expressway Company Limited and its subsidiaries
Guangdong Roads and Bridges Company	Guangdong Roads and Bridges Development Company
H Shares	The overseas listed foreign shares of the Company with a par value of RMB1.00 each, which were issued in Hong Kong and subscribed in Hong Kong dollars and are listed on HKEX
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administration Region
HKEX	The Stock Exchange of Hong Kong Limited

Definitions

Huajian Centre	Huajian Transportation and Economic Development Centre
Jihe East	Shenzhen Jihe Expressway (Eastern Section)
Jihe East Company	Shenzhen Jihe Expressway (Eastern Section) Company Limited
Jihe Expressway	Shenzhen Jihe Expressway comprising the eastern and western sections
Jihe West	Shenzhen Jihe Expressway (Western Section)
Meiguan Company	Shenzhen Meiguan Expressway Company Limited
Meiguan Expressway	Shenzhen Meiguan Expressway
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited. Its sole asset was the ownership of a 42% equity interest in Yungang Company
NH107	National Highway 107 (Shenzhen Section)
NH205	National Highway 205 (Shenzhen Section)
PRC	The People 's Republic of China excluding,for the purpose of this report,Hong Kong SAR,Macau SAR and Taiwan
Qinglong Company	Shenzhen Qinglong Expressway Company Limited
RMB	Renminbi,the lawful currency of the PRC
Shenchang Company	Changsha Shenchang Expressway Company Limited
Shen Guang Hui Company	Shenzhen Shen Guang Hui Highway Development Company
Shuiguan Expressway	The expressway from Shuijing Village in Buji Town to Longgang in Shenzhen (also referred to as "Longgang No.2 Passage")
SSE	The Shanghai Stock Exchange
Wutongling Company	Shenzhen Wutongling Ropeway Company Limited

Definitions

Xin Tong Chan Company	Xin Tong Chan Development (Shenzhen) Company Limited (formerly known as “Shenzhen Freeway Development Company Limited”)
Yanba A	Shenzhen Yanba Expressway (Section A)
Yanba B	Shenzhen Yanba Expressway (Section B)
Yanba C	Shenzhen Yanba Expressway (Section C)
Yanba Expressway	Shenzhen Yantian-Bagang Expressway
Yanpai Expressway	An expressway runs from Yantian Port, Shenzhen to Paibang Interchange (also known as Jihe Expressway Yantian subsidiary road)
The Year, the reporting period	For the year ended 31st December 2003
Yungang Company	Hubei Yungang Transportation Development Company Limited, a sino-foreign cooperative joint venture established under the approval of the Hubei Provincial Government, is principally engaged in construction and operation of Geputan Bridge

Corporate Information

The Registered Names of the Company	深圳高速公路股份有限公司 Shenzhen Expressway Company Limited
Legal Representative	Chen Chao
Company Secretary	Zhang Rong Xing Email:johnson@sz-expressway.com
Registered Address of the Company	19/F.,Tower A,United Plaza 5022 Binhe Road North Shenzhen 518026,PRC Tel:(86)755-8294 5880 Fax:(86)755-8291 0696
Company's Website	http://www.sz-expressway.com
Initial Registration Date and Place	30th December 1996 Shenzhen, Guangdong Province,the PRC
Latest Date of Change of Registration	19th December 2001
Registration Number of Business License	4403011018527
Tax Registration Number	440304279302515
Websites for Publication of the Annual Report	http://www.hkex.com.hk http://www.sse.com.cn http://sz-expressway.com
Newspapers for Publication	Hong Kong: <i>Hong Kong Economic Times</i> <i>The Standard</i> PRC: <i>Shanghai Securities News</i> <i>Securities times</i>
Listing Exchanges	H Shares:The Stock Exchange of Hong Kong Limited Stock Code:0548 Abbreviation:Shenzhen Expressway A Shares:The Shanghai Stock Exchange Stock Code:600548 Abbreviation:Shenzhen Expressway
International Auditors	PricewaterhouseCoopers 22nd Floor,Prince's Building Central,Hong Kong

Corporate Information

Statutory Auditors	Shenzhen Tianjian Xinde Certified Public Accountants 15th & 16th Floors, Securities Building No.5020 Binhe Road Shenzhen, PRC
Hong Kong Legal Adviser	Loong & Yeung, Solicitors in association with Rodyk & Davidson Suites 2911-2912, 29th Floor Two International Finance Centre 8 Finance Street, Central, Hong Kong
PRC Legal Adviser	Guangdong Junyan Law Firm 16/F, B Tower International Commercial Building First Fuhua Road Shenzhen, PRC
Principal Place of Business in Hong Kong	Suites 2911-2912, 29th Floor Two International Finance Centre 8 Finance Street Central, Hong Kong Tel:(852) 2543 0633 Fax:(852) 2543 9996
Share Registrar and Transfer Office in Hong Kong	Hong Kong Registrars Limited Rooms 1901-5, 19th Floor Hopewell Center, 183 Queen's Road East Hong Kong
Share Registrar and Transfer Office in the PRC	Shanghai Securities Central Clearing and Registration Corporation 36/F, China Insurance Building No.166, Lujiazui East Road Pudong New District P.R.C.
Annual reports available at:	Hong Kong: Suites 2911-2912, 29th Floor Two International Finance Centre 8 Finance Street Central, Hong Kong PRC: 19/F., Tower A, United Plaza No.5022 Binhe Road North Shenzhen, PRC
Major banks	The Industrial and Commercial Bank of China Futian Sub-branch China Merchants Bank, Huanggang Sub-branch

