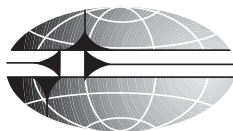


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**深圳高速公路股份有限公司**

**SHENZHEN EXPRESSWAY COMPANY LIMITED**

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

**(Stock Code: 548)**

## **ANNOUNCEMENT**

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In order to facilitate the investors to have a clear understanding of the business condition of Shenzhen Expressway Company Limited (the “Company”), the Company provides, in accordance with the requirements of The Shanghai Stock Exchange, an illustration on the relevant business matters in connection with the entrusted construction management activities undertaken by the Company as follows:

The Company’s income from principal operations is derived from the toll revenue in respect of the operations of toll highways. In order to leverage on the experience and strength of the Company in highway construction and management, and to timely seize the good market opportunities brought by the “entrusted construction system” in construction projects promoted by the government, the Company has been entrusted by the Shenzhen Municipal Government to carry out construction management in government projects since 2004. Up to the date of this announcement, the Company has altogether signed three entrusted construction management contracts, of which part of the management profit in respect of the entrusted construction management contract of Nanping Freeway (Phase I) (“Nanping Project”) was recognized in 2005, which contributed net profits before tax of approximately RMB59.97 million to the Company.

As the business of entrusted construction management is a newly developed business, for the purpose of reflecting the profit derived from the business prudently and reasonably, the Company has formulated the “Accounting Treatment for Entrusted Construction Management Contracts” (《工程建設委託管理合同會計處理辦法》) with reference to the relevant requirement stipulated under the “Accounting Standard for Business Enterprises - Revenue” (《企業會計準則 — 收入》) and the “Accounting Standard for Business Enterprises — Construction Contracts” (《企業會計準則 — 建造合同》), which has been considered and approved by the audit committee and the board of directors of the Company. The principle of income recognition and the amount of relevant income derived in 2005 have been set out in Note 2(18)(b) and Note 5(28) of the audited 2005 statutory financial statements of the Company in the PRC respectively.

Up to 31 December 2005, with reference to the construction costs incurred, Nanping Project's completion progress was assessed to be 57%. The construction plans for the project have already been confirmed. Tender for the construction of major parts of the project, such as roadbed and road surface etc., has been completed and the relevant subcontractor construction contracts have been signed. Having regard to the terms and contract amounts of the entrusted construction management contract and the subcontractor construction contracts and based on the fact that the completion progress of the project has reached 57%, the Company considers that both the budget price and construction costs of the project can basically be estimated reasonably and reliably, and the corresponding profit from the entrusted management services was accounted for accordingly.

Specifically, the budget price of the project is determined in accordance with the agreed price calculation method as stipulated in the entrusted construction management contract, which is determined based on the construction plans of the project, the relevant fixed unit prices based on laws and regulations or in relation to road construction and the unit prices agreed in the contract. On the other hand, the tender contracts for the construction in the Nanping Project are "unit prices contracts", which means the unit prices for single item are determined in the tender contracts, while the construction volume is determined by the work volume specified in the construction plans or actual performed. For completed projects, the cost is determined with reference to the actual construction work performed and the unit prices. For uncompleted projects as at year end, the costs were determined by the expected construction work specified in construction plans and the unit prices. For each subcontractor construction contract, the Company formulates a budgeted amount for costs estimation, based on the actual costs for completed work and the estimated costs for uncompleted work. At the end of 2005, the underground construction work of Nanping Project, including underground work, earthwork and stonework, and base of tunnels and bridges had basically been completed. The work volume of that part of work can basically be estimated reliably; the work volume of other road surface construction work can basically be estimated reliably according to the construction plans. Furthermore, the administrative expenses of construction projects are reasonably calculated with reference to the number of management personnel deployed, the pay level and the period of management involved. Hence, the total amount of construction cost and administrative expenses of Nanping Project can basically be estimated reliably.

In order to ensure that the management profit can be estimated reasonably and reliably, the Company has appointed an independent consultancy company for setting construction budget. The construction budget is, in accordance with the actual circumstances, amended by the consultancy company monthly. Meanwhile, the Company has also appointed independent supervision companies and supervisor engineers to be responsible for independent review on fees incurred by construction, design and inspection. The measurement and amounts paid for design, inspection and construction which had been completed as at the date of the balance sheet had to be reviewed by the supervisor engineers and the amounts were paid upon confirmation made by the Company together with the contractors.

With reference to the above principles and related works, the Company considers that the construction budget and construction costs can basically be estimated reasonably. In accordance with the method for calculating the revenue as set out in the entrusted construction management contracts (i.e. if the final saving of project costs or any deficit is to fall within 2.5% of the construction budget, the savings or the deficit would be credited to or borne by the Company; and if the savings or the deficit exceeds 2.5% of the construction budget, the portion of savings or deficit that exceeds 2.5% would be equally shared or borne by the Company and Shenzhen Communications Bureau. The Company has recognized, with reference made to work progress of the project, the construction budget and expected total construction costs, a profit before tax of RMB59,967,646 for the project management, after deducting other fees which may be incurred. The recognition of the above profit has been considered by the audit committee of the Company and audited by the statutory auditors.

The construction budget and the construction costs of Nanping Project for 2005 was determined principally by reference made to relevant information such as the signed tendered contracts for the construction and the construction plans of the project and applying the relevant professional and industry experience. The relevant estimate and judgements will be continually evaluated based on the progress of the project in construction, such as changes in design and project, occurrence of the counterclaim and encouragement events and remove of other uncertainties. Should there be a revision to the estimates on the construction budget and the construction costs, the management service income and costs in the period of the change and future periods will be accounted for by applying the new accounting estimate, in accordance with the relevant requirements for the changes in accounting estimates as stipulated under the “Accounting Standard for Business Enterprises - Changes in Accounting Policies and Accounting Estimates and Corrections of Accounting Errors”.

Although the results of Nanping Project can basically be estimated reliably, due to that the effects of Nanping Project may have relatively significant impact on the Company’s financial condition and operating results, for the purpose of exercising due care and providing adequate and detailed information to readers of the financial statements, the Company has, in accordance with the “Application Guidance of Accounting Standard for Business Enterprises — Contingencies” (《企業會計準則 — 或有事項》指南), disclosed details of such project in “contingencies” of the annual report and notes to the audited PRC statutory financial statements of the Company, albeit the possibility of outflow of economic benefit is extremely minimal.

By Order of the Board  
**Wu Qian**  
*Joint Company Secretary*

Shenzhen, the PRC, 8 June 2006

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

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