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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)
(Stock Code: 548)

FIRST QUARTERLY REPORT OF 2004

This report is published simultaneously in Hong Kong and Shanghai on 26 April 2004. This quarterly report is prepared in accordance with the China Securities Regulatory Commission regulations on Disclosure of Information in Quarterly Reports for Listed Companies. All financial information set out in this report has been prepared in accordance with the PRC Accounting Rules and Regulations and has not been audited. Shareholders of the Company and public investors should exercise caution when trading in shares of the Company.

This announcement is made pursuant to the disclosure obligation under Paragraph 13.09 of the Rules Governing the Listing of Securities.

1. IMPORTANT NOTICE

- 1.1 The Board of Directors and the Directors of the Company confirm that the information in this report does not contain any false information, misleading statements or material omissions, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the content.
- 1.2 No director* has made any statement that he cannot confirm or he has any objection to the truthfulness, accuracy or completeness of the information contained in this report.
- 1.3 All the financial information contained in this report has been prepared in accordance with the PRC accounting standards and has not been audited. Mr. Chen Chao, the chairman, Mr. Wu Ya De, the general manager, Ms. Gong Tao Tao, the chief financial officer and Mr. Sun Bin, the finance manager, undertake to guarantee the truthfulness and completeness of the financial statements contained in this quarterly report.

2. CORPORATE INFORMATION

2.1 Basic Information

Share Abbreviations	Shenzhen Expressway (A Shares)	Shenzhen Expressway (H Shares)
Stock Code	600548	0548(HK)
	Company Secretary	Securities Officer
Name	Zhang Rong Xing	Lu Rui
Address	19/F., Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen 518026, PRC	19/F., Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen 518026, PRC
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Email	Johnson@sz-expressway.com	Secretary@sz-expressway.com

2.2 Financial Information

2.2.1 Principal accounting data and financial indices

RMB

	As at 31 March 2004	As at 31 December 2003	Increase (decrease) at the end of the Period as compared with 31 December 2003 (%)
Total assets	7,135,605,270.48	7,105,308,870.56	0.43
Shareholders' funds (excluding minority interests)	5,628,598,711.84	5,952,865,584.17	-5.45
Net asset per share	2.58	2.73	-5.49
Adjusted net asset per share	2.58	2.73	-5.49

	The Period	1 January 2004 - 31 March 2004	Increase (decrease) at the end of the Period as compared with the same period of 2003 (%)
Net cash flow from operating activities	112,146,551.75	112,146,551.75	-6.43
Earnings per share	0.04	0.04	-
Return on net assets	1.60%	1.60%	-5.88
Return on net assets after extraordinary items	1.39%	1.39%	-9.15

Extraordinary items	Amount
Income from non-operating activities	523,751.65
Expenses for non-operating activities	(91,467.98)
Subsidy income	11,571,822.39
Impact of the income tax	(3,987.62)
Total	12,000,118.44

2.2.2 Income statement

Items	<i>RMB</i>			
	1 January 2004 - 31 March 2004		1 January 2003 - 31 March 2003	
	Consolidated	The Company	Consolidated	The Company
1. Income from principal operations	150,693,257.64	52,668,870.50	166,101,046.43	84,032,503.97
Less: costs for principal operations	31,497,008.50	13,979,349.71	39,313,952.69	22,560,332.72
Taxes and surcharges for principal operations	7,786,324.85	2,739,836.87	8,593,637.03	4,369,666.82
2. Profit from principal operations	111,409,924.29	35,949,683.92	118,193,456.71	57,102,504.43
Add: other operating profit	1,580,936.12	251,677.09	484,417.12	140,875.05
Less: Administrative expenses	14,280,624.69	7,160,721.97	14,253,137.37	7,955,920.39
Finance costs	73,085.62	-3,212,102.28	8,027,778.00	4,966,939.19
3. Operating profit	98,637,150.10	32,252,741.32	96,396,958.46	44,320,519.90
Add: investment income	-1,810,604.74	52,664,971.75	1,592,126.01	43,703,308.37
Subsidy income	11,571,822.39	11,571,822.39	8,542,392.00	8,542,392.00
Non-operating income	523,751.65	420,125.00	308,299.34	47,992.00
Less: non-operating expenses	91,467.98	41,396.60	171,588.02	166,590.30
4. Total profit	108,830,651.42	96,868,263.86	106,668,187.79	96,447,621.97
Less: income tax	17,073,694.56	6,752,502.94	17,136,093.94	8,308,473.60
minority interests	1,641,195.94	-	1,392,945.48	-
5. Net profit	90,115,760.92	90,115,760.92	88,139,148.37	88,139,148.37

2.3 As at 31 March 2004, the number of the shareholders whose names appeared on the registers of shareholders of the Company amounted to 44,924, out of whom 4 were legal person shareholders, 44,415 were A-share holders and the remaining 505 were H-share holders.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Overview and Brief Analysis on the Company's Operation during the Period

For the three months ended 31 March 2004 (the "Period"), the Company benefited from rapid growth in traffic volume and toll revenue generated from its toll roads and made a breakthrough in the project construction management business by undertaking the construction management of Nanping Freeway and a major section of Hengping Highway as appointed by the government. Currently, the construction of these two roads has been progressing smoothly as scheduled.

During the Period, the Group achieved an income of RMB 150,693,258 from its principal operations, representing a decrease of 9.28% as compared to the corresponding period in 2003. The decrease was mainly attributable to the transfer of two Class 1 highways, namely NH107 (Shenzhen Section) and NH205 (Shenzhen Section), on 18 March 2003, which had contributed an operating income of RMB40,921,525 to the Company in the corresponding period of 2003. The toll revenue from Meiguan Expressway, Jihe Expressway (Western Section), Jihe Expressway (Eastern Section), Yanba Expressway, Shuiguan Expressway and Changsha Ring Road increased by 24.25%, 15.90%, 15.31%, 107.64%, 14.74% and 29.50% respectively, over the corresponding period of last year. The operating income from these expressways amounted to RMB149,839,444, an increase of RMB24,659,923 or 19.70% over the corresponding period of the previous year. The operating profit from these expressways grew 22.51% as compared to the same period of 2003, amounting to RMB111,210,254. During the Period, the toll revenue of Yanba Expressway increased robustly because the Yanba (Section B) was open to traffic in June 2003 and linked to the trunk highway network that brought a rapid growth of traffic flow. Meanwhile, the jointly controlled entity of the Company, Hubei Yungang Transportation Development Company Limited, has contributed an operating income of RMB853,814 and an operating profit of RMB199,670 to the Company.

The finance costs during the Period decreased by RMB7,954,692, as compared to the corresponding period of the previous year. It was mainly attributable to the decrease in bank borrowings of the Company that reduced the expenses on interest payment and together with the increase in the cash balance that caused the growth of interest income.

Investment income for the Period under review was -RMB1,810,605, mainly due to the amortisation of the premium for the shareholders' investment in relation to the acquisition of Meiguan Company.

The net profit of the Group for the Period was RMB90,115,761, representing an increase of 2.24% as compared to the same period of 2003.

3.1.1 Principal sectors or products representing 10% or more of the total principal income or principle operating profit

	Unit: RMB		
By sector or product	Principal operating income	Principal operating cost	Gross Profit margin (%)
Toll road sector-	150,693,257.64	31,497,008.50	79.10
Include: Meiguan Expressway	55,214,824.42	8,027,081.56	85.46
Jihe Expressway (Western Section)	46,554,745.00	7,350,864.26	84.21
Jihe Expressway (Eastern Section)	27,421,206.98	3,712,744.70	86.46
Include: connected transactions	Nil		

The figures in the above chart are provided on the consolidated basis. The figure of Jihe Expressway (Eastern Section) is calculated at the shareholding percentage of 55% by the Company.

3.1.2 The seasonal or cyclical features in the Company's operation

applicable not applicable

3.1.3 The composition of the Company's profit contributions during the Period (circumstances and reasons for significant changes in the proportions of profit from principal operations, profit from other operations, expenses for the Period, investment income, subsidy income and net amount from non-operating activities out of the total profit as compared to the previous reporting period)

applicable not applicable

Item	1 January 2004 - 31 March, 2004		1 January 2003 - 31 December, 2003	
	Amount	Percentage to the total profit	Amount	Percentage to the total profit
Profit from principal operations	111,409,924.29	102.37	429,313,054.45	42.98
Other operating profit	1,580,936.12	1.45	6,229,171.70	0.62
Expenses	14,353,710.31	-13.19	114,721,477.78	-11.48
Investment income	-1,810,604.74	-1.66	60,534,951.14	6.06
Subsidy income	11,571,822.39	10.63	47,888,368.73	4.79
Net non-operating income	432,283.67	0.40	569,674,529.68	57.03
Total profit	108,830,651.42	100.00	998,918,597.92	100

The Company transferred its interests in two Class 1 highways, HN107 (Shenzhen Section) and NH205 (Shenzhen Section) on 18 March 2003 and obtained a non-operating income, hence rendering the net non-operating income to reach 57.03% of the total profit in 2003. As there was no such extraordinary income during the Period, the proportion of profit generated from principal operations to the total profit for the Period therefore increased to 102.37%.

3.1.4 Circumstances and reasons for significant changes in principal business and its structure as compared to the previous reporting period

applicable not applicable

On 18 March 2003, the Company transferred its interests in two Class 1 highways, HN107 (Shenzhen Section) and NH205 (Shenzhen Section) to Shenzhen Communications Bureau. In the first quarter of 2003, the operating income from NH107 and NH205 was RMB40,921,525, accounting for 6.84% of the operating income of the Company. Subsequent to the transfer of these two highways, no income was generated from them for the Period.

3.1.5 Circumstances and reasons for significant changes and reasons in the profitability (gross profit margin) of the principal business of the Company as compared to the previous reporting period

applicable not applicable

3.2 Analysis on the Impact of Major Events and their Solutions

- 1) On 11 February 2004, the Company entered into the Nanping Freeway (phase 1) Project Construction Management Agreement with the Shenzhen Communications Bureau on behalf of the Shenzhen Municipal Government. Pursuant to the agreement, the Company was appointed as the project manager of the Nanping Project. The Directors of the Company believe that the Company will be able to make a profit out of the project management. Relevant details have been announced in Hong Kong Economic Times, The Standard, Shanghai Securities News and Securities Times on 12 February 2004.
- 2) On 5 March 2004, the Company entered into an agreement with Guangdong Expressway Company Limited for the acquisition of a 25% equity interest in Yangmao Expressway Company Limited at a consideration of RMB271,680,000. On 7 April 2004, the Company entered into another acquisition agreement with Guangdong Province Highway Construction Company Limited for the acquisition of a 25% equity interest in Jiangzhong Expressway Company Limited at a consideration of RMB169,500,000. Relevant details have been announced in Hong Kong Economic Times, The Standard, Shanghai Securities News and Securities Times on 9 March and 8 April 2004, respectively.
- 3) On 12 March 2004, the Company and Long Gang Communications Bureau, on behalf of the Shenzhen City Long Gang People's Government, entered into a Project Management Agreement in relation to a major section of Hengping Highway. In accordance with the agreement, the Company was appointed as the project manager of the Project. The Directors of the Company consider that the project will contribute project management revenue to the Company. Relevant details have been announced in Hong Kong Economic Times, The Standard, Shanghai Securities News and Securities Times on 15 March 2004.
- 4) On 13 January 2004, the Company entered into an agreement for the release of pledges of shares with Shenzhen Huayu Investment Development Company Limited ("Shenzhen Huayu") and (HK) Fameluxe Investment Limited ("Fameluxe"). Pursuant to the agreement, the Company as pledgee has agreed to release the share pledges by Shenzhen Huayu and Fameluxe in relation to their respective 30% equity interests in Qinglong Expressway Company Limited ("Qinglong"). The agreement was entered into on the basis that the risks of losses that might arise from the underlying liabilities of the pledgors were eliminated. It was on 18 December 2002 that the Company entered into an acquisition agreement with Shenzhen Huayu and Fameluxe, the pledgors, for the acquisition of their respective 10% and 30% equity interests in Qinglong. At that time, Shenzhen Huayu and Fameluxe entered into the agreement for the pledge of shares with the Company so that if the pledgors had any non-disclosed liabilities or other matters at the transfer, the pledgors should be responsible for all the related losses suffered by the Company.

5) The jointly controlled entity of the Company, Qinglong, in February 2004 and before maturity, repaid the RMB550 million loan extended by China Development Bank via the intermediary Communications Department of Guangdong Province, the collateral of which was the pledge of the operating rights of Shuiguan Expressway. In February 2004, Qinglong entered into another loan agreement with Bank of China, Shenzhen Branch for RMB550 million for a term of 12 months at a per annum interest rate equal to 10% off the basis rate quoted by the People's Bank of China whereby Qinglong pledged its operating rights of Shuiguan Expressway to the Bank of China as security.

3.3 Circumstances and Reasons for Changes in Accounting Policies, Accounting Estimates, Scope of Consolidation and Significant Accounting Errors during the Period

applicable not applicable

The income tax accounting policy of PRC adopted by the Company has changed from the tax payable method to the liability method in 2003, and accordingly retrospective adjustments have been made to the relevant items for the first quarter of 2003. As a result of that, an increase in the income tax of RMB3,920,362.63 and a decrease in the net profit of RMB3,905,787.65 correspondingly were noted in the Consolidated Profit and Loss Account (for the period of 1 January 2003 to 31 March 2003).

3.4 Statement made by the Board of Directors and the Supervisory Committee on the qualified opinion in respect of audited financial statements

applicable not applicable

3.5 Profit warning with reasons on a possible reversal to losses of the accumulated net profit from the beginning of the year to the end of the next reporting period or on a substantial change when compared to the corresponding period in the previous year

applicable not applicable

As the profit after taxation arising from the transfer of NH107 and NH205, i.e. RMB541 million, was recognized in the second quarter of 2003, the net profit of the Company for the first half year and the year of 2003 increased substantially. The Company's net profit for the six months period ended 30 June 2003 reached RMB707 million. It is estimated that the Company's net profit for the first half of this year will substantially decrease by more than 50% when compared with that of 2003 because there will be no such extraordinary income during that period.

3.6 Ongoing adjustments by the Company on announced annual business plan or budget

applicable not applicable

- * As at the date of this announcement, the directors of the Company are: Mr. Chen Chao (Chairman of the Board); Mr. Wu Ya De (Director and General Manager); Mr. Zhang Rong Xing (Director and Company Secretary); Mr. Zhong Shan Qun (Director); Ms. Tao Hong (Director); Mr. Lin Xiang Ke (Director); Ms. Zhang Yang (Director); Mr. Chiu Chi Cheong, Clifton (Director); Mr. Ho Pak Cho, Denis Morgie (Independent Director); Mr. Li Zhi Zheng (Independent Director); Mr. Zhang Zhi Xue (Independent Director) and Mr. Poon Kai Leung, James (Independent Director).

The Board of Directors
Shenzhen Expressway Company Limited
Shenzhen, the PRC, 23 April 2004

Note: The full versions of the Company's balance sheet, income statement and cash flow statement have already been published on the website of the Shanghai Stock Exchange at <http://www.sse.com.cn>.

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