



**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)*

**2003 Interim Results Announcement**

The board of directors of Shenzhen Expressway Company Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2003 (the “Period”), prepared in accordance with generally accepted accounting principles in Hong Kong, together with the 2002 comparative figures as follows:

**Condensed Consolidated Profit and Loss Account (unaudited)**

		<b>For the six months ended 30 June</b>	
	<i>Note</i>	<b>2003 RMB'000</b>	<i>Restated 2002 RMB'000</i>
Turnover	2	207,357	250,011
Other revenues		33,038	37,974
Gain on disposal of assets	3	691,416	—
Depreciation and amortisation		(40,359)	(44,939)
Staff costs		(15,828)	(20,719)
Road maintenance expenses		(2,805)	(8,527)
Other operating expenses		<u>(13,172)</u>	<u>(19,162)</u>
Operating profit		859,647	194,188
Finance costs		(8,494)	(15,137)
Share of profits less losses of jointly controlled entities		<u>38,901</u>	<u>31,194</u>
Profit before taxation		890,054	210,245
Taxation	4	<u>(128,344)</u>	<u>(24,315)</u>
Profit after taxation		761,710	185,930
Minority interests		<u>(2,758)</u>	<u>(2,730)</u>
Profit attributable to shareholders		<u>758,952</u>	<u>183,200</u>
Dividends		<u>261,684</u>	<u>218,070</u>
Earnings per share	5	<u>RMB34.8 cents</u>	<u>RMB8.40 cents</u>

Note:

## 1. Principal accounting policies

These unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25: “Interim financial reporting”, issued by the Hong Kong Society of Accountants. 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 applicable accounting principles and financial regulations in the PRC. Appropriate restatements have been made to the PRC statutory accounts to conform with the accounting principles generally accepted in Hong Kong (“HK GAAP”). Differences arising from the restatements are not incorporated in the Group’s accounting records.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2002 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 ( revised): Income tax

There is no significant financial effect arising from the adoption of the above revised standard.

## 2. Turnover

- (a) The Group’s turnover comprises turnover from wholly-owned toll roads namely NH107, NH205, Jihe West , Yanba Expressway and the 95% held Meiguan Expressway. Due to the transfer of NH107 and NH205 on 18 March 2003, the Group’s turnover for the Period decreased by 17.06% as compared with the same period of 2002.
- (b) No segment information is presented as all turnover of the Group is toll income derived from the PRC.
- (c) 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

## 3. Gain on disposal of assets

- (a) This represents the gain arising from the disposal of NH107 and NH205 during the period (Details are set out in Management Discussion and Analysis). As 30% of consideration for the disposal of assets and assets disposal extra compensation will be paid in 2004 and 20% of consideration for the disposal of assets will be paid in 2005, the Company has calculated the future consideration by discounting the future receipts using an imputed rate of interest of 3.5% per annum, being the prevailing rate for a similar instrument of an issuer in the PRC with a similar credit rating.
- (b) The Company has provided PRC enterprise income tax of RMB105,144,000 and paid stamp duty of RMB965,000 for this assets disposal transaction. Total taxes arising from this assets disposal transaction amounted to RMB106,109,000. Pursuant to the Transfer Agreement, the Shenzhen Communications Bureau will also grant an amount to the Company in 2004, equivalent to the tax payments to be made by the Company to relevant tax authorities arising from this assets disposal transaction, as a subsidy to the Company for compensating the impact on the principal activities of the Company as a result of the disposal of the toll roads (“Assets Disposal Extra Compensation”). Such extra compensation is recognized in the Company’s accounts during the Period.

- (c) Profit before PRC enterprise income tax, based on the consideration of the transfer plus Assets Disposal Extra Compensation after deducting imputed interest of long-term portion of consideration, stamp duty on assets disposal and relevant transfer costs, amounted to RMB691,416,000, and the net profit after taxation arising from the assets disposal was RMB586,272,000.

#### 4. Taxation

- (a) The Company is subject to PRC enterprise income tax at a rate of 15% (2002: 15%), the preferential tax rate for enterprises established in the Shenzhen Special Economic Zone, as compared with the standard rate of 33%.
- (b) The Company, one of its subsidiaries and one of its jointly controlled entities were originally entitled to an exemption from PRC enterprise income taxes for the first five years in which they record assessable profits and a 50% reduction of the PRC enterprise income taxes for the five consecutive years thereafter. Pursuant to the new regulations issued by the relevant tax authorities subsequent to the publication of the Group's interim results for 2002, effective from 1 January 2002, such tax incentives were withdrawn and these companies were subject to the PRC enterprise income tax at 15%, the preferential tax rate for enterprises established in the Shenzhen Special Economic Zone, from 1 January 2002 onwards. Accordingly, certain comparative figures have been restated in this condensed interim accounts to reflect the change in such preferential tax policies. The restatement of comparative figures as mentioned above in aggregate resulted in a decrease in the profit attributable to shareholders for the six months ended 30 June 2002 of RMB15,918,000.
- (c) No provision for Hong Kong profits tax has been made for the period in the accounts as the Group has no income assessable to Hong Kong profits tax.
- (d) No provision for deferred taxation has been made in the accounts as the effect of timing differences is not material to the Group.

#### 5. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of RMB758,952,000 (2002: RMB183,200,000) and 2,180,700,000 (2002: 2,180,700,000) ordinary shares in issue during the period.

The major differences between the accounts prepared under PRC and HK accounting standards are summarized as follows:

	<b>Profit attributable to shareholders for the six months ended 30 June 2003 RMB'000</b>	<b>Net assets as at 30 June 2003 RMB'000</b>
As per PRC statutory accounts	707,454	5,866,866
Impact of HK GAAP adjustments:		
Amortisation of land use rights and depreciation of fixed assets	(5,778)	77,479
Assets Disposal Extra Compensation	106,109	106,109
Imputed interest adjustment on long-term portion of consideration and Assets Disposal Extra Compensation	<u>(48,833)</u>	<u>(48,833)</u>
Net amount of adjustments	<u>51,498</u>	<u>134,755</u>
As restated after HK GAAP adjustments	<u><u>758,952</u></u>	<u><u>6,001,621</u></u>

## **INTERIM RESULTS AND DIVIDEND**

In accordance with generally accepted accounting principles in Hong Kong, the Group achieved a turnover of RMB207,357,000 for the Period, with a decrease of 17.06% as compared with the corresponding period of 2002, which was mainly due to the transfer of NH107 and NH205 during the Period. In the mean time, as a result of the non-recurring profit arising from the transfer of NH107 and NH205, profit attributable to shareholders of the Company for the Period amounted to RMB758,952,000, with a sharp increase of 314.28% as compared with the same period of 2002. Earnings per share for the Period were RMB0.348. In accordance with PRC accounting standards, the Group's principal operating income amounted to RMB288,901,000, down by 6.32% as compared with the corresponding period of 2002. Net profit amounted to RMB707,454,000, increasing by 303.66% as compared with the same period of 2002. Earnings per share were RMB0.324.

The Board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: nil), or any transfer to capital reserves.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Company is principally engaged in the development, construction, operation and management of toll roads. During the Period, the Company mainly operated and managed toll roads namely Shenzhen Meiguan Expressway ("Meiguan Expressway"), Shenzhen Jihe Expressway (Eastern Section) ("Jihe East") and Shenzhen Jihe Expressway (Western Section) ("Jihe West"), Shenzhen Shuiguan Expressway ("Shuiguan Expressway"), Shenzhen Yanba Expressway ("Yanba expressway"), Hunan Changsha Ring Road (Northwestern Section) ("Changsha Ring Road"), National Highway 107 (Shenzhen Section) ("NH107")\* and National Highway 205 ("NH205")\*.

The steady performance of the Group's toll roads during the first half of 2003 has provided steadily increasing cash inflow for the Group, which has laid a solid foundation for the Group's profit. However, due to the transfer of NH107 and NH205 during the Period by the Company, the Group's turnover for the Period decreased by 17.06% as compared with the corresponding period of 2002, amounting to RMB207,357,000.

## 1. Operating results of the toll roads of the Company in the first half of 2003

<b>Toll roads</b>	<b>Average daily mixed traffic volume</b>	<b>Year on year</b>	<b>Average daily toll revenue RMB</b>	<b>Year on year</b>
Meiguan Expressway	<b>40,416</b>	<b>+16.0%</b>	<b>505,579</b>	<b>+6.2%</b>
Jihe West	<b>25,203</b>	<b>+25.0%</b>	<b>437,033</b>	<b>+21.4%</b>
Jihe East	<b>29,903</b>	<b>+16.2%</b>	<b>460,302</b>	<b>+8.9%</b>
Shuiguan Expressway	<b>28,116</b>	<b>+59.1%</b>	<b>282,567</b>	<b>+48.3%</b>
Yanba A	<b>5,632</b>	<b>+8.4%</b>	<b>39,763</b>	<b>+14.8%</b>
Changsha Ring Road	<b>2,883</b>	<b>+39.6%</b>	<b>42,129</b>	<b>+50.7%</b>
NH107*	<b>21,334</b>	<b>-11.8%</b>	<b>217,167</b>	<b>-10.3%</b>
NH205*	<b>39,007</b>	<b>-6.1%</b>	<b>314,282</b>	<b>-8.8%</b>

\* NH107 and NH205 were transferred on 18 March 2003.

Though affected by SARS epidemic, the economic development of Guangdong Province and Shenzhen remained sound, with rapidly increasing foreign trade. Shenzhen recorded a growth of 15.9% and 30.8% in its Gross Domestic Product and foreign trade for the first half of 2003, respectively, as compared with the corresponding period of 2002. Motor vehicle ownership in Shenzhen has been growing rapidly, with private car ownership rapidly increasing at a rate of over 20%. Currently, Shenzhen has more than 600,000 motor vehicles. Shenzhen's rapid economic growth and its remarkable growth of private cars have provided a steady and secured market demand for the Company's toll road operations.

Meiguan Expressway, Jihe East, Jihe West, and Shuiguan expressway all recorded outstanding performance during the Period. The toll revenue and traffic volume of the above expressways increased steadily. The rapid growth in cars constitutes a key feature of the growth of traffic volume of the Company's expressways.

The proportion of traffic using the whole section of Meiguan Expressway out of its toll traffic volume continued to climb. Its weighted daily average traffic volume for the first half of 2003 reached 24,648, with an increase of 16.50%.

The daily average mixed traffic volume and daily average toll revenue of Jihe West for the first half of 2003 increased at a rate of over 20%. Its weighted distance average traffic volume was 20,934, up by 24.10% as compared with the same period of 2002.

During the first half of 2003, as a result of a lessening traffic diversion impact caused by Shuiguan Expressway, the growth in the traffic volume and toll revenue of Jihe East recovered.

Shuiguan Expressway witnessed a satisfactory performance in both traffic volume and toll revenue in the first half of 2003. In March 2003, its daily average toll revenue hit historical records, amounting to RMB318,000. Due to the outbreak of SARS in April 2003 and the relocation of Henggang Toll Station of NH205 to the boundary between Shenzhen and Huizhou on 28 April 2003, which has caused certain traffic diversion to Shuiguan Expressway, the growth in both traffic volume and toll revenue of Shuiguan Expressway in the second quarter of 2003 slowed as compared to its performance in the first quarter of 2003.



In the first half of 2003, the traffic volume and toll revenue of Changsha Ring Road continued to advance. However, the return from Changsha Ring Road cannot meet the investment expectations. The Company is currently undertaking an assessment of its investment value with a view to determining whether to make any impairment provision on the project.

Yanba B commenced operation on 12 June 2003. It is linked with Yanba A, forming a local road network, which has boosted the growth of traffic volume and toll revenue of Yanba A. It is expected that the performance of Yanba A will continue to improve in the second half of 2003 due to the opening of Yanba B.

On 18 March 2003, the Company transferred NH107 and NH205 to Shenzhen Communications Bureau. The combined turnover of NH107 and NH205 for the period between 1 January 2003 and 18 March 2003 totaled RMB38,793,000.

Due to the outbreak of SARS in April this year, the actual growth in toll revenue of the Company's toll roads was 4 to 5 percentage points lower than expected. Since mid May 2003 onwards, as the SARS epidemic was drawing to a close, the traffic volume and toll revenue of the Company's toll roads have gradually recovered their upward trends. As a whole, the SARS epidemic did not have any significant impact on the Company's toll road business.

In July 2003, the Company received a notice promulgated by the Guangdong Provincial Government stating that "new arrangement for new roads, and existing arrangement for existing roads", i.e. toll road projects approved prior to 31 July 2001 shall continue to collect tolls in accordance with their existing toll rates. Therefore, the potential toll rate adjustment risk faced by the expressways operated by the Company has now been fully cleared up, and their existing toll rates shall remain unchanged.

## **2. *The Transfer of NH107 and NH205 and its Impact on the Company***

On 18 March 2003, the Company and Shenzhen Communications Bureau on behalf of the Shenzhen Municipal Government, entered into a transfer agreement, pursuant to which the Company transferred all its rights and interests in National Highway 107 (Shenzhen Section) and National Highways 205 (Shenzhen Section) to Shenzhen Communications Bureau at a consideration of RMB1.93 billion, which will be paid to the Company on installments before 31 December 2005.

In 2002, the total turnover of NH107 and NH205 amounted to RMB205,194,000, and their combined operating profit was RMB136,382,000, accounting for 39.10% and 31.86% of the Company's turnover and operating profit of its toll roads (including the jointly controlled entities) for 2002, respectively. The turnover of NH107 and NH205 in 2003 was RMB38,793,000, and their operating profit was RMB26,721,000.

The Company will receive significant cash inflow from the transfer of NH107 and NH205. The first installment of the consideration of the transfer has already been received by the Company, which was mainly used to repay bank loans in order to reduce interest payment. The installments of the consideration subsequently received will be applied to the investment of other expressway projects with high growth potential in Shenzhen and other regions of China, with a view to broadening the profit base of the Company.

During the Period, the profit after taxes arising from the transfer of NH107 and NH205 amounted to RMB586,272,000, representing 77.25% of the Company's profit attributable to shareholders for the Period. In accordance with HK GAAP and PRC accounting standards the

profit arising from such transfer is recognized during the Period. It is expected that profit attributable to shareholders of the Group of 2003 which will receive a large increase over that in 2002.

### **3. *Investment, Construction and Planning***

#### **(1) *Yanba B***

Yanba B commenced construction in June 2001, passed project completion inspection on 6 June 2003 with a project quality score of 92.2 points, and commenced operation on 12 June 2003. The total construction budget for Yanba B is estimated to be RMB655 million, which is mainly funded by net proceeds from the issue of Renminbi-denominated ordinary shares (A shares) in the PRC.

The toll revenue of Yanba B for the 18 days since its commencement of operation in June 2003 was RMB399,000 and its daily average mixed traffic volume was 4,351. It is expected that the opening of Yanba B will greatly boost the growth in traffic volume and toll revenue of Yanba A.

#### **(2) *Yanpai Expressway***

Yanpai Expressway runs from Yantian Ports to Paibang Interchange along Jihe East, with a length of 15.2 km. Its construction budget is estimated to be RMB1.189 billion. The groundbreaking ceremony of Yanpai Expressway was held in July 2003 and it is expected to commence operation in December 2005.

#### **(3) *The Linkage Section of Shuiguan Expressway***

The Linkage Section of Shuiguan Expressway runs from Qing Shui River Checkpoint to Bulong Interchange in Longgang District, with a length of 5.25km. Its total investment is estimated to be RMB470 million. The construction of the Linkage Section of Shuiguan Expressway has already started, and the expressway is expected to be completed and commence operation by the end of 2004. The Company holds 40% equity interest in this project. It is anticipated that the completion of the Linkage Section of Shuiguan Expressway will further boost the growth of Shuiguan Expressway.

# Analysis on the Company's Operation Results and Financial Position

## 1. *Gain from Disposal of Assets*

The Transfer Agreement of the Company's disposal of NH107 and NH205 came into effect during the Period. Pursuant to the Transfer Agreement, the gain from the transfer of NH107 and NH205 is set out as follows:

		<i>RMB'000</i>
Year 2003	Gain on disposal of assets	691,416
	PRC enterprise income tax on disposal of assets	<u>(105,144)</u>
	Net gain arising from disposal of assets	<u>586,272</u>
Year 2004	Imputed interest of long-term portion of consideration	35,779
Year 2005	Imputed interest of long-term portion of consideration	<u>13,054</u>
		<u><u>635,105</u></u>

## 2. *Operating Profits*

The Group's overall operating profits increased by 342.69% as compared with the same period of 2002, mainly due to the transfer of NH107 and NH205 during the Period.

## 3. *Finance Costs*

Finance costs during the Period dropped by 43.89% as compared with the same period of 2002, mainly because the Company repaid part of its bank borrowings with part of consideration of the transfer of NH107 and NH205 it received, lowering the interest payments.

## 4. *Operating Costs*

During the Period, operating costs of the Company decreased by 23.06% to RMB72,164,000, mainly due to the transfer of NH107 and NH205 on 18 March 2003, leading to reduction in operating costs during the Period.

## 5. *Liquidity*

	As at <b>30 June</b> <b>2003</b>	As at 31 December 2002
Current ratio	<b>2.19</b>	1.30
Quick ratio	<b>2.18</b>	1.29

The increase in current assets is mainly due to the receipt of the installment of the consideration of the transfer of NH107 and NH205. The current liabilities decreased mainly as a result of the decrease of bank borrowings.



## **6. Financial Resources**

### *(1) Cash and bank balances*

As at 30 June 2003, the Company's cash and bank balances amounted to RMB654,181,000, including proceeds from the issue of A shares and other working capital. In strict compliance with the undertakings stated in the Prospectus of A Shares, the proceeds raised from the issue of A shares are under specific management and will be used for specific projects. The unused fund of the Company is mainly deposited in PRC commercial banks.

The bank deposits of the Company mainly include the specific deposits of the proceeds from the issue of A shares, the fund reserved for repurchase of H Shares and the fund for possible investments.

### *(2) Bank borrowings*

As at 30 June 2003, the Company's bank borrowings amounted to RMB240,373,000.

### *(3) Banking facilities*

The Company has been granted by domestic commercial banks banking facilities of RMB1.650 billion. As at 30 June 2003, RMB1.505 billion out of the above banking facilities remained available as standby credit.

### *(4) Government advances*

The Shenzhen Municipal Government plans to provide the Company with an aggregate of RMB150 million government advances for the construction of Yanba B. During the Period, the Company received an aggregate of RMB30 million government advances. As at 30 June 2003, the Company had received RMB100 million of government advances in total.

### *(5) Installments of the consideration of the disposal of NH107 and NH205*

Pursuant to the transfer agreement entered into between the Company and Shenzhen Communications Bureau, the consideration of RMB1.930 billion will be received in installments within three years. During the Period, the Company received RMB482.5 million out of the consideration and will receive another amount of RMB482.5 million in 2003. An amount of RMB579 million is expected to be received by 31 December 2004, while the balance of RMB386 million is expected to be received by 31 December 2005.

## **7. Capital Commitments**

The Company's capital commitments are mainly for the construction of expressways and investment in expressways, including Yanpai Expressway. As at 30 June 2003, the Company's capital commitments amounted to RMB2,123,500,000. The Company's current financial resources are sufficient to cover the above capital commitments.

## **8. Foreign Exchange Risks Management**

The Company's foreign currency payment is mainly for the payment of the dividends of its H shares. As at 30 June 2003, it had foreign currency bank deposit of HKD83,471,000 and USD126,000, and the bank borrowings of USD4,273,000. During the Period, the exchange rates for converting HKD and USD to RMB remained relatively stable, which did not have any significant impact on the Group's results.

## 9. *Cash Inflow and Outflow*

As at 30 June 2003, the Company's cash and cash equivalent decreased by RMB296,555,000.

### (1) *Net cash inflow from operating activities*

As at 30 June 2003, the Company's net cash inflow from operating activities was RMB135,911,000, which mainly came from the toll revenue of its toll roads, which is largely received in cash on daily basis.

### (2) *Cash flow from investing activities*

The Company's net cash inflow from investing activities amounted to RMB188,060,000 including RMB482.5 million of consideration of the transfer of NH107 and NH205 received, and the dividends and repayment of shareholder's loan from a jointly controlled entity totaling RMB54 million. The Company's cash outflow from investing activities mainly represents the RMB121 million of capital expenditure paid for the construction of Yanba A and Yanba B, and the shareholder advances to Shenzhen Qinglong Expressway Company Limited amounting to RMB190 million.

### (3) *Cash flow from financing*

During the Period, the Company's cash flow from financing was RMB620,526,000. Its bank borrowings reduced by RMB394 million. RMB243 million of dividends for the year 2002 was distributed and RMB30 million of government advances provided by the Shenzhen Municipal Government for the construction of Yanba B was received.

## 10. *Capital Structure*

The Company's shareholders' funds amounted to RMB6,001,621,000, and its liabilities were RMB986,866,000 (excluding minority interests). Its gearing ratio as at 30 June 2003 (total liabilities as at the balance sheet date to its shareholders' funds as at the balance sheet date) was 16.44% (At 31 December 2002: 21.22%).

As at 30 June 2003, the Company's fixed rate liabilities amounted to RMB240 million, including short-term bank borrowings of RMB205 million from domestic commercial banks with an annual interest rate of 4.536% and the long-term Spanish Governmental fixed rate loans of USD4,273,394 (equivalent to RMB35,373,000), out of which the interest rate of USD2,136,697 is 7.17% per annum and the interest rate of the remaining USD2,136,697 is 1.80% per annum.

The Company's current bank borrowings are all fixed rate liabilities. Fluctuation in interest rates will not have any material impact on the Company's operating results.

The Company's interest-free liabilities represent the general payables and the deferred income.

## **USE OF THE PROCEEDS FROM THE ISSUE OF A SHARES**

The Company raised RMB604 million from the issue of A Shares. In strict compliance with the promises stated in the Prospectus of A Shares, the Group applied the net proceeds of RMB604 million from the issue of A Shares to the construction of Yanba B. During the Period, RMB98 million of the proceeds has been injected into Yanba B. Up till now, an aggregate of RMB342

million has been invested into the project. As at 30 June 2003, the unused proceeds from the issue of A Shares of the Company amounted to RMB262 million, which will be applied to pay the progress payments. Such proceeds are kept as fixed deposits in domestic commercial banks.

## **CHARGES ON THE GROUP'S ASSETS**

Shenzhen Qinglong Expressway Company Limited, a jointly controlled enterprise in which the Group holds 40% equity interest, has pledged the operating rights of Shuiguan Expressway to the State Development Bank for a loan in the principal amount of RMB550 million and the interests thus incurred till 28 April 2013. The pledges of the operating rights of NH107 and NH205 to The Industrial and Commercial Bank of China and China Merchants Bank respectively were released on 11 April 2003.

## **OTHER MAJOR EVENTS**

### **1. Settled Litigation**

The Company's writs filed in May 2002 against Shenzhen Wutongling Ropeway Company Limited ("Wutongling Company") and Zhongmin Investment Service Company ("Zhongmin Company") were adjudicated by Shenzhen Intermediate People's Court, and the court supported all the requests made by the Company. In April 2003, the Company and Zhongmin Company reached an amicable settlement agreement. The Company proposes to acquire the 55% equity interest in Wutongling Company held by Zhongmin Company at a consideration of RMB2,520,000. As the date of the announcement of these interim accounts, the above acquisition is still under negotiation.

### **2. Material Connected Transactions**

During the Period, the Company did not enter into any material connected transactions.

### **3. Employees and Remuneration Policy**

As at 30 June 2003, the Company 862 employees, 80 out of whom are staff at the headquarters of the Company. During the Period, the Company transferred NH107 and NH205. Accordingly, 311 employees employed in relation to such assets were transferred to relevant administrative departments of Shenzhen Communications Bureau on 19 March 2003.

### **4. Professional Committees**

#### *(1) Audit Committee*

As at the date of this report, the Audit Committee of the Company has convened five meetings, reviewing the Group's 2002 annual report and financial report, 2003 first quarterly report and 2003 interim report. It also conducted independent review on the Company's operation from the perspectives of financial reporting, auditing, internal monitoring and control and risk management. All the members were present at such meetings.

#### *(2) The Human Resources & Nomination Committee*

As at the date of this report, the Human Resources & Nomination Committee convened four meetings, completing the evaluation on the performance of the general manager during his probation period, the evaluation on the performance of the deputy general managers during their

term of office and the review and assessment of the implementation of the Share Appreciation Right Scheme. All the members of the Human Resources & Nomination Committee were present at all of the meetings.

## **5. Purchase, Sale or Redemption of Shares**

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

## **6. Compliance with the Code of Best Practice**

The Directors of the Company consider that during the Period, 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 Hong Kong Stock Exchange.

## **PROSPECTS AND OUTLOOK**

According to Shenzhen's trunk highway network planning, the Shenzhen Municipal Government will invest RMB20 billion in the next 10 years to build a total length of 270 km of expressways. This planning will provide a broader environment for the Company's principal business. Shenzhen's rapid economic development, the increasing number of cars and the continuous growth in foreign trade in the Pearl River Delta Region especially in Shenzhen provide a pressing traffic demand, which will in turn provide a beneficial business environment for the Company's toll road operation.

The Company firmly adheres to its development strategy, focusing on toll road operation, basing on Shenzhen and actively expanding its core business to the Pearl River Delta Region and the surrounding area, so as to expand its profit base.

By Order of the Board  
**Chen Chao**  
*Chairman*

Shenzhen, the PRC, 15 August 2003

*A detailed interim results announcement containing all the information required by paragraph 46(1) to 46(3) of Appendix 16 to the Listing Rules will be subsequently published on website of The Stock Exchange of Hong Kong Limited at <http://www.hkex.com.hk> in due courses.*

*Please also refer to the published version of this announcement in the (**The Standard**)*