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 Annual Results Announcement

The board of directors of Shenzhen Expressway Company Limited (the "Company) is pleased to announce the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2003 (the "Year"), prepared in accordance with the generally accepted accounting principles in Hong Kong, together with the 2002 comparative figures, as follows:

Consolidated Profit and Loss Account (audited)

	Note	For the year ended 31 December 2003	As restated 2002
		RMB'000	*RMB'000*
Turnover	2	**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		**(36,646)**	(45,950)
Road maintenance expenses		**(7,369)**	(16,561)
Other operating expenses		**(57,678)**	(50,570)
Operating profit		**1,008,576**	377,072
Finance costs		**(13,140)**	(24,927)
Share of profits less losses of jointly controlled entities	5	**59,094**	61,873
Profit before taxation		**1,054,530**	414,018
Taxation	6	**(148,641)**	(61,085)
Profit after taxation		**905,889**	352,933
Minority interests		**(6,517)**	(5,869)
Profit attributable to shareholders		**899,372**	347,064
Dividends		**414,333**	261,684
Earnings per share	7	**RMB0.412**	RMB0.159

Note:

1 **Principal accounting policies**

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 confirm 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 the Statement of Standard Accounting Practice ("SSAP") 12 (revised) - "Income taxes", issued by the Hong Kong Society of Accountants, which is effective from 1 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 31 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 31 December 2002 have been reduced by RMB12,867,000 and RMB59,972,000, respectively. Opening retained earnings at 1 January 2002 and 2003 have been reduced by RMB37,647,000 and RMB47,574,000, respectively.

2 **Turnover**

	2003	**2002**
	RMB'000	*RMB'000*
Turnover		
Income from toll roads	**444,653**	553,048
Including: turnover from expressways	**382,738**	319,097
Less: taxes related to toll income	**(23,122)**	(28,757)
	421,531	524,291

Turnover of the Group composed of the turnovers generated from the Group's toll roads including Jihe West, Yanba A, Yanba B, Meiguan Expressway, as well as NH107 and NH205 before the transferring. During the reporting period, turnover from expressways increased by 19.94%. Due to the transfer of NH107 and NH205, turnover decreased by 19.6% when compared to previous year.

The Group pays 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.

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

3. **Other revenues**

	2003	2002	Increase/ Decrease
	RMB'000	*RMB'000*	
Interest income from bank deposits	**9,616**	12,312	-21.9%
Interest income from a long-term loan	**18,563**	13,010	42.68%
Income from construction management services	**—**	2,413	—
Government subsidies (a)	**35,840**	32,982	8.67%
Government subsidies from local government (b)	**10,183**	—	—
Others	**5,308**	5,819	-8.78%
	79,510	66,536	19.5%

(a) Government subsidies represents government grants provided to the Company in relation to subsidies for toll revenue of the Yanba Expressway Section A and B, 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 in line with its overall town planning requirements. Such government grants are recognised in the profit and loss account according to the Group's accounting policies over the period during which the Company is granted the right to operate the related expressway.

(b) Government subsidies from local government represent 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.

4. **Gain on disposal of assets**

(1) This is the gain from the transfer of the Company's rights and interests in NH107 and NH205. (For details, please refer to Review of Operations in the Management Discussion and Analysis).

As 30% of the total consideration, assets disposal extra compensation and 20% of the total consideration will be received in 2004 and 2005 respectively, 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.

(2) The Company provided PRC enterprise income tax of RMB105,144,000 and paid stamp duty of RMB965,000 for this assets disposal transaction. 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. Such extra compensation receivable was recognised during the year by the Company.

(3) Total consideration according to the Transfer Agreement together with the Asset Disposal Extra Compensation, imputed interest of long term portion of consideration receivable, stamp duty on assets disposed and book value of assets disposed was BMB691,416,000. Net gain arising from disposal of assets is RMB586,272,000, which equivalent to 65.19% of profits attributable to shareholders of the period. Imputed interest on long-term portion of the consideration for Year 2004 and Year 2005 is RMB35,779,000 and RMB13,054,000 respectively.

5. **Share of profits less losses of jointly controlled entities**

During the reporting period, the Company has added two new jointly controlled entities namely Shenzhen Qinglong Expressway Company Limited ("Qinglong Company") and Hubei Yungang Traffic Development Company Limited ("Yungang Company"). Meanwhile, Jihe East has generated profit and before the deduction of the provision for impairment loss on Wutongling Company (for details, please refer to Financial Analysis in the Management Discussion and Analysis), share of profits of jointly controlled entities increased by 42.34%. After deducting the provision for impairment loss, share of profits of jointly controlled entitles dropped slightly.

6. **Taxation**

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

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

(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) PRC enterprise income tax on disposal of assets of NH107 and NH205 is RMB105,144,000

(c) Pursuant to the approvals of the relevant authorities, two jointly controlled entities of the Company, Qinglong and 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.

(d) Deferred taxation are provided in full on temporary differences arising from the tax bases of liabilities and assets and their book value under the liability method, using a taxation rate of 15% (2002: 15%). Deferred tax of the Group and the Company mainly represents 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 tax bases.

(e) 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.

7. **Earnings per share**

The calculation of earnings per share are 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.

Reconciliation of accounts

	Profit attributable to shareholders for the year ended 31 December 2003 *RMB'000*	**Net assets as at 31 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	—
Net amount of adjustments	47,335	129,203
As restated after HK GAAP adjustments	899,372	6,082,069

OPERATING RESULTS AND DIVIDEND

In accordance with HK GAAP, the Group reported a turnover of RMB421,531,000 for the year ended 31 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 18 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 23 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 shareholder value. 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, 23 April 2004. The registration date, dividend payment procedures and payment date for A-share holders will be announced separately.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

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 impact 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.

During 2003, the core business of the Group was the operation and management of toll roads including Shenzhen Meiguan Expressway ("Meiguan Expressway"), Shenzhen Jihe Expressway (East Section) ("Jihe East"), Shenzhen Jihe Expressway (West Section) ("Jihe West"), Shenzhen Yanba Expressway (A Section) ("Yanba A"), Shenzhen Yanba Expressway (B Section) ("Yanba B"), Shenzhen Shuiguan Expressway ("Shuiguan Expressway") and Hunan Changsha Ring Road (Northwestern Section) ("Changsha Ring Road"). In October 2003, the Group acquired Mei Wah Industrial (Hong Kong) Limited and in turn owned 42% equity interest of Geputan Bridge.

1. **Operating results of toll roads in 2003**

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	560,396	11.68
Jihe East	33,308	25.47	499,465	16.12
Jihe West	28,284	29.69	484,433	25.84
Yanba A	7,357	37.69	47,228	33.03
Yanba Expressway[1]	7,423	N/A	61,089	N/A
Shuiguan Expressway	30,397	33.54	296,211	26.18
Changsha Ring Road	3,454	34.07	46,745	29.13
Geputan Bridge	2,706	8.76	24,359	5.61
NH107[2]	25,668	2.65	261,237	3.48
NH205[2]	46,930	12.38	378,120	11.03

Notes:

1. Yanba A and Yanba B have commenced operation in April 2001 and June 2003, respectively. Yanba Expressway as named above refers to the two sections combined.

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

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. However, 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 11.68% 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 30% 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 12 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. For the whole reporting period, 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 has increased by 33.54% over the previous year.

2. **Investment and Acquisition**

(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.

(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. 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 Industrial (Hong Kong) Limited held by Jin Teng Investment Company at a consideration of HK$24.875 million. Consequently, the Company indirectly owns 42% interest of Yungang Company.

Yungang Company is a sino-foreign joint venture established under the approval of the Hubei People's Government. This jointly controlled entity is principally engaged in construction and operation of Geputan Bridge. The term of toll operation is 15 years from 1 April 2002 to 31 March 2017. Yungang Company's total revenue recorded for the full year was RMB8.768 million with a net profit of RMB3.281 million.

Results of Mei Wah Industrial (Hong Kong) Limited and Yungang Company have been included in the Group since 1 November 2003.

3. **Transfer of NH107 and NH205**

On 18 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 and NH205 were transferred to the Shenzhen Communications Bureau at a consideration of RMB1.93 billion. On 19 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. The Company has announced relevant details in Hong Kong Economic Times and Hong Kong Standard on 30 March 2003 and 12 April 2003.

As at 31 December 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 31 December 2004 whilst the remaining shall be fully paid by 31 December 2005.

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.

4 **Planning and Construction**

(1) *Project construction management for Phase 1 of Nanping Expressway ("Nanping Project")*

On 11 February 2004, the Company entered into a project construction management agreement with the Shenzhen Communications Bureau on behalf of the Shenzhen Municipal Government. In accordance with the agreement, the Company was appointed as the manager of the Nanping Project. The Company will, on behalf of the Shenzhen Communications Bureau, directly enter into contracts with entities responsible for the construction of the project. Relevant details of the project have been announced in Hong Kong Economic Times and Hong Kong Standard on 12 February 2004.

The project is the recognition of the Company for its years of experience in project construction management and for its management excellence. The project also signifies the Company's first successful step in providing services on expressway construction management, as well as establishing a new income base for the Company in future.

(2) *Planning*

Taking full advantage of its concession rights to operate expressways granted by the Shenzhen Municipal Government and in accordance with the Five Year Action Plan and the Ten Year Development Outline in respect of the Shenzhen highway network, the Company will put its priority on developing expressways planned for Shenzhen. 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 conducting a feasibility study 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 relevant government departments.

In addition, by capitalising on the opportunities arising from the sale by Guangdong Province of shareholdings in expressways which are either already constructed, under construction or being planned, the Company will actively develop expressways planned for the Pearl River Delta region in Guangdong. Through further acquisition of excellent projects with high return, the Company is set to enhance its profitability and to maintain a sustainable and healthy development.

FINANCIAL 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. **Provisions for impairment losses on assets**

(1) *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 has entered into agreement with Ring Road Co., whereby Ring Road Co., has 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 RMB50,260,000 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.

(2) *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 RMB28,432,000 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.

2. **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 31 December 2004. As at the end of the reporting period, the ratio of cash to total current assets is 65.56%.

3. **Financial Resources**

(1) *Bank balances and cash*

As at the end of the reporting period, bank balances and cash balances of the Group amounted to RMB1,274,818,000. Cash balances of the Group included the payment in respect of the asset transfer of two national highways, 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.

(2) *Borrowings*

The Company arranged its borrowings for reasonable amounts, terms and interest rates with reference to toll roads' cash inflow characteristics, income and expense plan as well as loan borrowing policies of domestic banks in the PRC. Whilst managing risks on cash liquidity, the Company also applied reasonable financial leverage to enhance shareholder returns. Owing to its sound credit worthiness, the Company has managed 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 an amount of RMB4.05 billion remaining available.

(3) *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 at 31 December 2003, all subsidies given by the Shenzhen Municipal Government for Yanba B have been received.

(4) *Impact on financial resources by transfer of assets*

Pursuant to the asset transfer agreement, the Company will receive a consideration of approximately RMB1.93 billion. As at 31 December 2003, the Company has received a sum of RMB965 million. The remaining balance will be received in two lump sums by 31 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 11 April 2003.

4. **Capital commitments**

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

	RMB'000
Contracted but not provided for	328,000
Authorised by the board of directors but not contracted	1,808,000
Total	2,136,000

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

5. **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.

6. **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)
	444,082

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

(1) *Net cash flow from operating activities*

The Company's net cash inflow from operating activities comes mainly from toll revenues of its toll roads, which are mainly cash receipts from daily operation.

(2) *Cash flow from investment activities*

The Company's cash inflow from investment activities comprised mainly the consideration from the transfer of Class 1 highway assets 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.

(3) *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.

7. **Capital structure**

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

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

	As at 31 December 2003		**As at 31 December 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	6,988,973	100.00%	6,700,302	100.00%

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.

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

	As at 31 December 2003		**As at 31 December 2002**	
	Amount	**Percentage**	**Amount**	**Percentage**
	(RMB'000)		*(RMB'000)*	
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	6,988,973	100.00%	6,700,302	100.00%

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 long-term liabilities represented the 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.

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 of A Shares. The project was completed and the expressway commenced toll collection on 12 June 2003. As at 31 December 2003, RMB383,507,000 of the proceeds has been injected into the project. The balance of the proceeds amounted to RMB220 million.

Repurchase of H Shares

The Company's shareholders approved the special resolution on 30 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 pursuant to the requirements of relevant laws and regulations of the PRC to apply to the CSRC, 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 The Stock Exchange of Hong Kong Limited during the relevant period, whilst the relevant period will expire on 23 April 2004, when the 2003 annual general meeting of the Company will be concluded. To date, there is no H share repurchased by the Company.

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	28 April 2013

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.

Material contracts and their performance

As at 31 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 28 August 2002 to 28 August 2004	
Shangbu Sub-branch, Shenzhen Branch, China Everbright Bank	RMB500 million	From 1 July 2002 to 1 July 2005	RMB20 million
Shenzhen Huanggang Sub-branch, China Merchants Bank	RMB550 million	From 10 June 2003 to 10 June 2004	
Futian Sub-branch, Shenzhen Branch, Industrial and Commercial Bank of China	RMB700 million	From 27 September 2003 to 26 September 2004	RMB20 million
Futian Sub-branch, Shenzhen Branch, Industrial and Commercial Bank of China*	RMB740 million	From 20 October 2003 to 20 October 2015	
Shangbu Road Sub-branch, Shenzhen Branch, Guangdong Development Bank	RMB300 million	From 1 November 2003 to 1 November 2006	
Shangbu Sub-branch, Shenzhen branch, China Construction Bank	RMB300 million	From 5 November 2003 to 5 November 2006	
Dongmen Sub-branch, Shenzhen Branch, Citic Industrial Bank	RMB400 million	From 26 November 2003 to 25 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.

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 15 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.

OTHER SIGNIFICANT MATTERS

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

On 23 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 23 December 2003 to 30 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 in the amount of RMB306,000,000 would be treated as an interest-free shareholder 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 waived the right of demanding for payment of the interest balance of RMB13,902,000.

On 25 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 impose certain restrictions on any dealing of its 51% equity interest in Shenchang Company.

The Company has announced relevant details in Hong Kong Economic Times and Hong Kong Standard on 5 January 2004.

Ring Road Company settled the interests on the remaining period for the entrusted loan of RMB306 million on 26 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.

Staff training and remuneration

As at 31 December 2003, the Group had 1,029 employees, two staff of the Group retired and have completed retirement procedures at the Shenzhen Social Security Bureau. Among our staff, 44.9% were graduates from universities and post-secondary institutes; and toll collection staff were graduates from high schools or above.

The Company has always placed a lot of emphasis on staff training and 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 and achieved good results.

On 6 March 2001, directors of the Company approved the simulated share options scheme (the "Scheme"). On 30 October 2003, amendments to the Scheme (including the exercise period and exercise price) was approved at the extraordinary general meeting in respect of the change of the total number of rights (the "Rights") from individually held to collectively held by the senior management and management staff of the Company. The cash generated from the exercise of the Rights shall be applied as special incentive fund and distributed to the senior management and management staff by the Company in accordance with the proposal prepared by the general manager and the Human Resources and Nomination Committee of the Company. Directors not holding management position in the Company have made declarations to waive the Rights which had not been exercised as of 31 December 2003. As such, directors not holding management position in the Company will not receive any options bonus starting from 2004.

The Rights that were held by senior management and management staff under the Scheme amounted to 5,501,400 units, for which directors Wu Ya De and Zhang Rong Xing and supervisor Yi Ai Guo may receive part of the incentive fund after exercising such Rights.

Contractual interests of directors and supervisors

As at 31 December 2003 or any period during the Year, no material contract has been entered into between the Company or any of its subsidiaries and jointly controlled entities such that directors or supervisors may directly or indirectly enjoy material benefits.

Purchase, Sale or redemption of shares

During the Year, no share of the Company was purchased, sold or redeemed by the Company or any of its subsidiaries and jointly controlled entities.

Trust Deposits and Overdue Time Deposits

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

Employees's 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.

Compliance with the code of best practice

Directors of the Company believe that during 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 The Stock Exchange of Hong Kong Limited.

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 31 December 2003.

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.

The Company will continue to focus on investing, constructing and operating toll roads as its principal operation. It will speed up the market-oriented transformation of the Company's corporate governance. Moreover, it will strive to establish a first-rate brand name as a public utilities operator, providing premier and efficient services to the public and the government at reasonable costs. Leveraging its concession rights as granted by the Shenzhen Municipal Government, the Company will base on Shenzhen as a stepping stone 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 enhance investment and shareholder returns.

By Order of the Board
Chen Chao
Chairman

Shenzhen, the PRC, 5 March 2004

A detailed annual results announcement containing all the information required by paragraph 45(1) to 45(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.

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 23 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 (Cap. 571 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.

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;

Article 95. (1) The board of directors shall not, without the prior approval of shareholders in a general meeting, disposal 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."

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 23 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 23 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;

(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."

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, 5 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 23 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 23 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 23 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;

(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, 5 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 23 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 23 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 23 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;

(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, 5 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 23 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 seam date shall have the right to attend the Domestic Shareholders' EGM.

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 3 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 24 March 2004 to 23 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 23 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:

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Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

iv. Address of the Company:

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