THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shenzhen Expressway Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 548)

MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF QINGLIAN HIGHWAYS

Financial Adviser to Shenzhen Expressway Company Limited

Guangdong Securities Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

HANTEC CAPITAL LIMITED

A letter from the Independent Board Committee is set out on page 29 of this circular. A letter from Hantec Capital, the independent financial adviser, is set out on pages 30 to 46 of this circular.

A notice convening an extraordinary general meeting ("EGM") of Shenzhen Expressway Company Limited (the "Company") to be held at the meeting room of the Company at 19/F, Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen, the People's Republic of China at 3:00 p.m. on 23 May 2005 (Monday) is set out on pages 139 to 142 of this circular. A form of proxy is also enclosed. Whether or not you intend to attend the said meeting, you are requested to complete the proxy in accordance with the instructions printed thereon and return the same to the registrar of H shares of the Company, Hong Kong Registrars Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or to the Company at 19/F, Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen, the People's Republic of China as soon as possible and in any event not less than 24 hours before the holding of the EGM. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the EGM or any adjourned meeting(s) should you so wish.

6 April 2005

CONTENTS

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

"Acquisition"	the Spring Sun Acquisition, the Mei Wah Acquisition and the Great Eagle Acquisition
"Agreements"	the Framework Agreement, the Spring Sun Acquisition Agreement, the Mei Wah Acquisition Agreement and the Great Eagle Acquisition Agreement
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Company"	Shenzhen Expressway Company Limited (深圳高速公路股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and the H shares of which are listed on the Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange
"Completion"	completion of the Acquisition
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held at 19/F, Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen, the PRC at 3:00 p.m. on 23 May 2005 (Monday) for the purpose of considering, and if thought fit, approving the Agreements and the Acquisition contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Framework Agreement"	the agreement entered into by (1) Mr. Chung; (2) Spring Sun; (3) Great Eagle; (4) Maxprofit; (5) Zhuhai New Chang Jiang; (6) Mei Wah; and (7) the Company on 3 February 2005 for the Acquisition and pursuant to which the Agreements are signed
"Great Eagle"	Guangdong Yingjun Investment Holding Co., Ltd. (廣東鷹君投資控股有限公司), a company incorporated in the PRC with limited liability
"Great Eagle Acquisition"	the acquisition of the 14.18% equity and the debt interest of Great Eagle in Qinglian Company (as acquired from Sun Yue Traffic) by the Company from Great Eagle
"Great Eagle Acquisition Agreement"	the agreement entered into by Great Eagle, the Company, Mr. Chung, Maxprofit, Spring Sun and Zhuhai New Chang Jiang on 3 February 2005 relating to the Great Eagle Acquisition

"the Group"	the Company and its subsidiaries
"Guangdong Securities"	Guangdong Securities Limited, a licensed corporation to carry on Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities for the purpose of SFO, being the financial adviser to the Company in relation to the Acquisition
"Guangzhou Cement"	Guangzhou Cement Joint Stock Limited Company (廣州水泥股份有限公司), a company incorporated in the PRC with limited liability
"Guarantors"	all the guarantors under the Agreements
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK GAAP"	Hong Kong Generally Accepted Accounting Principle
"Hantec Capital"	Hantec Capital Limited, a licensed corporation to carry on Types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities for the purpose of SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"ICBC Bank Loan"	a bank loan in the sum of RMB1,010,000,000 extended by Wuyang ICBC to Zhuhai New Chang Jiang and secured by, inter alia, a charge in favour of Wuyang ICBC over Spring Sun's 42.1% equity and debt interest in Qinglian Company, which is for a term of 180 months starting from 27 May 2003
"Independent Board Committee"	the independent committee of the Directors comprising all the independent non-executive Directors, namely Messrs. Ho Pak Cho, Denis Morgie, Li Zhi Zheng, Zhang Zhi Xue and Poon Kai Leung, James
"Independent Shareholders"	Shareholders other than Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司) and its associates
"Independent Third Party" or "Independent Third Parties"	person(s) who, to the best of the Directors' knowledge, information and belief, having made all reasonable enquires, is/are third party independent of and is/are not connected person(s) of the Company and its subsidiaries, its directors, chief executive, promoters, supervisors or substantial shareholders or their respective associates

"Latest Practicable Date"	1 April 2005, being the latest practicable date before the printing of this circular for ascertaining information in this circular
"Lianzhou-Yizhang Section (連州-宜章路段)"	a class 2 road with 68 kilometers connecting the northern part of Qinglian Class One Highway with the southern part of Beijing-Zhuhai Expressway in Hunan province
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maxprofit"	Maxprofit Gain Limited, a company incorporated in the British Virgin Islands with limited liability with the sole purpose of holding 25% equity interest in Qinglian Company
"Mei Wah"	Mei Wah Industrial (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Company
"Mei Wah Acquisition"	the acquisition of the entire issued share capital of Spring Sun from Mr. Chung, or if so directed by Mei Wah, Spring Sun shall transfer 25% out of its 42.1% equity interest in Qinglian Company to a company designated by Mei Wah and Mei Wah shall acquire the entire issued share capital of such company
"Mei Wah Acquisition Agreement"	the agreement entered into by Mei Wah, Mr. Chung, Zhuhai New Chang Jiang and Great Eagle on 3 February 2005 relating to the Mei Wah Acquisition
"Mr. Chung"	Chung Chi Fai (鍾志輝), the beneficial and registered shareholder of Spring Sun holding 100% of its issued share capital
"PBA"	Parsons Brinckerhoff (Asia) Limited, an independent traffic consultant engaged by the Company
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and the Taiwan region
"Qinglian Class One Highway"	a first grade highway which runs for 215.846 kilometers from Feng Tou Ling, Lian Zhou City (連州市鳳頭嶺) to Jing Kou Town, Qing Xin County, Qingyuan City (清遠市清新縣逕口鎮)
"Qinglian Class 2 Road"	the Qinglian section of the original National Highway 107 which runs parallel to Qinglian Class One Highway for 253 kilometers from Feng Tou Ling, Lian Zhou City (連州市鳳頭嶺) to Jing Kou Town, Qing Xin County, Qingyuan City (清遠市清新縣逕口鎮)

"Qinglian Company"	Guangdong Qinglian Highway Development Company Limited (廣東清連公路發展有限公司), a Sino-foreign cooperative joint venture established in the PRC with limited liability
"Qinglian Highways"	the Qinglian Class One Highway and Qinglian Class 2 Road
"RMB"	renminbi, the lawful currency of the PRC
"Sallmanns"	Sallmanns (Far East) Limited, the independent valuer in respect of the Acquisition
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Spring Sun"	Spring Sun International Limited, a company incorporated in the British Virgin Islands with limited liability
"Spring Sun Acquisition"	the acquisition of the 17.1% equity and all the debt interest of Spring Sun in Qinglian Company by the Company from Spring Sun
"Spring Sun Acquisition Agreement"	the agreement entered into by Spring Sun, the Company, Mr. Chung, Maxprofit, Great Eagle and Zhuhai New Chang Jiang on 3 February 2005 relating to the Spring Sun Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sun Yue Acquisition"	the acquisition of the 14.18% equity and the debt interest of Sun Yue Traffic in Qinglian Company by Great Eagle from Sun Yue Traffic
"Sun Yue Traffic"	Sun Yue Traffic Development Limited (新粵交通發展有限公司), a company incorporated in Hong Kong with limited liability
"US$	United States dollar(s), the lawful currency of the United States of America
"Vendors"	all of the vendors, namely Mr. Chung, Spring Sun and Great Eagle, under the Agreements

"Wuyang ICBC"	the Wuyang, Guangzhou Branch of the Industrial and Commercial Bank of China (中國工商銀行廣州五羊支行), being the lender under the ICBC Bank Loan. Part of the consideration paid under the Acquisition will be paid directly to Wuyang ICBC to secure the release of the existing charge in its favour over Spring Sun's 42.1% equity and debt interest in Qinglian Company
"Wuyang ICBC Undertaking"	the undertaking issued by Wuyang ICBC that immediately upon the payment of RMB1,010,000,000 and all accrued interest thereon, the existing charge in its favor over Spring Sun's 42.1% equity and debt interest in Qinglian Company shall be completely and unconditionally released
"Yueqing"	Qingyuan City Yueqing Public Road Construction and Development Co., Ltd. (清遠市粵清公路建設發展有限公司), a company incorporated in the PRC with limited liability
"Zhuhai New Chang Jiang"	Zhuhai New Chang Jiang Construction Investment Co., Ltd. (珠海市新長江建設投資有限公司), a company incorporated in the PRC with limited liability, the borrower under the ICBC Bank Loan
"%"	per cent.

Note: For the purpose of this circular, foreign currency amounts have been converted into Hong Kong dollars using an exchange rate of HK$1 = RMB1.06 and HK$7.80 = US$1.

深圳高速公路股份有限公司
SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 548)

Directors:
Chen Chao *(Chairman)*
Wu Ya De
Zhang Rong Xing
Zhong Shan Qun
Tao Hong
Lin Xiang Ke
Zhang Yang
Chiu Chi Cheong, Clifton

Independent non-executive Directors:
Ho Pak Cho, Denis Morgie
Li Zhi Zheng
Zhang Zhi Xue
Poon Kai Leung, James

Legal Address:
19/F., Tower A
United Plaza
5022 Binhe Road North
Shenzhen 518033
PRC

Place of business in Hong Kong:
Suites 2911-2912
29th Floor
Two International Finance Centre
No. 8 Finance Street
Central
Hong Kong

6 April 2005

To the Shareholders

Dear Sirs or Madams,

MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF QINGLIAN HIGHWAYS

INTRODUCTION

The Directors announced on 15 February 2005 that the Company and its wholly owned subsidiary Mei Wah as purchasers entered into the Framework Agreement with Mr. Chung, Spring Sun, Great Eagle, Maxprofit and Zhuhai New Chang Jiang with an aim to acquire a total of 56.28% equity interest in Qinglian Company pursuant to the Acquisition.

The Acquisition consists of a series of transactions, including the Great Eagle Acquisition, the Spring Sun Acquisition and the Mei Wah Acquisition. Pursuant to the Great Eagle Acquisition Agreement, the Company will acquire from Great Eagle its 14.18% equity interest in Qinglian Company, together with shareholder's loan and interest of Great Eagle in Qinglian Company, to be acquired from Sun Yue Traffic. Pursuant to the Spring Sun Acquisition Agreement, the Company will acquire from Spring Sun its 17.1% equity interest in Qinglian Company, together with all shareholder's loan and interest of Spring Sun in Qinglian Company. Pursuant to the Mei Wah Acquisition Agreement, Mei Wah will indirectly acquire the 25% equity interest in Qinglian Company being held by Spring Sun. Upon Completion, the Company will be directly and indirectly holding 56.28% equity interest in Qinglian Company.

The aggregate consideration for the Acquisition will be RMB1,839,200,000 (approximately HK$1,735,094,339) and to be paid by cash. The consideration, together with other terms of the Acquisition have been determined through arm's length negotiations taking into account the reasons for the Acquisition as set out in the paragraph headed "Reasons for the Acquisition" below.

The Acquisition constitutes a major transaction for the Company under the Listing Rules. Sun Yue Traffic is an associate of Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司), which is a promoter of the Company. By virtue of Sun Yue Traffic's interests in Qinglian Company and the close relationship between the Sun Yue Acquisition and the Great Eagle Acquisition, the Great Eagle Acquisition constitutes a connected transaction under the Listing Rules. Therefore, the Acquisition contemplated under the Agreements is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. As at the Latest Practicable Date, Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司) held approximately 2.96% equity interest in the Company. Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司) and its associates will abstain from voting at the EGM on the relevant resolution(s) approving the Acquisition. Apart from Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司) and its associates, no other Shareholder is interested in the Great Eagle Acquisition and is required to abstain from voting at the relevant general meeting.

The EGM will be convened by the Company at which resolution(s) will be proposed to seek approval of the Independent Shareholders for the Acquisition. The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Acquisition. Hantec Capital has been appointed as the independent financial adviser advising the Independent Board Committee and the Independent Shareholders whether the Acquisition is fair and reasonable so far as the Independent Shareholders and the Company are concerned.

The purpose of this circular is to provide you with further information relating to the Acquisition and the Agreements entered into in connection therewith, the business valuation carried out by Sallmanns and the traffic forecast report prepared by PBA, to set out the recommendations of the Independent Board Committee and Hantec Capital and to give you notice of the EGM for the purpose of seeking your approval of the Acquisition.

THE FRAMEWORK AGREEMENT

Date of the agreement

3 February 2005

Parties

(1) Mr. Chung; (2) Spring Sun; (3) Great Eagle; (4) Maxprofit; (5) Zhuhai New Chang Jiang; (6) Mei Wah; and (7) the Company. Mr. Chung is the beneficial and registered owner of all the shares in Spring Sun and Maxprofit.

Assets to be acquired under the Acquisition

Pursuant to the Framework Agreement, the Group will acquire all of the interest of each of Spring Sun and Great Eagle in Qinglian Company (in the case of Great Eagle derived from its agreement with Sun Yue Traffic), so as to effectively control an aggregate of 56.28% of the equity interest of Qinglian Company, and to acquire the benefit of an aggregate HK$523,033,797's equivalent of shareholder's loans extended to Qinglian Company and an aggregate amount of accrued interest thereon of approximately HK$391,752,770 as at 31 December 2004.

Consideration

The aggregate consideration for the Acquisition will be RMB1,839,200,000 (approximately HK$1,735,094,339) comprising:

(1) RMB1,110,000,000 (approximately HK$1,047,169,811) payable for the acquisition of the 17.1% equity interest of Spring Sun in Qinglian Company together with all the shareholder's loan and interest (please refer to the section headed "The Spring Sun Acquisition Agreement" below for details of the transaction);

(2) RMB390,000,000 (approximately HK$367,924,528) payable for the acquisition of all the issued share capital of Spring Sun (or all the issued share capital of Maxprofit, a newly incorporated company designated by Mei Wah) holding 25% equity interest in Qinglian Company (please refer to the section headed "The Mei Wah Acquisition Agreement" below for details of the transaction); and

(3) RMB339,200,000 (approximately HK$320,000,000) payable for the acquisition of the 14.18% equity interest of Great Eagle in Qinglian Company together with shareholder's loans and interest (derived from its agreement with Sun Yue Traffic) (please refer to the section headed "The Great Eagle Acquisition Agreement" below for details of the transaction).

Details of the aggregate consideration are summarized as follows:

Transaction	Consideration		Interests to be acquired: (1) Equity interest in Qinglian Company		(2) Shareholder's loan (as at 31 December 2004)		(3) Accrued interest (as at 31 December 2004)	
	RMB	*HK$ equivalent*	*%*	*HK$ equivalent (Note)*	*US$*	*HK$ equivalent*	*US$*	*HK$ equivalent*
Spring Sun Acquisition	1,110,000,000	1,047,169,811	17.10	337,476,139	50,180,127	391,404,991	40,806,241	318,288,681
Mei Wah Acquisition	390,000,000	367,924,528	25.00	367,924,528	NIL	NIL	NIL	NIL
Great Eagle Acquisition	339,200,000	320,000,000	14.18	114,907,105	16,875,488	131,628,806	9,418,473	73,464,089
Total	**1,839,200,000**	**1,735,094,339**	**56.28**	**820,307,772**		**523,033,797**		**391,752,770**

Note: The sum is arrived at by the respective considerations minus the respective shareholder's loans and accrued interests.

Basis of the consideration

The Acquisition

The aggregate consideration of the Acquisition was arrived at after arm's length negotiations between the Group and the Vendors, taking into account the valuation of Qinglian Company of approximately RMB3.0 billion to RMB3.6 billion estimated by the Directors (assuming the Qinglian Class One Highway will be successfully reconstructed into an expressway). The estimated valuation of Qinglian Company by Sallmanns, an independent professional valuer, was approximately RMB3.3 billion. The Directors made the estimation mainly based on their past experience and expertise on highway projects. The Directors have taken into account the traffic flow of Qinglian Class One Highway, the highway network and the development of Guangdong Province, the road conditions of similar highway projects and the rare opportunity for other relevant alternative expressway projects in the PRC in evaluating the value of Qinglian Company.

The Group will finance the Acquisition from internal resources and general banking facilities of the Group.

Spring Sun Acquisition, Mei Wah Acquisition and Great Eagle Acquisition

The consideration of the Great Eagle Acquisition is mainly based on the agreed consideration between Great Eagle and Sun Yue Traffic pursuant to the Sun Yue Acquisition. The consideration for Spring Sun Acquisition is RMB1,110,000,000 (approximately HK$1,047,169,811), which represents the 17.1% equity interest in Qinglian Company and a shareholder's loan of US$50,180,127 (approximately HK$391,404,991) and the accrued interest amounted to US$40,806,241 (approximately HK$318,288,681) as at 31 December 2004. For Mei Wah Acquisition, the consideration is RMB390,000,000 (approximately HK$367,924,528), which represents 25% equity interest in Qinglian Company. Mei Wah Acquisition and Spring Sun Acquisition are indeed part and parcel transaction and the respective considerations should be aggregated as one consideration, being approximately RMB1.5 billion. This aggregate consideration was arrived at after arm's length negotiations between the Company, Mr Chung and Spring Sun and the basis of which is higher than that of Great Eagle Acquisition since it reflects the premium to be paid for the controlling stake in Qinglian Company.

Sallmanns has been appointed to prepared an independent valuation report (please refer to Appendix I to this circular for details of the report) to assess the total value of Qinglian Company. Pursuant to the report, the valuation for the 42.1% and 14.18% equity interests in Qinglian Company as at 31 December 2004 were RMB1.39 billion and RMB469.5 million, respectively. Accordingly, the aggregate consideration of Mei Wah Acquisition and Spring Sun Acquisition represents a 7.9% premium and the Great Eagle Acquisition represents a 27.8% discount to the Sallmanns' stated fair market value. The premium for the aggregate consideration of Spring Sun Acquisition and Mei Wah Acquisition represent the premium to be paid for the controlling stake in Qinglian Company while the discount of Great Eagle Acquisition was mainly due to the lower consideration basis derived from the Sun Yue Acquisition. The aggregate consideration of the Acquisition of approximately RMB1,839 million represents approximately 1% discount to the value of 56.28% equity interests in Qinglian Company as at 31 December 2004. The Directors consider that the aggregate consideration for the Acquisition is fair and reasonable and in the interests of the Shareholders.

As Spring Sun only holds 42.1% equity interest in Qinglian Company but the Company intends to obtain the majority interest in Qinglian Company, Mr. Chung agreed that he would negotiate with other joint venture partners of Qinglian Company to ensure that the Company can obtain a majority interest in Qinglian Company. Against this background, Great Eagle reached an agreement with Sun Yue Traffic pursuant to which Sun Yue Traffic agreed to transfer all its 14.18% equity interest in Qinglian Company together with the shareholder's loan and interest of Sun Yue Traffic in Qinglian Company to Great Eagle first. After Great Eagle successfully reached such an agreement with Sun Yue Traffic on 28 January 2005, the Company agreed to purchase such interest from Great Eagle by the Great Eagle Acquisition Agreement.

Details of the Acquisition

The overall acquisition under the Framework Agreement is the subject of three separate detailed agreements as described sections below.

Spring Sun Acquisition

The Company will acquire from Spring Sun 17.1% out of its 42.1% equity interest in Qinglian Company together with the shareholder's loan of US$50,180,127 (approximately HK$391,404,991) previously extended by Spring Sun to Qinglian Company and all accrued interest amounting to US$40,806,241 (approximately HK$318,288,681) as at 31 December 2004 thereon.

Mei Wah Acquisition

Upon completion of the Spring Sun Acquisition, Mei Wah will acquire from Mr. Chung all the issued share capital of Spring Sun (or all the issued share capital of Maxprofit, a newly incorporated company designated by Mei Wah) which holds the remaining 25% equity interest in Qinglian Company. The Company has absolute discretion to determine that the aforesaid transactions shall be completed by: (1) the Company acquiring the 25% equity interest in Qinglian Company directly from Spring Sun or Maxprofit; or (2) Mei Wah or a company designated by Mei Wah acquiring the entire issued share capital of Spring Sun which holds 42.1% equity interest in Qinglian Company.

Background of Spring Sun Acquisition and Mei Wah Acquisition

As the Company would like to retain the status of Qinglian Company as a Sino-foreign cooperative joint venture after the Acquisition, the Company decided to use Mei Wah as the foreign party to indirectly hold the 25% equity interest in Qinglian Company. If on or before 31 December 2005, the Company cannot obtain the relevant governmental approval for the increase in the registered capital of Mei Wah to complete the Mei Wah Acquisition, and the Company has to acquire the 25% equity interest in Qinglian Company held by Spring Sun or Maxprofit (if Spring Sun has completed the transfer of 25% equity interest in Qinglian Company to Maxprofit) directly, with the effect that Qinglian Company will no longer be a Sino-foreign cooperative joint venture, the consideration of RMB390,000,000 (approximately HK$367,924,528) under Mei Wah Acquisition shall be reduced by an amount equivalent to HK$50,000,000 (approximately RMB53,000,000), which has been arrived at after arm's length negotiation between the Company and the parties. In such a case, the Company and Spring Sun (or as the case may be, Maxprofit) will enter into an agreement to replace the current Mei Wah Acquisition Agreement and such acquisition shall be completed on or before 31 March 2006. As Mei Wah does not have sufficient funds to finance the acquisition independently, the Company, being its parent company, has to get the relevant government approvals for transmitting funds in the PRC to Hong Kong for Mei Wah by way of increasing its registered capital. Since the Acquisition is still subject to shareholders' approval, the Company has not yet applied for the approval for the increase in the registered capital of Mei Wah. In case the relevant government approval cannot be obtained, the Company may acquire the 25% equity interest in Qinglian Company directly from Spring Sun or Maxprofit.

Great Eagle Acquisition

Pursuant to the Great Eagle Acquisition, the Company will acquire from Great Eagle the 14.18% equity interest in Qinglian Company and shareholder's loans of US$16,875,488 (approximately HK$131,628,806) and accrued interest of US$9,418,473 (approximately HK$73,464,089) as at 31 December 2004 owed by Qinglian Company to Sun Yue Traffic which Great Eagle would acquire from Sun Yue Traffic under the Sun Yue Acquisition. The Company is not a party to the Sun Yue Acquisition and the Great Eagle Acquisition will take place subsequent to the completion of the Sun Yue Acquisition. As at the Latest Practicable Date, as far as the Directors are aware of, Sun Yue Acquisition has been completed.

The completion of the Great Eagle Acquisition is not a condition precedent for either Mei Wah Acquisition or Spring Sun Acquisition. The Group may still proceed with the Mei Wah Acquisition and Spring Sun Acquisition if the Great Eagle Acquisition could not be completed.

Performance guarantee

In order to secure the performance of obligations under the Agreements, (1) Mr. Chung would charge all the issued share capital of Spring Sun to Mei Wah; (2) Mr. Chung would charge all the issued share capital of Maxprofit to Mei Wah; (3) Spring Sun would charge its 25% equity interest in Qinglian Company to be acquired by Mei Wah under the Mei Wah Acquisition to the Company as security after the release of the existing charge in favour of Wuyang ICBC over Spring Sun's 42.1% equity and debt interest in Qinglian Company if the Mei Wah Acquisition had not been completed by that time; (4) Maxprofit would charge the 25% equity interest in Qinglian Company to be acquired from Spring Sun under the Mei Wah Acquisition to the Company as security after completion of the transfer of the 25% equity interest in Qinglian Company from Spring Sun to Maxprofit; (5) upon completion of the Sun Yue Acquisition, Great Eagle would charge the 14.18% equity interest and debt in Qinglian Company to the Company as security; and (6) upon the payment of deposit of RMB55,000,000 (approximately HK$51,886,792) to Spring Sun under the Spring Sun Acquisition as detailed below, Mr. Chung should procure all director(s) of Spring Sun to be designated by the Company; Spring Sun should procure all directors of Qinglian Company nominated by Spring Sun to be designated by the Company; as soon as Maxprofit becomes a shareholder of Qinglian Company, Maxprofit should procure all directors of Qinglian Company nominated by Maxprofit to be designated by the Company; and as soon as Great Eagle becomes a shareholder of Qinglian Company, Great Eagle should procure all directors of Qinglian Company nominated by Great Eagle to be designated by the Company.

Mr. Chung, Spring Sun, Maxprofit, Great Eagle and Zhuhai New Chang Jiang irrevocably undertake to, and procure the board of Qinglian Company and the other joint venture partners of Qinglian Company to, approve all the transactions contemplated under the Framework Agreement, approve the reconstruction of Qinglian Class One Highway into an expressway, and approve Qinglian Company to seek general banking facilities to finance the reconstruction work.

Conditions Precedent of the Acquisition

The Acquisition is conditional upon fulfillment of the conditions including but not limited to the following:

(a) approval for the Framework Agreement and its underlining transactions being given by the shareholders in the general meeting of the Company;

(b) the tendering by the vendors under the Framework Agreement to the Company of true, complete and valid legal documents and figures in relation to the finance, taxation, business and other legal aspects of Qinglian Company and the status of the equity and debt interest held by the vendors under the Framework Agreement in Qinglian Company and the Company and Mei Wah in their absolute discretion are satisfied with the due diligence results of Qinglian Company;

(c) the relevant government authority grants approval for Qinglian Class One Highway to be reconstructed as an expressway and charge its toll fees according to the expressway standards, which must specify the toll collection period approved;

(d) should the Company determine to acquire the 25% equity interest in Qinglian Company directly from Spring Sun or Maxprofit under the Mei Wah Acquisition, such acquisition must be completed on or before 31 March 2006;

(e) the release of the existing charge over Spring Sun's 42.1% equity and debt interests in Qinglian Company according to the Wuyang ICBC Undertaking; and

(f) all other necessary consents, approvals, registrations and filings being given for the transactions contemplated under the Framework Agreement.

Should any of the conditions precedent not be fulfilled, the Company will have the option to terminate all the transactions under the Framework Agreement and accordingly Mr. Chung, Spring Sun (and/or Maxprofit) and Great Eagle will be obliged to return all prior payments received from the Company and/or Mei Wah including the down-payments described below. In such a case, the Company will make an announcement accordingly.

Guarantors

Mr. Chung, Spring Sun, Maxprofit and Great Eagle jointly and severally guarantee the performance of their respective obligations in the Framework Agreement and the related agreements. Zhuhai New Chang Jiang guarantees the performance of the obligations by Mr. Chung, Spring Sun, Maxprofit and Great Eagle in the Framework Agreement and the related agreements.

THE SPRING SUN ACQUISITION AGREEMENT

Date of the agreement

3 February 2005

Parties

Purchaser: The Company

Vendor: Spring Sun

Guarantors: (1) Mr. Chung
(2) Maxprofit
(3) Great Eagle
(4) Zhuhai New Chang Jiang

Assets to be acquired

The Company will acquire from Spring Sun 17.1% out of its 42.1% equity interest in Qinglian Company, together with the US$50,180,127 (approximately HK$391,404,991) shareholder's loan previously extended by Spring Sun to Qinglian Company and all accrued interest thereon, amounting to US$40,806,241 (approximately HK$318,288,681) as at 31 December 2004. Spring Sun is providing such full warranties as are customary for such similar transactions, including warranties that it has title to such assets to be acquired by the Company and the freedom of such acquired assets from any encumbrances whatsoever other than the charge in favour of Wuyang ICBC mentioned below.

Consideration

The consideration for the Spring Sun Acquisition Agreement is RMB1,110,000,000 (equivalent to approximately HK$1,047,169,811) payable according to the following schedule:

(1) Down-payment of RMB425,466,100 (approximately HK$401,383,113) payable by the Company in four installments as follows:

(i) a sum of RMB30,000,000 (approximately HK$28,301,887) into an account jointly controlled by Great Eagle, the Company and the bank in the name of Great Eagle within 3 working days after the execution of the Spring Sun Acquisition Agreement and the completion of registration of the charge over shares in Spring Sun in favour of Mei Wah, such sum shall only be used by Great Eagle for the purpose of Sun Yue Acquisition;

(ii) a sum of RMB310,466,100 (approximately HK$292,892,547) into an account jointly controlled by Great Eagle, the Company and the bank in the name of Great Eagle within 13 working days after the execution of the Spring Sun Acquisition Agreement and the completion of registration of the charge over shares in Spring Sun in favour of Mei Wah for the purposes of procuring the issue of a bank guarantee in the amount of RMB310,466,100 (approximately HK$292,892,547) in favor of Sun Yue Traffic that can be called upon by Sun Yue Traffic once the Sun Yue Acquisition has received approval from the approval authority, such sum shall only be used by Great Eagle for the purpose of Sun Yue Acquisition;

(iii) a sum of RMB55,000,000 (approximately HK$51,886,792) pay to an account designated by Spring Sun within 3 working days after the execution of the Spring Sun Acquisition Agreement and completion of registration of the charge over shares in Spring Sun in favour of Mei Wah; and

(iv) a sum of RMB30,000,000 (approximately HK$28,301,887) pay to an account designated by Spring Sun within 5 working days after completion of registration of the charge over 14.18% equity and debt interest in Qinglian Company with the original registration authority in favour of the Company.

Under the Spring Sun Acquisition Agreement, the parties agreed that the down-payments of RMB30,000,000 (approximately HK$28,301,887) and RMB310,466,100 (approximately HK$292,892,547), respectively made pursuant to sub-paragraphs (i) and (ii) above shall only be used by Great Eagle for the purposes of Sun Yue Acquisition and payments made to or for the benefit of Great Eagle pursuant to the above are made at the request of Spring Sun and therefore notwithstanding their ultimate destination, are agreed by the parties to constitute payments of consideration by the Company to Spring Sun under the Spring Sun Acquisition Agreement for the purpose of successful completion of the Spring Sun Acquisition Agreement. In the event completion is unsuccessful, Spring Sun remains fully obligated to refund the entirety of such payments made.

The parties agreed that the down-payments made pursuant to sub-paragraphs (i) and (ii) above shall only be used by Great Eagle and if for whatever reason Sun Yue Acquisition had not been completed on or before 31 March 2005 (or such later date as agreed by the Company), the Company is not obliged to pay the down-payment as scheduled in sub-paragraph (iv) above, and Spring Sun and Great Eagle are obliged to return the down-payments detailed in sub-paragraph (i) and (ii) above (with interest) to a bank account jointly controlled by Great Eagle, the Company and the bank not later than 15 April 2005 (or such later date as agreed by the Company) and such amounts shall be repaid to Wuyang ICBC within 15 working days from completion of the approval procedures for the transfer of equity and debt interest in Qinglian Company as contemplated under the Spring Sun Acquisition.

(2) (i) Within 15 working days from completion of the approval procedures for the transfer of equity interest in Qinglian Company as contemplated under the Spring Sun Acquisition and the Great Eagle Acquisition, Great Eagle shall pay a sum of RMB339,200,000 (approximately HK$320,000,000) (which is equivalent to the consideration under the Great Eagle Acquisition Agreement) to Wuyang ICBC, (or if the Sun Yue Acquisition shall not be completed on or before 31 March 2005 (or such later date as agreed by the Company), the amount returned to the bank account as stated above shall be repaid to Wuyang ICBC within 15 working days from completion of the approval procedures for the transfer of equity and debt interest in Qinglian Company as contemplated under the Spring Sun Acquisition); and on the same date,

(ii) Spring Sun and/or Zhuhai New Chang Jiang shall pay all the outstanding interests and/or penalty relating to the ICBC Bank Loan.

After the above sums of money have been paid to Wuyang ICBC, the Company shall pay the remaining consideration (i.e. RMB1,110,000,000 (approximately HK$1,047,169,811) less the down-payment made pursuant to paragraph (1) above) after deduction of all taxes to Wuyang ICBC as directed by Spring Sun to secure the complete and unconditional release of the existing charge in its favor over Spring Sun's 42.1% equity and debt interest in Qinglian Company. If the remaining consideration is insufficient to repay the ICBC Bank Loan, Spring Sun shall make up of the shortfall and if the remaining consideration is more than the outstanding ICBC Bank Loan, the Company shall pay the rest of the remaining consideration into a bank account designated by Spring Sun. Such payment to Wuyang ICBC shall be full and final settlement of all consideration due from the Company to Spring Sun under the Spring Sun Acquisition Agreement.

According to the Spring Sun Acquisition Agreement, if the Sun Yue Acquisition could not be completed on or before 31 March 2005 (or such later date as agreed by the Company) and Spring Sun and Great Eagle have not returned the said down-payments to the designated bank account, it shall be deemed as a fundamental breach of the Spring Sun Acquisition Agreement and the Company shall have the right to terminate the Spring Sun Acquisition Agreement. Alternatively, the Company may choose to proceed with the Spring Sun Acquisition, and the down-payments so made (and not returned) shall be deemed as part of the consideration.

Conditions Precedent

The Spring Sun Acquisition Agreement is conditional upon fulfillment of the conditions including but not limited to the following:

(a) the release of the existing charge over Spring Sun's 42.1% equity and debt interest in Qinglian Company according to the Wuyang ICBC Undertaking;

(b) the tendering by Spring Sun to the Company of true, complete and valid legal documents and figures in relation to the finance, taxation, business and other legal aspects of Qinglian Company and the status of the equity and debt interest held by Spring Sun in Qinglian Company and the Company in its absolute discretion is satisfied with the due diligence results of Qinglian Company;

(c) approvals of the shareholders in general meeting of the Company being given for the Spring Sun Acquisition Agreement;

(d) all other necessary consents, approvals and filings for the Spring Sun Acquisition Agreement, including but not limited to the original approval authority;

(e) the relevant government authority grants approval for Qinglian Class One Highway to be reconstructed as an expressway and charge its toll fees according to the expressway standards, which must specify the toll collection period approved;

(f) Great Eagle pays the RMB339,200,000 (approximately HK$320,000,000) to Wuyang ICBC as detailed above;

(g) Spring Sun and/or Zhuhai New Chang Jiang pay all the outstanding interests and/or penalty relating to the ICBC Bank Loan as detailed above; and

(h) Spring Sun makes up the shortfall of the outstanding ICBC Bank Loan (if any).

Should any of the aforesaid conditions not be fulfilled, the Company will have the option to terminate the Spring Sun Acquisition Agreement and Spring Sun will be obliged to return all payments received from the Company together with interest computed on the basis of the interest rate as adopted by the People's Bank of China for loan of over 5 years from time to time.

THE MEI WAH ACQUISITION AGREEMENT

Date of the agreement

3 February 2005

Parties

Purchaser:	Mei Wah
Vendor:	Mr. Chung
Guarantors:	(1) Zhuhai New Chang Jiang (2) Great Eagle

Assets to be acquired

Mei Wah will acquire from Mr. Chung the entire issued share capital of Spring Sun, or if so directed by Mei Wah, Spring Sun shall transfer 25% out of its 42.1% equity interest in Qinglian Company to a company designated by Mei Wah and Mei Wah shall acquire the entire issued share capital of such company. Maxprofit is so designated by Mei Wah for the time being. Mr. Chung is providing such full warranties as are customary for such similar transactions, including warranties that he has title to such assets to be acquired by Mei Wah and the freedom of such acquired assets from any encumbrances whatsoever.

The purpose of the Mei Wah Acquisition is to obtain 25% out of the 42.1% equity interest in Qinglian Company held by Spring Sun. In order to use a newly established project company to hold the 25% equity interest, the Group may direct Spring Sun to transfer 25% out of its 42.1% equity intersest in Qinglian Company to Maxprofit, a newly incorporated company with the sole purpose of holding the 25% equity interest in Qinglian Company.

Consideration

The consideration of the Mei Wah Acquisition is RMB390,000,000 (approximately HK$367,924,528) payable in one lump sum in HK dollars within 15 working days after fulfillment of the conditions precedents below.

The consideration shall be fully deducted by the following amounts:

(1) any amount paid by Mei Wah or the Company under its absolute discretion to Wuyang ICBC to secure the release of the existing charge in favour of Wuyang ICBC over Spring Sun's 42.1% equity and debt interest in Qinglian Company;

(2) any liabilities incurred by Mei Wah or the Company as a result of any liabilities (debt, tax or otherwise) of Spring Sun and/or Maxprofit; and

(3) any damages or losses incurred by the Company or Mei Wah as a result of the breach of the Framework Agreement or any of its underlining agreements by the other parties to the Framework Agreement.

Under any one of the following situations the remaining consideration after deductions made as aforesaid may be reduced by not more than HK$200,000,000:

(a) if on or before 31 March 2005 (or such later date as agreed by the Company), the Sun Yue Acquisition was not completed for whatever reason, the consideration should be reduced by HK$20,000,000;

(b) if the consideration the Company has to pay for completion of the Great Eagle Acquisition is more than RMB339,200,000 (approximately HK$320,000,000), the consideration shall be reduced by the difference;

(c) if on or before completion of the Mei Wah Acquisition, the Qinglian Class One Highway cannot be granted the approval for reconstruction into an expressway, Mei Wah shall withhold HK$100,000,000 and if within 6 months after completion of the Mei Wah Acquisition (or a date agreed by the Company or Mei Wah) such condition is fulfilled, the Company shall pay such withholding amount to Mr. Chung;

(d) if on or before completion of the Mei Wah Acquisition, the Qinglian Class One Highway cannot be granted the approval to charge its toll fees according to the expressway standards, which must specify the toll collection period approved, Mei Wah shall withhold HK$50,000,000 and if within 6 months after completion of the Mei Wah Acquisition (or a date agreed by the Company or Mei Wah) such condition is fulfilled, the Company shall pay such withholding amount to Mr. Chung, or if the term of approval as a toll-collecting expressway is less than 25 years, each less year shall be deducted by HK$20,000,000; and

(e) if on or before completion of the Mei Wah Acquisition the Company does not successfully become an investor (with an interest of no less than 20%) in the reconstruction of Lianzhou - Yizhang Section into an expressway, so as to integrate it with the Qinglian Class One Highway, Mei Wah shall withhold HK$50,000,000 and if within 6 months after completion of the Mei Wah Acquisition (or a date agreed by the Company or Mei Wah) such condition is fulfilled, the Company shall pay such withholding amount to Mr. Chung.

Conditions Precedent

The Mei Wah Acquisition Agreement is conditional upon fulfillment of the conditions including but not limited to the following:

(a) the release of the existing charge over Spring Sun's 42.1% equity and debt interest in Qinglian Company according to the Wuyang ICBC Undertaking;

(b) approvals of the shareholders in general meeting of the Company being given for the Mei Wah Acquisition Agreement;

(c) all necessary consents and approvals being given for the share transfer contemplated under the Mei Wah Acquisition Agreement, including the approval from the relevant PRC authority if required;

(d) Mei Wah has completed the due diligence in relation to, inter alia, the finance, taxation, business and other legal aspects of Spring Sun and Qinglian Company and Mei Wah in its absolute discretion is satisfied with the due diligence results;

(e) the successful completion of the Spring Sun Acquisition Agreement;

(f) the relevant government authority grants approval for Qinglian Class One Highway to be reconstructed as an expressway and charge its toll fees according to the expressway standards, which must specify the toll collection period approved;

(g) the Company has obtained the relevant governmental approval for the increase in registered capital of Mei Wah to complete the Mei Wah Acquisition on or before 31 December 2005; and

(h) if so directed by Mei Wah, completion of the transfer of 25% equity interest in Qinglian Company from Spring Sun to Maxprofit.

Should any of the aforesaid conditions not be fulfilled within 12 months from the date of execution of the Mei Wah Acquisition Agreement (or such later date as the vendor and the purchaser hereunder mutually agreed), unless Mei Wah in its absolute discretion waive any of the conditions precedent, the Mei Wah Acquisition Agreement shall become void.

THE GREAT EAGLE ACQUISITION AGREEMENT

Date of the agreement

3 February 2005

Parties

Purchaser:	The Company
Vendor:	Great Eagle
Guarantors:	(1) Mr. Chung (2) Maxprofit (3) Spring Sun (4) Zhuhai New Chang Jiang

Assets to be acquired

The Company will acquire from Great Eagle the 14.18% equity interest in Qinglian Company and the shareholder's loans of US$16,875,488 (approximately HK$131,628,806) and accrued interest of US$9,418,473 (approximately HK$73,464,089) as at 31 December 2004 owed by Qinglian Company thereon, which Great Eagle would acquire from Sun Yue Traffic under the Sun Yue Acquisition. Great Eagle is providing such full warranties as are customary for similar such transactions, including warranties that it has title to such acquired assets and the freedom of such acquired assets from any encumbrances whatsoever.

Consideration

The consideration for the Great Eagle Acquisition is RMB339,200,000 (approximately HK$320,000,000).

Within 15 working days from completion of the approval procedures for the transfer of equity interest in Qinglian Company as contemplated under the Great Eagle Acquisition and the Spring Sun Acquisition, the Company will pay the entire consideration to Wuyang ICBC as directed by Great Eagle. Payment to Wuyang ICBC shall be full and final settlement of all consideration due from the Company to Great Eagle under the Great Eagle Acquisition Agreement.

Conditions Precedent

The Great Eagle Acquisition Agreement is conditional upon fulfillment of the conditions including but not limited to the following:

(a) completion of the registration procedure for the transfer of the 14.18% equity interest in Qinglian Company by Sun Yue Traffic to Great Eagle at the original registration authority on or before 31 March 2005 (or such later date as agreed by the Company);

(b) the tendering by Great Eagle to the Company of true, complete and valid legal documents and figures in relation to the finance, taxation, business and other legal aspects of Qinglian Company and the status of the equity and debt interest held by Great Eagle in Qinglian Company and the Company in its absolute discretion is satisfied with the due diligence results of Qinglian Company;

(c) approval of the shareholders in general meeting of the Company being given for the Great Eagle Acquisition Agreement;

(d) all other necessary consents, approvals and filings for the Great Eagle Acquisition Agreement, including but not limited to those required from the original approval authority; and

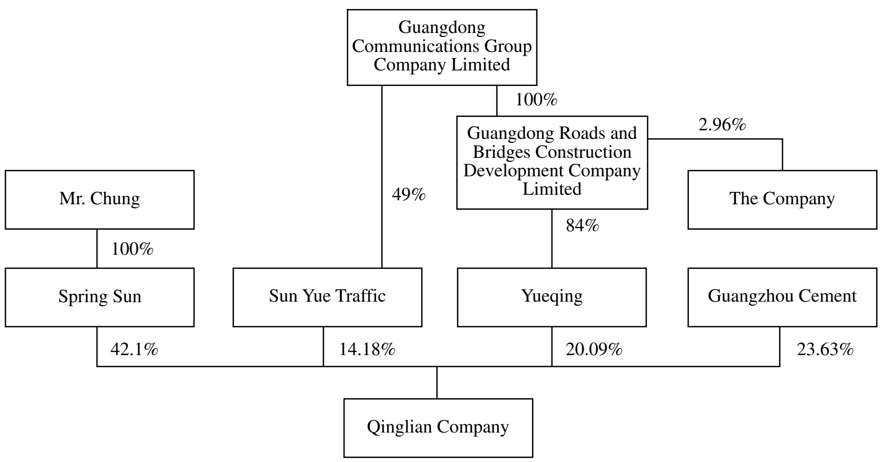
(e) the relevant government authority grants approval for Qinglian Class One Highway to be reconstructed as an expressway and charge its toll fees according to the expressway standards, which must specify the toll collection period approved.

Should any of the aforesaid conditions not be fulfilled, the Company will have the option to terminate the Great Eagle Acquisition Agreement and Great Eagle will be obliged to return all payments received from the Company (including the down-payments paid under the Spring Sun Acquisition Agreement in the amount of RMB345,466,100 (approximately HK$325,911,415) which are specified to be used for the Sun Yue Acquisition) together with interest computed on the basis of the interest rate as adopted by the People's Bank of China for loan of over 5 years from time to time.

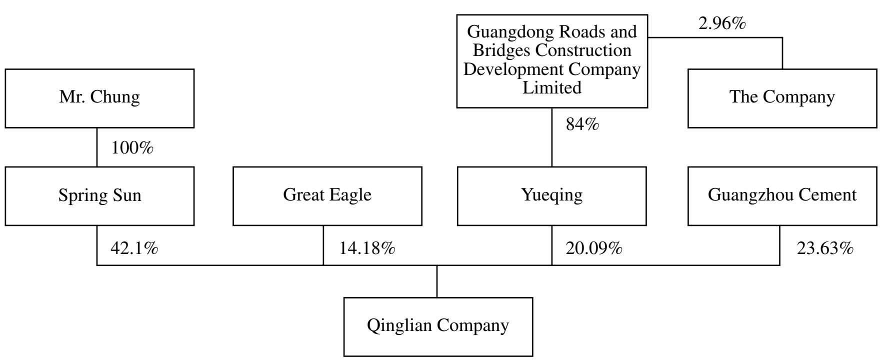
SHAREHOLDING STRUCTURE OF QINGLIAN COMPANY

Set out below are the shareholding structures of Qinglian Company prior to and immediately following the Acquisition:

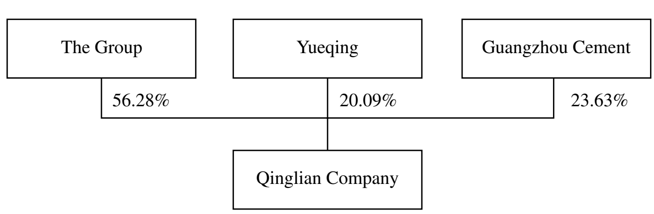
Organization Chart before Acquisition



Organization Chart after completion of Sun Yue Acquisition but before completion of the Acquisition



Organization Chart after Acquisition



INFORMATION ON QINGLIAN COMPANY

Qinglian Company is a Sino-foreign co-operative joint venture which was established on 23 February 1995 in Guangdong, PRC for a term of 33 years starting from 23 February 1995. Its principal and only significant assets consist of the Qinglian Highways and the related facilities.

i. Share of net distributable profits

According to the joint venture contracts of Qinglian Company, the annual net distributable profit of Qinglian Company shall be paid according to the following schedule:

(1) repay the principal and accrued interest of bank loans extended by domestic financial institutions to Qinglian Company that should be repaid for the year;

(2) repay shareholders' loans and accrued interest for the year in the same proportion to the equity interest of each of the current shareholders of Qinglian Company; and

(3) The remaining profit for the year after full deduction of item (1) above and full repayment of all outstanding shareholders' loan and interest shall be paid to the current shareholders in the same proportion to the equity interest of each of the current shareholders of Qinglian Company.

ii. Board of Qinglian Company

According to the joint venture contracts of Qinglian Company, the board of directors of Qinglian Company shall comprise of 15 directors, Spring Sun and Sun Yue Traffic are entitled to appoint 7 and 2 directors respectively. Each of Yueqing and Guangzhou Cement is entitled to appoint 3 directors. Spring Sun is also entitled to appoint the chairman of the board of directors of Qinglian Company.

iii. Financial information of Qinglian Company

The following financial figures relating to Qinglian Company are extracted from the audited financial statements of Qinglian Company as set out in appendix III to the circular (under the HK GAAP) for the three years ended 31 December 2004:

	For the year ended 31 December		
	2004	**2003**	**2002**
	RMB'000	*RMB'000*	*RMB'000*
Net assets	481,022	540,825	519,867
Total assets	2,920,596	2,971,728	3,127,995
Net (loss) profit for the year	(59,803)	20,958	(56,479)

The total investment costs in Qinglian Company as at the date of establishment that was approved by the Guangdong Foreign Economic Relation & Trade Commission (廣東省對外經濟貿易委員會) is RMB3,500,000,000 (approximately HK$3,301,886,792) and its registered capital is RMB1,200,000,000 (approximately HK$1,132,075,472). As at 31 December 2004, with reference to the financial statements of Qinglian Company, the total amount of shareholders' loan of Qinglian Company payable to its existing shareholders were approximately RMB433,644,740 (approximately HK$409,098,811) and US$67,055,615 (approximately HK$523,033,797) and the accrued interests of which were approximately RMB265,585,280 (approximately HK$250,552,151) and US$50,224,714 (approximately HK$391,752,770) respectively. Details of the shareholders' loans with the accrued interests as at 31 December 2004 were as follows:

Shareholders of Qinglian Company	**Equity Interest in Qinglian Company**	**Shareholder's Loan(s) in Qinglian Company[1]**	
		Principal as at 31 December 2004	**Accrued Interests as at 31 December 2004**
Spring Sun, incorporated in the British Virgin Islands	42.10%	US$50,180,127 (approximately HK$391,404,991)	Approximately US$40,806,241 (approximately HK$318,288,681)
Sun Yue Traffic, incorporated in Hong Kong	14.18%[2]	1. US$16,875,488 (approximately HK$131,628,806)	Approximately US$9,418,473 (approximately HK$73,464,089)
		2. RMB498,756 (approximately HK$470,525)	Approximately RMB224,782 (approximately HK$212,058)
Yueqing, incorporated in the PRC	20.09%	RMB198,809,120 (approximately HK$187,555,773)	Approximately RMB121,668,499 (approximately HK$114,781,603)
Guangzhou Cement, incorporated in the PRC	23.63%	RMB234,336,864 (approximately HK$221,072,513)	Approximately RMB143,691,999 (approximately HK$135,558,490)

Notes:

1. The shareholders' loans are for a term of 10 years and the annual interest rate is 10% from the date Qinglian Company received the relevant shareholder's loans.

2. Subject to the Sun Yue Acquisition.

Spring Sun and its ultimate shareholder, Mr. Chung, are Independent Third Parties.

Sun Yue Traffic is 49% beneficially and indirectly owned by Guangdong Communications Group Company Limited (廣東省交通集團有限公司). Guangdong Communications Group Company Limited (廣東省交通集團有限公司) also holds the entire issued share capital of Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司) which is a promoter of the Company holding approximately 2.96% equity interest of the Company.

Yueqing is 84% owned by Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司) (the promoter of the Company as mentioned above).

As far as the Directors are aware of, save as disclosed above, all existing shareholders of Qinglian Company or their respective ultimate shareholders are Independent Third Parties.

INFORMATION ON THE GROUP

The Company is principally engaged in the investment, construction, operation and management of toll highways and roads in the PRC.

INFORMATION ON VENDORS AND GUARANTORS

Mr. Chung is the registered and beneficial owner of Spring Sun and Maxprofit.

Spring Sun is a company incorporated in the BVI with limited liability. Its only business activity is the holding of the 42.1% equity interest in Qinglian Company.

Maxprofit is a company newly incorporated in the BVI with limited liability. It is incorporated with the sole purpose of holding the 25% equity interest in Qinglian Company pursuant to the Mei Wah Acquisition, and it is not intended that Maxprofit shall be doing any business or enter into any other transactions by Mr. Chung. Therefore, although Max Profit is wholly owned by Mr. Chung, its director(s) is/are to be appointed by the Company. As directed by Mei Wah, Spring Sun shall transfer 25% out of its 42.1% equity interest in Qinglian Company to Maxprofit and Mei Wah shall acquire the entire issued share capital of Maxprofit under the Mei Wah Acquisition.

Great Eagle is a company incorporated in the PRC with limited liability. It is principally engaged in the business of project investment, investment and product information consulting businesses.

Zhuhai New Chang Jiang is a company incorporated in the PRC with limited liability. It is principally engaged in the investment in property, hotel and transportation businesses. It is also engaged in the trading of building materials, chemicals, metals and electronic equipment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry and save to the extent disclosed in this circular, the Vendors and the Guarantors are Independent Third Parties.

FINANCIAL EFFECTS OF THE ACQUISITION

Net tangible assets value

As at 31 December 2004, the audited consolidated net tangible assets of the Group were approximately RMB6,004 million. Based on the Appendix V to this circular, the unaudited pro-forma adjusted consolidated net tangible asset value of the Group immediately before the Completion and that of the Enlarged Group will remain the same at approximately RMB6,004 million, since the investment cost on the acquisition of Qinglian Company will be offset by the respective consideration payable.

Earnings

The Group recorded an audited consolidated net profit of approximately RMB419 million for the year ended 31 December 2004. Given the earnings ability and prospects of Qinglian Company, the Directors consider the Acquisition could benefit the results of the Enlarged Group especially if Qinglian Class One Highway is successfully reconstructed into an expressway, it will provide significant contribution to Qinglian Company, which will in turn contribute a decent investment returns for the Group.

REASONS FOR THE ACQUISITION

The Directors consider that the Acquisition is consistent with the Company's overall business strategy to invest in toll road projects. Leveraging on the Company's investment experience in other expressway projects, the Directors believe that the Group has the expertise to assess and manage the operation of the assets acquired. The Company has engaged a PRC consultant to project the traffic flow forecast of Qinglian Highways and the Company has prepared an estimated valuation of Qinglian Company of RMB3.0 billion to RMB3.6 billion taking into account of this forecast. The estimated valuation of Qinglian Company so prepared is one of the factors for the determination of the consideration for the Acquisition.

The Directors are optimistic on the expressway industry in the PRC, having considered the following factors:

- continuous economic growth in the PRC has triggered the demand for transportation infrastructure;
- globalization of world economies has increased trade activities and China has become the hub for manufacturing business. Accordingly the position of China in international container transportation market has become more and more important, thereby bringing rapid development of logistic business and thus the highways industry will be benefited;
- urbanization of the PRC has been accelerated and the increases in the number, scale, population and income of cities have brought to a strong demand for traffic in both quantity and quality aspects, the highways industry will thus be benefited; and

- the robust growth rate in car sales recently experienced in the PRC may drive the usage of highways in the future accordingly. Although the level of car ownership is increasing, the low car ownership per capita, coupled with increasing income level, implies that there is ample room for car ownership to rise and the highways industry will thus be benefited.

Qinglian Class One Highway is located in the northern part of Guangdong Province. Together with the Qinglian Class 2 Road which acts as an auxiliary line, the Qinglian Highways collectively constitute a major highway transport corridor connecting the less developed areas in the northwestern part of Guangdong Province with the developed areas of the Pearl River Delta region. Considering the continued economic growth along the Pearl River Delta, the Directors believe that the economic and trading activities in the area will continue to prosper resulting in rapid growth and demand for road transport in the northwestern part of Guangdong Province. Since the existing road conditions and the respective traffic flows of Qinglian Class One Highway are less than optimal, it could not cope with the future demand for road transport and accordingly the Qinglian Class One Highway is expected to be reconstructed into an expressway.

The Directors consider that the then expressway will be the arterial highway in Guangdong Province, connecting the northern and the southern highway framework in the province and moving the trading and economic activities from Pearl River Delta region to the Mainland. The then expressway will connect with Guangqing Expressway towards the south, thereby linking up the transportation network of the Pearl River Delta region. It will also connect with Lianzhou-Yizhang Section and the newly proposed Er-guang Expressway (Erlianhaote-Guangzhou) towards the north in Lian Zhou and through Lianzhou-Yizhang Section extend to Beijing-Zhuhai Expressway in Yizhang Huanan Province near the boundary of Hunan and Guangdong. In addition, it intersects with the Shantou-Kunming Expressway, which is one of the important projects from connecting the western part with the eastern part of the PRC. Being the essential corridor to link up the developed areas in Pearl River Delta region and the central and northern parts of the PRC with the Hunan Province and the Mainland, the then expressway will become a safe and convenient way to connect the Mainland to Hong Kong and Macau regions. Therefore, it will be an important transportation infrastructure for the development of "Pan-Pearl River Delta Economic Circle".

The Directors consider that the then expressway will bring decent investment return for the Group and the average cost per kilometer after reconstruction is expected to be not more than RMB40,000,000, which is estimated to be on the lower end in terms of cost of construction in Guangdong Province. Such average cost per km is calculated by using the estimated total valuation of Qinglian Company (i.e. approximately RMB3.3 billion) plus the expected capital expenditure of approximately RMB3.9 billion, divided by the 215 kilometer of Qinglian Class One Highway. In view of the future economic return and strategic importance of the then expressway (i.e. the main trunk of expressway framework in the northwestern part of Guangdong Province), the Directors consider that the consideration and average cost of the reconstruction are fair and reasonable. An independent valuation of Qinglian Company, being valued at approximately RMB3.3 billion was prepared by Sallmanns based on discounted cash flow. This approach is considered by Sallmanns as the most appropriate method for valuations of Qinglian Company after assessing the business nature, revenue model and the reliability of the traffic forecast. However, at the time when the announcement was released on 15 February 2005, the valuation of Sallmanns was in progress and was completed subsequent to the release of the announcement. Therefore, the valuation of Sallmanns was not provided in the announcement.

The Qinglian Class One Highway held by Qinglian Company is proposed to be reconstructed into an expressway and the estimated aggregate capital expenditure is approximately RMB3,900,000,000 (approximately HK$3,679,245,283). It is estimated that such capital expenditure is to be financed by Qinglian Company through general banking facilities after Completion. Subject to the approval of relevant government authorities, reconstruction is expected to commence in the second half of 2005 and is expected to be completed within two years.

FUTURE PROSPECTS

As stated in the annual report of the Group for the year ended 31 December 2004, the Group adheres to the development strategy of focusing on toll highways operation as its core business and the investment strategy of expanding towards the Pearl River Delta and other economically regions in the PRC. Proven by the acquisition of Qinglian Highways, the Group will continue to look for attractive investment opportunities in the PRC with an aim to capture the new market share and building new income bases and the satisfactory growth in the existing business.

LISTING RULES MATTERS

The Acquisition constitutes a major transaction for the Company under the Listing Rules. Sun Yue Traffic is an associate of Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司), which is a promoter of the Company. By virtue of Sun Yue Traffic's interests in Qinglian Company and the close relationship between Sun Yue Acquisition and Great Eagle Acquisition, the Great Eagle Acquisition constitutes a connected transaction under the Listing Rules. Therefore, the Acquisition contemplated under the Agreements is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司) and its associates will abstain from voting at the EGM on the relevant resolution(s) approving the Acquisition. Apart from Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司) and its associates, no other Shareholder is interested in the Great Eagle Acquisition and is required to abstain from voting at the relevant general meeting.

As the valuations are prepared on the basis of discounted cash flow method, the valuations have been deemed profit forecasts. Pursuant to Rules 14.62 and 14.71 of the Listing Rules, the Company has commissioned Deloitte Touche Tohmatsu, as independent reporting accountants, to review the accounting policies and calculations for the business valuations. Deloitte Touche Tohmatsu have satisfied themselves with respect to the accounting policies and calculations of business valuations. In addition, the Company has received a letter from Guangdong Securities stating that they have satisfied themselves that the business valuations by the Directors have been stated after due and careful enquiry. The Board (including the independent non-executive Directors) have confirmed that the business valuations have been made after due and careful enquiry.

An Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Acquisition. Hantec Capital has been appointed as the independent financial adviser to advise the Independent Board Committee whether the Acquisition is fair and reasonable so far as the Independent Shareholders and the Company are concerned.

EGM

The EGM will be held at the meeting room of the Company at 19/F, Tower A, United Plaza, No.5022 Binhe Road North, Shenzhen, the PRC at 3:00 p.m. on 23 May 2005 (Monday), a notice of which is set out on pages 139 to 142 of this circular. Ordinary resolution(s) will be proposed at the EGM for the Independent Shareholders to approve the Acquisition by poll contemplated thereunder. Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司) and its associates are required to refrain from voting at the EGM.

Enclosed is a form of proxy for use at the EGM. Whether or not you attend the said meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the registrar of H Shares of the Company, Hong Kong Registrars Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or to the Company at 19/F, Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen, the People's Republic of China as soon as possible and in any event, not less than 24 hours before the holding of the EGM. Completion and return of proxy form will not prelude you from subsequently attending and voting at the EGM or any adjourned meeting(s) should you so wish.

RECOMMENDATION

The Directors consider that the Agreements were entered into in the ordinary course of business and on normal commercial terms and the terms of the Acquisition are fair and reasonable so far as the Company and the Shareholders are concerned and the Agreements are in the interests of the Company and its Shareholders as a whole and accordingly recommend that all Independent Shareholders should vote in favour of the resolution(s) to be proposed at the EGM to approve the Agreements and the Acquisition contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter of advice from the Independent Board Committee and the letter from Hantec Capital containing its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition set out on page 29 and pages 30 to 46 of this circular respectively.

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

By order of the Board
Shenzhen Expressway Company Limited
Chen Chao
Chairman

深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 548)

To the Independent Shareholders

6 April 2005

Dear Sirs or Madams,

MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF QINGLIAN HIGHWAYS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board in the circular dated 6 April 2005 (the "Circular") to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advise of Hantec Capital in respect of the Acquisition as set out in the letter from Hantec Capital in the Circular.

Recommendation

We have considered the principal factors taken into account by Hantec Capital in arriving at its opinion in respect of the Agreements. We concur with the views of Hantec Capital that the terms of the Agreements are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution(s) at the EGM.

Yours faithfully,
Ho Pak Cho, Denis Morgie
Li Zhi Zheng
Zhang Zhi Xue
Poon Kai Leung, James
Independent Board Committee

The following is the text of a letter prepared by Hantec Capital for the purposes of inclusion in this Circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

Hantec Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

6 April 2005

To the Independent Board Committee and the Independent Shareholders of
Shenzhen Expressway Company Limited

Dear Sirs and Madams,

MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF QINGLIAN HIGHWAYS

INTRODUCTION

We refer to the circular dated 6 April 2005 (the "**Circular**") issued by the Company to the Shareholders of which this letter forms part and to our appointment as independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Acquisition, details of which are set out in the letter from the Board (the "**Board's Letter**") contained in the Circular. Capitalised terms used in this letter without definitions shall have the same meanings set out in the Circular unless the context otherwise requires.

We refer to the announcement of the Company dated 15 February 2005 in relation to the major and connected transactions arising from the Company's entering into a series of transactions, including the Spring Sun Acquisition, the Mei Wah Acquisition and the Great Eagle Acquisition. Pursuant to the Spring Sun Acquisition Agreement, the Company will acquire from Spring Sun its 17.1% equity interest in Qinglian Company, together with all shareholders' loan and interest of Spring Sun in Qinglian Company. Pursuant to the Mei Wah Acquisition Agreement, Mei Wah will indirectly acquire the 25% equity interest in Qinglian Company being held by Spring Sun. Pursuant to the Great Eagle Acquisition Agreement, the Company will acquire from Great Eagle its 14.18% equity interest in Qinglian Company, together with shareholders' loan and interest of Great Eagle in Qinglian Company, both to be acquired from Sun Yue Traffic pursuant to Sun Yue Acquisition. Upon completion of the Acquisition, the Company will be directly and indirectly holding 56.28% equity interest in Qinglian Company.

The Acquisition constitutes a major transaction for the Company under the Listing Rules. Sun Yue Traffic is an associate of Guandong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司), which is a promoter of the Company holding approximately 2.96% equity interest in the Company. As Sun Yue Traffic's interests in Qinglian Company and the close relationship between Sun Yue Acquisition and Great Eagle Acquisition, the Great Eagle Acquisition constitutes a connected transaction under the Listing Rules. As such, the Acquisition contemplated under the Agreements is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司) and its associates will abstain from voting at the EGM on the relevant resolution(s) approving the Acquisition.

Pursuant to the requirements of Rule 13.39(6) of the Listing Rules, the Independent Board Committee comprising Mr. Ho Pak Cho, Denis Morgie, Mr. Li Zhi Zheng, Mr. Zhang Zhi Xue and Mr. Poon Kai Leung, James, all being independent non-executive Directors, has been established by the Company to advise the Independent Shareholders in relation to the Acquisition. We have been appointed by the Company to provide independent opinion and recommendations to the Independent Board Committee to advise the Independent Shareholders as to whether the Acquisition is in the interests of the Group and the Shareholders as a whole and whether its terms are fair and reasonable so far as the Independent Shareholders are concerned.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the Directors were true at the time they were made and continue to be true as at the date of the Circular and up to the date of the EGM, and there has been no material change thereof. We have also relied on our discussion with the Directors and the management of the Company regarding the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Company, the Group, Qinglian Company, Guangdong Roads and Bridges

Construction Development Company Limited (廣東省路橋建設發展有限公司), Guangdong Communications Group Company (廣東省交通集團有限公司), Sun Yue Traffic, Yueqing, Guangzhou Cement, Spring Sun, Great Eagle and Zhuhai New Chang Jiang and their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken the following principal factors and reasons into consideration:

Reasons for the Acquisition

Business of the Company

The Company is principally engaged in the investment, construction, operation and management of toll highways and roads in the PRC.

According to the Company's annual report for the year ended 31 December 2004, the Group had audited net assets of approximately RMB6,082 million and RMB6,087 million as at 31 December 2003 and 2004 respectively. The Group had audited profits attributable to shareholders of approximately RMB899 million and RMB419 million for the year ended 31 December 2003 and 2004 respectively.

According to the Company's annual reports for the year ended 31 December 2004, the toll highways operated and invested by the Group in Shenzhen City and Guangdong Province constitute part of the major gateway between Shenzhen and Hong Kong leading towards the Pearl River Delta region. These toll highways have become important infrastructures especially after the implementation of Closer Economic Partnership Arrangement and the establishment of the Pan-Pearl River Delta Economic Circle. Traffic flow of the toll highways operated and invested by the Group registered an average growth rate topping 30% for year 2004. In a move to facilitate the formation of Pan-Pearl River Delta Economic Circle, Guangdong Provincial Government has put in the pipeline the construction of expressways. The Company will focus on toll road operations as its core business and expand towards the Pearl River Delta region and other economically developed regions in the PRC.

Business of Qinglian Company

Qinglian Company is a Sino-foreign co-operatives joint venture which was established on 23 February 1995 in Guangdong, PRC for a term of 33 years starting from 23 February 1995. Its principal and only significant assets consist of the Qinglian Highways and the related facilities.

Qinglian Company, under HK GAAP, recorded net assets of approximately RMB541 million and RMB481 million as at 31 December 2003 and 2004 respectively, and net profit of approximately RMB21 million for the year ended 31 December 2003 and net loss of approximately RMB60 million for the year ended 31 December 2004. The registered capital of Qinglian Company was RMB1,200 million as at the Latest Practicable Date.

Assuming, among others, Qinglian Expressway commences operation in late 2007, Sallmanns, an independent valuer to the Company, evaluated 100% interest of Qinglian Company at RMB3,306 million, and estimated Qinglian Company will record profit since 2008 despite it recorded loss for year 2004. After reviewing the valuation report prepared by Sallmanns (the "Valuation Report") and discussing with Sallmanns (details of which are set out in the subsection headed "Valuation Report" below), we concur with Sallmanns that the current loss-making results of Qinglian Company will turn to profit-making after Qinglian Expressway commences operation.

Information about Qinglian Highways

Qinglian Highways are part of the National Highway 107, one of the major highways connecting Shenzhen and Beijing. Qinglian Highways include Qinglian Class One Highway and Qinglian Class 2 Road. Qinglian Class One Highway, a first grade highway having four lanes, connects Qing Yuan City (清遠市) in Guangdong Province and Fengtouling of Lian Zhou City (連州市) in Guangdaong Province, the boundary of Hunan Province. Qinglian Class 2 Road, a road with two lanes, acts as an auxiliary line to Qinglian Class One Highway. Qinglian Class One Highway together with Qinglian Class 2 Road collectively constitute a major highway transport corridor connecting the less developed areas in the northwestern part of Guangdong Province with the developed areas of the Pearl River Delta region.

According to the Directors, Qinglian Class One Highway commenced operation in 1997 and Qinglian Class 2 Road commenced operation in 1991. According to PBA, an independent traffic consultant to the Company, the traffic growth patterns on Qinglian Class One Highway were stable during 1999 and 2002 but the traffic flow thereon dropped significantly since 2003, which is attributable to two major reasons — the road conditions of Qinglian Class One Highway have been seriously damaged and that another road transport named Jingzhu Expressway (northern section) commenced operation in 2003 which has diverted a major portion of traffic flows originally on Qinglian Class One Highway. In view of the less than optimal road condition and traffic flows on Qinglian Class One Highway, the Company intends to reconstruct Qinglian Class One Highway into Qinglian Expressway after the Completion of the Acquisition, expected to commence in second half of 2005 and complete in late 2007, subject to the approval of relevant government authorities. In view of the decreased turnover of Qinglian Company at an average rate of approximately 26% per annum and the increased road maintenance expenses at an average rate of approximately 26% per annum for the past three years as set out in Appendix III in the Circular, compared against the expected traffic growth on Qinglian Expressway as set out in the traffic forecast report prepared by PBA (the "Traffic Report") and the expected positive operating results after reconstruction into Qinglian Expressway since 2008 as advised by Sallmanns, we consider the reconstruction work into expressway is in the interest of the Company and Shareholders as a whole.

Traffic Report

We have reviewed the Traffic Report and discussed with PBA on bases and assumptions underlying the traffic flow and revenue forecasts prepared and adopted by PBA; we have also conducted discussions with management of the Company in this respect. We note that the Traffic Report starts with the existing travel patterns on Qinglian Highways and extends to project the future traffic flows and potential revenues to be generated by Qinglian Expressway on the assumption, among others, that Qinglian Expressway commences operation in 2007 as planned. We consider that such traffic flow projections provide a reasonable basis for the Directors' opinion that Qinglian Expressway will bring decent investment return to the Group.

To understand the existing travel patterns on Qinglian Highways, the Traffic Report adopts a "24-hour traffic count survey" and an "origin-destination (O-D) survey" at two stations on Qinglian Class One Highway. That is, drivers during the 24-hour survey were randomly stopped and their travel origins and destinations were recorded. PBA carried out O-D survey on Qinglian Class One Highway. We understand that O-D survey was carried out on the first and last toll stations on Qinglian Class One Highway, namely Heyun and Xingzhi. We concur with PBA that it is reasonable to cover the traffic flow along the entire transport, instead of traffic flow between other stations showing just partial traffic flow along the transport.

Based on the existing traffic pattern derived from the O-D survey, the Traffic Report derived the projected traffic on Qinglian Highways and Qinglian Expressway. For prudence sake, the projected traffics and revenue of Qinglian Highways and Qinglian Expressway cover two scenarios, optimistic and conservative, to reflect different rate of development pace and expected economic growth in Guangdong Province and the adjacent regions for the entire projection period. We understand that PBA has considered a number of factors before the benchmark rate is reached for optimistic and conservative scenarios, including gross domestic product ("GDP") of Guangdong Province and Hunan Province, migration tendency of manufacturing plants from Guangdong Province to Hunan Province, as well as the overall road transport network in the region. After reviewing the documents provided to us based on which PBA derived such benchmark rate (including statistics released by Statistics Bureau and independent articles addressing the migration tendency of Guangdong Province), we believe the benchmark rate adopted by the Traffic Report are reasonably produced.

Based on the toll rates applicable to expressways with dual-2 carriage in Guangdong Province and estimated toll rate increment (taking reference to historical rate increment in Guangdong Province and the economic growth of the province), the Traffic Report reached the projected revenue to be generated by Qinglian Highways and Qinglian Expressway, each including optimistic and conservative scenarios. PBA confirmed that the Traffic Report is prepared in manners consistent with common professional practice and the methodologies and assumptions adopted are fair and reasonable. After reviewing the Traffic Report and discussions with PBA, we consider that the surveys, methodologies and assumptions, scenario analysis as mentioned above provide a reasonable basis for the traffic and revenue projection of Qinglian Expressway/Qinglian Highways.

We noted that the toll revenue estimated by PBA in the Traffic Report assumes that Qinglian Class One Highway will complete the reconstruction work into Qinglian Expressway, and such reconstruction work will cost approximately RMB3,900 million as estimated by the Directors. Such reconstruction cost has been taken into consideration for the valuation of 100% interests of Qinglian Company, together with our views in this regard, as set out in the subsection headed "Valuation Report" below. Having discussed with the management of the Company and reviewed the information provided by the Company, we note that the average construction costs per kilometer of the Group's other toll road projects in Guangdong Province ranging from approximately RMB32 million to approximately RMB78 million as compared with approximately RMB18 million for reconstruction of

Qinglian Class One Highway. As such, we are of the view that the reconstruction costs is acceptable and justifiable. Nevertheless, we notice the inevitable risks associated with the reconstruction work and remind the Independent Shareholders of such risks as set out in the paragraph headed "Traffic volumes of Qinglian Expressway/Qinglian Class One Highway" below.

Reasons for the Acquisition

The Group plans to acquire Qinglian Class One Highway and Qinglian Class 2 Road and, after the acquisition, reconstruct Qinglian Class One Highway to Qinglain Expressway because the Directors consider that Qinglian Expressway will be an important road infrastructure for the development of "Pan-Pearl River Delta Economic Circle" as follows: Qinglian Expressway will connect Guangqing Expressway towards the south, thereby linking up the transportation network of the Pearl River Delta region. It will also connect with the proposed Er-Guang Expressway (Erlianhaote — Guangzhou). In addition, Qinglian Expressway will intersect with Shantou-Kunming Expressway, which is one of the important projects connecting the western part with the eastern part of Guangdong Province according to PRC National Expressway Network Plan (國家高速公路網規劃) issued by the Ministry of Transportation of the PRC. In view of the traffic network as above and the strategic importance of Qinglian Expressway, the Directors consider that Qinglian Expressway will bring decent investment return for the Group.

Based on the statistics released by the Statistic Bureau of Guangdong Province, cities in the Pearl River Delta region (including nine municipalities of Guangzhou, Shenzhen, Dongguan, Foshan, Zhongshan, Zhuhai, Jiangmen, Zhaoqing and Huizhou) continue to record robust economic growth. GDP growth of these cities in the Pearl River Delta region from 1998 to 2003 experienced an average increase of 14.15%. GDP output for these cities amounted to over RMB1,140 billion in 2003. The economic and industrial growth in Guangdong Province, particularly the Pearl River Delta region, has been the prime catalyst for the development of the highway network. In addition, according to Statistic Bureau of Hunan Province, GDP of Hunan province was approximately RMB463.4 billion in 2003, representing an increase of approximately 9.6% as compared with 2002. In view of these statistics and the strategic location of Qinglian Class One Highway/Qinglian Expressway whereby linking up Guangdong and Hunan Province, we consider that the demand for road transport between Guangdong Province and Hunan Province will prosper.

In addition to the Traffic Report, we have been provided with a map illustrating Guangqing Expressway, Jingzhu Expressway, the proposed Er-Guang Expressway (Erlianhaote — Guangzhou), and Shantou-Kunming Expressway. We have also been provided with summary information of Jingzhu Expressway, such as its number of lanes and average tolls.

Since (i) the Company will focus on toll road operations as its core business and expand towards the Pearl River Delta region and other economically developed regions in the PRC; (ii) Qinglian Class One Highway/Qinglian Expressway constitutes one of the major traffic corridors in the Pan-Pearl River Delta region according to Cooperation and Development Forum on Pan-Pearl River Delta Region (泛珠三角區域合作與發展論壇) organised by nine provinces (namely Fujian, Jiangxi, Hunan, Guangdong, Guangxi, Hainan, Sichuan, Guizhou, and Yunnan) and two special administrative governments (namely, Hong Kong and Macau Special Administrative Region of the PRC), held on 1 June to 3 June 2004; and (iii) Qinglian Class One Highway/Qinglian Expressway is expected to record positive operating results since 2008 and afterwards (details of which are set out in the subsection headed "Valuation Report" below), we consider that the Acquisition is in line with the Company's business objectives and strategies and is in the interest of the Company and the Shareholders as a whole.

Shareholding structure and board composition of Qinglian Company

Before completion of the Acquisition, Qinglian Company is owned as to 42.10% by Spring Sun, 14.18% by Sun Yue Traffic, 20.09% of Yueqing and 23.63% by Guangzhou Cement. Upon completion of the Acquisition, Qinglian Company will be owned as to 56.28% by the Group, 20.09% by Yueqing and 23.63% by Guangzhou Cement.

According to the joint venture contract of Qinglian Company, the board of directors of Qinglian Company shall comprise of 15 directors. Spring Sun and Sun Yue Traffic are entitled to appoint seven and two directors respectively. Each of Yueqing and Guangzhou Cement is entitled to appoint three directors. Spring Sun is also entitled to appoint the chairman of the board of directors of Qinglian Company. Upon completion of the Acquisition, the Group is entitled to appoint nine directors and chairman of board of directors of Qinglian Company.

Assets to be acquired under the Acquisition

The Acquisition comprises three transactions — (i) Spring Sun Acquisition (namely, the Company will acquire from Spring Sun 17.1% out of its 42.1% equity interests in Qinglian Company, together with all shareholder's loan and accrued interests of Spring Sun in Qinglian Company); (ii) Mei Wah Acquisition (namely, Mei Wah will indirectly acquire the remaining 25% equity interests in Qinglian Company held by Spring Sun); and (iii) Great Eagle Acquisition (namely, the Company will acquire from Great Eagle the 14.18% equity interests in Qinglian Company, together with a shareholder's loan and accrued interests of Great Eagle in Qinglian Company). Such 14.18% equity interests and shareholder's loan and interests to be transferred pursuant to Great Eagle Acquisition were held by Sun Yue Traffic as at the date of the Framework Agreement.

As confirmed by the Directors, the Company intends to obtain the majority interest in Qinglian Company but Spring Sun, the single largest shareholder of Qinglian Company as at the date of the Framework Agreement, only holds 42.1% equity interests in Qinglian Company. Mr. Chung agreed that he would negotiate with other joint venture partners of Qinglian Company to ensure that the Company can obtain a majority interest in Qinglian Company. Against this background, Great Eagle reached an agreement with Sun Yue Traffic pursuant to which Sun Yue Traffic agreed to transfer all its 14.18% equity interest in Qinglian Company, together with the shareholder's loan and accrued interests of Sun Yue Traffic in Qinglian Company. Then, Great Eagle agreed to transfer this 14.18% equity interest, together with the shareholder's loan and accrued interests, to the Company under the Framework Agreement. As at the date of the Framework Agreement, Sun Yue Acquisition was not completed and Sun Yue Traffic still held the 14.18% equity interests in Qinglian Company.

We understand from the Directors that, upon Completion, Qinglian Company will become an associate company of the Company due to its 56.28% equity interest in Qinglian Company, and that the operating results of Qinglian Company will not be consolidated into the Group's. While the operating results of Qinglian Company will not be consolidated into the Group's, we consider it is in the interest of the Company and Shareholders as a whole to obtain a majority interest in Qinglian Company in view of that (i) Qinglian Class One Highway/Qinglian Expressway constitutes one of the major traffic corridors in the Pan-Pearl River Delta region; (ii) the positive operating results estimated by Sallmanns as discussed in the subsection headed "Valuation Report" below; and (iii) the additional two board representatives of Qinglian Company as a result of Great Eagle Acquisition which will entitle the Company to majority voting rights in the board.

In order to accomplish the Company's plan to obtain a majority interest in Qinglian Company and in view of the shareholding structure of Qinglian Company, we consider the inclusion of Great Eagle Acquisition in the Framework Agreement is fair and reasonable. Nevertheless, we noted that the 14.18% equity interests to be transferred under Great Eagle Acquisition was held by Sun Yue Traffic, instead of Great Eagle as the vendor under Great Eagle Acquisition, as at the date of the Framework Agreement. Completion of Sun Yue Acquisition is one of the conditions precedent to Great Eagle Acquisition, and the Group is not a party to Sun Yue Acquisition. There will be circumstances that the Group will choose to proceed with Spring Sun Acquisition and Mei Wah Acquisition even when Great Eagle Acquisition is not completed. Acknowledging such risks of not completing Great Eagle Acquisition due to circumstances beyond control of the Group, we consider the Great Eagle Acquisition has taken reasonable mechanism to reduce the risks and uncertainty associated with the assets to be transferred thereunder (namely, the 14.18% equity interests being held by Sun Yue Traffic as at the date of agreement), such as (i) the Company will have the option to terminate Great Eagle Acquisition if, among others, Great Eagle cannot complete the registration procedure with the relevant authority in relation to the equity interests transfer from Sun Yue Traffic; (ii) when terminated, Great Eagle will be obliged to return all payments received from the Company (including the down payments paid under Spring Sun Acquisition for the purpose of Sun Yue Acquisition); and (iii) after obtains the said equity interests, Great Eagle will charge it and the relevant shareholder's loan to the Company as security.

Aggregate consideration for the Acquisition

The aggregate consideration for the Acquisition amounts to RMB1,839.2 million. The aggregate consideration was reached after arm's length negotiations between the Group and the Vendors, taking reference to the valuation of 100% interests in Qinglian Company of approximately RMB3,000 million to RMB3,600 million estimated by the Directors. As at the date of the Circular, Sallmanns has been engaged to carry out the valuation of Qinglian Company and evaluated it at RMB3,306 million as at 31 December 2004. Full text of the Valuation Report prepared by Sallmanns is set out in Appendix I to the Circular.

Valuation Report

We understand that Sallmanns has considered three different valuation approaches, namely market approach, cost approach and income approach. The market approach is basically a comparison method which estimates the value from analysing sales and financial data and ratios of comparable public and, whenever possible, private companies. The cost approach estimates the value by quantifying the amount of money that would be required to replace the subject matter. The income approach focuses on the income-generating capability of Qinglian Company. Sallmanns considered the income approach as the most appropriate approach in the circumstances and derived the market value of Qinglian Company through the application of discounted cash flow method. The discounted cash flow method estimates the market value of Qinglian Company by discounting the future cash flows to its present value.

We concur with Sallmanns that the income approach is the most appropriate approach in valuing Qinglian Company since (i) to the best of our understanding, we are not aware of any purchase and sales of similar business by companies listed on the Stock Exchange which is comparable to the Acquisition and therefore the market approach is not appropriate; (ii) the cost approach ignores the economic benefits of ownership of the business; and (iii) the future development of Qinglian Company will be relied on the tolls generated from Qinglian Class One Highway/Qinglian Expressway. Given the above, in particular to the fact that (i) the recurrent nature of the toll revenues to be derived from the Qinglian Class One Highway/Qinglian Expressway; and (ii) the income approach is the most commonly used valuation method in valuing infrastructure projects as noted from other similar infrastructure companies in Hong Kong, such as Jiangsu Expressway Company Limited, Anhui Expressway Company Limited and Hopewell Highway Infrastructure Limited in valuing their respective target toll road projects, we regard the valuation methodology by Sallmanns in arriving its valuation of Qinglian Company as acceptable and appropriate.

When using discounted cash flow method, a discount rate has to be determined in discounting future cash flows into present value. Sallmanns derived the discount rate by using the capital asset pricing model ("**CAPM**"), which derives the required return rate by adding the risk-free rate to the risk premium of the assets.

We understand that Sallmanns has adopted a discount rate of approximately 17.0% in its valuation, which is within the discount range adopted by Sallmanns when evaluating similar acquisitions of toll road assets by listed company. Such discount rate was determined after taking account of relevant risks pertinent to the operations of Qinglian Highways, which include changes in interest rate, inflation, size of the operation, and the uncertainty inherent in the revenue projections. We also note that such discount rate also account for the low liquidity of the assets being acquired and the uncertainty risk and business risk in the country where the assets are located. Given the current interest rate environment in the PRC (for example, one-year short term lending rate of 5.58% and five-year long term lending rate of 5.85% as quoted by the People's Bank of China as at the Latest Practicable Date) and Hong Kong (for example, prime rate of 5.25% per annum as quoted by the Hongkong and Shanghai Banking Corporation Limited as at the Latest Practicable Date) and the average borrowing cost of the Company for the year ended 31 December 2004 of approximately 4.778% per annum, we are of the view that the discount rate used by Sallmanns in arriving at the valuation of the 100% interest in Qinglian Company is fair and reasonable.

The discount rate used in the CAPM computation adopted by Sallmanns takes into account industry data adjusted by specific country risk. The discount rate adopted by Sallmanns compares to the current ten-year exchange note rate of 3.63%, so building a risk premium of approximately 13.37%, which in our opinion, is a substantial margin. As such, we consider that the computation of discount rate is fair and reasonable as the Shareholders are concerned.

We are advised by Sallmanns that in valuing the 100% interest in Qinglian Company, it has taken into account all relevant and significant factors affecting the operations of Qinglian Class One Highway/Qinglian Expressway, which include the forecasts of traffic flows between the period of 2005 and third quarter of 2007 (being the period before completion of reconstruction to expressway) and between the period of fourth quarter of 2007 and 2032 (being the period after completion of reconstruction to expressway), toll revenues, operating costs, administrative and related expenses prepared by the Company and/or Sallmanns. We note that Sallmanns believes that the information and projections provided to them are reasonable. To ascertain the fairness and reasonableness of the bases and assumptions underlying the valuation, we have reviewed and discussed with Sallmanns the respective projection of toll revenues, operating costs and administrative and related expenses of Qinglian Company. In the course of our discussions, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions used in arriving at their valuation.

We also understand from Sallmanns that the cost of reconstruction into expressway has been taken into account in the valuation. We have been advised by the Directors that based on the current government regulations, the previous experience in constructing expressways in the PRC and expected progress of the reconstruction works, the total reconstruction costs of approximately RMB3,900 million is scheduled to lay out between 2005 and 2009. After reviewing an investment proposal prepared by the Company which set out detailed schedule of the reconstruction work, including the construction of road base, road surface, bridge and tunnel, and overall engineering systems for the entire expressway, we consider Sallmanns has adopted reasonable basis when laying out the reconstruction cost.

Sallmanns confirmed that the valuation is based on accepted valuation procedures and practices, and the underlying assumptions adopted in the Valuation Report are fair and reasonable. Based on the above analysis and after reviewing and discussing with Sallmanns the major methodologies and assumptions used in the cash flow projections and the Valuation Report, we consider they are fair and reasonable so far as the Shareholders are concerned.

Consideration

Based on the Valuation Report, 100% interests in Qinglian Company is valued at RMB3,306 million as at 31 December 2004. That is, 56.28% interests in Qinglian Company is approximately RMB1,861 million, 42.1% interests in Qinglian Company is approximately RMB1,392 million, and 14.18% interests in Qinglian Company is approximately RMB469 million, as at 31 December 2004.

The aggregate consideration for the Acquisition of RMB1,839.2 million represents approximately a 1% discount to the value of 56.28% interests in Qinglian Company as at 31 December 2004. We concur with the Directors that the aggregate consideration for the Acquisition is fair and reasonable so far as the Company and the Shareholders are concerned, since (i) Qinglian Company is expected to record profit since 2008 according to Sallmanns; (ii) the Company will be able to benefit 56.28% of the expected profit of Qinglian Company since 2008; (iii) the Company will be entitled to appoint 9 directors to the 15-member board composition of Qinglian Company; (iv) the aggregate consideration for the Acquisition represents approximately a 1% discount to the valuation of 56.28% interests in Qinglian Company; and (v) the discount rate adopted by Sallmanns in arriving at the valuation of 100% interest in Qinglian Company is fair and reasonable as analysed above.

The Acquisition under the Framework Agreement covers three acquisitions and the aggregate consideration for the three acquisitions as a whole, in our view, is fair and reasonable so far as the Company and the Shareholders are concerned as mentioned above. The Directors also confirmed to us that, while there may be circumstances under the Framework Agreement that the Group will not obtain 56.28% equity interests, directly and indirectly, in Qinglian Company (for example, the Group may proceed with Mei Wah Acquisition and Spring Sun Acquisition even when Great Eagle Acquisition is not completed), the Group when entering into the Framework Agreement analysed the operating prospect of Qinglian Company with an aim to complete all the three acquisitions. As such, before the valuation of Sallmanns was available, the Directors had estimated the value of 100% interests of Qinglian Company would range from RMB3.0 billion to RMB3.6 billion and used such estimated valuation for the negotiation of the aggregate consideration under the Framework Agreement. Nevertheless, since the Spring Sun Acquisition and the Mei Wah Acquisition are part and parcel transaction, the consideration for these two acquisitions should be aggregated. The aggregate consideration for Spring Sun Acquisition and Mei Wah Acquisition amounted to RMB1,500 million, and the consideration for Great Eagle Acquisition is RMB339.2 million. Compared with the valuation, the aggregate consideration for Spring Sun Acquisition and Mei Wah Acquisition represented approximately a 8% premium to the valuation of 42.1% interests in Qinglian Company as at 31 December 2004, and the consideration for Great Eagle Acquisition represented approximately a 28% discount to the valuation of 14.18% interests in Qinglian Company.

Since Great Eagle Acquisition is not a part of the other two acquisitions and since the Group may proceed with the other two acquisitions (namely Mei Wah Acquisition and Spring Sun Acquisition) even when Great Eagle Acquisition is not completed, we consider it reasonable to have different basis for the relevant consideration. We consider that the 8% premium to be paid by the Company under the Spring Sun Acquisition and Mei Wah Acquisition is reasonable since (i) the aggregate consideration for the Acquisition represents approximately a 1% discount to the valuation of 56.28% interests in Qinglian Company; (ii) such premium is payable for the single largest stake of 42.1% equity interests in Qinglian Company to be acquired under the Spring Sun Acquisition and Mei Wah Acquisition; and (iii) Qinglian Company is expected to record profit since 2008 and the Company will be able to benefit from it. We noted that Qinglian Company is expected to record profit in 2008, which is approximately three years away due to the reconstruction work into Qinglian Expressway expected to complete in late 2007. In view of the expected long-term profits to be generated by Qinglian Company, and that the Group itself will not bear additional funding liabilities for the reconstruction work prior to 2008, we consider the 8% premium is justifiable.

We also consider that the discounted purchase price under Great Eagle Acquisition is not comparable to the premium purchase price under Spring Sun Acquisition and Mei Wah Acquisition, because such discount reflects the risks and uncertainty associated with the completion of Great Eagle Acquisition in view of the asset to be transferred thereunder (i.e., the 14.18% equity interests in Qinglian Company) being held by a party other than the vendor, Great Eagle, at the date of the

Framework Agreement. While we consider Great Eagle Acquisition has taken reasonable mechanism to reduce the risks as set out in the section headed “Assets to be acquired under the Acquisition” above, we consider discounts to the purchase price are reasonably reflecting the potential risks thereof.

In a nutshell, we have examined the aggregate consideration for the Acquisition as well as the aggregate consideration for Spring Sun Acquisition and Mei Wah Acquisition (which are part and parcel transactions) and the consideration for Great Eagle Acquisition, and we consider such arrangement fair and reasonable so far as the Company and Shareholders are concerned.

Funding for the Acquisition

The aggregate consideration for the Acquisition will be funded by the Group’s internal resources and general banking facilities. According to the financial information of the Group as contained in Appendix IV of this Circular, the Group as at 31 December 2004 had bank balances and cash of approximately RMB1,203 million and the aggregate consideration for the Acquisition represents approximately 153% of such bank balance and cash of the Group. Based on a cash flow projection of the Group for the year ending 31 December 2005 prepared by the Company, the Directors confirmed that the Group has sufficient financial resources to finance the aggregate consideration for the Acquisition. To ascertain the fairness and reasonableness of the bases and assumptions underlying the cash flow projection, we have reviewed the cash flow projections of the Group prepared by the Company for the year ending 31 December 2005 and discussed with the management of the Company on the respective projection of toll revenues, operating costs and administrative expenses, interest expenses, unutilized banking facilities and capital expenditure of the Group. In the course of our discussions, we have not been aware of any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions used in arriving at the cash flow projection. Taking into consideration of capital expenditure for other toll-road projects (including the proposed acquisition of 55% equity interest in a toll road company as announced on 22 March 2005) of approximately RMB1,978 million for the year 2005, net cash position of approximately RMB840 million and unutilised banking facilities of approximately RMB4,400 million, we consider the Group will have sufficient funding for the Acquisition from its internal resources and general banking facilities assuming there are no material changes in the Company’s financial position since 31 December 2004.

Based on the above, we are of the view that the Group will have sufficient working capital for its existing operations immediately following the completion of the Acquisition. For the sake of clarification, the reconstruction cost of RMB3,900 million for Qinglian Class One Highway to Qinglian Expressway will be funded by bank borrowings of Qinglian Company after completion of the Acquisition, rather than funded by the Company. As such, we do not anticipate any financial burden to be borne by the Group as a result of such reconstruction work.

Conditions precedent to the Acquisition

The Acquisition comprised Spring Sun Acquisition, Mei Wah Acquisition and Great Eagle Acquisition, completion of each of which will be conditional upon fulfillment of various conditions precedent as set out in pages 16 to 20 of the Circular. Among these conditions precedent, we have noted two major pending events — release of the charge in favour of Wuyang ICBC over Spring Sun's 42.1% equity interests in and shareholder's loan of Qinglian Company, and government approval for Qinglian Class One Highway to be reconstructed to an expressway and the relevant toll fees and toll collection period.

We consider it reasonable and of normal commercial terms for a purchaser to request the assets to be transferred free from any encumbrance, such as pledge and charges. We are therefore of the view that it is fair and reasonable and in the interest of the Company and Shareholders as a whole to include the release of Wuyang ICBC charge as conditions precedent to the Acquisition. Also, since one of the major assumptions adopted by the Valuation Report is that Qinglian Company obtains the necessary government approval for the reconstruction work into Qinglian Expressway, we consider it fair and reasonable for the Company and Shareholders to include such approvals in the conditions precedents to the Acquisition. We also consider that fulfillment of these conditions precedent will not be too burdensome on the part of the Company respectively in view of Wuyang ICBC Undertaking and the PRC legal opinion indicating no material obstacle to obtain the government approval.

We noted that if certain conditions precedent are not fulfilled (such as obtaining government approval for the reconstruction work and toll fees for expressway), the Company may, at its sole discretion, terminate the transactions as contemplated under the Acquisition or waive any of the conditions precedent that are not fulfilled. In the latter case, the aggregate consideration will be reduced, details of which are set out on pages 17 to 18 in the Circular. Having considered the fact that (i) the maximum deductions is HK$200 million, representing a decrease of approximately 10.9% of total consideration for the Acquisition and (ii) the fulfillment of respective conditions precedent is of importance to the operations of Qinglian Company, we are of the view that price adjustment is fair and reasonable so far as the Company and the Shareholders are concerned. Based on the above analysis, we believe that the conditions precedent to the Acquisition are fair and reasonable so far as the Shareholders are concerned.

Payment arrangement for the Consideration

Certain payment arrangements have been agreed under the Acquisition, as summarised as follows:

After execution of the Spring Sun Acquisition Agreement, the Company should pay a down payment of approximately RMB425 million in four installments. Two installments among the four, amounting to approximately RMB340 million, will be paid for the purpose of Sun Yue Acquisition (pursuant to which Great Eagle will acquire the 14.18% equity interests in Qinglian Company from Sun Yue Traffic). If for whatever reason Sun Yue Acquisition is not completed as planned, these two installments will be used to repay to Wuyang ICBC. The other two installments, amounting to approximately RMB85 million, will be paid into an account designated by Spring Sun. We consider that the down payment of approximately RMB425 million is of normal commercial terms given (i) approximately RMB340 million is paid for the sole purpose of facilitating the completion of Sun Yue Acquisition, upon which the Company could be able to acquire such 14.18% equity interests in

Qinglian Company from Great Eagle; (ii) if Sun Yue Acquisition is completed as planned, 14.18% equity interests will be charge to the Company as security and if not completed, it will be used to repay Wuyang ICBC Bank Loan as contemplated under Spring Sun Acquisition; and (iii) the remaining of approximately RMB85 million is used for the Spring Sun Acquisition.

After completion of the approval procedures for the transfer of equity interests in Qinglian Company under Spring Sun Acquisition and Great Eagle Acquisition, the Company will pay the balance of consideration for Spring Sun Acquisition of approximately RMB685 million to Wuyang ICBC and Great Eagle should pay the full consideration for Great Eagle Acquisition in a lump sum of RMB339.2 million to Wuyang ICBC.

After, among others, (i) release of the charge in favour of Wuyang ICBC over Spring Sun's 42.1% equity interests in Qinglian Company, (ii) obtaining the relevant government approval for Qinglian Class One Highway to be reconstructed as an expressway and the relevant toll fees and toll collection period, (iii) completion of the approval procedures for the transfer of equity interests in Qinglian Company under Mei Wah Acquisition, the Company/ Mei Wah should pay the full consideration for Mei Wah Acquisition in a lump sum of RMB390 million to an account designated by Mr. Chung.

We consider the above payment arrangement is normal commercial term and reasonable so far as the Company and Shareholders are considered in the Acquisition, since the arrangement (i) mostly reflects milestone progress of the conditions precedent to the Acquisition (such as payment to facilitate Sun Yue Acquisition, to release the charge in favour of Wuyang ICBC, and payment after obtaining government approvals); (ii) has taken into account the uncertainty of Great Eagle Acquisition (such as where to credit the payment if Sun Yue Acquisition is not completed as planned) in view of the asset to be transferred under the acquisition (i.e., the 14.18% equity interests in Qinglian Company) being held by a party other than the vendor, Great Eagle, at the date of the Framework Agreement; and (iii) has taken into account the required amount set out in Wuyang ICBC Undertaking.

Financial effects on the Company

Net assets position

The Directors have confirmed to us that the interests in Qinglian Company will be equity accounted for in the financial statements of the Group and there would not be any effect on the net assets position of the Group.

Cashflow position

As stated in the Company's 2004 annual report for the year ended 31 December 2004, the Group as at 31 December 2004 had short-term bank borrowings and current portion of long-term loan of approximately RMB363 million and cash and cash equivalent of approximately RMB1,203 million, which lead to a net cash position of approximately RMB840 million. Meanwhile, the Group had unutilised credit facilities of approximately RMB4,400 million as at 31 December 2004, and capital expenditure for other toll-road projects (excluding the aggregate consideration for the Acquisition of RMB1,839.2 million, but including HK$654 million (equivalent to approximately RMB693 million) payable for the proposed acquisition of 55% equity interest in a toll road company as announced on 22 March 2005) of approximately RMB1,978 million for year 2005. The Directors consider that based on the latest financial position of the Group and the cashflow expected to be derived from its existing toll-road operations, the Company will be able to finance the Acquisition from its internal resources and general banking facilities. In view of the net cash position of the Group as at 31 December 2004 of approximately RMB840 million and the unutilized credit facilities granted to the Group of RMB4,400 million, as well as the capital expenditure for other toll-road projects of approximately RMB1,978 million, we consider such view of the Directors is fair and reasonable that the Group will be able to finance the Acquisition of RMB1,839.2 million, assuming there is no material change to the Group's cash position since 31 December 2004.

For the sake of clarification, the estimated capital expenditure of approximately RMB3,900 million for reconstruction of Qinglian Class One Highway to Qinglian Expressway will be financed by Qinglian Company, instead of the Company, through general banking facilities after Completion. Assuming such financing can be obtained as planned and the Company does not have to grant shareholder's loan to Qinglian Company, there is no impact to the Company's cash flow position as a result of the reconstruction work.

Gearing (total debt/total assets)

Assuming the aggregate consideration of approximately RMB1,839.2 million to be payable by the Company is entirely financed by the unutilized credit facilities, the gearing ratio of the Group will increase from the current level of approximately 12.1% (excluding deferred income) to approximately 29.7%. In view of the long-term nature of infrastructure projects, we consider that the possible increase in the Group's gearing ratio is acceptable and justifiable.

As mentioned above, the estimated capital expenditure of RMB3,900 million for reconstruction of Qinglian Expressway will be financed by Qinglian Company through general banking facilities and there would be no material impact on the gearing ratio of the Group.

Earnings

The implied rate of return for the Acquisition is approximately 17.0%, based on the proposed aggregate consideration of RMB1,839.2 million and Sallmanns's cash flow projections. Given that corporate deposits at banks of the PRC currently can yield at a maximum rate of 2.25% per annum and the Company's average borrowing cost at less than 5% per annum as mentioned above, we are of the view that the Acquisition will enhance the earnings of the Company in the long term.

Risk Factors

The Independent Shareholders should recognise that there are various factors affecting the Acquisition, in particular, the following principal risk factors:

1. *Regulatory approval for reconstruction into Qinglian Expressway*

The Traffic Report, Valuation Report and our views on the Acquisition are formed on the assumption, among others, that Qinglian Class One Highway will be reconstructed into Qinglian Expressway and the applicable toll rate will be the same of other expressways in Guangdong Province. It should be noted that no assurance can be given that relevant regulatory approvals can be obtained for the reconstruction. In the event that the necessary regulatory approvals for the reconstruction cannot be obtained or can be obtained at some point later than expected, the toll revenues of Qinglian Company may be materially adversely affected.

2 *Traffic volumes of Qinglian Expressway/Qinglian Class One Highway*

The Traffic Report prepared by PBA have been made subject to certain bases and assumptions, and have been prepared using such analytical methods and models as were considered appropriate by PBA. A copy of the letter from PBA summarising its report on the traffic flow projections is set out in Appendix II to the Circular. However, it should be noted that traffic volumes, and thus toll revenues, may be affected by a number of factors including the quality and proximity of alternative highways, number of vehicles, fuel prices, weather conditions, environmental regulations, taxation and general economic conditions.

3. *Toll road operations of Qinglian Highways*

The operation of Qinglian Highways may be adversely affected or interrupted by a variety of events, such as serious traffic accidents, natural disasters and other unforeseen circumstances. If the operation of Qinglian Highways is interrupted in whole or in part for any extended period as a result of any such events, the revenue of Qinglian Company and thus the Company, will be adversely affected.

4. *Toll rates*

The right to receive toll fees from users of a toll road in Guangdong Province requires the approval of certain authorities as designated by the Guangdong Provincial Government from time to time. It should be noted that no assurance can be given that any future applications of increases of toll rates will be approved by the relevant authorities or that the relevant authorities will not require a toll reduction.

5. *Construction risks*

The reconstruction of Qinglian Class One Highway into Qinglian Expressway is expected to commence in second half of 2005 and complete in the forth quarter of 2007. The construction period and the capital required to reconstruct the Qinglian Expressway may be affected by various factors, including shortage of construction materials, equipment and labour, bad weather conditions, natural disasters, disputes with workers or contractors, accidents, changes in government policies and other unforeseen circumstances. If any of such events occurs, delay in construction work may result in cost overruns and loss of income.

6. *Competition*

The profitability of Qinglian Company may be adversely affected by the existence of other means of transportation including railways and alternative routes, such as Jingzhu Expressway, to Qinglian Class One Highway/Qinglian Expressway. Besides, there is no assurance that the national or provincial government will not design and construct new toll highways in Guangdong Province which might compete with Qinglian Class One Highway/Qinglian Expressway in the foreseeable future, as a result of which the toll revenues of Qinglian Company will be adversely affected.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the opinion that the terms and conditions of the Acquisition are fair and reasonable to the Independent Shareholders, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Board committee to advise the Independent Shareholders to vote in favour of the EGM in respect of the Acquisition.

Yours faithfully
For and on behalf of
Hantec Capital Limited
Kinson Li
Director

The following is the text of a letter prepared for inclusion in this circular, received from Sallmanns in connection with the business valuation for Qinglian Company.

Sallmanns 西門

CHARTERED SURVEYORS, PROPERTY CONSULTANTS
LAND, BUILDING, PLANT & MACHINERY VALUERS
FINANCIAL AND INTANGIBLE ASSET VALUERS

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6 April 2005

The Board of Directors
Shenzhen Expressway Co. Ltd.
19/F Tower A, United Plaza
5022 Binhe Road North
Shenzhen 518033, PRC.

Dear Sirs,

In accordance with instructions from Shenzhen Expressway Company Limited ("Shenzhen Expressway"), we have undertaken a valuation to determine the market value of a 100% interest in Guangdong Qinglian Highway Development Company Limited (the "Qinglian Company") as at 31 December 2004 (the "Valuation Date"). The interest in the Qinglian Company includes the equity interest as well as the shareholder's loans in the Company. This letter summarises the principal conclusions stated in our valuation report dated 6 April 2005.

We understand that the purpose for this valuation is for sales and acquisition reference.

Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*".

BASIS OF OPINION

We have conducted our valuation in accordance with international valuation standards issued by the International Valuation Standards Committee ("IVSC"). The valuation procedures employed include the review of physical and economic conditions of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we consider essential to the proper understanding of the valuation will be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- assumptions on the market and the asset that are considered to be fair and reasonable;
- financial performance that shows a consistent trend of the operation;
- consideration and analysis on the micro and macro economy affecting the subject asset;
- analysis on tactical planning, management standard and synergy of the subject asset;
- analytical review of the subject asset; and
- assessment of the leverage and liquidity of the subject asset.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

Background

The Qinglian Company is a Sino-foreign cooperative joint venture established on 23 February 1995 in Guangdong, PRC with a term of 33 years starting from 23 February 1995. The principal operation of the Qinglian Company is to manage the Qinglian Highway Class I and Qinglian Highway Class II (together the "Qinglian Highways") located in Guangdong Province, PR China. The Qinglian Company was granted operating rights with respect to the Qinglian Highways for 33 years starting from 1995 and ending in 2028.

Qinglian Highways is part of the National Highway 107, one of the major highways connecting Shenzhen in Guangdong Province and Beijing. Qinglian Highway Class I and Qinglian Highway Class II are parallel to each other. The highways begin from Qingyuan in Guangdong Province and end at Fengtouling, the boundary of Hunan Province. The particulars of the Qinglian Highways are shown in the following table.

Toll Roads	Location	Year of expiry	Length (km)	Lanes
Qinglian Highway Class I	Guangdong	2028	215	4
Qinglian Highway Class II	Guangdong	2028	253	2

Owing to the existing poor road conditions of Qinglian Highways, the Qinglian Company has applied to the local government for a reconstruction right to transform Qinglian Highway Class I to an expressway standard. The reconstruction work of Qinglian Highway Class I is expected to start in 2005 and the concession period is expected to be extended by the local government from 2028 to 2032 to compensate for the investment and the effect of disruption during the reconstruction period.

In arriving at our assessed value, we have considered three accepted approaches. They are market approach, cost approach and income approach. In this valuation, the market approach is not appropriate as there are insufficient comparable transactions to form a respective basis for our opinion of value. The cost approach is not appropriate as it ignores the economic benefits of ownership of the business. We have therefore relied solely on the income approach in determining our opinion of value.

We are of opinion that the income approach is the most appropriate in the present circumstances. In this study, the market value of the Qinglian Company was developed through the application of the income approach technique known as discounted cash flow method to devolve the future value of the business into a present market value. This method eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the business.

The valuation of the Qinglian Company requires consideration of all pertinent factors affecting the subject asset's abilities to generate future investment returns. The factors considered in this valuation included, but were not limited to, the following:

- the present conditions of the highways and the effect of reconstruction of Qinglian Highway Class I;
- the economic outlook in general and the specific economic environment related to the business;
- current and projected operating results of the subject toll roads;
- the potential of the business and industry outlook;
- competitive advantages and disadvantages of the business and industry;
- market-derived investment returns of entities engaged in similar lines of business; and
- the financial and operational risk of the business including the continuity of income and projected future results.

As this valuation exercise involved traffic and toll revenue forecasts for the subject toll roads, we have considered and relied on to a considerable extent the Traffic and Revenue Study for Qinglian Expressway (the "Traffic Study") prepared by Parsons Brinckerhoff (Asia) Ltd. ("PBA") dated 6 April 2005. PBA prepared a projection for the traffic flow and revenue stream with respect to Qinglian Highways taking into account the effect of upgrading of the Qinglian Highway Class I into expressway standard from 2005 to 2035. Their projection is mainly based on the expected annual GDP growth rate, vehicle types, existing road network and future transportation plans.

The findings of PBA cover two future forecast scenarios: the "Optimistic" and "Conservative" scenarios. The "Optimistic" scenario assumes a high expectation of economic growth over the entire evaluation period. This scenario considers an optimistic outlook toward the future and assumes a quicker development pace. The "Conservative" scenario assumes a lower development growth potential and a much slower pace of growth than the Optimistic scenario. The forecast traffic volume and toll charges prepared by PBA is used to estimate the revenue stream of Qinglian Highways. The base approach, which is derived by taking the averages of the "Optimistic" and "Conservative" scenarios prepared by PBA, has been incorporated to arrive at the toll revenues stream for the subject toll roads.

As part of our analysis, we have been furnished with the financial information, project documents and other pertinent data provided by Shenzhen Expressway and the Qinglian Company. We believe such information to be reliable and legitimate. We have also interviewed senior staff of the Qinglian Company to verify such information. We have relied to a considerable extent on such information in arriving at our opinion of value.

In determining the value of the Qinglian Company, we have made the following key assumptions. These assumptions have, where appropriate, been re-evaluated and validated in order to provide a more accurate and reasonable basis for our assessed value.

We have assumed that Qinglian Highway Class I will be upgraded to expressway standard and will commence operation in the last quarter of 2007;

We have assumed that the concession period of the Qinglian Company on Qinglian Highway Class I will be extended to 2032 from 2028 to compensate for the investment and the effect of disruption during the reconstruction period.

We have assumed that the reconstruction costs for upgrading Qinglian Highway Class I to expressway standard will be in accordance with the estimates provide in the Feasibility Study;

We have assumed that the Qinglian Company can secure the necessary funding to finance the necessary capital expenditure relating to the reconstruction;

We have assumed that the projected business can be achieved with the effort of the management of the Qinglian Company;

In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, we have assumed that the facilities and systems proposed are sufficient for future expansion;

We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Qinglian Company;

We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honoured;

We have been provided with copies of the operating licences and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;

Natural weather can have an impact on toll roads, including flooding and other types of inclement weather. We have assumed that no extended closure will occur;

We have also assumed the accuracy of the financial and operational information provided to us by Shenzhen Expressway and the Qinglian Company and relied to a considerable extent on such information in arriving at our opinion of value; and

We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

In determining the discount rate for the operations adopted in the valuation, we have taken into account a number of factors including the current market condition and the underlying risk inherent in the business, such as uncertainty risk, liquidity risk, etc. These risk factors have been considered in determining the appropriate discount rate for the valuation.

When evaluating the appropriate discount rate for the Qinglian Company, we have used the Capital Assets Pricing Model (the "CAPM"). Under CAPM, the appropriate expected rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the market risk assumed. In addition, the expected rate of return of the Qinglian Company is expected to be affected by factors that are independent of the general market. This variability of the expected rate of return is referred to as the specific risk.

In this valuation, we have applied a risk free rate of 3.63%, being the yield of exchange fund bonds in Hong Kong; a risk premium of 6.5%, being the difference between Hang Seng index return and the indicated risk free rate and a nominal beta of 1.05, being the average beta of PRC toll road operating companies listed in Hong Kong.

The financial leverage of the Qinglian Company will affect its risk exposure and the expected required return on equity. The more debt a firm takes on, the higher the beta will be of the equity in that business. Debt creates a fixed, interest expense, that increases exposure to market risk. In determining the beta use to arrive at the discount rate of the Qinglian Company, we have considered the change in the debt to equity ratio of the company during the forecast period. The average beta used to determine the discount rate during the period is approximately 1.5.

In addition to the expected rate of return of the toll road industry in the PRC and the leverage factor of the Qinglian Company, we have considered as significant the lower degree of liquidity attached to the investment in the Qinglian Company as compared to publicly listed investments. Our research on empirical studies with respect to the value differential of private and listed investments with similar economic attributes supports an additional risk premium of 3.5%. The resulting discount rate is approximately 17% for the Qinglian Company and we have concluded that this discount rate is appropriate for the valuation of the Qinglian Company. A sensitivity analysis was prepared based on discount rates ranging from 16% to 18%. The sensitivity result of the Qinglian Company falls in the range of RMB2,912 million and RMB3,766 million.

Discount Rate Sensitivity

Discount Rate	Results (RMB million)
16.0%	3,766
17.0%	3,306
18.0%	2,912

Please note that in arriving at our assessed value, we have only considered the revenue stream and expenses relevant to the core business of the Qinglian Company. We have not made provision for other non-operating cash flow items such as interest income, exchange rate gain/loss, accrual for sinking funds, etc. in the valuation model.

We also draw your attention to the fact that we have not undertaken structural or detailed civil engineering survey and are not therefore able to confirm that the subject toll roads are free from structural defects.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Shenzhen Expressway, the Qinglian Company and Sallmanns (Far East) Limited.

We do not intend to express any opinion on matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Qinglian Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analyses, it is our opinion that the market value of a 100% interest in the Qinglian Company as at 31 December 2004 is reasonably stated at the amount of RMB3,306 million (RENMINBI THREE BILLION THREE HUNDRED AND SIX MILLION).

For and on behalf of
Sallmanns (Far East) Limited
Vincent T. B. Chong
ACA FCPA FTIHK
Managing Director

The following is the text of a report, prepared for inclusion in this circular, received from PBA in connection with the traffic forecasts for Qinglian Highways.

PB 栢誠

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6 April 2005

The Directors
Shenzhen Expressway Company Limited

Dear Sirs,

**SHENZHEN EXPRESSWAY COMPANY LIMITED
QINGLIAN HIGHWAY TRAFFIC AND REVENUE STUDY
EXECUTIVE SUMMARY**

Parsons Brinckerhoff (Asia) Limited (the "Consultant" or "PBA") was commissioned by Shenzhen Expressway Company Limited (also referred to as "SZE") to conduct an independent traffic and revenue study (the "Study") for Qinglian Expressway and Highways in Guangdong Province, the People's Republic of China ("PRC"). This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future traffic and revenue for the following toll roads are projected in an independent and professional manner:

- Proposed Qinglian Expressway
- Qinglian Highway Class II

In conducting the Study, we have based our analyses on site investigation, interviews with local authorities, toll road operators, reviews of available traffic data, feasibility reports and other relevant information. In utilizing the given information from the Company, we have sought confirmation from the management of the toll roads that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

The results of our analysis are presented in the "Traffic & Revenue Study For Qinglian Expressway".

A brief summary of our study approaches and findings are presented below:

INTRODUCTION

The National Highway 107 (NH107) is one of the major highways connecting Shenzhen in Guangdong Province to Beijing. Qinglian Highway (also referred to as the "Project") is part of NH107 that begins from Qingyuan in Guangdong Province and ends at Fengtouling - the boundary of Hunan Province. The road is also one of the major facilities from Guangzhou to Hunan Province. Currently, the Qinglian Highway Class I (NH107) and Qinglian Highway Class II (Old NH107) are parallel to each other.

The existing road conditions of the Qinglian Highway are damaged and are not possible to serve the developments in the area of Qingyuan. To improve the traffic conditions in the area and to provide alternative routes for long distance traffic, there are plans for the reconstruction for the Qinglian Highway and its northern and southern connecting roads. The proposed plans include upgrading the Qinglian Highway to expressway standard. The Yilian Highway located in the north of the Qinglian Highway connecting Yizhang (in Hunan Province) to the boundary of Guangdong Province is being upgraded and re-aligned. This new section of highway is expected to be completed in the year of 2007. By then, the Yilian Highway of Hunan Province will be connected to Qinglian Highway and the travel distance will be shortened by 20 km. The southern connecting link is 8 Km in length is proposed to be upgraded to Expressway and to connect with the newly opened Guangqing Expressway leading to Guangzhou.

This report summarizes the results and findings based on the technical analyses conducted. We confirm that future traffic and revenue for the remainder of the concession periods (2005 to 2035 for the proposed Qinglian Expressway and Qinglian Highway Class II) are projected in an independent and professional manner.

In conducting the Study, we have based our analyses on site investigation, interviews with local authorities/toll road operator, and reviews of available traffic data, feasibility reports, Origin-Destination ("O-D") surveys and other relevant information. In utilizing the given information from the Company, we have sought confirmation from the management of the toll roads that no material factors have been omitted. We concluded that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

This is a summary of the "Traffic & Revenue Study For Qinglian Expressway" prepared by PBA. The Consultant was appointed by the Company to carry out an independent traffic and revenue forecast of the toll road summarized in the table below (the "Study Highway"):

Summary of General Project Description

Highway Length (approximately)	**Highway Classification**	**Highway Configuration**	**Highway Access Control**	**Highway Design Speed**
Qinglian Highway (NH107) (215 km)	Class 1	4 – lane	Open Access	80~100 km/hr
Proposed Qinglian Expressway (216.5 km)	Expressway	4 – lane	Controlled Access	90~110 km/hr
Old NH107 (253.0 km)	Class 2	2 – lane	Open Access	60 km/hr

OBJECTIVES AND SCOPE OF SERVICES

The technical objective of the Study is to provide the Company with an independent study on future traffic and revenue projections. The scope of work includes data inventory and collection, traffic analysis and future traffic and revenue projections. Major activities include:

- Review available planning and feasibility reports related to the traffic corridors of the study highways;
- Collect and review socio-economic data of the study region;
- Collect and analyse traffic and revenue data;
- Conduct additional traffic surveys and counts where applicable;
- Interview toll road operators, local highway bureau officials and local planning department officials;
- Formulate travel demand forecast methodology;
- Analyse possible impact of competing roads in the travel corridors under study; and
- Prepare traffic and revenue forecasts.

TRAFFIC FORECASTING METHODOLOGY

The traffic forecasts are based on traditional travel demand forecast methodologies widely adopted for toll road studies and have been applied to similar toll roads in the PRC. Relevant information collected and accumulated by PBA in other projects in the PRD areas as well as other Guangdong areas in PRC have also been incorporated in this study. The traffic forecasting methodology for the Study consists of the following stages:

a) Data Inventory and Review — The key objective for this technical stage is to obtain existing available information and organize them for the next stage of work. Typical information to be inventoried includes historic highway network data, O-D data, toll road traffic and revenue data, existing and future socio-economic forecasts of the relevant region, and previous analyses and reports.

b) Define Technical Approach — The goal is to develop the most appropriate technical methodology to be used for study purposes. The determination of the types of method depends on the availability and quality of the data as well as the overall project programme.

c) Travel Demand Forecasting — Based on the information and findings from previous stages, this stage defines and analyses the existing traffic patterns and forecasts the future travel demand based on the appropriate key traffic variables that include:

- Economic indicators and growth in travel demand
- Physical conditions of the road and its carrying capacity
- Vehicle classifications and percentage distribution
- O-D patterns by class of vehicle

To consider the uncertainty of various external factors in the future, the traffic forecasts are presented under two scenarios: the optimistic scenario and the conservative scenario.

PRINCIPAL MODEL/ANALYTICAL ASSUMPTIONS

The general assumptions defined in the Study are as follows:

a) The use of "Gross Domestic Product" ("GDP") statistics as the prime indicator to determine future traffic growth of the highway under study. Past studies conducted in the study region and in other areas of PRC have indicated that growth in GDP is more compatible and correlated with the passenger and goods vehicles travels than any other factors or available parameters. Because the majority of the anticipated future travel will be associated with the movement of passenger and goods in the PRD region, GDP growth will be used as the key parameter for future forecasts.

b) O-D patterns identified from the available database are applicable to the subject analysis;

c) The most current traffic composition of existing traffic flow is assumed to be applicable to the forecasts;

d) Variations between existing and future travel behaviours, system patterns and trip making decisions are insignificant;

e) Future economic growth trends in the study region are consistent with existing regional economic policies in the PRC as well as in Guangdong Province, specifically the Tenth Five-Year Plan, the provincial development master plan and local governmental policies. The adopted conservative economic and optimistic growths are given in the table below:

Projected GDP Growth (%) for the Study Region

Analysis Period	Conservative Case	Optimistic Case
2006-2010	9.0%	10.0%
2011-2020	7.5%	8.5%
2021-2030	5.0%	6.5%
2031-2035	4.0%	5.0%

In Guangdong Province, GDP has been growing at an average rate of 11.18% per year over the period of 1998-2003. In PRD area, GDP has been growing at an average rate of 14.15% per year. These growths are based on "current" price and inflation has not been included. After the 10th Five Year Plan, Guangdong area targets an average annual GDP growth of 9% per year. This expected growth rate is realistic and achievable.

f) Based on the Highway Capacity Manual and professional judgment, the capacity for Qinglian Expressway would be 70,000 vehicles per day, and the existing road sections (Qinglian Highway Class I and Class II) capacity is estimated as below:

Capacity along Qinglian Highway Toll Stations

	Class I					Class II			
Toll Station	Heyun	Jiaochong	Shicangling	Longkou	Xingzi	Heyun	Qigong	Shiluo	Dalubian
No. Of Lanes	4	4	4	4	4	2	2	2	2
Design Speed (km/h)	80-100	80-100	80-100	80-100	80-100	60	60	60	60
Daily Capacity (vpd)	50,000	49,600	51,400	55,000	55,000	17,600	11,000	12,000	17,900

g) Major new highway links are planned or under construction in the vicinity of the study corridors, including the following:

- The Yilian Highway upgraded to Expressway with a total length of 48.5km and is scheduled to complete by the end of year 2007. This section of expressway connects the Qinglian expressway with NH107 and Jinzhu Expressway at Yizhang of Hunan Province. Its completion will enhance the regional accessibility of the travel corridor and therefore is expected to have a significant contribution to traffic flows on the Qinglian Expressway.

- In the southern end of Qinglian Expressway, there is a section of expressway proposed to connect the Qinglian expressway with the Guangqing Expressway. This section of expressway with a total length of 10km is expected to be completed by year 2007. This section provides direct linkage of expressway leading to Guangzhou.

- The section of Taiao Expressway is scheduled to be completed by year 2010 connecting Lianzhou of Qinglian Expressway with the western areas of Hunan Province.

- Guangzhu Expressway and Hong Kong — Macau-Zhuhai Bridge to be completed by year 2011.

- Qinglian Highway Class II is assumed to be unchanged for local traffic.

h) Non-toll vehicles are also considered in this study. Non-toll vehicles include officially toll exempted vehicles such as the government vehicles and toll road company cars. The proportion of non-toll vehicles is derived from the actual traffic flows.

SUMMARY OF TRAFFIC PROJECTIONS

Future traffic forecast is based upon the daily average. The Qinglian Expressway will be completed by year 2007, the traffic forecasts for Qinglian Expressway is therefore from year 2007 to year 2035. For years 2005 and 2006, please refer to Qinglian Highway Class I traffic flow forecasts. The projected traffic for the Study Expressway and Highways under the two study scenarios is summarized below:

Qinglian Expressway Daily Section Total Vehicles — Conservative

Year	Qingyuan-Shahe	Shahe-JinTan	JinTan-Yangshan	Yangshan-Fengbu	Fengbu-Sanjiang	Sanjiang-Lianzhou	Lianzhou-Taiao	Taiao-Xingzi	Xingzi-Boundary
km	34.35	11.05	56.3	36.12	15.81	8.17	3.36	30.2	21.29
2007	12108	11000	9858	10835	10649	8979	8813	7322	7249
2008	13031	11834	10599	11655	11456	9661	9482	7877	7798
2009	14025	12731	11396	12538	12324	10394	10202	8475	8389
2010	16872	15448	14004	15239	15009	12934	12728	10869	10775
2011	17922	16397	14848	16173	15929	13730	13510	11536	11435
2012	19039	17406	15744	17166	16907	14576	14343	12244	12135
2013	20228	18479	16696	18221	17947	15475	15227	12998	12880
2014	21493	19619	17707	19343	19052	16431	16168	13798	13672
2015	22838	20832	18781	20536	20227	17448	17168	14650	14513
2020	28651	26085	23451	25704	25319	21850	21499	18339	18162
2025	34858	31736	28532	31273	30804	26584	26157	22312	22097
2030	40410	36791	33076	36254	35710	30818	30323	25866	25616
2035	46846	42650	38344	42028	41398	35727	35153	29986	29696

Qinglian Expressway Daily Section Total Vehicles — Optimistic

Year	Qingyuan-Shahe	Shahe-JinTan	JinTan-Yangshan	Yangshan-Fengbu	Fengbu-Sanjiang	Sanjiang-Lianzhou	Lianzhou-Taiao	Taiao-Xingzi	Xingzi-Boundary
km	34.35	11.05	56.3	36.12	15.81	8.17	3.36	30.2	21.29
2007	13827	12608	11360	12452	12253	10463	10286	8688	8610
2008	15264	13912	12528	13744	13524	11548	11352	9587	9501
2009	16849	15351	13816	15171	14928	12746	12529	10580	10485
2010	21264	19566	17864	19372	19104	16694	16455	14302	14197
2011	22797	20960	19114	20751	20464	17886	17629	15321	15206
2012	24442	22455	20455	22230	21923	19164	18889	16414	16289
2013	26208	24058	21891	23816	23488	20536	20241	17586	17450
2014	28104	25779	23429	25518	25167	22007	21691	18844	18695
2015	30140	27624	25079	27344	26968	23586	23247	20193	20031
2020	38963	35572	32111	35203	34722	30394	29955	26004	25779
2025	47404	43278	39068	42830	42245	36979	36445	31638	31364
2030	54954	50172	45290	49652	48973	42869	42250	36677	36359
2035	63707	58163	52504	57560	56774	49697	48979	42518	42150

Qinglian Class I Road Daily Total Vehicles — Conservative

Year	Heyun	Jiaochong	Shicangling	Longkou	Xingzi	Total
2005	5297	4742	4069	1260	1182	16550
2006	5704	5098	4378	1356	1271	17808

Qinglian Class I Road Daily Total Vehicles — Optimistic

Year	Heyun	Jiaochong	Shicangling	Longkou	Xingzi	Total
2005	5420	4852	4163	1289	1210	16934
2006	5971	5338	4584	1420	1331	18645

Qinglian Class II Road Daily Total Vehicles — Conservative

Year	Heyun	Qigong	Shiluo	Xiaochong'ao	Total
2005	2539	931	514	1513	5496
2006	2731	1002	553	1621	5908
2007	2936	1080	596	1738	6350
2008	3158	1163	641	1863	6825
2009	3396	1253	691	1997	7337
2010	3652	1349	744	2141	7886
2011	3891	1440	794	2274	8398
2012	4145	1537	847	2415	8944
2013	4417	1640	904	2565	9525
2014	4706	1750	965	2724	10145
2015	5014	1868	1029	2893	10805
2020	6572	2468	1359	3730	14128
2025	8217	3111	1712	4586	17626
2030	9997	3784	2083	5580	21445
2035	11589	4387	2415	6469	24860

Qinglian Class II Road Daily Total Vehicles — Optimistic

Year	Heyun	Qigong	Shiluo	Xiaochong'ao	Total
2005	2563	939	518	1527	5548
2006	2782	1021	563	1652	6018
2007	3019	1110	612	1787	6529
2008	3277	1207	666	1934	7083
2009	3557	1312	724	2092	7684
2010	3860	1426	787	2264	8337
2011	4151	1536	847	2427	8962
2012	4465	1655	912	2602	9633
2013	4802	1783	983	2789	10356
2014	5164	1920	1058	2990	11133
2015	5554	2069	1140	3206	11968
2020	7762	2896	1596	4477	16731
2025	10174	3827	2107	5772	21880
2030	12985	4884	2689	7366	27925
2035	15798	5942	3272	8962	33975

TOLL RATE STRUCTURE

The potential revenues that can be generated by any toll facilities depend on four basic elements. They are: (1) traffic volumes, (2) toll rates, (3) travel distances and (4) the rate of future toll increase. The traffic element has already been described earlier in the document, and this section will focus on the other three remaining elements.

The assumed toll rates for Qinglian Expressway are the same as that applied to Expressways with Dual-2 carriage in Guangdong province. The existing Dual-2 Expressway toll rates are given in the table below:

Existing Expressway Vehicle Classification (Dual-2) & Toll Rates

Vehicle Classification		Toll Rates (RMB/km)
Class 1	Passenger Cars/Vans and Motorcycles (2-axle with 4 wheels)	0.45
Class 2	Light Vans/Light and Small Goods vehicles (2-axle with 4 wheels)	0.675
Class 3	Small, Medium and Large Passengers vehicles/ Medium goods vehicles (2-axle with 6 wheels)	0.90
Class 4	Extra Large Passengers vehicles/Large Goods vehicles/ 20 ft container truck (3-axle with 6-10 wheels)	1.35
Class 5	Double Deck Passengers vehicles/Heavy Goods vehicles/ Heavy Track & Trailer/40 ft Container truck (>3-axle with >10 wheels)	1.80
Non Toll	Official toll exemption	

Vehicle toll class for Qinglian Expressways (Close System) are different from that of the Qinglian Highways (Open System). Vehicle definitions given in the above table are applied to Qinglian Expressways. Vehicle toll class definitions and toll rates for Qinglian Highways are given in Table below:

Existing Qinglian Highway Vehicle Classifications

Vehicle Class	Description
Class 1	Motorcycles; Tricycle/Tractor.
Class 2	Passenger vehicle < 20 seats; goods vehicle < 2 tons; and trailer.
Class 3	Passenger vehicle 21-50 seats; goods vehicle 2 tons to 5 tons.
Class 4	Passenger vehicle > 51 seats; goods vehicle > 5 tons to 15 tons.
Class 5	Goods vehicle >16 tons.
Non Toll	Official toll exemption

Current toll rates of Qinglian Highway Class I and Class II (in RMB)

Toll Class	Qinglian Highway Class I		Qinglian Highway Class II	
	Heyun I, Jiaochong and Shicangling Stations	Longkou and Xingzi Stations	Heyun II Stations	Qigong, Shiluo and Xiaochong'ao Stations
Class 1	5.0	5.0	3.0	2.0
Class 2	10.0	10.0	7.0	7.0
Class 3	35.0	30.0	15.0	15.0
Class 4	55.0	50.0	25.0	25.0
Class 5	70.0	70.0	30.0	35.0

Future toll rate increases are assumed to be at five-year intervals with a 15% increase every 5 years starting from year 2008. It is a reasonable assumption because the last toll increase occurred in the year 1997, and this increment represents an increase of about 2.8% per annum and is reasonable when compared to the average economic growth of Guangdong of about 10% per annum.

Future Toll Rates

Assumed Toll Rates for Qinglian Expressway (in RMB/km)

Year	Vehicle Toll Class				
	1	2	3	4	5
2007	0.450	0.675	0.900	1.350	1.800
2008-2012	0.518	0.776	1.035	1.553	2.070
2013-2017	0.595	0.893	1.190	1.785	2.381
2018-2022	0.684	1.027	1.369	2.053	2.738
2023-2027	0.787	1.181	1.574	2.361	3.148
2028-2032	0.905	1.358	1.810	2.715	3.620
2033-2035	1.041	1.561	2.082	3.123	4.164

Note: Toll rates are assumed to increase by 15% every 5 years.

Assumed Toll Rates for Qinglian Highway Class II (in RMB)

Year	Heyun II Station					Qigong, Shiluo & Xiaochong'ao Stations				
	Toll Class					Toll Class				
	1	2	3	4	5	1	2	3	4	5
2005-2007	3	7	15	25	30	2	7	15	25	35
2008-2012	4	9	18	29	35	3	9	18	29	41
2013-2017	5	10	20	34	40	4	10	20	34	47
2018-2022	5	11	23	39	46	4	11	23	39	54
2023-2027	6	13	27	44	53	4	13	27	44	62
2028-2032	7	15	31	51	61	5	15	31	51	71
2033-2035	7	17	35	58	70	5	17	35	58	81

Note: Toll rates are assumed to increase by 15% every 5 years.

ESTIMATION OF REVENUE

A summary of the revenue estimations for Expressway and Highways is presented under for scenarios in the following tables. The Expressway is expected to be operational in 2007 to replace Highway Class I. Please refer to Highway Class I for Expressway revenues of years 2005 and 2006.

Qinglian Expressway Revenue (Million RMB) Forecasts — Conservative

Year	Qingyuan-Shahe	Shahe-JinTan	JinTan-Yangshan	Yangshan-Fengbu	Fengbu-Sanjiang	Sanjiang-Lianzhou	Lianzhou-Taiao	Taiao-Xingzi	Xingzi-Boundary	Annual Revenue Million RMB
2007	116.8	36.2	176.3	113.5	48.8	21.3	8.6	64.8	45.3	631.7
2008	144.4	44.8	217.6	140.3	60.4	26.3	10.6	80.0	56.0	780.5
2009	155.2	48.1	233.7	150.7	64.9	28.3	11.4	86.0	60.2	838.5
2010	189.9	59.1	288.6	186.2	80.3	35.9	14.5	112.6	78.9	1046.2
2011	201.3	62.6	305.2	197.1	85.0	38.0	15.4	119.2	83.6	1107.3
2012	213.3	66.2	322.7	208.7	90.0	40.2	16.3	126.2	88.4	1172.2
2013	260.0	80.7	392.4	254.2	109.6	49.0	19.9	153.7	107.7	1427.1
2014	275.6	85.4	415.0	269.2	116.1	51.9	21.0	162.7	114.0	1510.9
2015	292.1	90.4	438.9	285.1	122.9	55.0	22.3	172.3	120.7	1599.7
2020	418.9	129.4	625.6	407.8	175.9	78.7	31.9	246.4	172.5	2287.2
2025	586.1	181.0	875.4	570.6	246.1	110.1	44.6	344.8	241.4	3200.1
2030	781.4	241.3	1167.0	760.8	328.1	146.8	59.4	459.7	321.8	4266.3
2035	1041.8	321.7	1555.8	1014.2	437.4	195.7	79.2	612.8	429.0	5687.7

Qinglian Expressway Revenue (Million RMB) Forecasts — Optimistic

Year	Qingyuan-Shahe	Shahe-JinTan	JinTan-Yangshan	Yangshan-Fengbu	Fengbu-Sanjiang	Sanjiang-Lianzhou	Lianzhou-Taiao	Taiao-Xingzi	Xingzi-Boundary	Annual Revenue Million RMB
2007	133.4	41.7	205.3	130.3	56.1	24.8	10.0	76.6	53.7	732.0
2008	169.2	52.9	260.0	165.3	71.2	31.4	12.7	97.2	68.1	928.0
2009	186.6	58.3	286.4	182.3	78.5	34.7	14.0	107.1	75.0	1022.9
2010	240.4	75.4	372.0	237.3	102.5	46.4	18.8	148.5	104.1	1345.5
2011	257.1	80.5	396.9	253.6	109.5	49.6	20.1	158.6	111.2	1437.3
2012	275.0	86.1	423.6	271.0	117.0	53.1	21.5	169.5	118.8	1535.5
2013	338.2	105.8	519.8	333.1	143.8	65.2	26.5	208.3	146.0	1886.7
2014	361.8	113.0	554.8	356.1	153.8	69.7	28.3	222.6	156.1	2016.1
2015	387.1	120.8	592.1	380.6	164.4	74.5	30.2	237.9	166.8	2154.4
2020	568.5	176.5	859.1	556.7	240.4	109.0	44.2	347.7	243.6	3145.7
2025	795.5	246.9	1202.1	778.9	336.3	152.6	61.9	486.4	340.8	4401.3
2030	1060.5	329.2	1602.5	1038.3	448.4	203.4	82.5	648.5	454.3	5867.6
2035	1413.8	438.8	2136.4	1384.3	597.8	271.2	110.0	864.5	605.7	7822.5

Qinglian Highway Class I Revenue Forecasts — Conservative

Year	Annual Revenue (RMB Million)					
	Heyun	Jiaochong	Shicangling	Longkou	Xingzi	Total
2005	36.4	40.1	30.6	8.4	8.8	124.3
2006	39.1	43.0	32.8	9.0	9.5	133.3

Qinglian Highway Class I Revenue Forecasts — Optimistic

Year	Annual Revenue (RMB Million)					
	Heyun	Jiaochong	Shicangling	Longkou	Xingzi	Total
2005	37.3	41.0	31.3	8.6	9.0	127.2
2006	40.9	45.0	34.3	9.4	9.9	139.6

Qinglian Highway Class II Revenue Forecasts — Conservative

Year	Annual Revenue (RMB Million)				
	Heyun II	Qigong	Shiluo	Xiaochong'ao	Total
2005	10.3	3.2	1.7	7.7	22.8
2006	11.0	3.4	1.8	8.2	24.5
2007	11.8	3.7	2.0	8.8	26.3
2008	15.5	4.9	2.6	11.3	34.3
2009	16.6	5.3	2.8	12.1	36.8
2010	17.8	5.7	3.1	13.0	39.5
2011	18.9	6.1	3.3	13.8	42.0
2012	20.1	6.4	3.5	14.6	44.7
2013	24.0	7.7	4.1	17.4	53.1
2014	25.5	8.2	4.4	18.4	56.4
2015	27.1	8.7	4.7	19.5	60.0
2020	39.9	12.8	6.9	28.7	88.3
2025	57.7	18.7	10.0	40.9	127.4
2030	80.9	26.3	14.1	57.3	178.5
2035	106.0	34.4	18.4	75.1	233.9

Qinglian Highway Class II Revenue Forecasts — Optimistic

Year	Annual Revenue (RMB Million)				
	Heyun II	Qigong	Shiluo	Xiaochong'ao	Total
2005	10.3	3.2	1.7	7.7	23.0
2006	11.2	3.5	1.9	8.4	24.9
2007	12.1	3.8	2.0	9.0	27.0
2008	16.0	5.1	2.7	11.1	35.6
2009	17.4	5.5	3.0	12.7	38.6
2010	18.8	6.0	3.2	13.7	41.8
2011	20.2	6.5	3.5	14.7	44.8
2012	21.7	6.9	3.7	15.7	48.1
2013	26.1	8.3	4.5	18.9	57.7
2014	28.0	9.0	4.8	20.2	61.9
2015	30.0	9.6	5.2	21.7	66.5
2020	47.3	15.1	8.2	34.5	105.1
2025	71.9	23.2	12.4	51.6	159.1
2030	105.7	34.1	18.3	75.8	233.9
2035	145.4	46.9	25.1	104.3	321.7

CONCLUSION

The Consultant concluded that the traffic forecasts developed by the above methodology and on the above assumptions are consistent with common professional practice and meet the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the Report of "Traffic & Revenue Study For Qinglian Expressway".

Yours sincerely,
For and on behalf of
PARSONS BRINCKERHOFF (ASIA) LTD
Richard Yau
Project Manager

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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Hong Kong

6 April 2005

The Directors
Shenzhen Expressway Company Limited

Dear Sirs,

We set out below our report on the financial information regarding 廣東清連公路發展有限公司 Guangdong Qinglian Highway Development Company Limited (hereinafter referred to as "Qinglian Company") for each of the three years ended 31 December 2004 (the "Relevant Periods") for inclusion in the circular of Shenzhen Expressway Company Limited (the "Company") dated 6 April 2005 (the "Circular").

Qinglian Company is a sino-foreign cooperative joint venture established in the People's Republic of China (the "PRC") on 23 February 1995 with limited liability.

On 3 February 2005, the Company, certain wholly-owned subsidiaries of the Company and several third parties entered into acquisition agreements with respect to the Company's acquisition of 56.28% equity interest in Qinglian Company. Details of the acquisition are described in the section headed "Letter from the Board" of the Circular.

The financial information of Qinglian Company for the Relevant Periods (the "Financial Information") set out in this report has been prepared based on the audited financial statements of Qinglian Company for the Relevant Periods audited by Deloitte Touche Tohmatsu CPA Ltd. (the "Underlying Financial Statements"), which comply with accounting principles generally accepted in Hong Kong and financial reporting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The statutory financial statements of Qinglian Company prepared in accordance with the relevant accounting rules and financial regulations applicable to sino-foreign cooperative joint ventures established in the PRC for the years ended 31 December 2002 and 2003 were audited by Qing Yuan Jing Cheng Certified Public Accountant Co. Limited, certified public accountants registered in the PRC. The statutory financial statements of Qinglian Company prepared in accordance with the relevant accounting rules and financial regulations applicable to sino-foreign cooperative joint ventures established in the PRC for the year ended 31 December 2004 were audited by Pan-China Schinda Certified Public Accountants, certified public accountants registered in the PRC.

For the purpose of this report, we have examined the Underlying Financial Statements and carried out such additional procedures as we consider necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by HKICPA.

The preparation of the Underlying Financial Statements are the responsibility of the directors of Qinglian Company who approved for their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Qinglian Company as at 31 December 2002, 2003 and 2004 and of the results and cash flows of Qinglian Company for the Relevant Periods.

(A) FINANCIAL INFORMATION

Income statements

		Year ended 31 December		
	Notes	**2002**	**2003**	**2004**
		RMB'000	*RMB'000*	*RMB'000*
Turnover	3	272,825	176,264	129,946
Other income	4	6,143	34,262	1,328
Depreciation		(98,806)	(72,719)	(60,286)
Staff costs	5	(13,727)	(13,876)	(11,963)
Road maintenance expenses		(41,127)	(48,360)	(62,765)
Allowance for amount due from a joint venturer		—	—	(11,000)
Other operating expenses		(23,544)	(9,800)	(10,769)
Profit (loss) from operations		101,764	65,771	(25,509)
Finance costs	7	(158,243)	(44,813)	(34,294)
(Loss) profit before taxation		(56,479)	20,958	(59,803)
Taxation	8	—	—	—
Net (loss) profit for the year		(56,479)	20,958	(59,803)

Balance sheets

		At 31 December		
	Notes	**2002**	**2003**	**2004**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	11	2,913,927	2,850,708	2,791,721
Current assets				
Other receivables, prepayments and deposits	12	9,951	6,611	42,294
Amount due from a joint venturer	13	—	13,126	16,459
Restricted cash	16	183,534	89,317	67,844
Bank balances and cash		20,583	11,966	2,278
		214,068	121,020	128,875
Current liabilities				
Other payables and accrued expenses	14	128,381	68,533	88,227
Amount due to a joint venturer	15	32,446	32,446	21,446
Secured bank loans - amount due within one year	16	89,394	—	—
		250,221	100,979	109,673
Net current (liabilities) assets		(36,153)	20,041	19,202
		2,877,774	2,870,749	2,810,923
Capital and reserves:				
Paid-in capital	17	1,200,000	1,200,000	1,200,000
Accumulated losses		(680,133)	(659,175)	(718,978)
		519,867	540,825	481,022
Non-current liabilities				
Secured bank loans - amount due after one year	16	610,628	660,000	660,000
Loans from joint venturers	18	1,063,172	988,644	988,631
Interest payable to joint venturers	19	684,107	681,280	681,270
		2,357,907	2,329,924	2,329,901
		2,877,774	2,870,749	2,810,923

Statements of changes in equity

	Paid-in capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2002	1,200,000	(623,654)	576,346
Net loss for the year	—	(56,479)	(56,479)
Balance at 31 December 2002	1,200,000	(680,133)	519,867
Net profit for the year	—	20,958	20,958
Balance at 31 December 2003	1,200,000	(659,175)	540,825
Net loss for the year	—	(59,803)	(59,803)
Balance at 31 December 2004	1,200,000	(718,978)	481,022

Cash flow statements

	Year ended 31 December		
	2002	**2003**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
(Loss) profit before taxation	(56,479)	20,958	(59,803)
Adjustments for:			
Interest expenses	158,243	44,813	34,294
Interest income	(2,563)	(1,743)	(730)
Depreciation	98,806	72,719	60,286
Loss on disposal of property, plant and equipment	553	—	—
Allowance for amount due from a joint venturer	—	—	11,000
Operating cash flows before movements in working capital	198,560	136,747	45,047
Decrease in other receivables, prepayments and deposits	344	3,340	1,317
Increase (decrease) in other payables and accrued expenses	13,380	(50,106)	8,694
Cash generated from operations	212,284	89,981	55,058
Interest paid	(69,332)	(57,415)	(34,317)
NET CASH FROM OPERATING ACTIVITIES	142,952	32,566	20,741
INVESTING ACTIVITIES			
Interest received	2,563	1,743	730
Advance to a joint venturer	—	(13,126)	(14,333)
Proceeds on disposal of property, plant and equipment	101	—	—
Purchase of property, plant and equipment	(7,189)	(9,500)	(1,299)
Advance to an independent third party	—	—	(37,000)
Decrease in restricted cash	6,366	94,217	21,473
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,841	73,334	(30,429)
FINANCING ACTIVITIES			
New bank loans raised	459,680	1,235,651	—
Repayment of bank loans	(269,436)	(1,275,673)	—
Repayment to joint venturers	(333,714)	(74,495)	—
NET CASH USED IN FINANCING ACTIVITIES	(143,470)	(114,517)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,323	(8,617)	(9,688)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	19,260	20,583	11,966
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	20,583	11,966	2,278

(B) NOTES TO THE FINANCIAL INFORMATION

1. PRESENTATION OF FINANCIAL INFORMATION

The financial information is presented in Renminbi ("RMB") since that is the currency in which majority of the Qinglian Company's transactions are denominated.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared in accordance with accounting principles generally accepted in Hong Kong and complies with financial reporting standards issued by Hong Kong Institute of Certified Public Accountants. The financial information has been prepared under the historical cost convention.

Potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards ("HKAS"s) and Hong Kong Financial Reporting Standards ("HKFRS"s) (hereinafter collectively referred to as "new HKFRS"s) which are effective for accounting periods beginning on or after 1 January 2005. Qinglian Company has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. Qinglian Company has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

The principal accounting policies adopted are as follows:

Revenue recognition

(i) *Toll revenue*

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

(ii) *Interest income*

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the interest rate applicable.

(iii) *Refund of business tax*

Refund of business tax is recognised to income statement when it becomes receivable.

Property, plant and equipment

Construction in progress which includes development expenditure and other direct costs attributable to the development of toll roads, buildings and structures for Qinglian Company's own use is stated at cost less impairment losses (if any). Costs are transferred to other categories of property, plant and equipment upon completion.

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of toll roads is provided to write off the cost based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which Qinglian Company is granted the rights to operate those roads. It is Qinglian Company's policy to review regularly the total projected traffic volume throughout the operating periods of the respective toll roads. Independent professional traffic studies will be performed, if necessary.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, as below:

Buildings and structures	30 years
Equipment	
— traffic related	20 years
— electronic and others	3 to 5 years
Motor vehicles	5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to Qinglian Company. Major renovations are depreciated over the remaining useful life of the relevant asset.

Impairment

At each balance sheet date, Qinglian Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which affect neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the income statement, except when it relates to items credited or charged directly to equity, in which cash the deferred tax is also dealt with in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

Payments to the retirement schemes managed by local social security bureau in accordance with the government regulation in the People's Republic of China (the "PRC") are charged as an expense as they fall due.

Foreign currencies

Transactions in currencies other than RMB are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than RMB are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

3. TURNOVER

Turnover represents income from toll roads less business tax and is as follows:

	Year ended 31 December		
	2002	**2003**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
Income from toll roads	287,292	185,677	136,912
Less: Business tax	(14,467)	(9,413)	(6,966)
	272,825	176,264	129,946

All turnover of Qinglian Company is toll income earned in the PRC. In addition, all assets of Qinglian Company are located in the PRC.

4. OTHER INCOME

	Year ended 31 December		
	2002	**2003**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
Refund of business tax	—	29,365	—
Interest income	2,563	1,743	730
Loss on disposal of property, plant and equipment	(553)	—	—
Others	4,133	3,154	598
	6,143	34,262	1,328

5. STAFF COSTS

	Year ended 31 December		
	2002	**2003**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	12,930	12,901	10,988
Retirement benefits scheme contributions	797	975	975
	13,727	13,876	11,963

6. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) During the Relevant Periods, no emoluments were paid by Qinglian Company to its directors as directors' fees, salaries, other benefits, bonus, contributions to retirement benefit schemes, and an inducement to join or upon joining Qinglian Company or as compensation for loss of office and no director had waived any emoluments.

(ii) Details of remuneration paid for the five highest paid individuals of Qinglian Company for the Relevant Periods were as follows:

	Year ended 31 December		
	2002	**2003**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	696	682	567
Retirement benefits scheme contributions	80	98	65
	776	780	632

During the Relevant Periods, no emoluments were paid by Qinglian Company to the five highest paid individuals as an inducement to join or upon joining Qinglian Company or as compensation for loss of office.

7. FINANCE COSTS

	Year ended 31 December		
	2002	**2003**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
Interest on:			
— bank loan wholly repayable within five years	35,522	—	—
— bank loans not wholly repayable within five years	3,936	42,671	34,315
— loans from joint venturers	109,287	1,932	—
— other loans	9,163	—	—
Exchange loss (gain)	327	203	(23)
Others	8	7	2
	158,243	44,813	34,294

8. TAXATION

No provision for PRC income tax has been made as Qinglian Company incurred a tax loss during the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to (loss) profit before taxation as follows:

	Year ended 31 December		
	2004	**2003**	**2002**
	RMB'000	*RMB'000*	*RMB'000*
(Loss) profit before taxation	(56,479)	20,958	(59,803)
Tax at PRC income tax rate of 15%	(8,472)	3,144	(8,970)
Tax effect of expenses not deductible for tax purpose	9,546	1,977	4,456
Tax effect of tax losses not recognised	—	4,236	23,291
Utilisation of tax losses previously not recognised	(1,074)	(9,357)	(18,777)
Taxation	—	—	—

The following are the major deferred tax liabilities and assets recognised and movements thereon during the Relevent Periods:

	Accelerated tax depreciation	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2002 and 31 December 2002	—	(—)	—
Charge (credit) to income for the year	9,357	(9,357)	—
At 31 December 2003	9,357	(9,357)	—
Charge (credit) to income for the year	18,777	(18,777)	—
At 31 December 2004	28,134	(28,134)	—

The above deferred tax liabilities and assets have been offset in accordance with the conditions set out in Statement of Standard Accounting Practice 12 (Revised) "Income taxes".

At the balance sheet dates, Qinglian Company had the following unrecognised unused tax losses that can be carried forward to future period. Their respective expiration periods are as follows:

	At 31 December		
Expiration year	**2002**	**2003**	**2004**
	RMB'million	*RMB'million*	*RMB'million*
2004	85	22	—
2005	74	74	—
2006	136	136	22
2007	—	—	—
2008	—	28	28
2009	—	—	155

No deferred tax asset has been recognised in respect of unused tax losses available for offset against future profits due to unpredictability of future profit streams.

9. DIVIDEND

No dividend has been paid or declared by Qinglian Company during the Relevant Periods.

10. (LOSS) EARNINGS PER SHARE

The (loss) earnings per share is not presented as such information is not meaningful having regard to the purpose of this report.

11. PROPERTY, PLANT AND EQUIPMENT

	Toll roads	Buildings and structures	Equipment - traffic related	Equipment - electronic and others	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2002	3,653,879	394	11,242	8,185	2,573	2,744	3,679,017
Additions	—	—	123	—	1,005	6,061	7,189
Reclassification	—	—	5,463	—	—	(5,463)	—
Disposals	—	—	(204)	(5,626)	(808)	—	(6,638)
At 31 December 2002	3,653,879	394	16,624	2,559	2,770	3,342	3,679,568
Additions	—	—	3	—	172	9,325	9,500
Reclassification	—	—	11,420	—	—	(11,420)	—
At 31 December 2003	3,653,879	394	28,047	2,559	2,942	1,247	3,689,068
Additions	—	—	—	14	222	1,063	1,299
Reclassification	—	—	66	—	—	(66)	—
At 31 December 2004	3,653,879	394	28,113	2,573	3,164	2,244	3,690,367
DEPRECIATION AND IMPAIRMENT							
At 1 January 2002	664,435	49	1,557	5,370	1,408	—	672,819
Provided for the year	96,145	12	832	968	849	—	98,806
Eliminated on disposals	—	—	(204)	(5,053)	(727)	—	(5,984)
At 31 December 2002	760,580	61	2,185	1,285	1,530	—	765,641
Provided for the year	70,742	12	1,229	705	31	—	72,719
At 31 December 2003	831,322	73	3,414	1,990	1,561	—	838,360
Provided for the year	58,042	12	2,017	183	32	—	60,286
At 31 December 2004	889,364	85	5,431	2,173	1,593	—	898,646
NET BOOK VALUES							
At 31 December 2002	2,893,299	333	14,439	1,274	1,240	3,342	2,913,927
At 31 December 2003	2,822,557	321	24,633	569	1,381	1,247	2,850,708
At 31 December 2004	2,764,515	309	22,682	400	1,571	2,244	2,791,721

12. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	At 31 December		
	2002	2003	2004
	RMB'000	*RMB'000*	*RMB'000*
Other receivables *(note)*	2,287	3,546	39,790
Prepayments and deposits	7,664	3,065	2,504
	9,951	6,611	42,294

Note: Included in other receivables as at 31 December 2004 is an amount due from an independent third party of RMB37,000,000 which is unsecured and interest-free.

13. AMOUNT DUE FROM A JOINT VENTURER

	At 1 January 2002	At 31 December 2002	Maximum amount outstanding during 2002	At 31 December 2003	Maximum amount outstanding during 2003	At 31 December 2004	Maximum amount outstanding during 2004
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Spring Sun International Limited ("Spring Sun")							
Gross amount	—	—		13,126		27,459	
Less: allowance	—	—		—		(11,000)	
	—	—	—	13,126	13,126	16,459	27,459

The amount is unsecured, interest-free and has no fixed repayment terms.

The directors of Qinglian Company are in the opinion that amount of RMB11,000,000 due from Spring Sun is considered irrecoverable and accordingly, allowance of RMB11,000,000 is made during 2004.

14. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December		
	2002	2003	2004
	RMB'000	*RMB'000*	*RMB'000*
Business tax payable	44,917	588	727
Withholding tax and business tax on interest payable	64,026	54,026	54,026
Road maintenance payables	15,582	11,962	25,453
Salary and welfare payables	1,007	123	35
Others	2,849	1,834	7,986
	128,381	68,533	88,227

15. AMOUNT DUE TO A JOINT VENTURER

The amount is unsecured, interest-free and has no fixed repayment terms.

16. SECURED BANK LOANS AND RESTRICTED CASH

The maturity profile of the bank loans is as follows:

	At 31 December		
	2002	**2003**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
On demand or within one year	89,394	—	—
More than one year, but not exceeding two years	—	—	—
More than two years, but not exceeding five years	510,628	—	—
Over five years	100,000	660,000	660,000
	700,022	660,000	660,000
Less: Amount due within one year shown under current liabilities	(89,394)	—	—
	610,628	660,000	660,000

The amounts are secured by toll road income receiving rights of Qinglian Highways which is deposited in designated bank accounts of Qinglian Company. The relevant bank balances are presented as restricted cash in the balance sheets and can be applied for Qinglian Company's daily operation use upon proper approval from the bank.

17. PAID-IN CAPITAL

	At 31 December 2002 & 2003 & 2004
	RMB'000
Registered capital	1,200,000
Paid-in capital	1,200,000

There was no movement in paid-in capital during the Relevant Periods.

18. LOANS FROM JOINT VENTURERS

	At 31 December		
	2002	2003	2004
	RMB'000	*RMB'000*	*RMB'000*
Spring Sun	415,351	415,326	415,316
Sun Yue Traffic Development Limited ("Sun Yue Traffic")	214,675	140,172	140,169
Qingyuan City Yueqing Public Road Construction and Development Co., Ltd. ("Yueqing")	198,809	198,809	198,809
Guangzhou Cement Joint Stock Limited Company ("Guangzhou Cement")	234,337	234,337	234,337
	1,063,172	988,644	988,631
Analysed as:			
Interest bearing			
— at 10%	988,677	—	—
— at prevailing market rate plus 4.5% (note)	74,495	—	—
Non-interest bearing	—	988,644	988,631
	1,063,172	988,644	988,631

Note: This portion of loans was borrowed by a joint venturer on behalf of Qinglian Company from a bank and secured by toll road income receiving rights of Qinglian Highways. The amount was fully repaid in January 2003.

The loans are classified as non-current in the balance sheets as the loan repayment within the next twelve months will not be demanded.

19. INTEREST PAYABLE TO JOINT VENTURERS

	At 31 December		
	2002	2003	2004
	RMB'000	*RMB'000*	*RMB'000*
Spring Sun	337,762	337,741	337,733
Sun Yue Traffic	80,989	78,179	78,177
Yueqing	121,668	121,668	121,668
Guangzhou Cement	143,688	143,692	143,692
	684,107	681,280	681,270

The interest payable is non-interest bearing. The interest payable is classified as non-current in the balance sheets as the interest repayment within the next twelve months will not be demanded.

20. RETIREMENT BENEFITS PLANS

All the full-time employees of Qinglian Company are covered by a defined-contribution retirement scheme organised by the relevant local government authority in the PRC. Qinglian Company is to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at a rate and on the average annual salary set by local government.

21. RELATED PARTY TRANSACTIONS

Save as the amounts due from/to related parties disclosed in notes above, Qinglian Company entered into the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2002	**2003**	**2004**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on loans from joint venturers *(note a)*:			
Spring Sun	41,534	—	—
Sun Yue Traffic	23,198	1,932	—
Yueqing	21,121	—	—
Guangzhou Cement	23,434	—	—
	109,287	1,932	—
Management expenses to venturers *(note b)*:			
Spring Sun	300	300	300
Sun Yue Traffic	120	120	120
Yueqing	120	120	120
Guangzhou Cement	120	120	120
	660	660	660
Relevant tax on interest on loans from venturers borne by Qinglian Company *(note c)*:			
Spring Sun	4,155	—	—
Sun Yue Traffic	1,397	—	—
Yueqing	1,193	—	—
Guangzhou Cement	1,406	—	—
	8,151	—	—

Notes:

(a) Interest was charged at market rate plus 4% per annum or at 10% per annum.

(b) Management expenses are charged based on mutually agreed terms.

(c) Relevant tax represents withholding tax and business tax charged on interest on loans from joint venturers by relevant government authorities.

(C) DIRECTORS' REMUNERATION

No remuneration has been paid or payable to Qinglian Company's directors in respect of the Relevant Periods.

(D) SUBSEQUENT EVENTS

There were no significant subsequent events after 31 December 2004.

(E) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Qinglian Company have been prepared in respect of any period subsequent to 31 December 2004.

Yours faithfully,
Deloitte Touche Tohmatsu
Certificate Public Accountants
Hong Kong

The following is a summary of the audited consolidated profit and loss accounts and consolidated balance sheet of the Group for the three years ended 31 December 2004 as extracted from the relevant annual reports of the Group.

(I) CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December

	Note	2004 *RMB'000*	2003 *RMB'000*	2002 *RMB'000* *(As restated)*
Turnover	3	482,540	421,531	524,291
Other revenues	3	110,609	79,510	66,536
Gain on disposal of assets	4	—	691,416	—
Depreciation and amortization		(89,651)	(82,188)	(100,674)
Staff costs	6	(40,337)	(36,646)	(45,950)
Road maintenance expenses		(8,912)	(7,369)	(16,561)
Other operating expenses		(57,114)	(57,678)	(50,570)
Operating profit	5	397,135	1,008,576	377,072
Finance costs	8	(12,922)	(13,140)	(24,927)
Share of profits less losses of				
— jointly controlled entities		120,032	59,094	61,873
— associated companies		(706)	—	—
Profit before taxation		503,539	1,054,530	414,018
Taxation	9	(76,821)	(148,641)	(61,085)
Profit after taxation		426,718	905,889	352,933
Minority interests		(7,848)	(6,517)	(5,869)
Profit attributable to shareholders	10	418,870	899,372	347,064
Dividends	11	239,877	414,333	261,684
Earnings per share - basic	12	RMB0.192	RMB0.412	RMB0.159

(II) CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2004 RMB'000	2003 RMB'000	2002 RMB'000 (As restated)
Non-current assets				
Goodwill	13	5,179	5,614	—
Fixed assets	14	3,254,672	3,306,899	4,205,215
Construction in progress	15	283,604	39,849	269,146
Interests in jointly controlled entities	17	1,261,903	1,319,175	1,240,010
Interests in associated companies	18	870,698	—	—
Long-term receivables	19	—	372,946	—
		5,676,056	5,044,483	5,714,371
Current assets				
Inventories		6,935	6,131	5,892
Amounts due from jointly controlled entities	21	3,123	637	1,124
Current portion of long-term receivables	19	372,946	649,330	—
Other receivables, prepayments and deposits	20	27,199	13,574	16,179
Restricted cash	20	55,988	—	—
Bank balances and cash		1,203,239	1,274,818	962,736
		1,669,430	1,944,490	985,931
Current liabilities				
Other payables and accrued expenses	20	266,114	192,760	145,484
Taxation payable		13,560	121,291	4,563
Current portion of long term liabilities	25	3,082	3,082	—
Short-term bank loans, secured		—	—	480,000
Short-term bank loans, unsecured	26	360,000	40,000	130,000
		642,756	357,133	760,047
Net current assets		1,026,674	1,587,357	225,884
Total assets less current liabilities		6,702,730	6,631,840	5,940,255
Financed by:				
Share capital	22	2,180,700	2,180,700	2,180,700
Reserves	23	3,247,852	3,127,484	2,938,740
Proposed final dividend	23	239,877	414,333	261,684
Retained earnings	23	418,177	359,552	64,157
		6,086,606	6,082,069	5,445,281
Minority interests		50,066	49,967	50,282
Non-current liabilities				
Long-term liabilities	25	196,911	102,389	167,626
Deferred tax liabilities	24	50,383	42,943	36,754
Deferred income	27	318,764	354,472	240,312
		6,702,730	6,631,840	5,940,255

(III) CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December

	Note	2004 *RMB'000*	2003 *RMB'000*	2002 *RMB'000*
Operating activities				
Cash received from toll income		482,540	445,140	553,925
Cash received from road construction management services		17,351	—	—
Cash received from road construction projects		32,445	—	—
Cash paid to suppliers		(40,481)	(17,963)	(47,091)
Cash paid to employees		(40,645)	(39,744)	(42,159)
Other cash payments		(32,904)	(52,478)	(68,315)
Net cash inflow generated from operations	28(a)	418,306	334,955	396,360
Interest paid		(12,960)	(13,812)	(25,962)
PRC taxation paid		(54,029)	(36,320)	(36,150)
Government subsidies received		—	10,183	—
Net cash inflow from operating activities		351,317	295,006	334,248
Investing activities				
Purchase of fixed assets and payments for construction in progress		(296,143)	(177,264)	(304,010)
Proceeds from sales of major fixed assets		684,204	965,000	—
Tax paid for sales of major fixed assets		(105,204)	—	—
Proceeds from sales of other fixed assets		160	463	100
Interest received		11,938	28,179	25,938
Equity investment in a subsidiary, net of cash acquired	28(c)	(929)	(24,318)	—
Equity investments in associated companies		(868,270)	—	—
Purchase of a jointly controlled entity		—	—	(40,000)
Prepayment for acquisition of an associated company		—	(1,000)	—
Disposal of a subsidiary, net of cash disposed	28(d)	(1,468)	—	—
Sale of equity interests in a jointly controlled entity		—	—	618
Dividends received from jointly controlled entities		69,467	113,861	52,663
Dividends received from investments		—	—	7,862
Return of investment from jointly controlled entities		2,601	—	—
Decrease/(increase) in fixed bank deposits		70,000	132,000	(140,725)
Decrease in other investments		—	—	358,300
Loans to jointly controlled entities		—	(193,040)	(140,000)
Repayment of loans from jointly controlled entities		87,391	54,394	41,526

	Note	2004 RMB'000	2003 RMB'000	2002 RMB'000
Net cash inflow/(outflow) from investing activities		(346,253)	898,275	(137,728)
Net cash inflow before financing		5,064	1,193,281	19,520
Financing activities	28(b)			
New bank loans borrowed		660,000	366,758	1,255,359
Repayment of bank loans borrowed		(243,082)	(925,000)	(1,390,000)
Other long-term advance received		—	80,000	30,000
Other loans borrowed		807	—	—
Capital contribution from a minority shareholder of a subsidiary		—	—	900
Repayment of advance from a minority shareholder of a subsidiary		(3,145)	(3,913)	(4,674)
Dividends paid		(414,333)	(261,684)	(218,070)
Dividends paid to minority shareholders		(6,890)	(5,360)	(10,112)
Net cash outflow from financing activities		(6,643)	(749,199)	(336,597)
Increase/(decrease) in cash and cash equivalents		(1,579)	444,082	(140,077)
Cash and cash equivalents at 1 January		1,204,818	760,736	900,813
Cash and cash equivalents at 31 December		1,203,239	1,204,818	760,736
Analysis of balances of cash and cash equivalents:				
Bank balances and cash		1,203,239	1,274,818	962,736
Fixed bank deposits		—	(70,000)	(202,000)
		1,203,239	1,204,818	760,736

(IV) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Note	2004 RMB'000	2003 RMB'000	2002 RMB'000
Total equity as at 1 January		6,082,069	5,445,281	5,316,287
Profit for the year		418,870	899,372	347,064
Dividends	23	(414,333)	(261,684)	(218,070)
Others		—	(900)	—
Total equity as at 31 December		6,086,606	6,082,069	5,445,281

(V) NOTES TO FINANCIAL STATEMENT

1 General

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

2 Principal accounting policies

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

(a) ***Basis of preparation***

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards ("HK GAAP") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This basis of accounting differs in certain 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 the Group in the PRC. Appropriate restatements have been made to the PRC statutory accounts to conform with HK GAAP. Differences arising from the restatements are not incorporated in the Group's accounting records.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The accounts have been prepared under the historical cost convention.

(b) ***Consolidation***

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

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

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

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

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

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

(c) ***Jointly controlled entities***

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

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

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

(d) ***Associated companies***

An associated company is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest between 20% to 50% is held for the long-term and significant influence is exercised in its management.

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

If the Group's share of losses of an associated company equals or exceeds the carrying amount of an investment, the investment is reported at nil value, the Group discontinued accounting for investments in associate under equity method. Additional losses are provided for to the extent that the Group has incurred obligations or the Group has guaranteed on the associated company's obligations.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

(e) ***Goodwill***

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

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

(f) ***Fixed assets***

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

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

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

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

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

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

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

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

(g) ***Construction in progress***

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

(h) ***Inventories***

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

(i) ***Contingent liabilities and contingent assets***

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

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

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

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

(j) ***Provision***

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

(k) ***Deferred taxation***

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

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

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

(l) ***Other receivables***

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

(m) ***Cash and cash equivalents***

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

(n) ***Translation of foreign currencies***

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

(o) ***Revenue recognition***

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

Construction management services income represents the cost savings (the "Savings") achieved in toll road construction management projects engaged by the Group by comparing the total actual construction costs with the budgeted total construction costs of the projects; or a proportion of such Savings.

When the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method and the stage of completion is measured by making reference to the project construction costs and related management expenses incurred to date as a percentage to the total budgeted construction costs and management expenses. When the outcome of the construction management services cannot be estimated reliably, construction management services income is recognised at the same amount of project management expenses incurred only to the extent that such expenses are probable to be recovered.

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

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

Government grants in relation to subsidise toll revenues are recognised as income over the intended beneficial periods in accordance with the policy as stated in note 2(p).

(p) ***Deferred income — government grants***

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

Government grants provided to the Group to subsidise toll revenues of a specific toll road are deferred and amortised over the period during which the Group is granted the rights to operate such toll road. The subsidies recognised in the profit and loss account of a year is the attributable portion of the total government grants, which is computed based on the actual traffic volume of a year over the total projected traffic volume throughout the period during which the Group is granted the rights to operate such toll road.

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

(q) ***Employee benefits***

(i) *Employee leave entitlements*

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

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

(ii) *Bonus plans*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Under a Share Appreciation Right Scheme (the "Scheme") operated by the Group, rights ("Rights") are granted to key management staff to obtain benefits from the appreciation of the share price of the Company. The Rights can be exercised from the date of grant and before the respective expiry dates. A bonus award in the form of cash payment will be made to the extent of the surplus of the prevailing share price at exercise date over the pre-determined exercise price of the Rights at the date of grant. The amounts paid and payable under the Scheme are expensed in the profit and loss account as staff costs at the year the Rights are exercised.

(iii) *Pension obligations*

The Group contributes to a defined contributions retirement scheme which is applicable for all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme expenses charged to the profit and loss account represent contributions paid/payable by the Group to the scheme.

The assets of the scheme are held separately from those of the Group by government authorities. Details of the Group's retirement benefits are set out in note 6(b).

(r) ***Borrowing costs***

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

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

3 Turnover and revenue

Revenues recognised during the year are as follows:

	Note	2004 RMB'000	2003 RMB'000
Turnover			
Income from toll roads		509,008	444,653
Less: taxes related to toll income	(a)	(26,468)	(23,122)
		482,540	421,531
Other revenues			
Interest income from bank deposits		11,938	9,616
Interest income from long-term loan		—	18,563
Interest income from discounting of long-term receivables	4	35,779	—
Income from construction management services	(b)	17,351	—
Government subsidy income	27	35,708	35,840
Subsidies from local governments	(c)	—	10,183
Others		9,833	5,308
		110,609	79,510
Total revenues		593,149	501,041

(a) Taxes related to toll income comprise:

— PRC Business Tax at 5% of toll income

— City Development Tax at 1% of PRC Business Tax

— Education Supplementary Tax at 3% of PRC Business Tax

(b) This represents income from provision of construction management services engaged by various government, details are as below:

(i) The Company was engaged by the Shenzhen Municipal Government (the "SZMG") to manage the construction of a project in the eastern Shenzhen area by linking up the Yantian container terminals with the Yanba Expressway. The project was principally completed in 2001. During the year, the cost of the project was finalised and the Company received the final contract payment of RMB11,018,000 from SZMG. The amount was recognised as revenue for the year.

(ii) During the reporting period, the Company entered into a project construction management agreement with the SZMG (represented by the Shenzhen Communications Bureau). The Company was appointed as the project manager for the construction project of Nanping Freeway (Phase I) ("Nanping Project") and it also undertakes to enter into construction contracts on behalf of the SZMG with the contractors who are directly responsible for the construction of the project. As at 31 December 2004, as the outcome of the construction management services could not be estimated reliably, the Company recognised revenue of RMB6,333,000 to the extent of the probable recoverable project management expenses incurred by it.

(iii) During the reporting period, the Company entered into another project construction management agreement with the Shenzhen Longgang Government (represented by Shenzhen Longgang Highway Bureau). The Company was appointed as the project manager for the construction of the Western Section of Hengping Class 1 Highway ("Hengping Project") and it undertakes to enter into construction contracts on behalf of the government with the contractors who are directly responsible for the construction of the project. As at 31 December 2004, the project was still at its preliminary stage of planning and construction, no revenues had been recognised during the reporting period.

(c) This represents government subsidies granted by the SZMG in prior year in relation to the cancellation of certain preferential policies on the PRC enterprise income tax of the Group. No such subsidies were granted in current year.

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

4 Gain on disposal of assets

Pursuant to a transfer agreement (the "Transfer Agreement") signed between the Company and the Shenzhen Communications Bureau on 18 March 2003, the Company transferred all its rights and interests in National Highway No. 107 (Shenzhen Section) and National Highway No. 205 (Shenzhen Section) to the Shenzhen Communications Bureau at a consideration of RMB1,930,000,000 (the "Consideration"), resulting in a gain of RMB691,416,000.

The Consideration and a related assets disposal extra compensation (the "Compensation") were recognised as a long-term receivable balance in the accounts. As certain portions of the Consideration and the Compensation will be settled by installments, the Company calculated the net present value of such long-term receivables using a discount rate of 3.5%, being the prevailing interest rate for bonds with same maturity period issued by domestic companies in the PRC with similar credit ratings. Interest income from the discounting is recognised as other revenues over the installment settlement period.

5 Operating profit

Operating profit is stated after crediting and charging the following:

	2004	**2003**
	RMB'000	*RMB'000*
Crediting		
Net exchange gain	—	286
Charging		
International auditors' remuneration		
Annual audit	1,230	1,145
Other audit services	1,006	—
Statutory auditors' remuneration		
Annual audit	500	710
Other audit services	150	270
Net exchange loss	354	—
Loss on disposal of fixed assets	5,697	69
Provision for doubtful debts arising from loans made to a jointly controlled entity	—	28,311
Impairment of goodwill	945	—
Amortisation of goodwill	435	153

6 Staff costs

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

	Note	2004 RMB'000	2003 RMB'000
Wages, salaries and bonus		31,447	25,267
Bonus — the Share Appreciation Right Scheme (the "Scheme")	(a)	—	4,284
Pension costs — defined contribution plans	(b)	1,811	1,344
Other staff welfare benefits		7,079	5,751
		40,337	36,646

(a) It mainly represents bonus payments in relation to the Scheme. Movements in the number of Rights granted under the Scheme during the year are as follows:

	2004	2003
Number of Rights not exercised as at 1 January	5,501,400	10,477,238
Number of Rights exercised during the year	—	(4,975,838)
Number of Rights not yet exercised as at 31 December	5,501,400	5,501,400
Number of Rights not exercised represents:		
Exercisable during the period from 16 March 2004 to 15 March 2005 (Phase III)	2,750,700	2,750,700
Exercisable during the period from 16 March 2005 to 15 March 2006 (Phase IV)	2,750,700	2,750,700
	5,501,400	5,501,400

(i) Pursuant to a shareholders' meeting held on 30 October 2003, a resolution was passed to revise the Scheme that the Rights so granted are no longer borne by individual grantees but collectively by a group of senior management and management staff of the Company. The exercisable period and the exercise price of the Rights were also revised. Proceeds to be received from exercising the Rights will be maintained as a special bonus fund. The Company shall appropriate such fund to senior management and management staff according to relevant policies enacted.

(ii) Pursuant to the Scheme, the Rights are not exercisable when the current year's profit decreases by more than 20% from the prior year. Accordingly, no Rights had been exercised during the year.

(iii) The exercise price of the Rights under Phase III and Phase IV of the Scheme is the weighted average of the closing trading prices of the shares of the Company traded on the stock exchanges during the period of the pervious phase. The bonus amount attached with each Right is the difference between the exercise price and RMB3.456.

(b) The Group participates in the Shenzhen Municipal Retirement Scheme managed by the Shenzhen Social Security Administration Bureau. Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to 8% to 9% (2003: 8% to 9%) of the monthly salary of the employees. The Bureau is responsible for making the pension payments to the retired employees of the Group and the Group has no further obligations.

7 Directors', supervisors' and senior management's emoluments

(a) *Directors' and supervisors' remuneration*

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

	2004	**2003**
	RMB'000	*RMB'000*
As directors and supervisors		
— executive		
— allowances	32	48
— non-executive		
— remuneration	936	872
— allowances	114	82
— bonus — the Scheme	—	690
For management		
— basic salaries and allowances	1,251	648
— bonuses	248	319
— contributions to the retirement scheme	40	22
— bonus — the Scheme	—	927
— other benefits	21	7
	2,642	3,615

The emoluments for all directors and supervisors of the Company (executive and non-executive) fell within the band of nil to RMB1,060,000 (HK$1,000,000) during the years ended 31 December 2004 and 2003.

No directors and supervisors waived any emoluments during the years ended 31 December 2004 and 2003.

During the years ended 31 December 2004 and 2003, no emoluments had been paid by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office.

(b) ***Five highest paid individuals***

The five individuals whose emoluments were the highest in the Group for the year include one (2003: three) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2003: two) individuals during the year are as follows:

	2004	**2003**
	RMB'000	*RMB'000*
Basic salaries and allowances	1,831	592
Bonuses	440	285
Contributions to the retirement scheme	56	24
Bonus — the Scheme	—	286
Other benefits	28	8
	2,355	1,195

The emoluments for all the above senior management fell within the band of nil to RMB1,060,000 (HK$1,000,000) during the years ended 31 December 2004 and 2003.

8 Finance costs

	2004	**2003**
	RMB'000	*RMB'000*
Interest on bank loans	11,411	12,250
Interest on other loans		
— repayable within 5 years	1,072	846
— repayable over 5 years	477	716
Less: interest capitalised in construction in progress	(38)	(672)
	12,922	13,140

The capitalisation rate applied to funds borrowed and used for the development of construction in progress is 5.02% (2003: ranged between 1.80% and 7.17%) per annum.

9 Taxation

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

	Note	2004 RMB'000	2003 RMB'000
Current taxation			
— PRC enterprise income tax		51,502	47,904
— PRC enterprise income tax on disposal of assets		—	105,144
Deferred taxation	24	7,440	6,189
		58,942	159,237
Share of taxation of jointly controlled entities		17,879	(10,596)
		76,821	148,641

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

	2004 RMB'000	2003 RMB'000
Profit before tax	503,539	1,054,530
Calculated at a taxation rate of 15% (2003: 15%)	75,531	158,180
Effect of different taxation rates in other locations	60	(12,487)
Income not subject to taxation	(10,723)	(23,100)
Expenses not deductible for taxation purposes	1,207	20,433
Unrecognised tax losses	13,855	6,457
Share of preferential tax benefits of jointly controlled entities	(2,848)	(842)
Share of preferential tax benefits of associated companies	(261)	—
Taxation charge	76,821	148,641

(a) In 2004, the Company is subject to PRC enterprise income tax rate of 15% (2003: 15%), the preferential tax rate for enterprises established in the Shenzhen Special Economic Zone, as compared with the standard rate of 33% (2003: 33%).

(b) Pursuant to the approvals of the relevant authorities, two jointly controlled entities of the Company, Shenzhen Qinglong Expressway Company Limited ("Qinglong Company") and Hubei Yungang Transportation Development Company Limited ("Yungang Company"), are exempt from PRC enterprise income taxes for the first two profit-making years and are entitled to a 50% reduction of their PRC enterprise income taxes for the three consecutive years thereafter. It is the second profit making year for Qinglong Company and the third profit making year for Yungang Company, as a result, Qinglong Company is exempt from PRC enterprise income taxes and Yungang Company is entitled to a 50% reduction of its PRC enterprise income taxes in 2004.

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

(c) The applicable tax rate to Mei Wah Industrial (Hong Kong) Limited ("Mei Wah Company"), a subsidiary of the Company incorporated in Hong Kong is 17.5%. No provision for Hong Kong profits tax has been made in the accounts as Mei Wah has no income assessable under Hong Kong profits tax.

10 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of RMB358,999,000 (2003: RMB871,532,000).

11 Dividends

	2004	**2003**
	RMB'000	*RMB'000*
Final, proposed, of RMB0.11 (2003: RMB0.19) per share	239,877	414,333

At a meeting held on 18 February 2005, the directors declared a final dividend of RMB0.11 per share.This proposed dividend had not been reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2005.

12 Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of RMB418,870,000 (2003: RMB899,372,000) and 2,180,700,000 (2003: 2,180,700,000 shares) ordinary shares in issue during the year.

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

13 Goodwill — the Group

		2004	**2003**
	Note	*RMB'000*	*RMB'000*
Beginning net book value		5,614	—
Acquisition of a subsidiary	(a)	945	5,689
Provision for impairment	(a)	(945)	—
Amortisation		(435)	(75)
Closing net book value		5,179	5,614
As at 31 December 2004			
Cost		6,634	5,689
Accumulated amortisation		(510)	(75)
Provision for impairment	(a)	(945)	—
Net book value		5,179	5,614

(a) The addition to goodwill of RMB945,000 was in relation to the acquisition of additional 55% equity interests in Shenzhen Wutongling Ropeway Company Limited ("Ropeway Company") (see Note16 (b)(ii)). Provision for impairment has been made for such goodwill balance recognised in current year.

14 Fixed assets

The Group

	Toll roads	Land use rights of toll roads	Buildings and structures	Equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2004	2,834,513	332,190	180,666	192,511	9,131	3,549,011
Additions	—	—	—	368	2,490	2,858
Transfer from construction in progress *(note 15)*	—	—	7,512	32,458	—	39,970
Disposal of subsidiaries	—	—	—	(183)	(133)	(316)
Other disposals	—	—	(247)	(23,170)	(4,584)	(28,001)
At 31 December 2004	2,834,513	332,190	187,931	201,984	6,904	3,563,522
Accumulated depreciation						
At 1 January 2004	122,218	25,133	21,640	67,105	6,016	242,112
Charge for the year	52,305	9,282	7,060	19,230	1,774	89,651
Disposal of subsidiaries	—	—	—	(52)	(2)	(54)
Other disposals	—	—	(147)	(18,567)	(4,145)	(22,859)
At 31 December 2004	174,523	34,415	28,553	67,716	3,643	308,850
Net book value						
At 31 December 2004	2,659,990	297,775	159,378	134,268	3,261	3,254,672
At 31 December 2003	2,712,295	307,057	159,026	125,406	3,115	3,306,899

The Company

	Toll roads	Land use rights of toll roads	Buildings, structures and leasehold improvements	Equipment	Motor Vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2004	2,036,465	92,607	144,260	143,786	6,499	2,423,617
Additions	—	—	—	—	2,490	2,490
Transfer from construction in progress *(note 15)*	—	—	—	17,692	—	17,692
Disposals	—	—	—	(7,492)	(3,716)	(11,208)
At 31 December 2004	2,036,465	92,607	144,260	153,986	5,273	2,432,591
Accumulated depreciation						
At 1 January 2004	52,053	4,691	11,964	35,806	4,039	108,553
Charge for the year	26,868	2,015	4,648	14,139	1,290	48,960
Disposals	—	—	—	(4,143)	(3,406)	(7,549)
At 31 December 2004	78,921	6,706	16,612	45,802	1,923	149,964
Net book value						
At 31 December 2004	1,957,544	85,901	127,648	108,184	3,350	2,282,627
At 31 December 2003	1,984,412	87,916	132,296	107,980	2,460	2,315,064

The toll roads and related land use rights and buildings of the Group are all located in the PRC.

15 Construction in progress

	The Group		The Company	
	2004	2003	2004	2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	39,849	269,146	39,540	268,692
Additions	281,181	236,758	258,394	230,987
Additions from acquisition of a subsidiary	2,544	—	—	—
Transfer to fixed assets *(Note 14)*	(39,970)	(466,055)	(17,692)	(460,139)
At 31 December	283,604	39,849	280,242	39,540

Construction in progress mainly represents construction costs incurred for toll roads not completed at 31 December 2004.

16 Investments in subsidiaries — the Company

	Note	2004 RMB'000	2003 RMB'000
Unlisted investments, at cost		759,945	750,040
Provision for impairment	(b)(ii)	(12,005)	—
		747,940	750,040
Loans to a subsidiary	(b)(iii)	46,084	—
Provision for impairment	(b)(iii)	(46,084)	—
		—	—
Advance to a subsidiary	(c)	61,034	123,293
		808,974	873,333

(a) As at 31 December 2004, details of all the subsidiaries held by the Company are listed below:

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Interest held Direct	Interest held Indirect
Shenzhen Meiguan Expressway Company Limited ("Meiguan Company")	the PRC, limited liability company	Construction, operations and management of expressway	95%	—
Shenzhen Expressway Advertising Company Limited ("Advertising Company")	the PRC, limited liability company	Advertising agency	95%	4.75%
Mei Wah Industrial (Hong Kong) Limited ("Mei Wah Company")	Hong Kong, limited liability company	Investment holding	100%	—
Shenzhen Wutongling Ropeway Company Limited ("Ropeway Company") *(Note (b)(i))*	PRC, limited liability company	Construction and management of a ropeway	95%	—

(b) (i) The Company previously held 40% equity interest in Ropeway Company, a jointly controlled entity.

The Company has fully assumed its joint liability for a guarantee provided to a bank for a loan of RMB18,000,000 drawn down by Ropeway Company from that bank. The joint venture partner, Shenzhen Zhongmin Investment Servicing Company Limited ("Zhongmin"), holding 55% equity interest in Ropeway Company, is responsible to bear its joint liability for such guarantee in proportion to its equity interests held and the Company has the right to claim Zhongmin. In November 2003, the Company applied to the People's Court (the "Court") for selling the 55% equity interests of Ropeway Company held by Zhongmin through an auction in order to force Zhongmin to honor its obligations,. The Court made an judgement that the application of the Company was accepted. On 2 August 2004, the Company acquired the 55% equity interest of Ropeway Company for RMB900,000 in an auction and paid an auction handling commission of RMB45,000. The total costs incurred for the acquisition of 55% of Ropeway equity interests were RMB945,000. Accordingly, the Company began to hold 95% of the equity interests of Ropeway Company and it became no longer a jointly controlled entity but a subsidiary of the Company.

(ii) As Ropeway Company failed to commence its business operations as scheduled, the Company had made provision for impairment loss on the related goodwill of RMB11,060,000 arising from the acquisition of Ropeway Company in 2001. As at 31 December 2004, the construction of the underlying project of Ropeway Company remained under suspension and therefore, the Company made a further impairment provision for the additional equity interest acquired during the year amounting to RMB945,000. Accordingly, the Company had made provision for impairment in full for its investment in Ropeway Company amounting to RMB12,005,000 as at the end of 2004.

(iii) As at 31 December 2003, the Company had granted loans of RMB46,464,000 to Ropeway Company which are secured by certain operating facilities and equipment of Ropeway Company. These loans bear interests at prevailing loan borrowing rates charged by banks in the PRC and have no fixed repayment dates. They were subject to full impairment loss provision made by the Company. As Ropeway Company became a subsidiary of the Company during the year, the loans and the related impairment provision were transferred from the interests in jointly controlled entities account to the investments in subsidiaries account. In 2004, the Court determined that RMB855,000 out of the auction proceeds had to be paid to the Company and the Company thereby wrote back the related impairment provision to the extent of the amount received. However, the Company had to make additional impairment loss provision against the amount advanced by it to Ropeway Company during the year amounting to RMB475,000. As at 31 December 2004, the Company had made impairment provision in full for loans advanced to Ropeway totalling RMB46,084,000.

(c) Amount represents advance made to Meiguan Company, which is unsecured, interest-free and will be repayable out of the funds to be generated from the operations of the toll roads of Meiguan Company. In the opinion of the directors, there is no recoverability problem associated with such advance.

(d) As at 31 December 2003, the Company held 70% equity interest in Shenzhen Expressway Engineering Consulting Company Limited (“Consulting Company”). During the year, the Consulting Company increased its registered capital while the Company did not subscribe for it in proportion to its original interests held. As a result, the Company’s equity interests in Consulting Company decreased from 70% to 30% and it no longer has controlling power over the company. Accordingly, Consulting Company began to be reported as an associated company of the Company.

17 Interests in jointly controlled entities

		The Group		The Company	
		2004	2003	2004	2003
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost		—	—	384,000	395,060
Provision for impairment of investment costs	(g)	—	—	(51,590)	(62,650)
		—	—	332,410	332,410
Share of net assets other than goodwill		385,194	354,998	—	—
Goodwill on acquisition of jointly controlled entities less accumulated amortization	(b)	1,636	10,773	—	—
Provision for impairment of goodwill	(c)	—	(9,060)	—	—
		386,830	356,711	332,410	332,410
Advance to jointly controlled entities	(d)	875,073	962,464	875,073	962,464
Loans to a jointly controlled entity	(e)	—	46,464	—	46,464
Provision for doubtful loans	(e)	—	(46,464)	—	(46,464)
		875,073	962,464	875,073	962,464
Total		1,261,903	1,319,175	1,207,483	1,294,874

(a) Details of all jointly controlled entities as at 31 December 2004 are as follows:

Name	Place of incorporation and nature of legal entity	Principal activities and place of operation	Interest held
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao")	the PRC, Sino-foreign cooperative enterprise	Construction, operations and management of expressways	*55%
Shenzhen Qinglong Expressway Company Limited ("Qinglong Company")	the PRC, Sino-foreign cooperative enterprise	Construction, operations and management of expressways	*40%
Hunan Changsha Shenchang Expressway Company Limited ("Shenchang Company")	the PRC, limited liability company	Construction, operations and management of a ring road	*51%
Hubei Yungang Transportation Development Company Limited ("Yungang Company")	the PRC, Sino-foreign cooperative enterprise	Construction, operations and management of a bridge	#42%

* Interests held directly by the Company

\# Up to 1 March 2006, the Company is entitled to 90% share of the profit of Yungang Company.

(b) The amount relates to goodwill arising on acquisition of Qinglong Company in December 2002 amounting to RMB1,791,000. The amortisation charge during the year was RMB77,000 and the accumulated amortisation as at 31 December 2004 was RMB155,000.

(c) This represents goodwill arising on acquisition of Ropeway Company, which became a subsidiary of the Company during the year (Note 16(b)(i)).

(d) Amounts represent advance made to Airport-Heao of RMB380,764,000 (2003: RMB401,453,000), Qinglong of RMB205,599,000 (2003: RMB264,401,000) and Shenchang of RMB288,710,000 (2003: RMB296,610,000), respectively. The advance is unsecured, non-interest bearing and is repayable out of the funds generated from the operations of the respective toll road projects. In the opinion of the directors, there is no recoverability problem associated with the advance.

(e) This represents loans made to Ropeway Company, against which full provision has been made. During the year, Ropeway Company became a subsidiary of the Company and these loans were reclassified to investments in subsidiaries accordingly (Note 16(b)(iii)).

(f) Information of major jointly controlled entities

The financial information of major jointly controlled entities for the year ended 31 December 2004 prepared under HK GAAP is as follows:

	Airport-Heao		Qinglong Company		Shenchang Company	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit and loss accounts						
Turnover	219,320	173,107	132,853	103,998	19,061	16,138
Operating profit/(loss) before taxation	172,558	139,810	56,302	30,870	653	(153,671)
Taxation	(25,884)	(20,462)	(1,767)	(2,609)	(5,412)	44,888
Profit/(loss) after taxation	146,674	119,348	54,535	28,261	(4,759)	(108,783)
Net assets						
Fixed assets	1,186,651	1,207,197	911,760	942,796	604,894	617,079
Construction in progress	4,894	—	723	—	—	—
Deferred tax assets	—	—	—	—	49,097	49,824
Current assets	50,812	53,801	49,921	46,969	5,574	8,025
Current liabilities	(23,536)	(10,378)	(562,739)	(9,775)	(4,758)	(4,387)
Amounts due to owners	(699,912)	(760,326)	(213,453)	(292,072)	(566,098)	(581,758)
Long-term loans	—	—	—	(558,008)	—	—
Deferred tax liabilities	(30,819)	(28,105)	(7,893)	(6,126)	(30,523)	(25,838)
Net assets	488,090	462,189	178,319	123,784	58,186	62,945
Capital commitments	—	—	—	—	—	—
Contingent liabilities	—	—	—	—	—	—

(g) Provision for impairment of investment costs

		The Company	
		2004	**2003**
	Note	*RMB'000*	*RMB'000*
As at 1 January		62,650	9,060
Additional impairment provision for Ropeway Company		—	2,000
Provision for impairment of Shenchang Company		—	51,590
Provision for Ropeway Company transferred out	16(b)	(11,060)	—
As at 31 December		51,590	62,650

18 Interests in associated companies

		The Group		The Company	
		2004	**2003**	**2004**	**2003**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost		—	—	871,404	—
Share of net assets other than goodwill		795,398	—	—	—
Goodwill on acquisition of associates less accumulated amortisation	(b)	75,300	—	—	—
Total		870,698	—	871,404	—

(a) All associated companies are limited liability companies incorporated in the PRC, details of these associated companies as at 31 December 2004 are as below:

Name	**Principal activities**	**Directly held interests**
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	Development, operations and management of expressways and related facilities	25%
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	Development, operations and management of expressways	25%
Shenzhen Huayu Expressway Investment Company Limited ("Huayu Company")	Development, investment, operations and management of expressways	40%
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company") *(Note 16(d))*	Project management consulting, construction consulting and selling of construction materials	30%
Nanjing Yangtz River Third Bridge Company Limited ("Nanjing Company")	Development, operations and management of bridges	25%
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	Development, operationsd and management of expressways	25%

All associated companies were established or acquired during the year. Except for Consulting Company and Yangmao Company, all associated companies had not yet commenced commercial operations as 31 December 2004.

(b) During the year, goodwill arising from acquisitions of associated companies, Jiangzhong Company and Yangmao Company, amounted to RMB30,680,000 and RMB46,165,000, respectively. The amortisation charge for the year and the accumulated amortisation as at 31 December 2004 of the above goodwill balances were RMB1,545,000.

(c) Information of major associated companies

The financial information of major associated companies for the year ended 31 December 2004 prepared under HK GAAP is as follows:

	Yangmao Company		**Jiangzhong Company**		**Nanjing Company**		**GZ W2 Company (Note (a))**	**Huayu Company**	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit and loss accounts									
Turnover	13,418	—	—	—	—	—	—	—	—
Operating profit/(loss) before taxation	(2,325)	—	—	—	—	—	—	—	—
Taxation	—	—	—	—	—	—	—	—	—
Profit/(loss) after taxation	(2,325)	—	—	—	—	—	—	—	—
Net assets									
Fixed assets	2,208,342	2,937	1,663	1,968	4,433	4,142	—	306	398
Construction in progress	—	1,004,713	2,098,933	1,548,621	2,209,610	852,347	274,295	481,981	362,163
Current assets	253,613	40,782	32,187	104,915	76,147	24,511	41,628	2,138	47,866
Current liabilites	(510,260)	(78,432)	(135,143)	(62,224)	(170,000)	(320,000)	(65,923)	(425)	(20,427)
Long-term payables	(1,132,000)	(733,000)	(1,299,990)	(1,038,000)	(1,040,190)	(520,000)	—	(334,000)	(340,000)
Net assets	819,695	237,000	697,650	555,280	1,080,000	41,000	250,000	150,000	50,000
Capital commitments									
Contracted but not provided for	—	1,027,000	592,000	859,000	253,000	232,000	1,060,000	8,000	128,000
Authorised but not contracted for	—	178,000	370,000	653,000	838,877	2,216,970	1,678,000	—	—
	—	1,205,000	962,000	1,512,000	1,091,877	2,448,970	2,738,000	8,000	128,000
Contingent liabilities	—	—	—	—	—	—	—	—	—

Note (a) GZ W2 Company was established in 2004 and accordingly no comparative figures were presented.

19 Long-term receivables — the Group and the Company

This represents the discounted balance of the Consideration and Compensation receivable pursuant to the Transfer Agreement as described in Note 4. The remaining balance of RMB372,946,000 will be received by the end of 2005 and was included in the balance sheet as a current asset as at 31 December 2004.

20 Construction management service — the Group and the Company

As detailed in Note 3(b), the Company entered into two highway construction project management contracts with two government departments during the year that it undertakes to enter into the underlying construction contracts on behalf of these government departments with contractors directly responsible for the construction of these projects. Financial information on these projects is summarised as follows:

	Nanping Project 2004 *RMB'000*	**Hengping Project 2004** *RMB'000*	**Total 2004** *RMB'000*
Management expenses incurred during the year plus attributable profit less losses	6,333	—	6,333
Less: progress payments received/recievable	(6,333)	—	(6,333)
Project management fees receivable/(payable)	—	—	—
Project funds received from the government departments during the year	400,000	30,000	430,000
Construction costs paid on their behalf during the year	(349,234)	(18,445)	(367,679)
Progress payments made to the Company	(6,333)	—	(6,333)
Balance of project funds advanced to the Company	44,433	11,555	55,988

The project funds received are deposited in bank accounts jointly supervised by the Company and the relevant government departments. Such amounts are presented as restricted cash in the consolidated accounts, and the corresponding liability of RMB55,988,000 has been included in the other payables and accrued expenses in the consolidated accounts of the Group and the accounts of the Company.

In addition, as at 31 December 2004, a guarantee deposit of RMB15,000,000 (2003: Nil) for Hengping Project had been paid by the Company and it was included in other receivables of the accounts.

21 Amounts due from jointly controlled entities — the Group and the Company

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

During the year, toll income collected by the Group on behalf of that jointly controlled entity was RMB92,721,000 (2003: RMB72,295,000), and toll income collected by that jointly controlled entity on behalf of the Group was RMB98,733,000 (2003: RMB79,256,000). All toll income collected is paid back to the counter party on a monthly basis without charging any handling fees.

22 Share capital — the Group and the Company

	Registered, issued and fully paid				
	Shares held by the State	**Shares held by legal persons**	**Ordinary shares, listed in the mainland ("A shares")**	**Foreign invested shares, listed in Hong Kong ("H shares")**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2004 and 2003	654,780	613,420	165,000	747,500	2,180,700

Pursuant to the Company's articles of association, all shares are of nominal value of RMB1 each and they are all ordinary shares. Save for the liquidity restrictions and the currency used for distribution of dividends, all shares rank pari passu against each other.

23 Reserves and retained earnings

	Share premium	Statutory surplus reserve	Reserves Statutory public welfare fund	Discretionary surplus reserve	Total	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group						
At 1 January 2004	2,060,009	319,020	295,064	453,391	3,127,484	773,885
Profit for the year	—	—	—	—	—	418,870
Transfers	—	64,093	56,275	—	120,368	(120,368)
2003 final dividend paid	—	—	—	—	—	(414,333)
At 31 December 2004	2,060,009	383,113	351,339	453,391	3,247,852	658,054
Representing:						
2004 final dividend proposed						239,877
Others						418,177
Retained earnings as at 31 December 2004						658,054
Company and subsidiaries	2,060,009	383,113	351,339	453,391	3,247,852	620,668
Jointly controlled entities	—	—	—	—	—	36,513
Associated companies	—	—	—	—	—	873
As 31 December 2004	2,060,009	383,113	351,339	453,391	3,247,852	658,054
At 1 January 2003	2,060,909	220,992	203,448	453,391	2,938,740	325,841
Profit for the year	—	—	—	—	—	899,372
Transfers	—	98,028	91,616	—	189,644	(189,644)
2002 final dividend paid	—	—	—	—	—	(261,684)
Others	(900)	—	—	—	(900)	—
At 31 December 2003	2,060,009	319,020	295,064	453,391	3,127,484	773,885
Representing:						
2003 final dividend proposed						414,333
Others						359,552
Retained earnings at 31 December 2003						773,885
Company and subsidiaries	2,060,009	319,020	295,064	453,391	3,127,484	755,659
Jointly controlled entities	—	—	—	—	—	18,226
At 31 December 2003	2,060,009	319,020	295,064	453,391	3,127,484	773,885

		Reserves				
	Share premium	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Total	Retained earnings
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company						
At 1 January 2004	2,060,009	271,048	271,048	453,391	3,055,496	761,739
Profit for the year	—	—	—	—	—	358,999
Transfers	—	48,456	48,456	—	96,912	(96,912)
2003 final dividend paid	—	—	—	—	—	(414,333)
At 31 December 2004	2,060,009	319,504	319,504	453,391	3,152,408	609,493
Representing:						
2004 final dividend proposed						239,877
Others						369,616
Retained earnings as at 31 December 2004						609,493
At 1 January 2003	2,060,009	185,844	185,844	453,391	2,885,088	322,299
Profit for the year	—	—	—	—	—	871,532
Transfers	—	85,204	85,204	—	170,408	(170,408)
2002 final dividend paid	—	—	—	—	—	(261,684)
At 31 December 2003	2,060,009	271,048	271,048	453,391	3,055,496	761,739
Representing:						
2003 final dividend proposed						414,333
Others						347,406
Retained earnings at 31 December 2003						761,739

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

(i) make up accumulated losses;

(ii) transfer 10% of the profit after taxation to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the share capital, such transfer need not be made;

(iii) transfer 10% of the profit after taxation to the statutory public welfare fund;

(iv) transfer to the discretionary surplus reserve an amount as approved by the shareholders in the annual general meeting; and

(v) distribute as dividends to shareholders.

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

(b) Share premium

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

(c) Statutory surplus reserve and discretionary surplus reserve

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

(d) Statutory public welfare fund

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

(e) Profit distributable to shareholders

Pursuant to the relevant PRC regulations and the articles of association of the Company, profit distributable to shareholders shall be the lower of the accumulated distributable profits determined according to PRC accounting standards as stated in the PRC statutory accounts and the accumulated distributable profits adjusted based on HK GAAP.

24 Deferred taxation

Deferred taxation are provided in full on temporary differences under the liability method, using a principal taxation rate of 15% (2003: 15%).

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

	The Group		**The Company**	
	2004	**2003**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	42,943	36,754	21,530	16,630
Charged to profit and loss account *(Note 9)*	7,440	6,189	6,947	4,900
At 31 December	50,383	42,943	28,477	21,530

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

Deferred tax assets

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	(1,878)	—	(1,878)	—
Charged to profit and loss account	—	(1,878)	—	(1,878)
At 31 December	(1,878)	(1,878)	(1,878)	(1,878)

The deferred tax asset represents the deferred tax recognised for the impairment provision made against the investment in Ropeway.

Deferred tax liabilities

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	44,821	36,754	23,408	16,630
Charged to profit and loss account	7,440	8,067	6,947	6,778
At 31 December	52,261	44,821	30,355	23,408

Deferred tax liabilities of the Group and the Company represent the deferred tax on temporary differences arising from the different basis adopted for depreciation of toll roads and amortisation of land use rights which lead to differences in the accounting and tax bases.

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

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred taxation assets	(1,878)	(1,878)	(1,878)	(1,878)
Deferred taxation liabilities	52,261	44,821	30,355	23,408
	50,383	42,943	28,477	21,530

25 Long-term liabilities

		The Group		The Company	
		2004	2003	2004	2003
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Long-term bank loans		100,000	—	100,000	—
Other loans — secured	(a)	33,901	36,177	33,901	36,177
Other long-term advance	(b)	54,000	54,000	54,000	54,000
Advance from a minority shareholder of a subsidiary	(c)	12,092	15,294	—	—
		199,993	105,471	187,901	90,177
Current portion of other loans	(a)	(3,082)	(3,082)	(3,082)	(3,082)
		196,911	102,389	184,819	87,095

(a) Other loans totalling USD4,096,034 were borrowed from the Spanish Government through the China Construction Bank. The loans comprise two portions, USD2,234,200 bearing interest at 1.8% per annum which is repayable by instalments from November 2006 to May 2011; while the remaining balance of USD1,861,834 is interest bearing at 7.17% per annum, and it is repayable by instalments from February 2004 to August 2009. These loans are guaranteed by Xin Tong Chan Development (Shenzhen) Company Limited, a substantial shareholder of the Company.

(b) Other long-term advance was obtained from local government authorities as an inducement of the Company to participate in a toll road project. The advance is unsecured, non-interest bearing and has no fixed terms of repayment. In the opinion of the directors, the advance is not repayable within the coming five years.

(c) The advance was granted to Meiguan Company, a subsidiary of the Company, by a minority shareholder of Meiguan Company. The advance is unsecured, non-interest bearing and is repayable out of the funds to be generated from the toll road project operated by Meiguan Company.

26 Borrowings

At 31 December 2004, the Group's bank loans and other borrowings were repayable as follows:

The Group

	Bank loans		Other borrowings		Total	
	2004	2003	2004	2003	2004	2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	360,000	40,000	3,082	3,082	363,082	43,082
In the second to fifth year	100,000	—	25,272	19,401	125,272	19,401
After the fifth year	—	—	71,639	82,988	71,639	82,988
Total	460,000	40,000	99,993	105,471	559,993	145,471

The Company

	Bank loans		Other borrowings		Total	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	360,000	40,000	3,082	3,082	363,082	43,082
In the second to fifth year	100,000	—	26,710	19,401	126,710	19,401
After the fifth year	—	—	58,109	67,694	58,109	67,694
Total	460,000	40,000	87,901	90,177	547,901	130,177

As at 31 December 2004, total banking facilities available to the Group amounted to RMB4,890,000,000 (2003: RMB4,090,000,000). All bank loans are unsecured.

27 Deferred income — the Group and the Company

	2004	**2003**
	RMB'000	*RMB'000*
At 1 January	354,472	240,312
Transfer from other long-term advance	—	150,000
Government subsidy income recognised for the year	(35,708)	(35,840)
At 31 December	318,764	354,472

Deferred income represents government grants provided to the Company to subsidise the toll revenue of Sections A and B of the Yanba Expressway (the "Yanba Expressway"). The subsidy was granted based on anticipated insufficient traffic volume achieved as a result of the construction of the Yanba Expressway at an early stage in response to the overall township planning requirements of the SZMG. Pursuant to two circulars, Shenjitouzi [2001] No. 764 issued in 2001 and Shenjitouzi [2003] No. 213 issued in 2003, by the SZMG, the government approved a waiver of a long-term advance totalling RMB450,000,000 previously paid to the Company, and the conversion of such advance to a government grant for subsidising the toll revenue of the Company. These government grants are treated as a deferred income and are recognised in the profit and loss account according to the Group's accounting policies as shown in Note 2(o) and Note 2(p) throughout the period when the Company is granted the right to operate the related expressway.

28 Notes to the consolidated cash flow statement

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

	2004	2003
	RMB'000	*RMB'000*
Operating profit	397,135	1,008,576
Depreciation and amortisation	89,651	82,188
Amortisation of goodwill	435	153
Provision for impairment of goodwill	945	—
Provision for doubtful loans to a jointly controlled entity	—	28,311
Gain on disposal of major fixed assets	—	(691,416)
Loss on disposals of other fixed assets	5,697	69
Increase in inventories	(804)	(239)
Increase in other receivables, prepayments and deposits	(13,625)	(1,950)
Increase in amount due from jointly controlled entity	(2,486)	487
Increase (decrease) in other payables and accrued expenses	24,783	(17,022)
Interest income from bank deposits	(11,938)	(9,616)
Interest income from long-term loan	—	(18,563)
Interest income from discounting of long-term receivables	(35,779)	—
Government subsidy income	(35,708)	(35,840)
Subsidies from local government	—	(10,183)
Net cash inflow generated from operations	418,306	334,955

(b) ***Analysis of changes in financing during the year***

	Share capital and Share premium		**Minority interests**		**Bank loans, other loans and other long-term advance**	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	4,240,709	4,241,609	49,967	50,282	145,471	777,626
Minority interests in share of profits	—	—	7,848	6,517	—	—
Dividend paid/payable to minority shareholders of subsidiaries	—	—	(6,890)	(5,360)	—	—
New bank loans granted	—	—	—	—	660,000	366,758
New other borrowings		—	—	—	807	—
New advance granted	—	—	—	—	—	80,000
Repayment of advance from a minority shareholder of a subsidiary	—	—	—	—	(3,145)	(3,913)
Repayments of loans borrowed	—	—	—	—	(243,082)	(925,000)
Transfer from other long-term advance to deferred income	—	—	—	—	—	(150,000)
Others	—	(900)	(859)	(1,472)	(58)	—
At 31 December	4,240,709	4,240,709	50,066	49,967	559,993	145,471

(c) ***Analysis of the net outflow in respect of the purchase of a subsidiary***

	2004
	RMB'000
Net assets acquired	
Construction in progress	3,873
Bank balances and cash	16
Other payables and accrued expenses	(3,889)
	—
Goodwill	945
Consideration paid	945
Satisfied by cash consideration	945
Cash consideration	945
Bank balances and cash acquired	(16)
Net cash outflow in respect of the purchase of the subsidiary	929

During the year, the Company acquired interests in Ropeway Company (for details, refer to Note 16(b)(i)).

(d) ***Disposal of a subsidiary***

	2004
	RMB'000
Disposal of net assets	
Fixed assets	262
Bank balances and cash	1,468
Other receivables	1,597
Other payable and accrued expenses	(278)
Minority interest	(915)
	2,134
Cash received from disposal of a subsidiary	—
Decease in cash balance of the Group from the disposal	1,468

For details of the disposal, please refer to Note 16(d).

29 Contingent liabilities

Pursuant to the provisions of the two construction management contracts described in Note 3(b), the Company undertakes to bear any costs overruns for the two projects. For the Hengping Project of total investment of RMB450,000,000, the Company is obliged to bear all the cost overruns in construction as compared to the original budget. For the Nanping Project of a total investment of about RMB2,268,000,000, the Company is obliged to bear solely all the cost overruns in construction as compared to the original budget in case the overrun is less than 2.5% of the total budgeted contract costs, while the respective government department will share the overruns jointly with the Company if the overrun exceeds 2.5% of the total budgeted contract costs.

Pursuant to the terms of these two contracts, the Company was requested to average banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Longgang Highway Bureau and Shenzhen Communication Bureau in the amounts of RMB30,000,000 and RMB100,000,000, respectively. The Company also paid a deposit of RMB15,000,000 to Shenzhen Longgang Highway Bureau as a guarantee deposit for assuring the progress, quality and safety standards for the construction of these two projects.

30 Commitments

As at 31 December 2004, the Group and the Company had the following commitments for construction of expressways and making equity investments:

	2004	**2003**
	RMB'000	*RMB'000*
Capital commitments:		
- Contracted but not provided for	310,500	328,000
- Authorised but not contracted for	3,822,500	1,197,000
	4,133,000	1,525,000
Investment commitments:		
- Contracted but not provided for	469,860	—
- Authorised but not contracted for	2,544,496	611,000
	3,014,356	611,000
	7,147,356	2,136,000

The jointly controlled entities had no significant capital or investment commitments as at 31 December 2004.

For capital and investment commitments of associated companies of the Company, please refer to Note18(c).

In the opinion of the directors, the above commitments, including the financing for the acquisition described in Note 33, could be fulfilled by internal financial resources and banking facilities made available to the Group.

31 Related party transactions

Save as already disclosed in other notes to the accounts, no other significant related party transactions were entered into by the Group during the year.

32 Ultimate holding company

The Company's directors consider that the Company has no ultimate holding company.

33 Subsequent events

On 3 February 2005, the Company and Mei Wah Company (a subsidiary of the Company) jointly entered into a set of framework agreements with five independent parties to acquire equity interests held by these parties in Guangdong Qinglian Highway Development Company Limited ("Qinglian Company") for a total consideration of RMB1,839,200,000 (the "Acquisition").

The Acquisition consists of a series of transactions among the parties concerned. Upon completion of the Acquisition, the Company will hold 56.28% equity interests in Qinglian Company. The Acquisition is subject to the approval of the shareholders in the coming general meeting.

34 Approval of accounts

The accounts were approved by the board of directors on 18 February 2005.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE PRECEDING THREE YEARS

For the financial year ended 2002, the turnover of the Group reached approximately RMB524 million, with an increase of 7.04% over the previous year. Due to the termination of the preferential PRC enterprise income tax treatments enjoyed by the Group and the decrease of the construction management service income, profit attributable to the Shareholders for the year 2002 recorded a decrease of 14.98% as compared with the year 2001, amounting to approximately RMB347 million. The earnings per Share were RMB0.159. At the end of 31 December 2002, the gearing ratio of the Group (total liabilities as at the balance sheet date to shareholders' funds as at the balance sheet date) was approximately 22.12%.

For the financial year ended 2003, the Group recorded the turnover of approximately RMB422 million. On 18 March 2003, the Company transferred all its interests and rights in two class 1 highways, namely NH107 Shenzhen Section and NH205 Shenzhen Section to Shenzhen Communications Bureau at a consideration of RMB1.93 billion. Accordingly, the turnover during 2003 decreased by approximately 19.6% as compared with 2002. During the year 2003, the profit attributable to the shareholders was approximately RMB899 million, representing an increase of 159.14% as compared with that in 2002, which was mainly attributable to the after-tax contribution of RMB586 million from the transfer of titles in the two class 1 highways. The earnings per Share for the year 2003 were RMB0.412 and the gearing ratio of the Group as at 31 December 2003 was approximately 14.09%, which improved significantly as compared with 2002. The low gearing ratio showed that the capital structure of the Group is mainly composed of shareholders' funds which is approximately RMB6,082 million (2002: RMB5,445 million).

For the financial year ended 2004, the Group recorded a turnover of approximately RMB483 million, representing an increase of 14.47% when compared to year 2003. Growth in the Group's turnover during the year was mainly attributable to the increase in traffic flow on each of the toll roads as they benefited from the robust growth of China's economy and the substantial increase in the number of vehicles. The Group's profit attributable to Shareholders for 2004 amounted to RMB419 million, representing a decrease of 53.43% as compared to 2003. The decrease was mainly attributable to the disposal of the two class 1 highways in March 2003, which resulted in non-recurring "gain of disposal of assets". Disregarding this non-recurring gain on disposal of assets, the profit attributable to shareholders generated from ordinary activities during 2004 increased by approximately 33.78% over that in 2003. This showed that the Group's toll highways continued to enjoy rising profitability during 2004 and as a result, profit generated from its ordinary activities quickly returned to the same level before the disposal of the two class 1 highways. The earnings per Share for the year 2004 were RMB0.192 and the total debt to equity ratio of the Group as at 31 December 2004 was around 19.86%. This showed that the capital structure of the Group continued to be mainly composed of shareholders' funds, which is approximately RMB6,087 million.

GENERAL OUTLOOK OF THE GROUP'S BUSINESS

The Company is principally engaged in the investment, construction, operation and management of toll highways and roads in the PRC.

The Directors believe that the Pearl River Delta region stands out with robust economic growth, against the backdrop of the rapid, stable and healthy development of the Chinese economy. Economic growth is set to create demand for transportation as individual travelling and business commuting become more frequent. The Board believes that the transportation is a decisive factor for development, and as such, the building of transportation infrastructure should be anticipatory of development. The State and local governments have formulated forward-looking plans for China's transportation network to meet the needs of economic development, and it has been separately confirmed by the Ministry of Communications and the National Development and Reforms Commission that highway construction will continue to be funded through a variety of sources including national tax income, treasury bonds, bank loans, domestic investments and foreign investments, and toll revenue shall remain a rightful source from which investors generate returns.

The Directors consider that the Acquisition is consistent with the Company's overall business strategy to invest in toll highway projects. Leveraging on the Company's investment experience in other expressway projects, the Directors believe that the Group has the expertise to assess and manage the operation of the assets acquired.

With the robust economic growth coupled with effective policy support has provided highway operators with a golden opportunity for development. Meanwhile, the Board and the management of the Company are fully aware of the risks confronting the Group in the financial, marketing and operational aspects. Proactive reviews are conducted on an ongoing basis and relevant preventive measures have been adopted in this regard. The Board and the management are confident that by constantly fostering and building upon its core competitive strengths, the Company will be able to reward its Shareholders with better returns as it continues to identify new growth drivers and enhance its profitability as well as its ability to withstand risks.

INDEBTEDNESS

At the close of business on 28 February 2005, being the latest practicable date for the preparation of this indebtedness statement prior to the printing of this document, the Group had outstanding borrowings of approximately RMB558 million which comprised of long-term bank borrowings of approximately RMB132 million, unsecured short-term bank loans of approximately RMB360 million and other long term advances of RMB66 million.

Pursuant to the provisions of the two construction management contracts namely the western section of Hengping Class 1 Highway project and Nanping Freeway (Phase I) project, the Company undertakes to bear any costs overruns for the two projects. For the Western Section of Hengping Class 1 Highway project of total investment of RMB450 million, the Company is obliged to bear all the cost overruns in construction as compared to the original budget. For the Nanping Freeway (Phase I) project of a total investment of about RMB2,268 million, the Company is obliged to bear solely all the cost overruns in construction as compared to the original budget in case the overrun is less than 2.5% of the total budgeted contract costs, while the respective government department will share the overruns jointly with the Company if the overrun exceeds 2.5% of the total budgeted contract costs.

Pursuant to the terms of these two contracts, the Company was requested to arrange banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Longgang Highway Bureau and Shenzhen Communication Bureau in the amounts of RMB30 million and RMB100 million, respectively. The Company also paid a deposit of RMB15 million to Shenzhen Longgang Highway Bureau as a guarantee deposit for assuring the progress, quality and safety standards for the construction of these two projects.

Save as aforesaid, and apart from the intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital or overdrafts, or other similar indebtedness, finance leases or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 28 February 2005.

WORKING CAPITAL SUFFICIENCY

The Board is of the opinion that after taking into account the Group's internal resources and available borrowing facilities, the Group has sufficient working capital for its requirements.

The board of Qinglian Company is of the opinion that after taking into account Qinglian Company's internal resources and available borrowing facilities, Qinglian Company has sufficient working capital for its requirements.

Based on the above, the Board is not aware of any matter or fact which render the Enlarged Group not having sufficient working capital for its requirements after completion of the Acquisition.

A. COMFORT LETTER ON FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a letter, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤・關黃陳方會計師行
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Deloitte Touche Tohmatsu
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111 Connaught Road Central
Hong Kong

6 April 2005

The Directors
Shenzhen Expressway Company Limited

Dear Sirs,

We report on the pro forma financial information of Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Section B of Appendix V to the circular dated 6 April 2005 (the "Circular") in connection with the proposed acquisition (the "Acquisition") of 56.28% equity interest of 廣東清連公路發展有限公司 Guangdong Qinglian Highway Development Company Limited ("Qinglian Company"), which has been prepared for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company (the "Directors") to prepare the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the listing rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the pro forma financial information.

The pro forma financial information has been prepared on the basis set out in Section B of Appendix V to the Circular for illustrative purpose only and, because of its nature, it may not be indicative of the financial position of the Enlarged Group as at 31 December 2004 or at any future date.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group, has been prepared to illustrate the effect of the Company's proposed acquisition (the "Acquisition") of 56.28% equity interest of 廣東清連公路發展有限公司 Guangdong Qinglian Highway Development Company Limited ("Qinglian Company"). As the pro forma financial information is prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group at any future date. The Company together with its subsidiaries is referred to as the "Group". In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as the "new HKFRS"s) which are effective for accounting periods beginning on or after 1 January 2005. The pro forma financial information of the Enlarged Group has not taken into account the impact of the new HKFRSs. The adoption of the new HKFRSs may result in changes as to how the pro forma financial information is prepared and presented.

The pro forma financial information of the Enlarged Group is based upon the historical financial information of the Group and the historical financial statements of Qinglian Company after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments that are (i) directly attributable to the transactions; (ii) expected to have a continuing impact on the Enlarged Group; and (iii) factually supportable, are summarised in the accompanying notes.

The pro forma financial information as at 31 December 2004 is prepared on the basis as if the Acquisition had been completed on 31 December 2004.

	At 31 December 2004		
	The Group	**Pro forma adjustments**	**Pro forma Enlarged Group**
	RMB'000	*RMB'000* *(Note)*	*RMB'000*
Non-current assets			
Goodwill	5,179		5,179
Property, plant and equipment	3,538,276		3,538,276
Interests in jointly controlled entities	1,261,903		1,261,903
Interests in associate companies	870,698	1,839,200	2,709,898
	5,676,056		7,515,256
Current assets			
Inventories	6,935		6,935
Amount due from jointly controlled entities	3,123		3,123
Current portion of long-term receivables	372,946		372,946
Other receivables, prepayments and deposits	27,199		27,199
Restricted cash	55,988		55,988
Bank balances and cash	1,203,239		1,203,239
	1,669,430		1,669,430
Current liabilities			
Other payables and accrued expenses	266,114		266,114
Consideration payable on acquisition of Qinglian Company	—	1,839,200	1,839,200
Taxation payable	13,560		13,560
Current portion of long term liabilities	3,082		3,082
Short-term bank loans, unsecured	360,000		360,000
	642,756		2,481,956
Net current assets (liabilities)	1,026,674		(812,526)
	6,702,730		6,702,730

	At 31 December 2004		
	The Group	**Pro forma adjustments**	**Pro forma Enlarged Group**
	RMB'000	*RMB'000* *(Note)*	*RMB'000*
Financed by:			
Share capital	2,180,700		2,180,700
Reserves	3,247,852		3,247,852
Proposed final dividend	239,877		239,877
Retained earnings	418,177		418,177
	6,086,606		6,086,606
Minority interests	50,066		50,066
Non-current liabilities			
Long-term bank loans	100,000		100,000
Other loans - secured	30,819		30,819
Other long-term advance	54,000		54,000
Advance from a minority shareholder of a subsidiary	12,092		12,092
Deferred tax liabilities	50,383		50,383
Deferred income	318,764		318,764
	566,058		566,058
	6,702,730		6,702,730

Note to Unaudited Pro Forma Financial Information of The Enlarged Group

In connection with the Acquisition, the Group conditionally agreed to acquire 56.28% equity interest of Qinglian Company together with the shareholders' loans and interest of RMB900,546,000 for the aggregate consideration of RMB1,839,200,000.

The pro forma adjustments reflect (i) interests in associate acquired; (ii) consideration payable of the Acquisition; and there will not be any continuing effect.

Set out below are the text of the letters received from: (i) the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, and (ii) Guangdong Securities, the financial adviser to this transaction, relating to the discounted cash flow forecast for the purpose of inclusion in this circular in respect of the business valuation.

(A) **Letter from Deloitte Touche Tohmatsu**

Deloitte.
德勤

德勤・關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

6 April 2005

The Directors
Shenzhen Expressway Company Limited
19/F., Tower A, United Plaza
5022 Binhe Road N.
Shenzhen 518033
The People's Republic of China

Dear Sirs,

REPORT OF FACTUAL FINDINGS

In accordance with our engagement letter, we have performed the procedures agreed with you and enumerated below in relation to the supporting worksheets (the "Supporting Worksheets") to the business valuation report dated 6 April 2005 (the "Valuation Report") prepared by Sallmanns (Far East) Limited ("Sallmanns") in respect of Guangdong Qinglian Highway Development Company Limited ("Qinglian Company").

Our engagement was undertaken and conducted in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to perform agreed-upon procedures regarding financial information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The procedures were performed solely to assist the directors of Shenzhen Expressway Company Limited (the "Company") to evaluate whether the Valuation Report was compiled properly so far as the calculations are concerned.

Our procedures are summarised as follows:

1. We obtained the Supporting Worksheets provided by the Company which comprise the valuation of Qinglian Company (the "Valuation").

2. We checked the mathematical accuracy of the calculations of the Valuation contained in the Supporting Worksheets.

3. We made enquiry of Sallmanns whether the accounting policies of Qinglian Company have been adopted in the preparation of the Supporting Worksheets.

We report our findings below:

i. With respect to procedure 1, we obtained the Supporting Worksheets containing the calculations of the Valuation.

ii. With respect to procedure 2, we found that the calculations of the Valuation contained in the Supporting Worksheets are mathematically accurate.

iii. With respect to procedure 3, we were informed by Sallmanns that as this is a cash flow model no accounting policies of Qinglian Company have been adopted in the preparation of the Supporting Worksheets.

Because the above procedures do not constitute either an audit or a review made in accordance with the Statements of Auditing Standards issued by the HKICPA, we do not express any such assurance. For avoidance of doubt, we further clarify that the above procedures do not constitute any valuation of Qinglian Company.

Had we performed additional procedures in accordance with the Statements of Auditing Standards issued by the HKICPA, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the second paragraph of this report and for your information and is not to be filed with or referred to (either in whole or in part) or otherwise quoted, circulated or used for any other purpose quoted or to be distributed to any other parties without our prior written consent. We consent to a copy of our report being made available to The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). However, for the avoidance of doubt, all duties and liabilities (including without limitation, those arising from negligence) to third parties, including the Stock Exchange, are specifically disclaimed. This report relates only to items specified above and does not extend to any financial statements of Qinglian Company, taken as a whole.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(B) **Letter from Guangdong Securities**

Guangdong Securities Limited

6 April 2005

The Board of Directors
Shenzhen Expressway Company Limited
19/F., Tower A
United Plaza
5022 Binhe Road North
Shenzhen 518033
PRC

Dear Sirs,

We refer to the report of business valuation prepared by Sallmanns (Far East) Limited ("Sallmanns") in relation to the appraisal of the fair market value of 100% equity interest of Guangdong Qinglian Highway Development Company Limited as at 31 December 2004 (the "Business Valuation") as set out in appendix I of the circular (the "Circular") issued by Shenzhen Expressway Company Limited (the "Company") dated 6 April 2005.

We have reviewed the Business Valuation for which Sallmanns are responsible and discussed with you the information and documents provided by you which formed part of the bases and assumptions upon which the Business Valuation has been prepared. We have also considered the letter from Deloitte Touche Tohmatsu dated 6 April 2005 addressed to yourselves regarding whether the Business Valuation was compiled properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the Business Valuation set out in the Circular, for which you as the directors of the Company are solely responsible, has been stated after due and careful enquiry by you.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
C. K. Poon
Managing Director
and Head of Corporate Finance Department

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

A. Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors, supervisors or the chief executives were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Units in the share appreciation right scheme granted by the Company and collectively held by the management staff of the Company are 5,501,400. The following Directors and supervisor of the Company may be granted by the Company part of the incentive cash bonus from the exercise of such units, subject to the approval of Human Resources and Nomination Committee of the Company:

Name	Number of units involved	Exercise price
Wu Ya De (Director)	2,750,700 *(Note 3)*	*Note 1*
	2,750,700 *(Note 3)*	*Note 2*
Zhang Rong Xing (Director)	2,750,700 *(Note 3)*	*Note 1*
	2,750,700 *(Note 3)*	*Note 2*
Yi Ai Guo (Supervisor)	2,750,700 *(Note 3)*	*Note 1*
	2,750,700 *(Note 3)*	*Note 2*

Notes:

1. The cash bonus received from exercising each of the units represents the difference between RMB3.456 per unit and the arithmetic average of the closing price of the listed shares of the Company during the period of 16 March 2003 to 15 March 2004.

2. The cash bonus received from exercising each of the units represents the difference between RMB3.456 per unit and the arithmetic average of the closing price of the listed shares of the Company during the period of 16 March 2004 to 15 March 2005.

3. It represents the units collectively held by the management of the Company from the relevant time of exercise.

The aforesaid units were granted under the share appreciation right scheme approved by the Shareholders on 6 March 2001 and amended by the Shareholders on 30 October 2003. After the amendment, the units granted under such scheme are collectively held by the management staff of the Company instead of by individuals, the timing and the price of the exercise were also amended accordingly. The bonus cash received from exercising of the units shall be applied as a special incentive fund and distributed by the Company to the management staff, including the Directors and supervisors of the Company as employees of the Company according to proposals put forward by the Human Resources and Nomination Committee of the Company.

As at the Latest Practicable Date:

1. Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, none of the Directors or supervisors or chief executive is interested in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or supervisors or chief executives were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code;

2. None of the Directors or supervisors has any direct or indirect interest in any assets which have been, since 31 December 2004, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group; and

3. None of the Directors or supervisors is materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

B. **Interests of substantial Shareholders**

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, the following are the details of the persons (other than the Director, supervisors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the domestic shares of the Company

	Number of domestic shares *(note 1)*	**Approximate percentage of total issued domestic share capital** *(%)*	**Approximate percentage of total issued capital** *(%)*
Xin Tong Chan Development (Shenzhen) Company Limited (新通產實業開發(深圳)有限公司) *(note 2)*	654,780,000	45.68%	30.03%
Shenzhen Shen Guang Hui Highway Development Company (深圳市深廣惠公路開發總公司) *(note 3)*	457,780,000	31.94%	20.99%
Huajian Transportation and Economic Development Centre (華建交通經濟開發中心) *(note 3)*	91,000,000	6.35%	4.17%

Long positions in the H shares of the Company

	Number of H shares *(note 4)*	**Approximate percentage of total issued H share capital** *(%)*	**Approximate percentage of total issued capital** *(%)*
Sumitomo Mitsui Asset Management Company, Limited	67,512,000 *(note 5)*	9.03%	3.10%
Sumitomo Life Insurance Company	67,512,000 *(note 6)*	9.03%	3.10%

Notes:

1. Unlisted shares

2. Xin Tong Chan Development (Shenzhen) Company Limited (新通產實業開發(深圳)有限公司) is a limited company incorporated under the laws of the PRC and is a wholly-owned subsidiary of Shenzhen International Holdings Limited of which shares are listed on the main board of the Stock Exchange.

3. State-owned company incorporated under the laws of the PRC with limited liability.

4. Shares listed on the Main Board of the Stock Exchange.

5. These 67,512,000 H Shares were held by Sumitomo Mitsui Asset Management Company, Limited as investment manager.

6. These 67,512,000 H Shares were deemed corporate interests under the SFO indirectly held through Sumitomo Mitsui Asset Management Company, Limited, in which Sumitomo Life Insurance Company had a controlling interest.

Save as disclosed herein, the register required to be kept under section 336 of Part XV of the SFO showed that the Company has not been notified of any interest or short positions in the shares and underlying shares of the Company as at the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2004, the date to which the latest published audited consolidated accounts of the Group were made up.

4. LITIGATION

As at the Latest Practicable Date, the Company does not have any litigation or claims of material importance pending or threatened against any member of the Group.

5. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions, letters or advice contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified public accountants
Guangdong Securities	A licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities
Hantec Capital	A licensed corporation under the SFO to conduct types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities
Sallmanns	Property, plant and machinery valuers
PBA	Traffic consultants

Each of Deloitte Touche Tohmatsu, Guangdong Securities, Hantec Capital, Sallmanns and PBA has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or references to its name, in the form and context in which it appears.

Each of Deloitte Touche Tohmatsu, Guangdong Securities, Hantec Capital, Sallmanns and PBA is not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Deloitte Touche Tohmatsu, Guangdong Securities, Hantec Capital, Sallmanns and PBA does not have, or has had, direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2004, the date of which the latest published audited accounts of the Group were made up.

6. SERVICE CONTRACTS

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

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. MATERIAL CONTRACTS

The Company has not entered into any contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular that are or may be material.

9. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to article 70 of the Articles of Association of the Company, a general meeting shall be voted by shows of hands unless a poll is demanded by the following person before or after any vote by show of hands:

(1) the chairman of the meeting;

(2) at least two shareholders entitled to vote in person or by proxy; and

(3) one or more shareholders present in person or by proxy representing in aggregate 10% or more of all shares carrying the right to vote at the meeting.

10. MISCELLANEOUS

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

(b) The legal address of the Company is situated at 19/F., Tower A, United Plaza, 5022 Binhe Road North, Shenzhen 518033, PRC. The place of business of the Company in Hong Kong is at Suites 2911-2912, 29th Floor, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong.

(c) The share registrars of the Company in Hong Kong is Hong Kong Registrars Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The joint company secretaries of the Company are Ms. Wu Qian and Mr. Tse Yat Hong. Ms. Wu possesses the qualification of the PRC certified public accountant. Mr. Tse is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

(e) The Company has not yet appointed a qualified accountant pursuant to Rule 3.24 of the Listing Rules.

(f) The English text of this circular shall prevail over the Chinese version for the purposes of interpretation.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours of Messrs. Loong & Yeung, the Company's solicitors at Suites 2911-2912, 29th Floor, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong up to and including 20 April 2005:

(a) the articles of association of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2004;

(c) the Framework Agreement;

(d) the Great Eagle Acquisition Agreement;

(e) the Mei Wah Acquisition Agreement;

(f) the Spring Sun Acquisition Agreement;

(g) the letter dated 6 April 2005 from the Independent Board Committee, the text of which is set out on page 29 of this circular;

(h) the letter dated 6 April 2005 from Hantec Capital, the text of which is set out on pages 30 to 46 of this circular;

(i) the letters relating to the discounted cash flow forecast by Deloitte Touche Tohmatsu and Guangdong Securities, the texts of which is set out in appendix VI to this circular;

(j) the accountants' report on the Qinglian Company prepared by Deloitte Touche Tohmatsu for each of the three years ended 31 December 2004;

(k) the report prepared by Deloitte Touche Tohmatsu on the pro forma financial information of the Enlarged Group;

(l) the letter dated 6 April 2005 prepared by Sallmanns in connection with the business valuation of Qinglian Company, the text of which is set out in appendix I to this circular;

(m) the report by Sallmanns dated 6 April 2005, in connection with the business valuation of Qinglian Company, referred to in, inter alia, the "Letter from the Board";

(n) the letter of report by PBA dated 6 April 2005, the text of which is set out in appendix II to this circular;

(o) the traffic forecast report by PBA dated 6 April 2005 referred to in, inter alia, the "Letter from the Board";

(p) the service contracts referred to in the paragraph headed "Service Contracts" of the appendix;

(q) the written consents referred to in this paragraph headed "Experts and Consents" to this appendix; and

(r) the connected transaction circular dated 3 January 2005 in relation to acquisition of 30% equity interests in Yunfu Guangyun Expressway Company Limited.

深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 548)

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING 2005

NOTICE IS HEREBY GIVEN that the Second Extraordinary General Meeting 2005 (the "EGM") of Shenzhen Expressway Company Limited (the "Company") will be held at the meeting room of the Company at 19/F, Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen, the People's Republic of China on 23 May 2005 (Monday), at 3:00 p.m. for the following purposes:

To consider and if thought fit, pass the following resolutions with or without amendments as ordinary resolution:

"THAT

(a) the agreement dated 3 February 2005 between the Company and its wholly owned subsidiary Mei Wah Industrial (Hong Kong) Limited as purchasers and Mr. Chung Chi Fai (鍾志輝), Spring Sun International Limited, Guangdong Yingjun Investment Holding Co., Ltd. (廣東鷹君投資控股有限公司), Maxprofit Gain Limited and Zhuhai New Chang Jiang Construction Investment Co., Ltd. (珠海市新長江建設投資有限公司) with an aim to acquire a total of 56.28% equity interest in Guangdong Qinglian Highway Development Company Limited (廣東清連公路發展有限公司) (the "Framework Agreement"), a copy of which has been produced to this meeting marked "A" and initialed by the Chairman of this meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the agreement dated 3 February 2005 between the Company as purchaser and Mr. Chung Chi Fai (鍾志輝), Spring Sun International Limited, Guangdong Yingjun Investment Holding Co., Ltd. (廣東鷹君投資控股有限公司), Maxprofit Gain Limited and Zhuhai New Chang Jiang Construction Investment Co., Ltd. (珠海市新長江建設投資有限公司) relating to the acquisition of 17.1% equity interest and all the debt interests in Guangdong Qinglian Highway Development Company Limited (廣東清連公路發展有限公司) (the "Spring Sun Acquisition Agreement"), a copy of which has been produced to this meeting marked "B" and initialed by the Chairman of this meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(c) the agreement dated 3 February 2005 between Mei Wah Industrial (Hong Kong) Limited as purchaser and Mr. Chung Chi Fai (鍾志輝), Guangdong Yingjun Investment Holding Co., Ltd. (廣東鷹君投資控股有限公司) and Zhuhai New Chang Jiang Construction Investment Co., Ltd. (珠海市新長江建設投資有限公司) relating to the acquisition of 25% equity interest in Guangdong Qinglian Highway Development Company Limited (廣東清連公路發展有限公司) (the "Mei Wah Acquisition Agreement"), a copy of which has been produced to this meeting marked "C" and initialed by the Chairman of this meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(d) the agreement dated 3 February 2005 between the Company as purchaser and Mr. Chung Chi Fai (鍾志輝), Spring Sun International Limited, Guangdong Yingjun Investment Holding Co., Ltd. (廣東鷹君投資控股有限公司), Maxprofit Gain Limited and Zhuhai New Chang Jiang Construction Investment Co., Ltd. (珠海市新長江建設投資有限公司) relating to the acquisition of 14.18% equity interest and the debt interest in Guangdong Qinglian Highway Development Company Limited (廣東清連公路發展有限公司) (the "Great Eagle Acquisition Agreement"), a copy of which has been produced to this meeting marked "D" and initialed by the Chairman of this meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(e) the directors of the Company be and are hereby authorized to do all such things and acts and execute such documents which they consider necessary or expedient for the implementation of and give effect to the Framework Agreement, the Spring Sun Acquisition Agreement, the Mei Wah Acquisition Agreement and/or the Great Eagle Acquisition Agreement."

By Order of the Board
Wu Qian
Joint Company Secretary

Shenzhen, the PRC, 6 April 2005

Notes:

1. Eligibility for attending the EGM

Shareholders of the Company whose names appear on the registers of shareholders of the Company at the close of business on 22 April 2005 shall have the right to attend the EGM after complying the necessary registration procedures.

2. Registration procedures for attending the EGM

i. Shareholders intending to attend the EGM should deliver to the Company, on or before 4 May 2005, either in person, by post or by fax, the reply slip (together with any required registration documents) for attending the EGM.

ii. Register of H Share holders of the Company will be closed from 25 April 2005 to 23 May 2005 (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 EGM must deliver their instruments of transfer together with the relevant share certificates to Hong Kong Registrars Limited ("HKRL"), the registrar of H Shares of the Company, at or before 4:00 p.m. on 22 April 2005.

3. Proxy

i. Shareholders entitled to attend and vote at the EGM are entitled to appoint, in written form, one or more proxies (whether a shareholder or not) to attend and vote on his behalf.

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 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 EGM. In order to be valid, for shareholders of H Shares, the above documents must be delivered to HKRL 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 identity proof when attending the EGM.

4. Poll

Article 70 of the Articles of the Company is extracted as follows:

"Unless a poll is demanded by the following person before or after any vote by show of hands, a general meeting shall be voted by show of hands:

(1) The chairman of the meeting;

(2) At least two shareholders entitled to vote present in person or by proxy;

(3) One or more shareholders present in person or by proxy representing in aggregate 10% or more of all shares carrying the right to vote at the meeting."

Pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders taken at the EGM to approve the resolutions proposed must be taken on a poll.

5. Other business

i. The duration of the EGM is expected not to exceed one day. Shareholders who attend the EGM shall arrange for food and accommodation at their own cost.

ii. Address of Hong Kong Registrars Limited (for share transfer):
Shops 1712-16
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

iii. Address of the Company:
19/F, Tower A, United Plaza
No. 5022 Binhe Road North
Shenzhen, 518033, PRC
Telephone: (86) 755-82945880
Facsimile: (86) 755-82910496/82910696