

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)

2006 Interim Results Announcement

The Board is pleased to announce the unaudited results of the Group for the six months ended 30 June 2006, prepared in accordance with Hong Kong Financial Reporting Standards, together with comparative figures for the corresponding period in 2005, as follows:

Condensed consolidated income statement

	Note	Six months ended 30 June	
		2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Turnover	2	532,729	399,499
Other income	3	47,645	38,602
Business tax and surcharges		(17,164)	(19,129)
Depreciation and amortisation		(99,509)	(70,207)
Employee benefit expenses		(30,667)	(28,556)
Road maintenance expenses		(6,625)	(4,123)
Other operating expenses		<u>(55,620)</u>	<u>(30,421)</u>
Operating profit		370,789	285,665
Finance costs	4	(46,059)	(21,349)
Share of (loss) / profit of associates		<u>(3,990)</u>	<u>2,271</u>
Profit before income tax		320,740	266,587
Income tax expenses	5	<u>(48,358)</u>	<u>(43,846)</u>
Profit for the period		<u>272,382</u>	<u>222,741</u>
Attributable to:			
Equity holders of the Company		267,241	218,445
Minority interest		<u>5,141</u>	<u>4,296</u>
		<u>272,382</u>	<u>222,741</u>
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)			
— Basic	6	<u>0.12</u>	<u>0.10</u>
Dividends		<u>—</u>	<u>—</u>

Condensed consolidated balance sheet

	As at 30 June 2006 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2005 <i>RMB'000</i> <i>(Audited)</i>
ASSETS		
Non-current assets		
Property, plant and equipment	4,856,199	4,055,081
Construction in progress	190,908	693,443
Land use rights	360,010	368,830
Intangible assets	800,150	824,585
Interest in associates	3,052,913	2,966,903
Deferred income tax assets	5,359	6,764
Loan to a jointly controlled entity	<u>57,640</u>	<u>78,240</u>
	9,323,179	8,993,846
Current assets		
Inventories	3,061	3,540
Trade and other receivables	180,645	157,829
Restricted cash	9,734	31,615
Cash and cash equivalents	<u>349,697</u>	<u>892,485</u>
	543,137	1,085,469
Non-current assets classified as held for sale	<u>42,544</u>	<u>—</u>
	585,681	1,085,469
Total assets	<u>9,908,860</u>	<u>10,079,315</u>
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	2,180,700	2,180,700
Other reserves	3,375,777	3,376,930
Retained earnings		
— Proposed final dividend	—	261,684
— Others	<u>777,548</u>	<u>510,307</u>
	6,334,025	6,329,621
Minority interest	<u>48,279</u>	<u>43,138</u>
Total equity	<u>6,382,304</u>	<u>6,372,795</u>

	As at 30 June 2006 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2005 <i>RMB'000</i> <i>(Audited)</i>
LIABILITIES		
Non-current liabilities		
Borrowings	882,797	2,230,602
Deferred income tax liabilities	156,188	155,030
Government grants	357,173	364,388
	<u>1,396,158</u>	<u>2,750,020</u>
Current liabilities		
Other payables and accrued expenses	482,402	670,692
Current income tax liabilities	24,450	15,736
Borrowings	1,623,546	270,108
	<u>2,130,398</u>	<u>956,536</u>
Total liabilities	<u>3,526,556</u>	<u>3,706,556</u>
Total equity and liabilities	<u>9,908,860</u>	<u>10,079,315</u>
Net current (liabilities)/assets	<u>(1,544,717)</u>	<u>128,933</u>
Total assets less current liabilities	<u>7,778,462</u>	<u>9,122,779</u>

Note:

1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2006 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. This basis of accounting differs in certain respects from that used in the preparation of the Group’s PRC statutory financial statements. The PRC statutory financial statements of the Group have been prepared in accordance with accounting principles and financial regulations applicable to the Group in the PRC (the “PRC GAAP”). Appropriate restatements have been made to the PRC statutory financial statements to conform with Hong Kong Financial Reporting Standards (“HKFRS”). Differences arising from the restatements are not incorporated in the Group’s accounting records.

The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The Group reported net current liabilities of approximately RMB1,544,717,000 as at 30 June 2006. The directors of the Company made an assessment and concluded that there is no going concern issue of the Group based on the fact that the Group has been generating positive and increasing operating cash flows and it has maintained good relationship with banks, and the Group had unutilised available banking facilities of approximately RMB7.06 billion at 30 June 2006, and the Company has also been approved to issue short-term bonds at RMB1 billion before the end of November 2006 in order to meet its obligations and commitment. Consequently, the interim financial information has been prepared by the directors of the Company on a going concern basis.

2 Turnover

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Income from toll roads	<u>532,729</u>	<u>399,499</u>

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

3 Other income

	<i>Note</i>	Six months ended 30 June	
		2006	2005
		RMB'000	RMB'000
Interest income from bank deposits		3,174	4,815
Interest income from discounting of long-term receivables		—	6,527
Interest income for a loan extended to a jointly controlled entity		1,997	2,954
Income derived from construction management services	(a)	20,524	1,611
Government subsidy income		11,635	15,835
Advertising income		7,425	4,943
Others		<u>2,890</u>	<u>1,917</u>
		<u>47,645</u>	<u>38,602</u>

- (a) The amount mainly represents the construction management service income recognised for the Nanping Project (Phase I) during the Period amounting to RMB18,645,000 (2005: RMB1,611,000). Hengping Project is suspended during the Period and no service income had been recognised during the Period. As at 30 June 2006, the outcome of the construction progress of Wutong Mountain Project could not be estimated reliably. As a result, the Company had recognised income of RMB1,879,000 (2005: Nil) to the extent of the project management expenses incurred by the Company, which are expected by the Directors to be recovered with certainty from the project.

Pursuant to the provisions of the construction management contracts of Nanping Project (Phase I), Hengping Project and Wutong Mountain Project entered into between the Company and the relevant government authorities, the Company undertakes to bear cost overruns for these projects. For the Hengping Project, the Company is obliged to bear all the cost overruns incurred in construction as compared to the original budget. For the Nanping Project (Phase I) and the Wutong Mountain Project, the Company is obliged to bear solely all the cost overruns incurred 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 government department will share the overruns portion exceeding 2.5% jointly with the Company if the overrun exceeds 2.5% of the total budgeted contract costs. Based on the progress of these projects and the assessment and judgement of the Directors, the possibility of an outflow of the resources embodying economic benefits of the Company due to cost overruns of these projects is considered remote.

4 **Finance costs**

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Interest on bank and other borrowings	32,247	24,198
Interest on short-term bonds	14,382	—
Less: interest expenses capitalised in construction in progress	<u>(1,630)</u>	<u>(2,849)</u>
	44,999	21,349
Other borrowing costs	6,332	—
Net foreign exchange transaction gains	<u>(5,272)</u>	<u>—</u>
	<u>46,059</u>	<u>21,349</u>

5 **Income tax expenses**

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax	45,795	38,648
Deferred income tax	<u>2,563</u>	<u>5,198</u>
	<u>48,358</u>	<u>43,846</u>

The PRC enterprise income tax charged to the condensed consolidated interim income statement has been calculated based on the assessable profits of the Company and its subsidiaries and jointly controlled entities located in the PRC of the Period at rates of tax applicable to the respective companies of 15% or 33% (2005: 15% or 33%).

No provision for Hong Kong profits tax has been made for the Period since the Group has no income assessable under Hong Kong profits tax.

6 **Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue during the Period.

	Six months ended 30 June	
	2006	2005
Profit attributable to equity holders of the Company (RMB'000)	267,241	218,445
Number of ordinary shares in issue (thousands)	2,180,700	2,180,700
Basic earnings per share (RMB per share)	0.12	0.10

No fully diluted earnings per share is presented as the Company had no dilutive potential shares in both 2006 and 2005 interim periods.

7 **Contingent liabilities**

Save as disclosed in Note 3(a), pursuant to the provisions of the construction management contracts of Nanping Project (Phase I) and Hengping Project, the Company had arranged banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau and the Shenzhen Longgang Highway Bureau amounting to RMB100,000,000 and RMB30,000,000, respectively. The Company also paid a guarantee deposit of RMB15,000,000 to the Shenzhen Longgang Highway Bureau for assuring the progress, quality and safety standards for the construction of the Hengping Project.

8 **Reconciliation of interim financial information**

The Group has prepared a separate set of unaudited interim consolidated financial information for the six months ended 30 June 2006 in accordance with the PRC GAAP. The major differences between the financial information prepared under PRC GAAP and HKFRS are summarised as follows:

	Unaudited	
	Profit attributable to equity holders of the Company for the six months ended 30 June 2006	Capital and reserves attributable to the Company's equity holders as at 30 June 2006
	RMB'000	RMB'000
As per PRC statutory financial information	253,459	6,283,443
Impact of HKFRS adjustments:		
Adjustment on interest in an associate based on the fair value of the net assets acquired	13,052	26,954
Depreciation of property, plant and equipment	(526)	16,180
Adjustment on a loan extended to a jointly controlled entity at amortised cost	1,997	(3,030)
Recognition of the excess of fair value of share of the acquired net assets of a jointly controlled entity over the cost of acquisition	—	34,955
Amortisation of intangible asset and related deferred income tax	(1,018)	(1,866)
Reversal of amortisation of equity investment differences arising from acquisitions under the PRC GAAP	256	768
Deferred income recognition for government grants recorded as capital reserve under the PRC GAAP	<u>21</u>	<u>(23,379)</u>
Net amount of adjustments	<u>13,782</u>	<u>50,582</u>
As restated after HKFRS adjustments	<u>267,241</u>	<u>6,334,025</u>

INTERIM RESULTS AND DIVIDENDS

In accordance with HKFRS, during the Reporting Period, the Group recorded turnover of RMB532,729,000, representing an increase of 33.35% as compared to the corresponding period of 2005. Profit attributable to equity holders of the Company amounted to RMB267,241,000, representing an increase of 22.34% as compared to the corresponding period of 2005 whereas earnings per share of the Group was RMB0.12.

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2006 (2005: nil), nor does it recommend any transfer to share capital from capital reserve.

MANAGEMENT DISCUSSION AND ANALYSIS

1 Business Review

The Group's profit mainly derives from the operation and investment of toll highways. At present, the Group has operated and invested in 18 toll highway projects, among which, 14 projects are in operation and 4 projects are under construction. Such projects are located in Shenzhen region, other regions in Guangdong Province and other provinces in the PRC. During the Reporting Period, the Group continued to maintain a steady growth in traffic flow and revenue from its various major toll highways benefited from sustained economic prosperity, increasing integration of regional economies and the gradual formation of expressway networks. In the first half of the year, rising domestic petroleum prices twice and acute shortage of petroleum products in some areas as well as bad weather conditions like typhoon and thunderstorm had a certain impact on the operation of some toll highways, but the extent of the impact was not apparent. Compared to the corresponding period of 2005, the Group recorded a fast growth in its overall toll revenue owing to the additional revenue contribution from Wuhuang Expressway during the Reporting Period. In addition, the construction of projects-in-progress and preparatory development works proceeded smoothly during the Reporting Period, while the transaction relating to the Group's acquisition of an additional 20.09% interest in the Qinglian Project has been approved at a general meeting, and formalities of the transaction are expected to be completed by the second half of the year. The acquisition will enhance the Group's control over this major investment project during the construction period as well as to further expand its asset scale and income base.

(1) *Toll Highway Operations*

Toll expressway	Percentage of equity interests held by the Group	Percentage of revenue consolidated	Average daily mixed traffic volume (number of vehicles)			Average daily toll revenue (RMB'000)		
			First half of 2006	First half of 2005	Change (%)	First half of 2006	First half of 2005	Change (%)
<i>Shenzhen Region:</i>								
Meiguan Expressway	95%	100%	86,669	73,217	18.4	843	778	8.4
Jihe West	100%	100%	50,265	43,532	15.5	735	711	3.4
Jihe East	55%	55%	65,325	54,218	20.5	885	759	16.6
Yanba A and B	100%	100%	12,238	10,241	19.5	133	100	33.2
Shuiguan Expressway	40%	40%	63,722	44,626	42.8	563	407	38.3
Shuiguan Extension (*1)	40%	—	23,297	N/A	N/A	171	N/A	N/A
Yanpai Expressway (*1)	100%	100%	6,935	N/A	N/A	82	N/A	N/A
<i>Other Regions in Guangdong Province:</i>								
Yangmao Expressway	25%	—	13,889	11,169	24.4	747	576	29.7
Guangwu Expressway	30%	—	8,050	5,481	46.9	228	149	52.8
Jiangzhong Expressway (*2)	25%	—	22,175	N/A	N/A	338	N/A	N/A
<i>Other Provinces in the PRC:</i>								
Wuhuang Expressway (*3)	55%	55%	23,852	22,740	4.9	836	708	18.0
Changsha Ring Road	51%	51%	5,728	5,138	11.5	54	59	-7.5
Geputan Bridge	42%	42%	2,591	2,582	0.3	21	19	8.3
Nanjing Third Bridge (*4)	25%	—	12,548	N/A	N/A	483	N/A	N/A

*1. Shuiguan Extension and Yanpai Expressway commenced toll operation from October 2005 and May 2006 respectively.

*2. Jiangzhong Expressway commenced toll operation from November 2005.

*3. The turnover of Wuhuang Expressway has been consolidated into the Group's financial statements since August 2005, the figures of the first half of 2005 are for reference only.

*4. Nanjing Third Bridge commenced toll operation from October 2005.

Compared to the corresponding period of 2005, the Group recorded average growth of approximately 37% and 24%, respectively, in average daily mixed traffic volume and toll revenue generated on its toll highways located in Shenzhen during the Reporting Period. Excluding impact from Shuiguan Extension and Yanpai Expressway, the growth rates were approximately 23% and 15%, respectively. The persistent growth of the economy and automobile ownership in nearby areas remained a base for maintaining a sound operating performance of toll highways.

Over the past two years, an expressway network in Shenzhen and nearby areas has been basically formed, and has been continuously improving. As a result, traffic flow on the toll highways in these areas will be re-distributed on an ongoing basis as well. The scenario in the first half of the year suggests that with the opening of Longda Expressway, Changhu Expressway and Nanping Project (Phase I), the growth in the number of heavy vehicles travelling on Jihe Expressway and Meiguan Expressway has slowed down and as a result, the rate of growth in revenue from these expressways was

lower than the rate of growth in traffic volume. The operation of Shuiguan Extension and Nanping Project (Phase I) has enabled the growth on Shuiguan Expressway to maintain at an above-average level, which was driven by the partial formation of local traffic network. Apart from the traffic network effect, the development of logistics parks located along our toll highways also had a major impact on the operating performance of the highways. For instance, the operation of the Shenzhen-Hong Kong logistics “Green Lane”, connecting South China International Logistics Centre in Shenzhen and container terminals in Hong Kong, operational in the first half of the year, has played quite a conducive role in stimulating the performance of Jihe East and Meiguan Expressway.

The performance of Yanpai Expressway has been gradually improving since its operation in mid-May of 2006. The Group has launched a series of marketing initiatives since the end of June to attract vehicles to Yanpai Expressway and to work with the Shenzhen Municipal Government on the arrangements to improve the border-passing traffic and diversion of cargo transportation to Hong Kong, and these initiatives have initially proven to be effective. The average daily mixed traffic volume and average daily toll revenue of the expressway increased to approximately 11,270 vehicles and RMB139,000 respectively in July, and even reached approximately 23,233 vehicles and RMB289,000 in the first half of August. It is anticipated that with further adopting of marketing initiatives and with an improvement of the expressway’s linkage to the peripheral traffic network, Yanpai Expressway will perform satisfactorily and will have a positive impact on the operation of Jihe Expressway and Meiguan Expressway.

In Hubei Province, the toll rates of heavy trucks were reduced in February 2005 and a toll-by-weight scheme has been implemented since April 2006. As a result, Wuhuang Expressway recorded a satisfactory growth of 18% in toll revenue during the Reporting Period, higher than the rate of growth in traffic volume in the same period. Besides, since the operation of Xiaoxiang (Xiaogan-Xiangfan) Expressway and Yichang (Yichang-Changyang) Expressway in the second half of 2005, the expressway network in Hubei Province has been expanding and improving, and has attracted additional traffic flow to Wuhuang Expressway.

(2) *Project Acquisition*

To enhance the Group’s control over the Qinglian Project so as to promote a smoother and more efficient reconstruction of Qinglian Class 1 Highway, the Company entered into an agreement with the liquidation committee of 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清算組) on 8 February 2006 for a proposed acquisition of a further 20.09% interest in Qinglian Company at a consideration of RMB484,000,000. The above acquisition was approved at the Company’s extraordinary general meeting held on 12 June 2006. Relevant formalities for the change in shareholding are being processed and expected to be completed by the second half of the year. This acquisition will both reduce the Group’s average costs of investment in the Qinglian Project and help the Group to further expand its asset scale and income base.

(3) *Project Construction and Development*

Yanpai Expressway was completed and opened to traffic on schedule during the Reporting Period. The Group and its associates are currently undertaking the construction of various toll highway projects which include Nanguang Expressway, Yanba C, GZ W2 Expressway and the reconstruction of Qinglian Class 1 Highway.

For **Nanguang Expressway**, approximately 40% of land requisition, demolition and relocation had been completed during the Reporting Period and works already commenced on most contract sections. Work commencement proceeded smoothly and the main-line works of the project are scheduled for completion by the end of 2007. For **Yanba C**, the construction plan design has currently been completed. Preparations are underway for land requisition, demolition and relocation as well as invitation of tenders for works. Yanba C is scheduled for completion concurrently with Shenhui Coastal Expressway which is currently under construction in Huizhou. As for **GZ W2 Expressway** constructed by the Group's associate, as at the end of the Reporting Period, approximately RMB1,785,000,000 has been invested, representing approximately 60% of the estimated total investment amount. The expressway is scheduled for completion by the first half of 2007. During the Reporting Period, the initiation of the **reconstruction of Qinglian Project** was approved by the relevant departments of the Guangdong Provincial Government, and Qinglian Company has been granted a 25 years' toll collection and operating right upon the completion of the reconstruction of Qinglian Class 1 Highway into an expressway. The reconstruction works are proceeding smoothly with the experimental section already completed; the preliminary design of the whole line has been completed and has successfully passed the assessment; invitation of tenders was basically completed in July; and land requisition, demolition and relocation are being carried out.

The Company has been granted the project development right to the Shenzhen Outer Ring Expressway in an open tender according to relevant rules and regulations and upon approval of the Shenzhen Municipal Government. The Company is proceeding with the preparatory work on the project and will, based on the findings of relevant work, determine the mode of investment and development plan.

(4) *Entrusted Construction Management*

Appointed by the governments, the Company is now the administrator for Nanping Project (Phase I), Hengping Project and Wutong Mountain Project. **Nanping Project (Phase I)** was completed and has opened to traffic since the end of June, which was widely acclaimed by the government, the public and other community at large. As agreed, the Shenzhen Municipal Audit Bureau will verify the construction plan budget for the project and audit the actual costs of the project to determine the final surplus amount. As for **Hengping Project**, the investment made accounted for approximately 40% of the total budgeted investment. In line with the government's proposal to include part of the sections of the Hengping Class 1 Highway into the planning for the Shenzhen Outer Ring Expressway, the Shenzhen Longgang District Public Road Bureau, as the project owner and entrusting party to the management contract, has issued a notice during the Reporting Period to suspend the construction of Hengping Project pursuant

to the opinions of the municipal government and relevant departments. The Company, as the project administrator, is fully cooperating with the Shenzhen Longgang District Public Road Bureau in withdrawing staff and equipment from the site and taking care of the works completed following the suspension of the construction. Relevant preparations for checking and settling the accounts of the project are underway. Pursuant to the contract entered into between the Company and the Shenzhen Communications Bureau on behalf of the Shenzhen Municipal Government in January 2006, the Company has been appointed as project administrator of the **Wutong Mountain Project**, an auxiliary project of Yanpai Expressway. Under this project, the investment (as per the progress of physical completion) made in the ancillary road of Wutong Mountain Avenue accounted for approximately 60% of the estimated total investment, which is scheduled for completion by the second half of the year, while the construction of affiliated checkpoints is scheduled for completion by the first half of 2007.

2 Analysis of Operating Results

During the Reporting Period, the Group realised a revenue of RMB532,729,000, representing an increase of 33.35% over the corresponding period of 2005. An additional revenue of RMB87,421,000 was contributed by Wuhuang Expressway and Yanpai Expressway in the Reporting Period as compared to the corresponding period of the previous year. Excluding the revenue from the above two expressways, revenue from the then operating toll highways would have risen by 11.47%.

During the Reporting Period, the Group's operating expenses totalled RMB192,421,000, representing an increase of RMB59,114,000 over the corresponding period of 2005, largely due to additional operating expenses of RMB50,845,000 from Wuhuang Expressway and Yanpai Expressway, among which, depreciation and amortisation increased by 41.74% or RMB29,302,000 to RMB99,509,000, which was mainly attributable to depreciation and amortisation arising from Wuhuang Expressway and Yanpai Expressway amounting to RMB26,392,000 during the Reporting Period. Employee benefit expenses increased by 7.39% to RMB30,667,000. Excluding an incentive cash bonus of RMB4,412,000 withdrawn under a share appreciation right scheme for the corresponding period of 2005 and the additional employee benefit expenses incurred on Wuhuang Expressway and Yanpai Expressway, the growth rate was 23.89%. The increase in employee benefit expenses was largely due to increases in toll stations and toll collection staff as a result of traffic growth, as well as an increase in employee benefits paid for entrusted construction management services during the Reporting Period. Road maintenance expenses increased by 60.68% to RMB6,625,000, largely due to the growth of traffic volume and aging of roads which led to an input of additional resources into maintenance to ensure good road conditions and traffic environment. Nevertheless, road maintenance expenses accounted for only a relatively small percentage of toll revenue. Other operating expenses increased by 82.83% or RMB25,199,000 to RMB55,620,000, largely due to the additional entrusted management expenses of RMB21,003,000 on Wuhuang Expressway during the Reporting Period.

During the Reporting Period, the Group realised an operating profit of RMB370,789,000, representing an increase of 29.80% as compared to the corresponding period of 2005. During the Reporting Period, operating profit margin from toll highway operations (excluding the income of government subsidies) was 66.48%, representing a decrease of 2.57 percentage points over the corresponding period of 2005. This was mainly due to the fact that the operating profit margin of Wuhuang Expressway is lower than those of other toll highways since the entrusted management expenses for Wuhuang Expressway were paid at a fixed rate of 25.25% of toll revenue.

During the Reporting Period, the Group's share of results of associates amounted to RMB-3,990,000, representing the net impact of the share of profits or losses after tax of Yangmao Company, Guangyun Company, Jiangzhong Company, Huayu Company, Nanjing Company, Consulting Company and Qinglian Company. During the Reporting Period, the Group's finance costs amounted to RMB46,059,000, representing an increase of 115.74% as compared to the corresponding period of 2005. Such an increase was mainly attributable to the increase in the scale of borrowings.

3 Analysis of Financial Position

(1) *Current Assets and Liabilities*

As at 30 June 2006, the Group's current assets amounted to RMB585,681,000 (31 December 2005: RMB1,085,469,000), including cash and cash equivalents of RMB349,697,000, restricted cash of RMB9,734,000, accounts receivable of RMB180,645,000 and non-current assets classified as held for sale of RMB42,544,000. The cash of the Group is generally placed in commercial banks as current or short-term fixed deposits. No deposit is placed with financial institutions other than banks or used for securities investment.

As at 30 June 2006, the Group's current liabilities amounted to RMB2,130,398,000 (31 December 2005: RMB956,536,000), including RMB1,618,382,000 of short-term borrowings, RMB5,164,000 of long-term liabilities due within one year, RMB76,669,000 of undue balances for the remaining consideration payable for the acquisition of interests in Qinglian Company and JEL Company under the agreements, RMB52,194,000 of performance bonds, and RMB229,690,000 of construction costs payable and deposits. The increase in the Group's current liabilities was mainly attributable to the increase in short-term borrowings.

(2) *Cash Flow of the Group*

As at 30 June 2006, the Group's cash and cash equivalents amounted to RMB349,697,000 (31 December 2005: RMB892,485,000), representing a decrease of RMB542,788,000 as compared to the end of 2005. During the Reporting Period, the Group's net operating cash inflow and cash received from disposal of investments and returns on investments amounted to RMB379,885,000, representing an increase of 34.59% as compared to the corresponding period of 2005, mainly attributable to the continuous growth in toll revenue from toll highways operated by the Group during the

Reporting Period. During the Reporting Period, the Group's main cash outflows comprised capital expenditures of RMB686,182,000 (excluding interests capitalised) on Yanpai Expressway, Nanguang Expressway, Qinglian Project, Jiangzhong Expressway, GZ W2 Expressway, etc. as well as payment of dividend of RMB251,219,000.

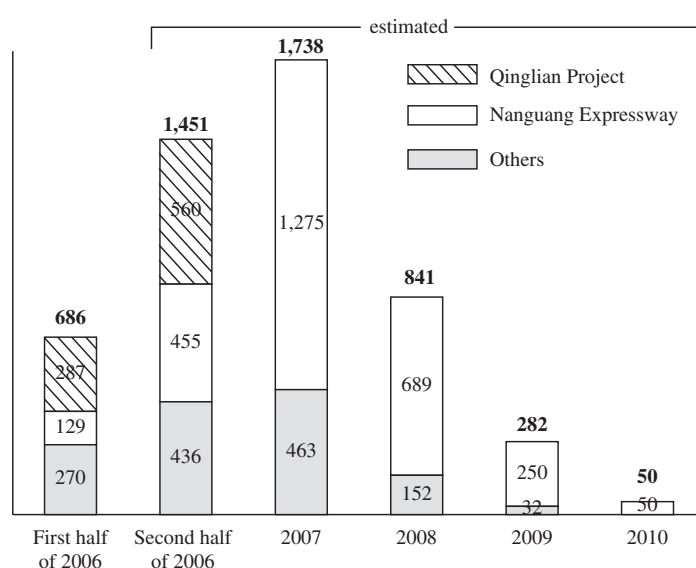
(3) *Capital Structure*

As at 30 June 2006, the Group's debt-to-asset ratio (total liabilities/total assets) was 35.59% (31 December 2005: 36.77%); net borrowings-to-equity ratio ((total borrowings — cash and cash equivalents)/equity) was 33.79% (31 December 2005: 25.24%); interest coverage (profit before interests and taxation/interest expenses) during the Reporting Period was 7.69 times (2005: 13.49 times). At the end of the Reporting Period, the proportion of the Group's liabilities did not change substantially as compared to the beginning of the year. However, the Group's borrowing structure was improved and its capital costs were reduced.

(4) *Capital Expenditures and Financing Activities*

As at 30 June 2006, the Group's capital expenditure plan comprised mainly construction expenditure incurred for Nanguang Expressway and Yanba C and investment in acquiring the interests of Qinglian Project, GZ W2 Expressway, Jiangzhong Expressway, etc. The Group's total capital expenditures to be incurred as to the end of 2010 are estimated to be RMB4.36 billion. The Company plans to finance these capital expenditures by both internal resources and borrowings. According to the assessment of the Directors, the Group is able to meet various expected capital expenditures with the Group's financial resources and financing capabilities at present.

Capital Expenditure Plan (RMB'million)



Apart from the aforesaid capital expenditure of the Group, funds for reconstruction of Qinglian Class 1 Highway into an expressway amounting to RMB4.2 billion (including interests) is expected to be satisfied by external borrowings by Qinglian Company. In May 2006, Qinglian Company pledged the toll collection right of Qinglian Project for loans of an aggregate amount of RMB4.66 billion advanced by a bank consortium led by the China Development Bank.

With steady growth in cash flow, a sound credit record and an excellent industry reputation, the Group has been granted an AAA credit rating for consecutive years by a recognised institution of the People's Bank of China. A good credit rating is beneficial for the Company's financing activities and allows the Company to continue to enjoy prime lending rates under the interest rate policy of the People's Bank of China. As at 30 June 2006, the Group had unutilised available banking facilities of approximately RMB7.06 billion.

As at 30 June 2006, the Group had a total amount of RMB2,488,164,000 in borrowings (including bank loans, government lending and short-term commercial papers), representing a decrease of RMB2,981,000 as compared to the year-end of 2005. The Company issued the first batch of short-term commercial papers in January 2006 with the total amount of RMB1 billion, a term of nine months, and an interest rate of 3.07% per annum. The average borrowing rate during the Reporting Period was 4.62%.

(5) *Interest Rate Risks*

The Group employs an optimised portfolio comprising fixed and floating interest rates and short-term and long-term borrowings in order to control the risks of interest rate upward trends within an acceptable range. During the Reporting Period, the Company had no interest rate swap option contracts.

(6) *Exchange Rate Risks*

The Group mainly operates in the PRC with most of the operating transactions and capital expenditures settled in RMB, except for the financing and relating settlement obligations of Mei Wah Company which are denominated in HKD. As at 30 June 2006, the Group's foreign monetary liabilities to the extent of RMB28,284,000 and RMB282,549,000 were denominated in USD and HKD respectively, and foreign monetary assets to the extent of RMB66,241,000 were denominated in HKD, which resulted in a net liabilities for the foreign monetary items. As there is an appreciation trend of RMB under the current market circumstances, the anticipated fluctuation on exchange rates will be favorable to the Group. However, the fluctuation is expected not to have significant impact on the results of the Group.

4 **Outlook**

Continued economic growth, potential business opportunities derived from the implementation of the State's highway network plans, and increasing transparency, commercialization and regularisation of the toll highway industry and of the entrusted construction management sector, have provided the Group with unprecedented opportunities for development on the one hand, and have attracted more market entrants,

intensified competition and accelerated pace on the other. Exposed to an external environment full of opportunities and challenges, the Group will remain committed to its principal operations and development directions, fully capitalise on its existing competitive advantages, consistently enhance management standards and staff quality, foster and reinforce its core competitive strengths, and improve the operation and construction of its existing highway projects. The management is fully aware of the risks confronting the Group in the financial, marketing, operational and other aspects. On-going assessments and reviews will be conducted in a prudent manner, relevant preventive measures will be adopted accordingly, and resistance to risk will be enhanced, for achieving a rapid and healthy growth.

USE OF PROCEEDS

The Company raised RMB604 million from the issue of A Shares in 2001. During the Reporting Period, the Company applied such proceeds in the construction of Yanba B in strict compliance with representations made in the prospectus. The construction of Yanba B started in June 2001 and a section of approximately 7.75km in length was opened to traffic for toll collection in June 2003. An amount of RMB10,245,000 was applied during the Reporting Period and the cumulative amount of proceeds applied was RMB450,232,000. As at 30 June 2006, proceeds in the amount of RMB153,768,000 remained unutilized and were mainly held as deposits with domestic commercial banks in the PRC to be used for the settlement of remaining project payments for Yanba B.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

EMPLOYEES, REMUNERATION AND TRAINING

As at 30 June 2006, the Company had 1,456 employees, out of whom 305 were management and professional staff while the remaining 1,151 were toll collection staff. The employee's remuneration comprises of three parts, namely monthly salary, annual performance bonus as well as statutory and company fringe benefits and is determined in accordance with the results of the overall performance assessment by reference to the principles of salary determined by positions, bonus determined by performance and maintaining the competitiveness of the Company. According to the legal requirements, the Group has participated in an employee's retirement scheme, which is organized by the local government authorities. The Group has also provided basic medical insurance package, industrial injury insurance and unemployment insurance for its employees. In the Reporting Period, the Company engaged human resource consultants to review the present salary system and to re-evaluate the value of each position. The consultants introduced an optimization proposal, to ensure that the system of remuneration is more fair and competitive.

The Company values staff training. During the Reporting Period, the Company had organized training such as seminars in respect of management skills for assigned management staff, review of the system of remuneration, etc. A total of 587 staff attended these trainings. In the second half year, the company will strengthen the training and explore an effective and lasting mechanism for staff motivation to satisfy the demand for high-quality staffs for the development of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Company has fully adopted the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. As compared to 2005, during the Reporting Period, the Company arranged member(s) of the Independent Board Committee to attend the general meeting for the approval of the Company's connected transactions to respond to questions from shareholders.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed and endorsed the Interim Results Announcement and the Interim Report for the six months ended 30 June 2006 and the relevant financial information has not been audited.

DEFINITIONS

Board	The board of Directors of the Company
Changsha Ring Road	Hunan Changsha Ring Road (Northwestern Section), located in Changsha City of Hunan Province
The Company, Company	Shenzhen Expressway Company Limited
Consulting Company	深圳高速工程顧問有限公司 (Shenzhen Expressway Engineering Consulting Company Limited)
Director(s)	The director(s) of the Company
Geputan Bridge	Hubei Yungang Geputan Bridge, located in Yungang City of Hubei Province
The Group, Group	The Company and its subsidiaries and jointly controlled entities
Guangwu Expressway	The expressway from Guangzhou City to Wuzhou City (a section from Ma'an to Hekou), located in Guangdong Province
Guangyun Company	雲浮市廣雲高速公路有限公司 (Yunfu Guangyun Expressway Company Limited), which owns Guangwu Expressway

GZ W2 Expressway	Guangzhou Western Second Ring Expressway, located in Guangdong Province
H Shares	Overseas-listed Foreign Shares of the Company with a par value of RMB1.00 each, which were issued in Hong Kong and subscribed in Hong Kong dollars and are listed on HKEX
Hengping Project	Shenzhen Hengping Class 1 Highway (Western Section), the Company has been appointed as project administrator for the project
HKEX	The Stock Exchange of Hong Kong Limited
Huayu Company	深圳華昱高速公路投資有限公司 (Shenzhen Huayu Expressway Investment Company Limited), which owns Shuiguan Extension
Jiangzhong Company	廣東江中高速公路有限公司 (Guangdong Jiangzhong Expressway Company Limited), which owns Jiangzhong Expressway
Jiangzhong Expressway	The expressway from Zhongshan City to Jiangmen City and the second phase of the expressway from Jiangmen City to Heshan City, located in Guangdong Province
JEL Company	Jade Emperor Limited, a company incorporated in the Cayman Islands with limited liability, which is the sole shareholder of Magerk Company
Jihe East	Jihe Expressway (Eastern Section)
Jihe Expressway	Shenzhen Jihe Expressway, comprising Jihe East and Jihe West
Jihe West	Jihe Expressway (Western Section)
Listing Rules	the Rules Governing the Listing of Securities on HKEX
Magerk Company	湖北馬鄂高速公路經營有限公司 (Hubei Magerk Expressway Management Private Limited), which owns the operating rights of Wuhuang Expressway
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited
Meiguan Expressway	Shenzhen Meiguan Expressway
Nanguang Expressway	Shenzhen Nanguang Expressway

Nanjing Company	南京長江第三大橋有限責任公司 (Nanjing Yangtze River Third Bridge Company Limited), which owns Nanjing Third Bridge
Nanjing Third Bridge	Nanjing Yangtze Third Bridge, located in Nanjing City of Jiangsu Province
Nanping Project (Phase I)	Shenzhen Nanping Freeway (Phase I), the Company has been appointed as project administrator for the project
PRC	The People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
Qinglian Class 1 Highway	Class 1 Highway from Qingyuan City to Lianzhou City, located in Guangdong Province
Qinglian Company	廣東清連公路發展有限公司 (Guangdong Qinglian Highway Development Company Limited), which owns Qinglian Project
Qinglian Project	Qinglian Class 1 Highway, and/or its being reconstructed into an expressway, and/or Class 2 Highway from Qingyuan City to Lianzhou City in Guangdong Province (as the case may be)
The Period, The Reporting Period	For the six months ended 30 June 2006
Shuiguan Expressway	Shenzhen Shuiguan Expressway, also referred to as the No.2 Longgang Passage
Shuiguan Extension	An extension to the Shuiguan Expressway, also referred to as the Qingping Expressway Phase 1, located in Shenzhen City
Supervisor(s)	The supervisor(s) of the Company
Wuhuang Expressway	The expressway from Wuhan City to Huangshi City, located in Hubei Province
Wutong Mountain Project	Shenzhen Wutong Mountain Avenue (Ancillary Road) and Jihe Expressway Yantian Subsidiary Road Checkpoint Station Project , the Company has been appointed as project administrator for the project
Yanba Expressway	Shenzhen Yantian-Bagang Expressway, comprising Yanba A, Yanba B and Yanba C

Yangmao Company	廣東陽茂高速公路有限公司 (Guangdong Yangmao Expressway Company Limited), which owns Yangmao Expressway
Yangmao Expressway	The expressway from Yangjiang City to Maoming City, located in Guangdong Province
Yanpai Expressway	Shenzhen Yanpai Expressway, also known as Yantian Subsidiary Road to Jihe Expressway

By Order of the Board
Yang Hai
Chairman

Shenzhen, the PRC, 25 August 2006

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

This Results Announcement only gives a summary of the information and particulars contained in the full Interim Report of the Company, which has been published on the website of HKEX at <http://www.hkex.com.hk>. A detailed Interim Report containing all the information required by Appendix 16 to the Listing Rules will be subsequently published on the website of HKEX at <http://www.hkex.com.hk> in due course.

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