



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)

2001 ANNUAL RESULTS ANNOUNCEMENT

The Board of directors of Shenzhen Expressway Company Limited (the "Company") are pleased to announce the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December, 2001, prepared in accordance with generally accepted accounting principles in Hong Kong, together with the 2000 comparative figures as follows:

ANNUAL RESULTS AND FINAL DIVIDEND

The Group achieved satisfactory results during the year. Its turnover reached RMB489,813,000, with an increase of 16.50% over that of 2000. Profit attributable to shareholders of the Group amounted to RMB421,336,000, 16.05% above that of 2000. Earnings per share was RMB0.208, with an increase of 15.56% as compared with that of 2000.

The Board of directors recommend the payment of a dividend of RMB0.10 (2000: RMB0.10) per share for the year ended 31 December, 2001 to its H Share holders whose names appear in the register of shareholders of the Company as at the close of business on 30 April, 2002 (Tuesday). The proposed payment of the final dividend is subject to the approval by the shareholders as at the 2001 Annual General Meeting to be held on 31 May, 2002 (Friday). Registration date of equity interest, method and time of the declaration of dividends for holders of A Shares will be otherwise notified.

Consolidated Profit and Loss Account (audited)

	<i>Notes</i>	For the year ended 31 December	
		2001	As restated 2000
		RMB'000	RMB'000
Turnover	2	489,813	420,455
Other revenues		129,765	45,612
Depreciation and amortisation	3	(88,150)	(58,697)
Staff costs		(23,620)	(21,442)
Road maintenance expenses		(18,496)	(12,963)
Other operating expenses		(81,045)	(31,588)
Operating profit		408,267	341,377

Finance costs	4	(41,647)	(34,195)
Share of profits less losses of jointly controlled entities		57,985	58,416
Profit before taxation		424,605	365,598
Taxation	5	(140)	(219)
Profit after taxation		424,465	365,379
Minority interests		(3,129)	(2,305)
Profit attributable to shareholders		421,336	363,074
Transfer to reserves		(121,779)	(137,654)
Profit retained for the year		299,557	225,420
Dividends		218,070	201,570
Earnings per share	6	RMB0.208	RMB0.180

There are no other recognised gains or losses in the year other than those included above.

Notes:

1. Principal accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HK GAAP"). This basis of accounting differs in certain material respects from that used in the preparation of the Group's statutory accounts in the PRC. The PRC statutory accounts of the Group have been prepared in accordance with accounting principles and financial regulations applicable to joint stock limited companies in the PRC. Appropriate restatements have been made to the PRC statutory accounts to conform with HK GAAP. Differences arising from the restatements are not incorporated in the Group's accounting records.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January, 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

This change has resulted in an increase in opening retained earnings at 1 January, 2001 by RMB201,570,000 (1 January, 2000: RMB120,942,000) which is the reversal of the provision for 2000 (2000: provision for 1999) proposed final dividend previously recorded as a liability as at 31 December, 2000 (2000: as at 31 December, 1999) although not declared until after the balance sheet date.

2. Turnover

	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover		
Income from toll roads	516,684	438,723
Less: taxes related to toll income	(26,871)	(18,268)
	489,813	420,455

Turnover represents toll revenue from operations of toll roads, net of relevant business tax and surcharge. Turnover comprises turnover from wholly-owned toll roads namely National Highway 107 (Shenzhen Section), National Highways 205 (Shenzhen Section), Jihe Expressway (Western Section), Yanba Expressway (Section A) and the 95% held Meiguan Expressway.

No segment information is presented as all turnover of the Group is toll income derived from the PRC.

3. Depreciation and amortisation

According to the Group's policy to review regularly the projected total traffic volume throughout the operating periods of respective toll roads, the Group has appointed an independent professional institution to conduct studies to revise the projected traffic volume of respective toll roads in the Group for the remaining operating periods. Appropriate adjustments to the projected traffic volume have been made. The depreciation of toll roads and the amortisation of land use rights of the Group for the year have been calculated based on the adjusted projected traffic volume. This is a change in accounting estimate and has been applied prospectively. This change has resulted in an increase in depreciation and amortisation charge of toll roads and land use rights for the year of RMB15,408,000 and RMB2,298,000 respectively.

The above change in accounting estimate also resulted in an increase in depreciation and amortisation charge of toll roads and land use rights of the Group's jointly controlled entities, Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited and Changsha Shenchang Expressway Company Limited. Accordingly, share of results of jointly controlled entities decreased by RMB5,387,000.

4. Finance costs

Finance costs during the year rose by 21.79%, which is mainly due to the interest from the funds borrowed and used for the construction of Yanba Expressway (Section A) ("Yanba A") was recognised as finance costs after its operation in April, 2001.

5. Taxation

- (a) The Company is subject to PRC enterprise income tax rate of 15%, the preferential tax rate for enterprises established in the Shenzhen Special Economic Zone, as compared with the standard rate of 33%. Pursuant to the approvals granted by relevant authorities, the Company, one of its subsidiaries and one of its jointly controlled entities are exempted from PRC enterprise income taxes for the first five years in which they record assessable profits and a 50% reduction of the PRC enterprise income taxes for the five consecutive years thereafter. As the aforementioned companies are still within the full PRC enterprise income tax exemption period, no provision for PRC enterprise income tax has been made in the accounts in respect of these entities.

The PRC enterprise income taxes charged to the consolidated profit and loss account have been calculated on the assessable profits of the other subsidiary and jointly controlled entities for the year at the rate of taxation applicable to these companies.

- (b) No provision for Hong Kong profits tax has been made in the accounts as the Group has no income assessable to Hong Kong profits tax.
- (c) No provision for deferred taxation has been made in the accounts as the effect of timing differences is not material to the Group.

6. Earnings per share

The calculation of earnings per share are based on the Group's profit attributable to shareholders of RMB421,336,000 (2000: RMB363,074,000) and the weighted average number of 2,024,867,000 (2000: 2,015,700,000) ordinary shares in issue during the year.

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

The turnover of the Group for the year reached RMB489,813,000, with an increase of 16.50% over that of 2000. Profit attributable to shareholders of the Group amounted to RMB421,336,000, 16.05% above that of 2000. Earnings per share was RMB0.208, with an increase of 15.56% as compared with that of 2000.

Operation review

Operating results of the toll roads of the Company in 2001

Toll roads	Average daily mixed traffic volume	Year on Year (%)	Annual toll income (RMB'000)	Year on Year (%)
Meiguan Expressway	33,634	42.16	173,992	43.11
Jihe West	16,134	26.17	104,764	23.87
Jihe East	25,103	16.2	153,454	15.13
Changsha Ring Road	1,373	5.49	6,734	2.03
NH107	23,214	4.77	83,388	1.09
NH205	45,408	8.44	145,164	-3.28

During the year, the steady performance of the toll roads has provided steadily increasing toll income and cash flow for the Group, which has laid a solid foundation for the Group's profit.

The traffic volume and toll income of expressways continue to grow

In 2001, toll income from expressways has become the main source of the Group's profit growth. Meiguan Expressway and Jihe Expressway have achieved remarkable growth and they play an important role in the future development of the Group.

The daily average traffic volume and toll income of Meiguan Expressway in September, 2001 hit a historical record, amounting to 43,004 and RMB635,000 respectively. The strong growth in traffic volume and toll income of Meiguan Expressway in 2001 is mainly attributable to: 1) the opening of Guanshen Expressway, which connects with Meiguan Expressway and contributes to the remarkable growth of Meiguan Expressway in traffic volume using the whole section of Meiguan Expressway and toll income. The distance weighted daily average traffic volume of Meiguan Expressway in 2001 reached 19,969, with an increase of 67.36% over that of 2000; 2) from June, 2001 to September, 2001, the damage to a bridge in Fenggang in Dongguan City caused by flood and the upgradation and renovation of the roads near Meiguan Expressway led to an increase in the traffic volume and toll income of Meiguan Expressway; and 3) the opening of Huawei Toll Station in April, 2001 and the effective control of traffic diversion at Minle Interchange also contributed to the growth in traffic volume and toll income of Meiguan Expressway in 2001.

Though the toll income growth of Jihe East slowed after a high growth in 2000, it still maintained a favorable growth in 2001. Jihe West witnessed relatively strong natural growth in traffic volume and toll income. Jihe East and Jihe West have become the main sources of the Company's profit growth.

The installation of non-stop toll collection systems in Meiguan Expressway, Jihe East and Jihe West was completed at the end of 2001, which has improved the passage conditions and promoted the passage efficiency and toll collection efficiency of the above expressways.

The passage conditions of national highways improved, and toll income of national highways restored

In early 2001, the non-stop toll collection systems of NH107 and NH205 were put into use, which has improved the passage conditions and shortened the toll collection time. In the meantime, the control of traffic diversion in certain sections of the above highways has stabilized their traffic volume and toll income.

At the end of December, 2001, the Shuiguan Expressway which is almost parallel to NH205 commenced operation. It is expected to cause relatively great traffic diversion from NH205.

In 2002, the Company will further strengthen its control on traffic diversion and improve the passage conditions of the above highways, so as to attract traffic flow and to maintain their traffic volume at current levels.

Changsha Ring Road and the newly opened Yanba Expressway (Section A) need improvement

The traffic volume and toll income of Changsha Ring Road have been at a low level since its

opening owing to the non-completion of the surrounding road network and the local government's control on vehicles entering the downtown of Changsha City. In 2001, Changsha Shenchang Expressway Company Limited strengthened its internal management, and Changsha Ring Road recorded a growth in both traffic volume and toll income.

Yanba Expressway (Section A) commenced operation on 16 April, 2001, and Yanba A was opened wholly on 1 June, 2001. Its toll income is still at a low level because: 1) it is the first operational section of Yanba Expressway; 2) a road network has not yet been formed owing to its short-length; 3) the area where it runs along focuses on container transportation and tourism in the eastern coast; and 4) the surrounding area of Yanba A is still under development. It is expected that the traffic volume and toll income of Yanba A will have relative high growth after the opening of Yanba Expressway (Section B) and the completion of Phase III of Yantian Ports.

Investment and construction

Yanba Expressway (Section B) commenced construction in June, 2001 and is expected to be completed in October, 2003. The construction of Yanba Expressway (Section B) will be mainly funded by the proceeds raised from the issue of Renminbi-denominated ordinary shares (A Shares). The Company issued an aggregate of 165,000,000 A Shares with the par value of RMB1.00 per share in December, 2001. The net proceeds raised from the issue of A Shares amounted to RMB604,128,000, which ensures the smooth construction of Yanba Expressway (Section B). During the year, an aggregate of RMB37,400,000 has been used for the construction of Yanba Expressway (Section B).

The Company is carrying out the feasibility studies of Yantian-Paibang Expressway ("Yanpai Expressway") and other expressways planned or being planned in Shenzhen. The feasibility study of Yanpai Expressway has been appraised by Guangdong Provincial Communications Department.

The Company has accumulated extensive experience in project management, with a favorable track record in project quality management, tight cost control and good reputation in the toll road sector. The Company proposes to establish an engineering consulting company with a view to expanding into this area. It is expected that the project management business will become a new source of profit for the Company.

The issue and listing of A Shares

As approved by China Securities Regulatory Commission, the Company issued 165,000,000 A Shares in the PRC with the par value of RMB1.00 in December, 2001. The issue price of A Shares was RMB3.66 per share. The net proceeds from the issue of A Shares amounted to RMB604,128,000, which will be used for the construction of Yanba Expressway (Section B). The 104,479,000 A Shares held by public investors commenced dealings on the Shanghai Stock Exchange on 25 December, 2001 and the remaining 60,521,000 A Shares issued to securities investment funds was subject to a lock-up period of 3 months from the listing date and commenced dealings on the Shanghai Stock Exchange on 25 March, 2002.

II. Financial Analysis

Other revenues

2001	2000
RMB'000	RMB'000

Other revenues		
Interest income from bank deposits	6,389	12,891
Interest income from a long-term loan	19,267	19,321
Income from construction management services	63,131	-
Government subsidies	26,706	-
Investment income from other investments	11,142	10,726
Others	3,130	2,674
	129,765	45,612

Income from construction management services represent income from the construction management services provided by the Company for the linkage project from Yantian Ports Section along Shenzhen Eastern Highway to Yanba Expressway, which is owned and developed by Shenzhen Municipal Government. The main part of the project has been completed. Construction management services income is recognised using the percentage of completion method by reference to the stage of completion of the construction, which increases the Company's profit for the year.

The relatively sharp decrease in interest income is mainly due to the slash in bank deposits of the Company and the drop in interest rates in 2001. Interest from a long-term loan represents interest charged at a yearly interest at over five years' loan interest rate quoted by the People's Bank of China on the long-term loan of RMB306,000,000 advanced through a financial institution to Changsha Ring Road Construction and Development Co., Ltd., the joint venture partner of Changsha Shenchang Expressway Company Limited. The interest charged from the long-term loan amounting to RMB19,267,000 in 2001 has been fully received.

Government subsidy income represents government grants provided to the Company in relation to subsidies for compensation of toll income of the Yanba Expressway (Section A), as a result of the anticipated insufficient traffic volume caused by the early construction of the expressway as requested by the Shenzhen Municipal Government to fulfil its overall town planning requirements. Such government grants are recognised in the profit and loss account according to the Group's accounting policies over the period for which the Company is granted the right to operate the expressway.

Other investment income represents income from investments made with money entrusted to securities companies and other institutions during the year.

Liquidity

	2001	2000
Current ratio	3.13	2.28
Quick ratio	3.12	2.26

The repayment ability of the Company remains strong, with assets of good liquidity. As at 31 December, 2001, the Group's current assets amounted to RMB1.349 billion, out of which RMB962 million was cash and bank deposits, accounting for 71.33% of the current assets of the Group. Current liabilities represent short-term bank borrowings and repayables, amounting to RMB431 million.

Financial resources

Financial resources of the Group are derived from toll income from its operations, bank loans,

retained earnings and government advances.

As at 31 December, 2001, the Group had bank borrowings amounting to RMB769 million. All the borrowings payable during the year were repaid when due. The Group's borrowing requirements are generally in compliance with the construction progress of its projects, which is easy to arrange for according to plans.

The Group has been granted an aggregate of RMB2.1 billion in banking facilities, out of which RMB1.9 billion is secured while the rest of RMB200 million is unsecured. The Group has utilized altogether RMB750 million in banking facilities, with the remaining RMB1.35 billion banking facilities available as a standby.

During the year, the Group enhanced its financial strength as a result of the proceeds raised from the issue of 165,000,000 A Shares.

The Shenzhen Municipal Government has provided financial advances for the construction of Sections A and B of Yanba Expressway. As at 31 December, 2001, the financial assistance provided by Shenzhen Municipal Government for the construction of Yanba Expressway (Section A) has been fully disbursed. In addition, the Shenzhen Municipal Government has also agreed to provide financial advances of RMB150 million for the construction of Yanba Expressway (Section B), out of which RMB40 million has been received during the year.

Capital structure

The Group's capital structure has remained sound, with its equity-debt ratio of 20%, which is in conformity with the specific features of the toll roads sector, i.e., substantial amount of investment with a long period of recovery.

	2001		2000	
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)
Fixed rate liabilities	19,060	0.28	-	-
Floating rate liabilities	750,000	11.06	750,000	13.10
Interest-free liabilities	601,890	8.87	387,004	6.76
Shareholders' funds	5,363,392	79.06	4,539,498	79.28
Minority interests	49,343	0.73	49,527	0.86
Total	6,783,685	100	5,726,029	100

Fixed rate liabilities represent the loans of USD2,302,000 from the Spanish Government, out of which the interest rate of USD1,151,000 is 1.8% per annum and the interest rate of the remaining USD1,151,000 is 7.17% per annum. Floating rate liabilities are all loans denominated in Renminbi, with the interest rate of 5.02%~6.03% which may be adjusted as per the adjustment of the loan interest rate made by the People's Bank of China. Interest -free liabilities are mainly advances from the PRC government and other repayables.

Funding and treasury policies

The Group's funding during the year is mainly from net cash inflow from operating activities, issue of A Shares and government appropriation, which has been or will be used for the construction of expressways and daily operation of the Group.

Net cash inflow from operating activities

Net cash inflow from operating activities amounted to RMB536 million, with an increase of RMB190 million, as compared with 2000. The increase was primarily attributable to the increase in cash inflow from toll road operations and construction management services income of the Company from Yanba Expressway linkage project.

Financing

The Group raised approximately RMB604 million through the issue of 165,000,000 Renminbi-denominated ordinary shares (A Shares).

During the year, the financial advances of RMB106 million from Shenzhen Municipal Government for the construction of Sections A and B of Yanba Expressway have been received.

Capital expenditure

The Group's capital expenditure for road construction for the year amounted to RMB265 million, out of which RMB226 million was used for the construction of Sections A and B of Yanba Expressway.

Gearing ratio

As at 31 December, 2001, the gearing ratio (total liabilities at the balance sheet date / shareholders' funds at the balance sheet date) was 25.56%, which shows that the Group has ample capability for further fund raising owing to its strong capital base and rational gearing ratio.

Cash management

At the balance sheet date, the Group had cash and bank deposits of RMB819 million and HK\$135 million, the total amount being RMB962 million. RMB567 million out of the bank deposits denominated in Renminbi is from proceeds raised from the issue of A Shares, which is kept in fixed deposits in domestic commercial banks with different terms pursuant to the utilization plans of the proceeds.

As at 31 December, 2001, the Group did not have any hedging instruments.

Future capital commitments

The Group's future capital expenditure is mainly for the construction of Yanba Expressway (Section B), the total investment of which is estimated to be RMB655 million. Approximately RMB321 million will be injected in the project in 2002, and the remaining of the proceeds will be utilized in 2003. Shortfalls of funds for the construction of the project will be funded by the Company from operations.

Foreign exchange rate risk management

As at 31 December, 2001, the Group had HK\$135 million and USD2.302 million of foreign currency kept in bank deposits. Foreign currencies are translated into Renminbi at exchange rates quoted by the People's Bank of China at the transaction dates. During the year, the exchange rates for converting HK\$ or USD to RMB remained relatively stable. The exchange rate between HK\$ and RMB ranged from 1: 1.0606 to 1: 1.0638, which did not have any

significant impact on the Group's annual results.

Use of proceeds from A Share Issue

An aggregate of RMB604,128,000 of net proceeds was raised from the A Share Issue in December, 2001, all of which will be used for the construction of Yanba Expressway (Section B). As at 31 December, 2001, approximately RMB37,400,000 had been used for the construction of Yanba Expressway (Section B), and RMB566,728,000 remained unused and is kept in deposit accounts in the commercial banks in the PRC.

Other investments

As at 31 December, 2001, the total amount of the Group's other investments was RMB394,000,000, comprised mainly of investments made with money entrusted to securities companies and other financial organizations for management, including RMB200,000,000 with Guoxin Securities Co., Ltd, RMB90,000,000 with China Eagle Securities Co., Ltd and RMB104,000,000 with Huarong Trade (Group) Company ("Beijing Huarong"). Such managed investments mainly comprised PRC government bonds and shares traded on the Shenzhen Stock Exchange and the Shanghai Stock Exchange.

Beijing Huarong had, in breach of the terms of its contract, exceeded the investment scope confided by the Group to it and carried out dealings in shares and caused damage, so that upon expiration of its mandate it breached its obligation under the contract to pay over the Company the principal and income from the investments. With effect from February 2002, the Company has taken over the management and control of the relevant securities accounts, the market value of securities in such accounts being approximately RMB75,349,000, creating an unrealised loss of RMB24,220,000 for the Company's other investments.

In accordance with the decision of the Board of directors, the Group has already terminated all such management arrangements, and taken back from the other two securities companies RMB240,000,000 in investment capital. The Board of directors has also decided that the management shall seek redress for Beijing Huarong's breach of obligations through legal action, so as to obtain compensation for any damage that the Group may have incurred as a result thereof.

Contingent liabilities

The Company has issued a corporate guarantee to secure the credit facilities granted to Shenzhen Wutongling Cableway Company Limited ("Wutongling "). As at 31 December, 2001, these facilities had been utilised by Wutongling to the extent of RMB25,000,000. Such amount was repaid to the banks by the Company subsequent to the balance sheet date.

Save the aforesaid, the Group has no other material contingent liabilities.

Charges on the Group's assets and guarantees

To obtain bank loans or banking facilities, the Company has pledged the following assets to banks:

Secured assets	Banks	Maximum amount secured	Validity
Operating rights of National	The Industrial and	RMB900 million	9 Feb, 1999 *

Highway 107 (Shenzhen Section)	Commercial Bank of China		9 Feb, 2004
Operating rights of National Highway 205 (Shenzhen Section)	China Merchants Bank	RMB1.00 billion	11 Feb, 1999 * 11 Feb, 2004

Guarantees represent the guarantees provided for the credit facilities granted to Wutongling, details of which are included in Contingent Liabilities as set out above.

III. Salaries of Employees and the Incentive Scheme

Salaries and annual bonuses are determined according to the positions and performance of staff.

Training

The Company puts great emphasis on the employee training. The training system has been established and specific training programs have been carried out according to the development of the Company. The Company carried out a training program of MBA core courses aiming at the medium and senior management in the first half of 2001. In the second half of the year, training programs for staff at all levels from different departments were carried out, which has enhanced the business level and quality of the staff.

The Share Appreciation Right Scheme

The Share Appreciation Right (the "Rights") Scheme (the "Scheme") was approved at the 2000 Annual General Meeting and was implemented. The total number of the Rights available under the Scheme is 60,471,000. During the year, 42 medium and senior management staff of the Company were granted a total number of 38,832,500 Rights. The Scheme has a validity of 10 years, and all the Rights shall have an exercise period of 5 years. The grant price and the exercise price of the Rights will be determined by reference to both the H Share price (accounting for 60%) and the A Share price (accounting for 40%) of the Company.

As at 31 December, 2001, the Rights granted but not exercised totalled 38,832,500. The Rights are exercisable after 16 March, 2002.

IV. Connected Transactions

On 14 December, 2001, Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao"), a 55% jointly controlled entity of the Company, entered into an agreement (the "Agreement") with Shenzhen Freeway Development Company Limited ("Shenzhen Freeway"), the substantial shareholder of the Company. Under the Agreement, Airport-Heao transferred the 5% equity interest it held in Shenzhen Meiguan Expressway Company Limited ("Meiguan") to Shenzhen Freeway at a consideration of RMB75,062,000. Upon the completion of the transaction, the Company and Shenzhen Freeway now hold 95% and 5% equity interest in Meiguan, respectively.

The above mentioned transaction has been reviewed by the independent directors of the Company who had confirmed that the transaction was entered into on normal commercial terms and are fair and reasonable so far as the shareholders of the Company are concerned.

V. Prospects and Outlook

To the Company, the year 2002 is a year full of opportunities and challenges. China's accession to the WTO, Beijing's successful bid for the host of 2008 Olympics and the implementation of

the strategy to open up the West of the PRC will further expand domestic demands, improve infrastructure facilities, and in turn present even more pressing demands for highway transportation. Since January, 2001, Shenzhen's vehicles have increased by 15%, and its private cars have increased by thousands on monthly basis. The above has provided a steady demand for use of the Company's the toll roads.

1. Shenzhen's unique location means that the traffic volume and toll income of the Company's toll roads greatly depends on the economic development and the imports and exports of Shenzhen and Hong Kong.
2. The active financial policies adopted by the PRC Government and the severe tariff cuts for automobiles and other commodities will further boost the development of commercial vehicles and stimulate consumption with respect to private cars.
3. The PRC is expected to implement fuel tax in 2002. The replacement of road maintenance fees by fuel tax will prompt more and more vehicles to use expressways. In the long run, the implementation of fuel tax will bring positive impacts on the Company's results.
4. The existing toll highways and expressways of the Company have formed a road network. Using the toll roads of the Company has become a means of transportation with high efficiency, flexibility and swiftness. Highway transportation in Shenzhen accounted for 80% of its freight volume, which far exceeded the freight volumes by railway, waterway and flight.
5. The utilization of non-stop toll collection systems for its toll roads has promoted the passage efficiency and attracted traffic flow, to some extent. However, traffic diversion has appeared in certain sections of the Company's toll roads. Strengthening control of traffic diversion and alleviating the impact of traffic diversion on its toll roads are of significance to the Company's toll revenue.
6. For the five years commencing from 2002, the Company and Meiguan Company are subject to a 50% reduction in PRC income tax rate, i.e., at the tax rate of 7.5%, which will have a certain effect on Company's profits.
7. In the second half of 2001, the Ministry of Communications and the State Planning Commission jointly promulgated The views on providing preferential treatments on toll fees to vehicles towing containers and dispatched a consultation paper on the issue. According to the document, the average toll fees collected from vehicles towing containers will drop. Though the decrease in toll fees collected from vehicles towing containers will have adverse impact on the Company's toll income, it will also attract more vehicles towing containers to use expressways, which in turn will increase the traffic volume of the Company's toll roads. The above policy has yet to be implemented. As a result, its impact on the Company cannot be measured.
8. The Guangdong Provincial Government has approved that, with effect from 1 January, 2003, classification of vehicles of expressways for Guangdong Province shall be unified and applicable toll rates shall be adopted. If the ultimate toll rates are less than the present standard toll rates of the Group, this will bring a substantial adverse effect on the Group's toll road operations and future profits. Based on the Group's toll income for the year 2001, it is estimated that toll income of expressways may record a drop of 15~20% in 2003 under the new proposed classification of vehicles and applicable toll rates. It is expected that the profits of the Group may also decrease accordingly.

Guangdong Province has further proposed to have settlement and appropriation of toll fees for the whole of province thereby realizing a uniform toll network system for all the expressways in the province. Due to the foregoing, the Company may have to stop using the main toll stations on the expressways operated by the Company, but with minimal effects on the toll income received by the Company. Adopting such a uniform toll network system could reduce operation costs of the Company and enhance traffic efficiency.

9. Pursuant to the recent regulation promulgated by relevant authorities of Guangdong Province, the toll roads of the Group collect toll fees from vehicles with Hong Kong licenses in RMB at PRC standards. The implementation of the new regulation will also have certain effects on the toll income of the Group's expressways.

Faced with the ever changing domestic and global economic environment and the opportunities and challenges upon China's accession to WTO, the Company will, on the basis of sound operation, further strengthen its internal management and enhance its corporate governance structure so as to enhance the Company's competitiveness. The Company will strive to achieve better results and produce higher economic and social results, through strengthening its financial management and cost control, actively developing road projects with high returns and optimizing investment portfolio. The Company will strive to achieve a turnover of 460 million for 2002 and to control its costs within RMB240 million.

OTHER MAJOR EVENTS

The proposed profit distribution policy in 2002

The Company will distribute its profit in accordance with the profit distribution policy stated by relevant laws and regulations of the PRC and in its articles of association. A final distribution of profit in cash will be expected for the year 2002. No less than 20% of the respective 2002 net profit for distribution and 2001 undistributed profit will be distributed in 2002, with no current plans for any transfer of capital reserves to share capital.

The profit forecast for 2001

The net profit forecast of the Company for the year 2001 stated in the prospectus of the A Share Issue in November, 2001, prepared in accordance with the PRC accounting standards, is RMB401,880,000. The actual net profit of the Company for 2001 is RMB401,940,000.

Material litigation and arbitration

During the year, the Company had no material litigation, arbitration or administrative punishments. As at 31 December, 2001, the Company had no material litigation, arbitration or administrative punishments that were not close or foreseeable.

Directors' and supervisors interests in securities and rights to acquire securities

As at 31 December, 2001, none of the directors, supervisors, chief executives or their associates had any beneficial interests in the share capital of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") and to be recorded in the register required to be maintained pursuant to Section 29 thereof or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

At no time during the year was the Company, its subsidiaries and its jointly controlled entities a party

to any arrangements to enable the Directors, supervisors, chief executives or their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. No rights to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any person during the year ended 31 December, 2001 and up to the date of this report.

Compliance with the Code of Best Practice

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

Purchase, sale or redemption of Shares

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

Audit committee

Pursuant to the Listing Rules, the Board of the Company established an audit committee on 20 August, 1999. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. During the year, the Committee convened four meetings in all, at which the Audit Committee considered the interim accounts and discussed the contents and procedure of the 2001 auditing with the Board of directors and the international auditors of the Company, to ensure the smooth auditing of the Company for 2001.

Establishment of professional committees

During the year, the Board of directors of the Company established the Strategy Development & Investment Committee, the principal activities of which are to define strategies and review investment projects for the Company, and to provide the Board with advice or suggestions on decision-making of development strategy and material investments. The Board of directors of the Company also established the Human Resources & Remuneration Committee, to provide advice on the appointment and evaluation of senior management, the nomination of directors, and remuneration management of the Company. The above committees were comprised of directors, independent directors and professionals.

By Order of the Board
Chen Chao
Chairman

Shenzhen, the PRC, 12 April, 2002

A detailed annual results announcement containing all the information required by paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules will be subsequently published on The Stock Exchange of Hong Kong Limited's website at <http://www.hkex.com.hk> in due courses.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2001 Annual General Meeting (the "AGM") of Shenzhen Expressway Company Limited (the "Company") will be held at the conference room of the Company at 19th Floor, Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen, on 31 May, 2002 (Friday) at 10:00 a. m. for the following purposes:

1. To consider and approve the report of the Directors for the year 2001;
2. To consider and approve the report of the Supervisory Committee for the year 2001;
3. To consider and approve the audited accounts for the year 2001;
4. To consider and approve the proposed distribution scheme of profits for the year 2001 (including declaration of the final dividend);
5. To consider and approve the budget plan for the year 2002;
6. To consider and approve the emoluments of the directors and supervisors for the year 2002;
7. To consider and approve the amendments to The Regulation of Shareholders' General Meeting of the Company;
8. To consider and approve the re-appointment of Messrs. PricewaterhouseCoopers (Certified Public Accountants, Hong Kong) as the international auditors and the appointment of Tianjian Xinde Certified Public Accountants (Certified Public Accountants, the PRC) as the statutory auditors of the Company, respectively, and to authorise the Board of Directors of the Company to fix their remuneration;
9. To consider and approve the following resolution as a special resolution.

That Article 18 and Article 21 of the articles of association of the Company are replaced in their entirety with the following:

"Article 18 Three promoters subscribed for 1,268,200,000 domestic capital shares upon incorporation of the Company.

On 21 February, 1997, the Company obtained approval from the State Council Securities Committee to issue 747,500,000 overseas listed foreign capital shares (H Shares), which were subscribed for in Hong Kong dollars and listed overseas, to foreign investors. The same were listed on The Stock Exchange of Hong Kong Limited on 12 March, 1997.

On 29 November, 2001, the China Securities Regulatory Commission approved the issue of additional 165,000,000 RMB-denominated ordinary shares (A Shares), which were subscribed for in Renminbi and listed in the PRC, to domestic investors. The same were listed on the Shanghai Stock Exchange on 25 December, 2001.

"Article 21 The registered capital of the Company is RMB2,180,700,000."

10. To consider and approve the following resolutions as special resolutions:
 - a. subject to paragraphs c and d, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) and the Company Law of the People's Republic of China (the "PRC"), the exercise by the Board of directors of the Company with all the powers of the Company to allot or issue or otherwise deal with new shares, either separately or concurrently during the Relevant Period and the exercise of powers by the Board of directors to determine the terms and conditions for the

allotment or issue or otherwise dealing with new shares including the following terms are hereby generally and unconditionally approved:

- (1) class and quantity of the new shares to be issued;
 - (2) issue price of new shares;
 - (3) the starting and closing time for the allotment or issue or otherwise dealing with the new share;
 - (4) class and quantity of the new shares to be issued to existing shareholders; and
 - (5) to make or grant offers, agreements and options when the exercise of such powers might be required;
- b. according to the approval in paragraph a, the Board of directors of the Company shall be authorized during the Relevant Period to make or grant offers, agreements and options which would or might be exercised after the end of the Relevant Period;
- c. the aggregate nominal amount of domestic capital shares and overseas listed foreign capital shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Board of directors of the Company pursuant to the approval in paragraph a, otherwise than pursuant to issue of shares by conversion of the surplus reserve into capital in accordance with the Company Law of PRC and the articles of association of the Company, shall not exceed twenty percent (20%) of each of the issued domestic capital shares and overseas listed foreign capital shares of the Company as of the date of this resolution;
- d. the Board of directors of the Company have (1) to comply with the relevant Laws and Regulations of PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time), (2) to obtain approvals from the China Securities Regulatory Commission and other relevant authorities of the PRC upon the exercise of the powers pursuant to paragraph a above;
- e. for the purpose of this resolution: "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
- (1) the conclusion of the next Annual General Meeting of the Company;
 - (2) the expiration of the period within which the next Annual General Meeting of the Company is required by the articles of association of the Company or by law to be held; and
 - (3) the revocation or variation of the authority given under this Resolution by special resolution of the shareholders in general meeting;
- f. the Board of directors of the Company shall be authorised to increase the registered share capital of the Company to the respective amount upon the exercise of the powers pursuant to paragraph a above, but the registered share capital shall not exceed RMB2,616,840,000;
- g. subject to the approval of the listing of and permission to deal with the H shares in the share capital of the Company, which are intended to be issued by the Company, by the Listing Committee of The Stock Exchange of Hong Kong Limited and the approval of China

Securities Regulatory Commission to issue the said shares, the Board of directors shall be authorised to make the appropriate and necessary amendments to Articles 18 and 21 of the articles of association of the Company to reflect the alteration of the share capital of the Company.

11. To consider and approve any motion put forward by shareholders representing in aggregate 5% or more of the shares with voting rights in the Company (if any).

By Order of the Board
Zhang Rong Xing
Director & Company Secretary

Shenzhen, the PRC, 12 April, 2002

Notes:

1. Eligibility for attending the AGM

Shareholders of the Company whose names appear on the registers of shareholders of the Company at the close of business on 30 April, 2002 shall have the right to attend the AGM after complying with the necessary registration procedures.

2. Registration procedures for attending the AGM

- i. Shareholders intending to attend the AGM should deliver to the Company, on or before 10 May, 2002, either in person, by post or by fax, the reply slip (together with any required registration documents) for attending the AGM
- ii. Register of H Share holders of the Company will be closed from 1 May, 2002 to 31 May, 2002 (both days inclusive), during which period no transfer of H shares will be registered. Holders of H Shares of the Company who intend to attend the AGM must deliver their instruments of transfer together with the relevant share certificates to HKSCC Registrars Limited ("HKSCC"), the registrar of H Shares of the Company, at or before 4:00 p.m. on 30 April, 2002.

3. Proxy

- i. Shareholders entitled to attend the AGM are entitled to appoint, in written form, one or more proxies to attend and vote on behalf of him. A proxy needs not be a shareholder of the Company.
- ii. A proxy should be appointed by written instrument signed by the appointor or his attorney. If the written instrument is signed by the attorney of the appointor, the written authorization or other authorization documents of such attorney should be notarized. In order to be valid, for shareholders of domestic capital shares, the written authorization or authorization documents which have been notarized together with the completed proxy form must be delivered to the Company 24 hours before the time of the holding of the AGM. In order to be valid, for shareholders of H Shares, the above documents must be delivered to HKSCC within the same period.
- iii. If a shareholder appoints one or more proxies, the proxies shall not have the right to vote individually on a show of hands.

- iv. Shareholder or his proxy should produce identify proof when attending the AGM.

4. Other businesses

- i. The duration of the AGM is expected not to exceed one day. Shareholders who attend the AGM shall arrange for food and accommodation at their own cost.
- ii. Address of HKSCC Registrars Limited:
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong
- iii. Address of the Company:
19th Floor, Tower A, United Plaza
No. 5022 Binhe Road North
Shenzhen, 518026 PRC
Telephone: (86) 755-2910588
Facsimile: (86) 755-2910696

Please also refer to the published version of this announcement in the South China Morning Post.