



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: 0548)

ANNOUNCEMENT

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

In accordance with the rule of the Shanghai Stock Exchange (on which the Company's A shares are listed), an announcement of the Company regarding the investment and construction of Nanguang Expressway in Shenzhen will be published on 24 December 2004 in designated newspapers circulated in the PRC.

1. Project Overview

Shenzhen Expressway Company Limited (the “Company”) convened the 16th meeting of its Third Plenary Board of Directors on 22 December 2004 at which the proposal to invest in the project (“Project”) of expressway from Nantou to Guangming in Shenzhen (“Nanguang Expressway”) was deliberated and approved, the total cost of the construction relating to the Project being approximately RMB 2,876,000,000 and the Project to be built by the Company's own finance, and to be operated and managed by the Company which collects the tolls as well after it is completed.

The feasibility research report for the Project has already been evaluated and approved by Guangdong Provincial Communications Department (廣東省交通廳) in November 2004. The application for collection of tolls on the Project has also already been submitted by Shenzhen Communications Bureau (深圳市交通局) to Guangdong Provincial Communications Department (廣東省交通廳) for approval, and it is expected that the toll collecting operation period will be 25 years. Other governmental evaluation and approval procedures are currently being progressed.

2. Basic Details of the Project

Nanguang Expressway is located in the central western section of Shenzhen and is a core north south corridor in Shenzhen's “Seven East-West and Thirteen North-South” (七橫十三縱) planned core road network. Nanguang Expressway starts in the south in Shenzhen Nanshan district at the northern end of Qilin North Road on its eastern boundary; proceeds south via Shenzhen Nanping Highway, connecting Shenzhen-Hong Kong Western Corridor, the planned Tung Kok Tou Coastal Area, Dachanwan Port and Ports area in Shekou; proceeds north via Longda Expressway, Changhu Expressway connecting Guangzhou-Shenzhen

Expressway, National Highway No.107 and Dongguan-Shenzhen Expressway, going through Shenzhen Nanshan District, and several important economic areas like Shiyan, Gongming, Songgang and Guangming in Shenzhen Baoan District. Nanguang Expressway serves to ease the traffic flow of Shenzhen-Hong Kong Western Corridor and Shenzhen Western Coastal Area, dividing the cross-border traffic from the city traffic, and has substantial implication in achieving the city government's macro-strategic goal of turning Shenzhen into high-tech city, modern logistics city, regional financial centre, beautiful seaside traveling city, and city with high-class cultural environment.

Nanguang Expressway adopts the standard of a six-lane dual carriage expressway, with a total length of 30.2km and a designed traffic speed of 100km/hour. It comprises 10 intersecting flyovers, 2 independent flyovers, 2 major bridges, 11 bridges, 2 tunnels and 30 culverts. The Project is expected to commence construction in the first half of 2005 and is expected to be finished in 2.5 years with an estimated investment of RMB 2,876,000,000.

3. Analysis of Project Feasibility

The development of Nanguang Expressway is of vital importance to achieving the development strategy of Shenzhen economies, refining the transportation system of Shenzhen western coastal area as well as stimulating further economic development of peripheral area.

a. *Assisting in realizing the development strategy of Shenzhen economies and the aim of "Linking Towns with Highways"*

Nanguang Expressway is one of the expressways of Shenzhen City's "Seven East-West and Thirteen North-South" (七橫十三縱) core road network. Nanguang Expressway is not only part of trunk permitting any places in Shenzhen region to have access to the main expressway and highway network within 10 minutes, but also a swift lane for important manufacturing and economic hubs in Shenzhen City Baoan District like Shiyan, Gongming, Songgang. At the same time, Nanguang Expressway is a major circulating pathway which allows cross-border traffic crossing road network to be located outside city area, improving the environment of the city.

b. *Stimulating the economic development of Hong Kong, Shenzhen and Pearl River Delta Region concurrently*

Nanguang Expressway is part of a radiating expressway of the outer expressways of Pearl River Delta Region (Dongguan Guancheng~Shenzhen Shekou~Hong Kong), a fast and convenient way crossing from Hong Kong through Shenzhen to other regions in Pearl River Delta Region. The construction of the outer expressways of Pearl River Delta Region allows the traffic of northern Chonghua, northern Guangdong and Hunan, Jiangxi to access Shenzhen and Hong Kong without passing Guangzhou, and has substantial influence to the development of economic hinterland of Shenzhen and Hong Kong. The development of the Project is very beneficial to the traffic connection among Hong Kong, Shenzhen and other regions in Pearl River Delta, contributing the formation of regional cluster of cities, which sharing benefits among each other, and developing economic concurrently.

c. *Further improving the border transportation system and making best use of Shenzhen-Hong Kong Western Corridor*

Pursuant to “Shenzhen Port Whole Planning” (《深圳港總體佈局規劃》), Shenzhen Port’s development mainly relies on Shekou Port, Chiwan Port, Mawan Port, Dachanwan Port and Yiantian Port. Apart from Yiantian Port, the other four ports are located in western part of Shenzhen. Hence, the construction of Nanguang Expressway provides a great support to establishment of Shenzhen Port as an important and multi-functional coastal transportation port for international containers and major bulks.

Additionally, Nanguang Expressway is an important supporting facility for Shenzhen-Hong Kong Western Corridor, bearing the responsibility of being efficient transportation means, making best use of Shenzhen-Hong Kong Western Corridor.

4. Purpose of Investment and its effect to the Company

Regarding to the important geographical location of Nanguang Expressway and the tendency of economic development in peripheral areas of Shenzhen, the directors of the Company believe the investment is crucial to the Company’s operation and development, as well as fulfilling the regional need for economic development.

First, the investment in Nanguang Expressway makes best use of the development opportunities of Shenzhen road network, enlarging the Company’s scale of operation as well as its assets; refining the Company’s toll road network and accordingly increasing revenue from the same as a whole.

Furthermore, with the full implementation of CEPA and the formation of great economic circle of Hong Kong, Shenzhen and other regions in Pearl River Delta as well as the peripheral provinces and cities around Guangdong, it is expected the economic activities in this region will boom, further improving economic development and hence logistics industry. Nanguang Expressway is located in the core road networks of Shenzhen, connecting Shenzhen Western Port Area, Logistics Park and important export-oriented cities in Guangdong. So, it is believe that the demand for expressway will be kept increasing, entailing a great development opportunity and rosy prospect for the Project. Based on the traffic flow of the Project estimated by the professional institution engaged by the Company and other conditions, the Company estimated that the internal rate of return of the Project would be around 9%-10%, with a payback period of approximately 12.5 years.

The investment in Nanguang Expressway is consistent with the Company’s development plan and shareholders’ benefits, fulfilling the aim of substantial development; maintaining and increasing the Company’s business; preserving the Company’s leading position in the expressway industry of Shenzhen region and enhancing the Company’s competitiveness.

As the Project is still in the preparatory stage prior to construction, there are some uncertainties, including operational risks and risks relating to construction like construction period and investment scale. These risks may lower return on the Project.

The Company possesses sufficient financial resources to support capital expenditure relevant to the Project. The Company will, based on its capital expenditure plan, arrange the necessary financing of the Project using its internal resources as well as bank facilities.

The Project does not constitute notifiable transaction or connected transaction under Chapter 14 and Chapter 14A of the Listing Rules.

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

By Order of the Board
Wu Qian
Joint Company Secretary

Shenzhen, the PRC, 23 December 2004

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