

CONDENSED CONSOLIDATED INTERIM ACCOUNTS

Condensed Consolidated Profit and Loss Account

For the six months ended 30th June 2001

	Note	Unaudited	
		Six months ended 30th June	
		2001	2000
		RMB'000	RMB'000
Turnover	3	219,700	208,585
Other revenues	3	38,838	15,746
Depreciation and amortisation		(30,754)	(29,411)
Staff costs		(14,590)	(15,125)
Road maintenance expenses		(5,663)	(6,287)
Other operating expenses		(13,534)	(8,242)
Operating profit	4	193,997	165,266
Finance costs		(18,483)	(20,512)
Share of results before taxation of jointly controlled entities		29,646	29,503
Profit before taxation		205,160	174,257
Taxation	5	(96)	(145)
Profit after taxation		205,064	174,112
Minority interests		(1,468)	(1,005)
Profit attributable to shareholders		203,596	173,107
Transfer to reserves		—	(32,968)
Retained earnings brought forward	15	257,257	152,779
Dividends	6	(201,570)	(120,942)
Retained earnings carried forward		259,283	171,976
Earnings per share	7	RMB0.1010	RMB0.0859

No statement of recognised gains and losses is presented as profit attributable to shareholders shown above is the only component.

Condensed Consolidated Balance Sheet

As at 30th June 2001 and 31st December 2000

	Note	Unaudited 30th June 2001 RMB'000	31st December 2000 RMB'000
Fixed assets		4,153,183	3,367,868
Interests in jointly controlled entities	8	835,528	836,449
Construction in progress		41,276	663,913
Long-term loan	9	306,000	306,000
Current assets			
Inventories		5,723	5,156
Other receivables, prepayments and deposits		11,749	24,089
Other investments	10	407,135	160,208
Bank balances and cash		260,839	324,140
		685,446	513,593
Current liabilities			
Amount due to a jointly controlled entity	11	14,954	11,926
Other payables and accrued charges		212,109	63,146
Taxation payable		47	51
Short-term bank loans, secured		150,000	150,000
Short-term bank loans, unsecured		90,000	—
Current portion of long-term bank loans	12	120,000	—
		587,110	225,123
Net current assets		98,336	288,470
Total assets less current liabilities		5,434,323	5,462,700
Financed by:			
Share capital	14	2,015,700	2,015,700
Reserves		2,266,541	2,266,541
Retained earnings	15	259,283	55,687
Proposed dividend	6	—	201,570
Shareholders' funds		4,541,524	4,539,498
Minority interests		34,799	35,202
Long-term liabilities	12	858,000	888,000
		5,434,323	5,462,700

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June 2001

	Unaudited	
	Six months ended 30th June	
	2001	2000
	RMB'000	RMB'000
Net cash inflow from operating activities	<u>320,441</u>	<u>163,252</u>
Net cash outflow from returns on investments and servicing of finance	<u>(183,883)</u>	<u>(91,922)</u>
Taxation paid	<u>(100)</u>	<u>—</u>
Net cash outflow from investing activities	<u>(139,967)</u>	<u>(153,446)</u>
Net cash inflow from financing	<u>180,000</u>	<u>1,500</u>
Increase/(decrease) in cash and cash equivalents	176,491	(80,616)
Cash and cash equivalents at 1st January	484,348	482,252
Unrealised gains on other investments	<u>7,135</u>	<u>—</u>
Cash and cash equivalents at 30th June	<u>667,974</u>	<u>401,636</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	260,839	301,136
Other investments	<u>407,135</u>	<u>100,500</u>
	<u>667,974</u>	<u>401,636</u>

Notes to the Condensed Interim Accounts

1 General

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

2 Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25: "Interim financial reporting", issued by the Hong Kong Society of Accountants. 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 the accounting principles generally accepted in Hong Kong ("HK GAAP"). Differences arising from the restatements are not incorporated in the Group's accounting records.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2000 except that the Group has changed its accounting policies following its adoption of Statements of Standard Accounting Practice (SSAP) 9 (revised): "Events after the balance sheet date", issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2001:

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. Accordingly, opening retained earnings at 1st January 2000 and 2001 have increased by RMB120,942,000 and RMB201,570,000 respectively.

This adjustment has resulted in a decrease in current liabilities at 31st December 2000 by RMB201,570,000 for provision for proposed dividends that is no longer required.

3 Turnover and revenue

Revenues recognised during the period are as follows:

		Six months ended 30th June	
		2001	2000
		RMB'000	RMB'000
Turnover	(a)		
Income from toll roads		231,754	215,147
Less: taxes related to toll income	(b)	(12,054)	(6,562)
		219,700	208,585
Other revenues			
Interest income from bank deposits		3,016	2,773
Interest income from a long-term loan		9,607	9,660
Investment income from other investments		10,624	1,948
Income from construction management services		13,500	—
Other income		2,091	1,365
		38,838	15,746
Total revenues		258,538	224,331

3 Turnover and revenue (continued)

- (a) No segment information is presented as all turnover of the Group is toll income derived from the PRC.
- (b) Taxes related to toll income comprise:
- PRC Business Tax at 5% on toll income
 - City Development Tax at 1% of PRC Business Tax
 - Education Supplementary Tax at 3% of PRC Business Tax

4 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2001	2000
	RMB'000	RMB'000
Crediting		
Realised gains on disposal of other investments	3,489	1,948
Unrealised gains on other investments	7,135	—
Net exchange gain	101	—
	<u>10,725</u>	<u>1,948</u>
Charging		
Provision for staff welfare and bonus	865	930
Auditors' remuneration	530	500
Loss on disposal of fixed assets	267	19
Net exchange loss	—	145
	<u>1,662</u>	<u>1,594</u>

5 Taxation

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

	Six months ended 30th June	
	2001	2000
	RMB'000	RMB'000
PRC enterprise income tax	96	35
Share of taxation attributable to a jointly controlled entity	—	110
	<u>96</u>	<u>145</u>

- (a) The Company is subject to PRC enterprise income tax at a 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 a jointly controlled entity are exempted from PRC enterprise income taxes for the five years in which they record assessable profits and a 50% reduction of the 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 period 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 Dividends

	Six months ended 30th June	
	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
2000 Final dividend, paid, of RMB0.10 (1999: RMB0.06) per ordinary share (<i>note(a)</i>)	<u>201,570</u>	<u>120,942</u>

(a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 1999 and 2000 were RMB120,942,000 and RMB201,570,000 respectively. Under the Group's new accounting policy as described in Note 2, these have been written back against opening retained earnings as at 1st January 2000 and 2001 and are now charged in the period in which they were proposed.

(b) The directors do not recommend the payment of a dividend in respect of the six months ended 30th June 2001 (2000: Nil).

7 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of RMB203,596,000 (2000: RMB173,107,000) and 2,015,700,000 (2000: 2,015,700,000) ordinary shares in issue during the period.

8 Interests in jointly controlled entities

	<i>Note</i>	30th June	31st December
		2001	2000
		<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets other than goodwill		365,899	363,665
Goodwill on acquisition		<u>9,060</u>	<u>9,060</u>
		374,959	372,725
Advance to a jointly controlled entity	(a)	442,397	445,552
Loans to a jointly controlled entity	(b)	<u>18,172</u>	<u>18,172</u>
		<u>835,528</u>	<u>836,449</u>

(a) The advance was made to Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao") and is unsecured, non-interest bearing and is repayable out of the funds to be generated from its toll road project.

(b) The loans were advanced to Shenzhen Wutongling Ropeway Company Limited ("Wutongling") and are secured by the 55% equity interest in Wutongling held by its majority shareholder and various equipment and operating facilities of Wutongling. The loans are interest bearing at bank loan interest rate prevailing in the PRC market and have no fixed terms of repayment.

In addition, the Company provides guarantees to all financing and credit facilities of Wutongling. These guarantees are secured by the 55% equity interest in Wutongling held by its majority shareholder and the equipment purchased under the above credit facilities. As at 30th June 2001, these facilities were utilised by Wutongling to the extent of RMB25,000,000 (31st December 2000: RMB25,000,000).

9 Long-term loan

The long-term loan of RMB306,000,000 (31st December 2000: RMB306,000,000) was advanced to Changsha Ring Road Construction and Development Co., Ltd. ("Ring Road Co."), the joint venture partner of the Company's jointly controlled entity, Changsha Shenchang Expressing Company Limited ("Shenchang"), through a financial institution in the PRC pursuant to a joint venture agreement dated 22nd July 1998. The purpose of the loan is to assist Ring Road Co. to finance part of its advance to Shenchang for construction of the underlying road project. The loan is unsecured and bearing interest at over five-years' loan interest rate quoted by the People's Bank of China from time to time. Ring Road Co. has pledged its 49% equity interest in Shenchang to the Company to secure its payment obligations of the interest of the loan. The loan is repayable in one lump sum by setting off against the Company's commitment to contribute the same loan amount to Shenchang in 2007.

10 Other investments

Other investments mainly represent government bonds listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange of the PRC. The investment cost amounted to RMB400,000,000 (31st December 2000: RMB160,000,000) and, to the extent of RMB240,000,000 (31st December 2000: Nil) were entrusted to certain reputable securities companies with related approved licences in the PRC. As at 30th June 2001, the market value of other investments amounted to RMB407,135,000 (31st December 2000: RMB160,208,000).

11 Amount due to a jointly controlled entity

The amount mainly represents toll income collected by the Group on behalf of a jointly controlled entity net of toll income collected by the jointly controlled entity on behalf of the Group. The amount is unsecured, interest free and repayable on demand.

During the period, toll income collected by the Group on behalf of the jointly controlled entity amounted to RMB28,226,000 (2000: RMB23,952,000), and toll income collected by the jointly controlled entity on behalf of the Group amounted to RMB24,800,000 (2000: RMB20,582,000). All toll income collected is wholly repaid to each other on a monthly basis without any handling charges.

12 Long-term liabilities

	30th June 2001 RMB'000	31st December 2000 RMB'000
Bank loans, secured	650,000	600,000
Current portion of long-term bank loans	(120,000)	—
	530,000	600,000
Other long-term advances	328,000	288,000
	858,000	888,000

Other long-term advances were obtained from local government authorities as an inducement for the Company to participate in a toll road project. The advances are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, these advances are not repayable within five years.

The analysis of long-term liabilities is as follows:

	30th June 2001 RMB'000	31st December 2000 RMB'000
Bank loans wholly repayable within five years	650,000	600,000
Other long-term advances not wholly repayable within five years	328,000	288,000
	978,000	888,000
Current portion of long-term bank loans	(120,000)	—
	858,000	888,000

13 Borrowings

At 30th June 2001, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans		Other long-term advances	
	30th June 2001 RMB'000	31st December 2000 RMB'000	30th June 2001 RMB'000	31st December 2000 RMB'000
Within one year	360,000	150,000	—	—
In the second year	—	120,000	—	—
In the third to fifth year	530,000	480,000	—	—
After the fifth year	—	—	328,000	288,000
Total	<u>890,000</u>	<u>750,000</u>	<u>328,000</u>	<u>288,000</u>

As at 30th June 2001, the Group obtained total banking facilities of RMB2,150,000,000 (31st December 2000: RMB2,700,000,000), of which the Group had utilised RMB890,000,000 (31st December 2000: RMB750,000,000). The loans utilised to the extent of RMB800,000,000 (31st December 2000: RMB750,000,000) are secured by the Company's operating rights for collecting toll income from National Highway No. 107 (Shenzhen Section) and National Highway No. 205 (Shenzhen Section). As at 30th June 2001, the banking facilities available to the Group amounted to RMB1,260,000,000 (31st December 2000: RMB1,950,000,000).

14 Share capital

	30th June 2001 RMB'000	31st December 2000 RMB'000
Registered, issued and fully paid of RMB1 each:		
PRC domestic capital shares	1,268,200	1,268,200
Hong Kong listed foreign shares ("H shares")	747,500	747,500
	<u>2,015,700</u>	<u>2,015,700</u>

Pursuant to article 3 of the Company's articles of association, the PRC domestic capital shares and H shares are all registered ordinary shares, carrying equal rights.

15 Retained earnings

	Note	Retained earnings RMB'000
Year 2000		
At 1st January 2000 as previously reported		31,837
Effect of adopting SSAP 9 (Revised)	2	120,942
At 1st January 2000 as restated		152,779
1999 Final dividend paid	6	(120,942)
Profit for the year		363,074
Transfer to reserves		(137,654)
At 31st December 2000		<u>257,257</u>
Retained earnings		55,687
2000 Final dividend proposed	6	201,570
At 31st December 2000		<u>257,257</u>
Company and subsidiaries		240,541
Jointly controlled entities		16,716
At 31st December 2000		<u>257,257</u>

15 Retained earnings *(continued)*

	<i>Note</i>	Retained earnings <i>RMB'000</i>
Six months ended 30th June 2001		
At 1st January 2001 as previously reported		55,687
Effect of adopting SSAP 9 (Revised)	2	<u>201,570</u>
At 1st January 2001 as restated		257,257
2000 Final dividend paid	6	(201,570)
Profit for the period		<u>203,596</u>
At 30th June 2001		<u><u>259,283</u></u>
Company and subsidiaries		240,057
Jointly controlled entities		<u>19,226</u>
At 30th June 2001		<u><u>259,283</u></u>

16 Contingent liabilities

	30th June 2001 <i>RMB'000</i>	31st December 2000 <i>RMB'000</i>
Guarantees given to banks in respect of bank loans granted to a jointly controlled entity <i>(Note 8(b))</i>	<u>25,000</u>	<u>25,000</u>

17 Commitments

As at 30th June 2001, the Group had the following capital commitments for construction of expressways:

	30th June 2001 <i>RMB'000</i>	31st December 2000 <i>RMB'000</i>
Contracted but not provided for	75,790	129,390
Authorised but not contracted for	<u>1,063,270</u>	<u>1,152,150</u>
	<u><u>1,139,060</u></u>	<u><u>1,281,540</u></u>

The jointly controlled entities had no capital commitment as at 30th June 2001.

18 Related party transactions

Certain long-term advances from relevant local government authorities were received by Shenzhen Freeway Development Company Limited ("Shenzhen Freeway"), the major shareholder of the Company, on behalf of the Company. Such advances are wholly repayable to the Company without any handling charges. During the period, long-term advances totalling RMB24,000,000 (2000: RMB122,000,000) were received by Shenzhen Freeway on behalf of the Company.