



SHENZHEN EXPRESSWAY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00548)



Interim Report 2010



The Chinese character “行” (pronounced as “xing”) has multiple meanings. It can denote the idea of “going forward”. As such, the first level of significance of using the character “行” as the theme of this year refers to the relentless efforts made by the Company to go forward despite numerous challenges and pressure on the operating results in the past.

“行” also has the meaning of “action” or “execution”. On another level, the theme of this year reflects the actions of the Company to continuously enhance its executive power based on meticulous analysis of external opportunities and challenges as well as recognition of its own advantages and shortcomings, with the aim of achieving the unity of knowledge and action (知行合一).

The character “行” can also mean “capability” or “ability”. With the recovery of economy, support of the national policies and ceaseless self-improvement of the Company, we firmly believe that the Company is embracing a bright future. Through persistent implementation of the Company’s philosophies, we have the ability to realise our goals and objectives and bring greater values and returns to the Company, our shareholders and society!

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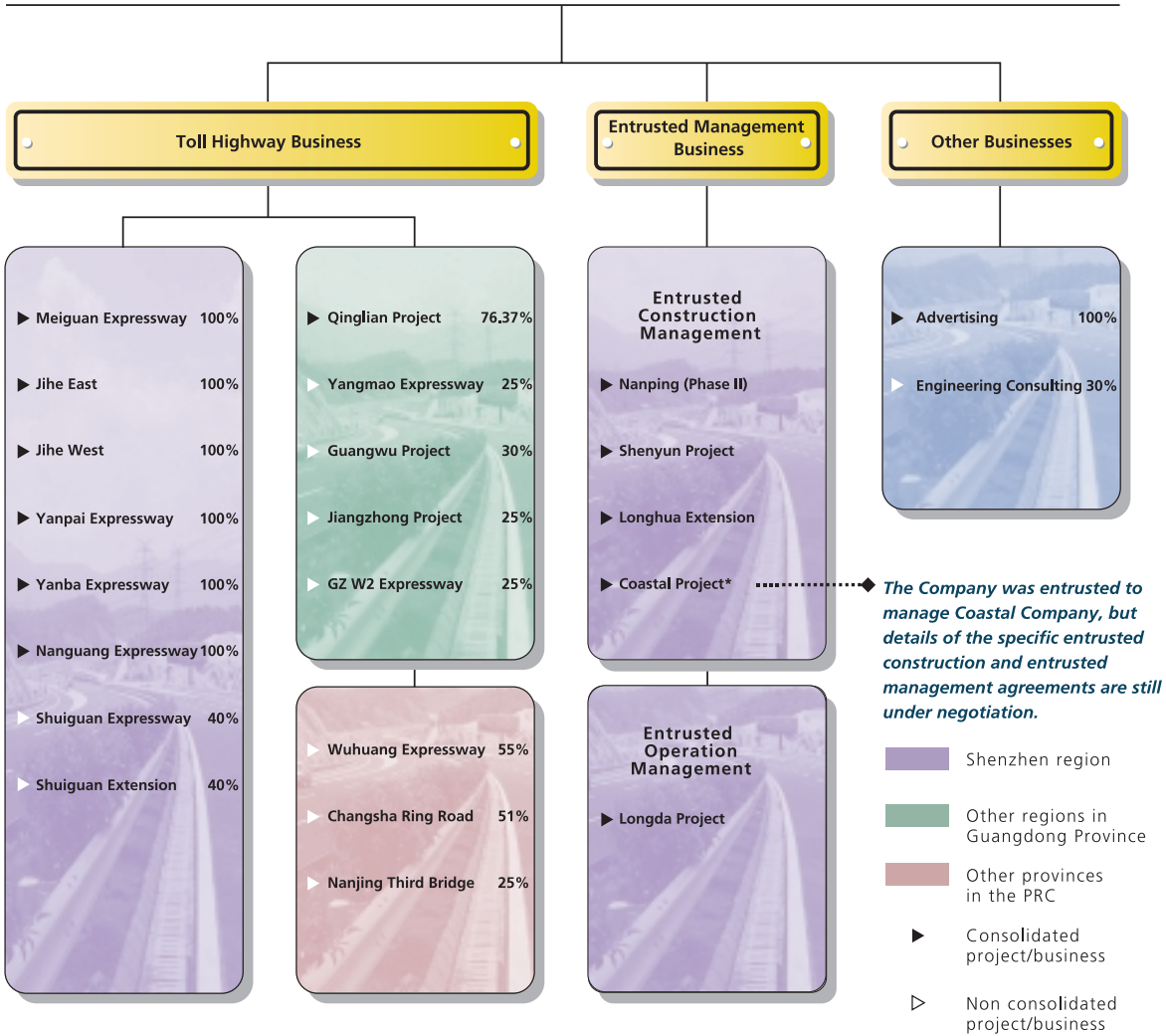


The Company was established on 30 December 1996. It is principally engaged in the investment, construction, operation and management of toll highways and roads. The Company aims at enhancing the ability of wealth creation by improving the quality of operation, obtaining reasonable returns through providing high-quality service to the society, and achieving satisfaction of customers, employees, shareholders and related parties by balancing their interests, so as to foster the Company's sustainable development. Currently, the Company will continue to carry out the market-driven strategy to capitalize on the expressway industry and actively explore and invest in new businesses, in order to pursue a synergistic growth in scale and effectiveness.

A total of 2,180,770,326 shares were issued by the Company, which are listed on SSE and HKEx respectively. After over a decade's development, the Company has built a number of high-quality expressways and provided outstanding construction management and operation management services of road projects for government and other enterprises. The Company has also further expanded its coverage from Shenzhen City to Guangdong Province and other economically developed regions in the PRC by ways of acquisition and participation. As at the end of the Reporting Period, the mileage of the highways invested by the Company (on an equity basis) exceeded 400 kilometer, and accumulative total 7 projects have been entrusted to the Company for construction management or operation management. The principal business structure of the Company is set out as follows:



Shenzhen Expressway Company Limited



1. Principal Financial Data and Indicators for the Reporting Period (Unaudited)

Results Highlights (For the six months ended 30 June)			
(RMB'000)	2010	2009	Change
Revenue	1,366,473	966,196	41.43%
<i>Including: Toll revenue</i>	1,009,333	523,375	92.85%
<i>Construction revenue under service concession⁽²⁾</i>	311,869	410,307	-23.99%
<i>Other income</i>	45,271	32,514	39.24%
Profit before interests, tax, depreciation and amortisation	957,271	596,260	60.55%
Profit before interests and tax	687,770	468,965	46.66%
Profit attributable to the equity holders of the Company	359,499	313,409	14.71%
Basic earnings per share for profit attributable to the equity holders of the Company (RMB)	0.165	0.144	14.71%

Assets Highlights			
(RMB'000)	As at 30 Jun 2010	As at 31 Dec 2009	Change
Total assets	22,355,182	22,253,514	0.46%
Total liabilities	13,361,991	13,343,662	0.14%
Total equity	8,993,191	8,909,852	0.94%
Equity attributable to the equity holders of the Company	8,314,114	8,219,955	1.15%
Net assets per share attributable to the equity holders of the Company (RMB)	3.81	3.77	1.15%

Principal Financial Ratios⁽³⁾			
(For the six months ended 30 June)	2010	2009	Change
Operating profit ratio ⁽²⁾	39.21%	25.96%	Increase 13.25 pct.pt
Toll highway operating profit ratio	52.81%	50.45%	Increase 2.36 pct.pt
Return on equity attributable to the equity holders of the Company	4.32%	4.41%	Decrease 0.09 pct.pt
Interest covered multiple	2.43	1.84	0.59

	As at 30 Jun 2010	As at 31 Dec 2009	Change
Gross liabilities-to-equity ratio	148.58%	149.76%	Decrease 1.18 pct.pt
Net borrowings-to-equity ratio	108.63%	108.87%	Decrease 0.24 pct.pt

2. Financial Indicators for the Past Five Years⁽³⁾

(For the year ended 31 December)	2009	2008	2007 Restated ⁽¹⁾	2006 Restated ⁽¹⁾	2005 Restated ⁽¹⁾
Operating profit ratio ⁽²⁾	25.02%	12.59%	17.93%	27.31%	43.46%
Toll highway operating profit ratio	49.10%	55.25%	61.49%	68.57%	68.60%
Return on equity attributable to the equity holders of the Company	6.57%	7.14%	9.03%	8.46%	8.18%
Interest covered multiple	1.86	1.82	3.16	6.34	5.88

(As at 31 December)	2009	2008	2007 Restated ⁽¹⁾	2006 Restated ⁽¹⁾	2005 Restated ⁽¹⁾
Gross liabilities-to-equity ratio	149.76%	135.59%	93.40%	49.22%	49.40%
Net borrowings-to-equity ratio	108.87%	96.75%	69.29%	33.17%	21.97%

Notes:

- (1) The Group has adopted IFRIC 12 since 2008. The comparative information in previous years has been restated in accordance with the relevant requirements.
- (2) According to IFRIC 12, the Group was required to recognise its construction revenue under service concession. It reflected the construction or upgrade works carried out on the roads for which the operating rights were owned by the Group, whereas there was no real cash inflow realised/realisable during the relative construction phase. As a corresponding construction cost was also recognised, the amount of revenue-related profit was insignificant or not recognised. Thus a significant difference existed between the overall operating profit ratio and toll highway operating profit ratio of the Group.
- (3) Description of principal financial ratios:

Operating profit ratio = Operating profit / Revenue

Toll highway operating profit ratio = Operating profit from toll highways / Revenue from toll highways

Return on equity attributable to the equity holders = Profit attributable to the equity holders of the Company / Capital and reserves attributable to the equity holders of the Company

Interest covered multiple = Profit before interests and tax / Interest expenses

Gross liabilities-to-equity ratio = Total liabilities / Total equity

Net borrowings-to-equity ratio = (Total amount of borrowings – Cash and cash equivalents) / Total equity

I. Business Review

(I) Toll Highway Business

The principal activities of the Group are the investment, construction and operation management of toll highways. Currently, the Group is operating and investing in 16 toll highway projects in the Shenzhen region, other regions in Guangdong Province and other provinces in China. During the Reporting Period, benefited from the national economic growth and the increasing enhancement of road networks, the traffic volume and toll revenue of projects recorded a significant growth. Meanwhile, the Group also actively pushed ahead the road reconstruction and expansion to enhance its future operating performance. The relevant performance during the Reporting Period is summarised as follows:

1. Overall Operating Performance

Toll Highway	Percentage of interests held by the Group	Percentage of revenue consolidated	Average daily mixed traffic volume (number of vehicles in thousand)			Average daily toll revenue (RMB'000)		
			Jan-Jun 2010	Jan-Jun 2009	Change	Jan-Jun 2010	Jan-Jun 2009	Change
Shenzhen region:								
Meiguan Expressway	100%	100%	109	93	17.8%	892	769	16.0%
Jihe East	100%	100%	106	87	21.9%	1,371	1,169	17.3%
Jihe West	100%	100%	84	67	25.1%	1,091	890	22.6%
Yanpai Expressway	100%	100%	37	30	26.3%	407	340	19.7%
Yanba Expressway ⁽¹⁾	100%	100%	20	15	40.0%	285	191	49.2%
Nanguang Expressway	100%	100%	44	26	69.1%	442	244	81.2%
Shuiguan Expressway	40%	—	129	107	20.4%	1,171	971	20.6%
Shuiguan Extension	40%	—	37	29	29.9%	231	180	28.7%
Other regions in Guangdong Province:								
Qinglian Expressway ⁽²⁾	76.37%	100%	18	N/A	N/A	1,050	N/A	N/A
Yangmao Expressway	25%	—	21	19	14.4%	1,158	995	16.4%
Guangwu Project	30%	—	14	11	20.0%	379	295	28.2%
Jiangzhong Project	25%	—	57	48	19.9%	806	677	19.1%
GZ W2 Expressway	25%	—	24	11	114.9%	581	372	56.2%
Other provinces in the PRC:								
Wuhuang Expressway	55%	—	37	32	18.6%	1,264	1,077	17.3%
Changsha Ring Road	51%	—	8.8	7.1	22.6%	72	62	14.9%
Nanjing Third Bridge	25%	—	24	20	19.3%	807	656	23.0%

Notes:

- (1) Yanba C was opened for operation on 25 March 2010, the column of "Yanba Expressway" in the table included the operating statistics of Yanba C.
- (2) The main route of Qinglian Project has adopted expressway toll rates since 1 July 2009. The statistics in the table excluded the operating statistics of Liannan Section tolled as class 1 highway as well as Qinglian Class 2 Road of Qinglian Company. During the Reporting Period, the overall average daily toll revenue of Qinglian Company was RMB1,090,000.

During the Reporting Period, the key factors affecting the operating performance of the toll highways of the Group include:

Economy Performance – the robust economic activities improved the overall traffic volume of the toll highways. In the first half of 2010, owing to the good performance of the national economy, the GDP recorded a growth of approximately 11.1% when comparing with the corresponding period of 2009 (“YOY”). In Shenzhen, Guangdong Province, Hubei Province, Jiangsu Province and Hunan Province where the Group’s highway projects are located, various indicators also reflected their rapid economic growth and their sustained growth in investment, national trade and household consumption. In terms of import and export trade, the frequent trade activities contributed to a YOY growth of 43.1% of total imports and exports of the PRC, and a YOY growth of 36.3% of Shenzhen port. The robust economic activities led to the growth in the demand for traffic, thus improving the overall traffic volume of the toll highways. *(Source of data: Governmental statistics information website, the website of the Customs.)*

Vehicle Consumption – the continuous growth in vehicle ownership promoted the overall operating performance of toll highways. The vehicle ownership in China continued to grow, representing an increase of 9% at the end of June 2010 over the end of 2009 according to data published by the department of Public Security. Meanwhile, Shenzhen has become the third city in the PRC after Beijing and Shanghai with vehicle ownership of over 1.5 million. The continuous growth in vehicle ownership led to the changes in travelling mode and habits of residents, and accordingly drove the demand for road network and convenient traffic services, which is beneficial to gain a better operating performance of toll highways.

Changes in Road Networks – the positive impacts on the highways of the Group during the Reporting Period exceeded the negative impacts as a whole. All the changes in road networks layout or highways conditions, such as the opening or maintenance and repair of neighboring highways, the construction works of the projects themselves and implementation of urban traffic organisation plans by the government, could affect the operating performance of the toll highways. During the Reporting Period, the positive impacts of changes in road networks on highway projects of the Group exceeded the negative impacts as a whole. For details, please refer to point 2 “Analysis by Projects” below.

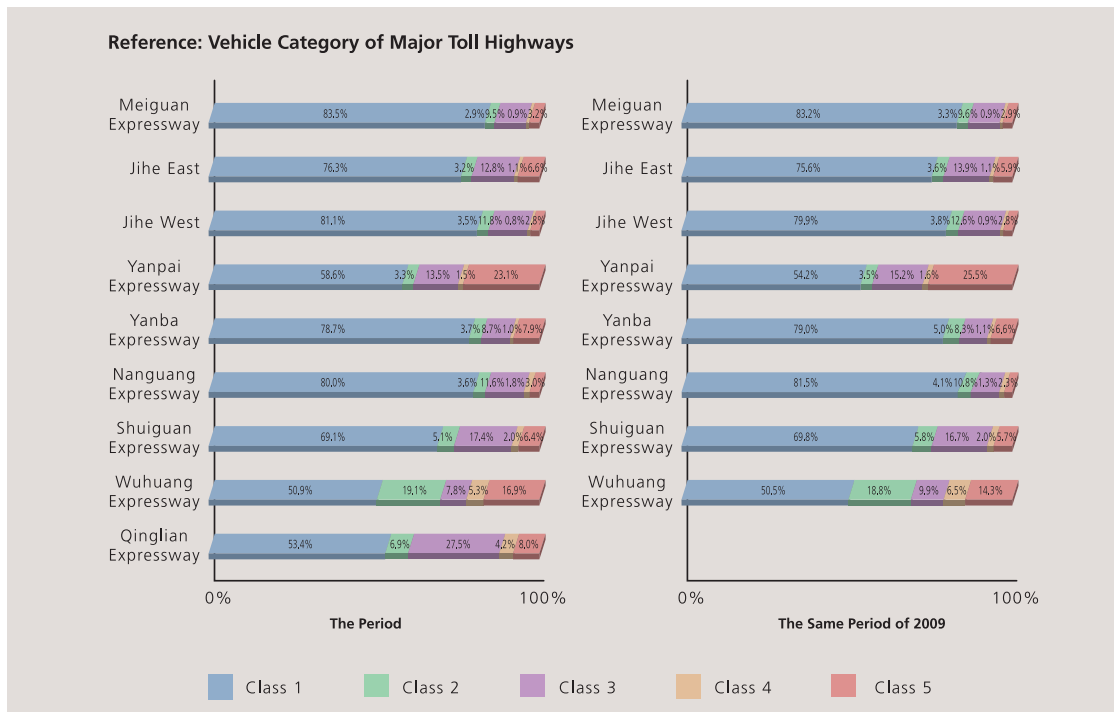
Policy Environment – the impact of “Green Passage Toll Free Policy” continued. In accordance with the requirements of the relevant government authorities, Jihe Expressway, Yangmao Expressway, Wuhuang Expressway, Qinglian Expressway and Nanjing Third Bridge have adopted “Green Passage Toll Free Policy” for fresh agricultural product carrier vehicles. During the Reporting Period, the toll fees waived by these projects totaled RMB63,263,000 (2009 Interim: RMB54,740,000). The implementation of this policy decreased the revenue and profit of the Group for the Reporting Period by approximately RMB13,041,000 and RMB16,662,000 respectively (2009 Interim: RMB3,690,000 and RMB13,004,000).

2. Analysis by Projects

The impact on highway projects from economic environment and road network changes, and the performance of the highway projects during the Reporting Period varied among their different functions, years of operation and neighboring road networks. Further description on some projects is as follows:

- *Jihe Expressway* — Guanhui Expressway (Dongguan-Huizhou) and Huishen Coastal Expressway (Shenzhen-Huizhou), running from east to west, opened to traffic on 26 January and 25 March successively, and diverted certain traffic from Jihe East. During the affected period, these factors decreased the average daily toll revenue of Jihe East by approximately RMB77,000 and RMB16,000, respectively. Nevertheless, benefited from sound external environment, the average daily toll revenue of Jihe East still recorded an amount of RMB1,371,000, representing an increase of 17.3% during the Reporting Period. Moreover, Guanhui Expressway diverted some traffic from Meiguan Expressway and Jihe West, and Huishen Coastal Expressway diverted some traffic from Meiguan Expressway and Yanpai Expressway, while the influence was light.
- *Yanba Expressway* — The opening of Huishen Coastal Expressway realised the linkage between Yanba Expressway and the road networks in eastern Guangdong region, offering a convenient express passage between Shenzhen/Hong Kong, and Huizhou and eastern Guangdong region. Benefited from the commencement of the operation of Yanba C and the realisation of the synergy effects among road networks, the average daily toll revenue of Yanba Expressway in the second quarter was RMB359,000, representing an increase of approximately 72% over the first quarter.
- *Nanguang Expressway* — A municipal road (Songbai Road) parallel to Nanguang Expressway was under expansion and reconstruction during the Reporting Period, which created a positive effect on the operating performance of Nanguang Expressway. To further explore potential growth in traffic volume, the Company continued to carry out marketing activities, strengthened its promotion for corporate customers along the expressway, and provided travel guides to drivers and added road signs and guideposts in response to the construction of the parallel road to divert the vehicles. This effectively enhanced the operating performance of the project.
- *Shuiguan Expressway* — Shuiguan Expressway was under expansion. However, the possible impacts from expansion on its operating performance were significantly reduced due to the implementation of rationalised construction organisation plans, together with the rapid growth in regional traffic demand and the ongoing reconstruction of neighbouring municipal road (Shenhui Road). During the Reporting Period, the project recorded a growth of approximately 20%.
- *Qinglian Project* — During the Reporting Period, the overall average daily toll revenue of Qinglian Company was RMB1,090,000, of which RMB1,050,000 or 96% derived from expressway; RMB23,000 derived from class 1 highway; RMB17,000 derived from class 2 road and other income. The overall performance of Qinglian Expressway remained stable since it adopted a toll-by-weight trial system in November 2009. Driven by the traffic during the Spring Festival, its average daily toll revenue reached the peak in February; and affected by persistent rainfall and the off-season of trade, its revenue has lowered slightly during the second quarter. The opening of Qinglian Expressway attracted most of the traffic flow of Qinglian Class 2 Road. It is expected that the function of this class 2 road in the future will mainly be reflected on its ability to meet the short distance traffic demand of areas along the road.

- GZ W2 Expressway* — Benefited from road networks and government authorities' active implementation of traffic improvement measures, such as separation of the cross-border traffic from the urban traffic and overloading control, the cross-border traffic function of GZ W2 Expressway became increasingly prominent, which had a remarkably positive impact on the operating performance of GZ W2 Expressway.
- Wuhuang Expressway* — With several expressways and express passages opened in Hubei Province in recent years, the neighbouring road networks of Wuhan region were further enhanced. This contributed to the sustained growth in traffic volume of Wuhuang Expressway. In particular, after the opening of Hubei section of Hurong West Expressway at the end of 2009, the major route of the national expressway between Shanghai and Chengdu was opened to traffic, which drove the development of different sections of the route in various degrees, including Wuhuang Expressway.



3. Business Development

During the Reporting Period, the Group actively pushed ahead projects under construction, endeavored to improve the traffic capacity and service quality of the projects, and explored business opportunity in the market and responded to environmental changes in pragmatic approaches, so as to establish a solid foundation for the improvement of operating performance in the future.

- *Qinglian Project* — the Liannan Section of Qinglian Project has commenced reconstruction into an expressway since April 2009 and scheduled to complete in early 2011. However, impacted by persistent rainfall across northern Guangdong region during the Reporting Period, the construction of Liannan Section became more difficult and the time for construction was limited, which adversely affected the project management. In response to these, Qinglian Company made timely adjustments to optimise the construction organisation and arrangement, and continually reinforced external coordination and strengthened on-site supervision, and thus achieved its management objectives in quality, safety and progress. Reconstruction of original route surface of Liannan Section was completed in February during this year. Currently, approximately 80% of the earthwork of road understructure for new route has been completed, and the tunnel as the critical control point of the project was completed. Therefore, it is expected that the overall objective of the project will basically remain unaffected.
- *Meiguan Expressway* — To increase the traffic capacity and service standards of the project, the Company has approved the reconstruction and expansion of the North Section of Meiguan Expressway (Qinghu-Liguang, approximately 11 kilometer). As at the end of the Reporting Period, the expansion construction has not yet started, however, replies or approval have been received on the evaluation report on aspects such as the environmental impacts, the feasibility report and pre-approval of land use. The modification of construction drawing design has been completed and the process of bidding for construction is underway. Given the development of the economy and traffic of the peripheral regions, the government is planning to move northward the toll station on the main route of Meiguan Expressway in the south, and to pay the toll fees collectively by the government for the vehicles using the road section to the south of the new toll station. Currently, the Company is proactively negotiating with the relevant competent authorities on the overall operation and reconstruction arrangement of the South Section of Meiguan Expressway (Qinghu-Meilin, approximately 8 kilometer). The Company believes that reasonable arrangement for toll model adjustment and reconstruction will enable the Group to simplify its management mode on the premise of maintaining return on assets, and will improve local traffic environment and stimulate the development of communities and their economy as well. As at the date of this report, the negotiations are still in progress. The Company will timely submit the relevant plans to the Board for consideration in line with the work progress.
- *Shuiguan Expressway* — Qinglong Company is in charge of the expansion construction of Shuiguan Expressway, the progress of which is going well and it is planned to be completed in mid-2011. The expansion has adopted the construction organisation arrangement to minimise the adverse effects on the traffic capacity arising from the construction works, which is to expand new lanes first and reconstruct the old lanes after the new lanes come to use. At present, the road understructure and bridge culverts of the new lanes are nearly completed, and the overall progress is in line with expectation. The shareholders of Qinglong Company have agreed to make additional capital contribution for the expansion of the project, please refer to the announcement dated 21 September 2009 and the Annual Report 2009 of the Company for details. As at the date of this report, the additional capital contribution is underway.

- *Preliminary Study* — To further push ahead the preliminary study and relevant negotiations for the project, the Company has established an independent legal entity, Outer Ring Expressway project company, to conduct an in-depth study on the returns and risks of the project, with the aim to verify its investment value. As at the end of the Reporting Period, the toll rate proposal for the Outer Ring Expressway has been approved and the application for site selection as well as pre-approval of land use have been submitted to relevant government authorities of Guangdong Province.

(II) Other Related Businesses

In addition to the toll highway business, leveraged on the relevant management experience and resources, the Company also developed or engaged in businesses such as entrusted management, advertising and construction consulting, and is planning to engage in inter-networked toll collection business in Guangdong Province.

1. *Entrusted Management Business*

As attempts to benefit and complement to its core businesses, the Company has been gradually involved in entrusted construction and entrusted operation management business related to road business in recent years. For details of business model and historical performance of this business, please refer to the annual report 2009 of the Company.

During the Reporting Period, entrusted construction management business of the Company was pushing ahead as normal, with the construction progress and construction cost of each project basically in line with expectation. Section A of Nanping (Phase II) is currently progressing smoothly as a whole, though the progress of individual contracted section was behind schedule as a result of land requisition, demolition and relocation. Most of the construction works of Section B of Nanping (Phase II), the construction cost of which accounted for about 40% of total investment for Nanping (Phase II), are temporarily not permitted to commence construction as affected by the planning adjustment and progress of reclamation works by the government. However, such delay would not incur performance obligations of the Company under the entrusted construction agreement. Management of the Coastal Project achieved positive progress, while the relevant review and approval process of the entrusted construction agreement is yet to be completed.

For details on the entrusted operation management business developed by the Company during the Reporting Period, please refer to content of “Connected Transactions” in the section “Other Events” in this report.

2. *Other Businesses*

During the Reporting Period, Advertising Company recorded revenue of RMB22,418,000, representing a YOY increase of 19.7%. In recent years, in addition to utilisation of resources of the Group for operating its advertising business, Advertising Company also actively developed billboard leasing business along other roads and has made certain progress. During the Reporting Period, Consulting Company recorded revenue of RMB61,644,000, representing a YOY increase of 35.1%, with the business sustaining growing.

The Company invested RMB28,500,000 for subscription of the shares of Guangdong UETC, accounting for 14.25% of its total share capital upon the new share issue being fully subscribed. Guangdong UETC is mainly engaged in the electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sale of related products. Through the investment in Guangdong UETC, the Company can involve in the highway inter-networked toll business in Guangdong Province, which enables the Company to timely understand the relevant policies and information, and consolidates the Company's position in the toll highway industry. As at the end of the Reporting Period, the relevant registration procedures of the shares have not been completed.

II. Financial Analysis

In the first half of 2010, the Group's operating results outperformed the Company's expectation. The Group recorded the profit attributable to the equity holders of the Company ("Profit") amounting to RMB359,499,000 (2009 Interim: RMB313,409,000), which represented a YOY increase of 14.71%. Excluding the impact of "provisions for maintenance/resurfacing obligations" (please refer to point 5 under the section "Analysis of Operating Results" for details), Profit of the Group for the Reporting Period amounted to RMB442,471,000 (comparable figure of 2009 Interim: RMB298,589,000), representing a YOY increase of 48.19%. During the Reporting Period, benefited from the continuous rebound of macro-economy and gradual improvement of road network, toll revenue derived from the toll highways invested and operated by the Group had recorded a significant growth.

The Group has made adjustments to the unit amortisation amount of concession intangible assets of Jihe West, Yanpai Expressway, Meiguan Expressway and Qinglian Class 2 Road based on the review results of traffic volume since 1 January 2010, which had no material impact on the financial position and operating result of the Group as a whole. For details related, please refer to the content of the section "Changes of Accounting Estimates" below.

(I) Analysis of Operating Results

1. Revenue

During the Reporting Period, the Group recorded revenue of RMB1,366,473,000, representing a YOY growth of 41.43%. Toll revenue is the main source of revenue of the Group, which recorded a YOY increase of 92.85% to RMB1,009,333,000.

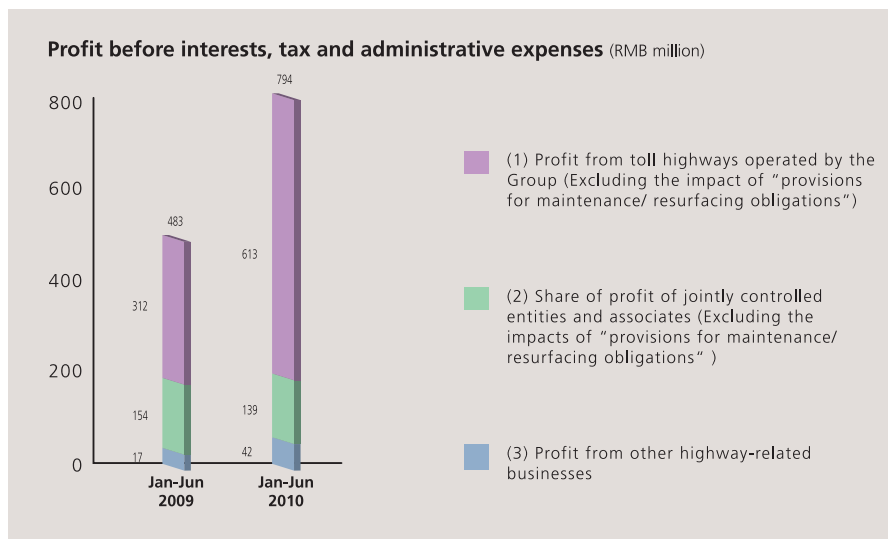
A detailed analysis of revenue is as follows:

Operating revenue by item	The Period (RMB'000)	Percentage of total	2009 Interim (RMB'000)	Percentage of total	Change
Toll revenue (Refer to 2.1 below for details)	1,009,333	73.86%	523,375	54.17%	92.85%
Construction revenue under service concessions (Refer to 2.3 below for details)	311,869	22.82%	410,307	42.47%	-23.99%
Management services income ^{Note} (Refer to 2.3 below for details)	20,161	1.48%	12,471	1.29%	61.67%
Other income (including income from advertising service)	25,110	1.84%	20,043	2.07%	25.28%
Total	1,366,473	100.00%	966,196	100.00%	41.43%

Note: Management services income included income from entrusted construction management services of RMB12,571,000 and income from entrusted operation management services of RMB7,590,000.

2. Profit before Interests, Tax and Administrative Expenses

During the Reporting Period, the Group's profit before interests, tax and administrative expenses amounted to RMB709,399,000 (2009 Interim: RMB495,568,000), representing a YOY increase of 43.15%. Excluding the impact of "provisions for maintenance/resurfacing obligations", the Group's profit before interests, tax and administrative expenses increased by 64.51% YOY. Profit contributed by principal business is as follows:



2.1 Profit from Toll Highways Operated by the Group

◆ Profit

Profit from toll highways operated by the Group for the Reporting Period amounted to RMB534,830,000 (2009 Interim: RMB264,840,000), representing a YOY growth of 101.94%. Excluding the impact of “provisions for maintenance/resurfacing obligations”, YOY growth amounted to RMB300,725,000, representing an increase of approximately 96.29%. It was principally attributable to the profit growth from Qinglian Project, Jihe West and Nanguang Expressway, and the consolidation of Jihe East Company into the financial statements of Group since 30 September 2009.

Toll highway	Percentage of interests held	Toll revenue		Cost of services ⁽¹⁾		Profit before interests, tax and administrative expenses ⁽¹⁾	
		The Period (RMB'000)	Change	The Period (RMB'000)	Change	The Period (RMB'000)	Change
Meiguan Expressway	100%	161,415	16.01%	37,822	24.05%	119,164	13.90%
Jihe East ⁽²⁾	100%	248,106	N/A	94,268	N/A	146,880	N/A
Jihe West	100%	197,425	22.57%	37,779	16.15%	154,843	25.01%
Yanpai Expressway	100%	73,661	19.68%	29,351	11.97%	42,311	26.31%
Yanba Expressway	100%	51,495	49.24%	32,138	38.16%	17,862	74.04%
Nanguang Expressway	100%	80,005	81.16%	35,840	31.93%	41,748	167.31%
Qinglian Project	76.37%	197,226	137.78%	100,609	84.69%	90,230	269.07%
Total		1,009,333	92.85%	367,807	89.46%	613,038	96.29%

Notes:

- (1) Cost of services and profit before interests, tax and administrative expenses for the Reporting Period excluded provisions for maintenance/resurfacing obligations of Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway. For details on provisions for maintenance/resurfacing obligations, please refer to the description of the sections “Cost of services” and “Provisions for Maintenance/resurfacing Obligations” below.
- (2) Jihe East has been consolidated into the financial statements of the Group since 30 September 2009.

◆ Toll revenue

For the Reporting Period, the Group recorded toll revenue of RMB1,009,333,000, representing a YOY increase of 92.85%. Jihe East Company has been consolidated into the Group since 30 September 2009, which increased the Group's toll revenue by RMB248,106,000 for the Reporting Period (2009 Interim: unconsolidated), accounting for 24.58% of the Group's toll revenue. The main part of Qinglian Project commenced expressway operation on 1 July 2009. Toll revenue from Qinglian Project increased by 137.78% YOY for the Reporting Period. Yanba C commenced operation on 25 March 2010, which increased the total operation mileage of Yanba Expressway and resulted in a YOY increase of 49.24% in the toll revenue of Yanba Expressway. The YOY growth in the toll revenue of other toll highways amounted to 26.26%. For operating performance of toll highway projects during the Reporting Period, please refer to the content of “Business Review” above.

◆ Cost of services

During the Reporting Period, cost of services for the Group's toll highways recorded a YOY increase of 84.61% to RMB446,015,000 (2009 Interim: RMB241,605,000). Excluding the impact of "provisions for maintenance/resurfacing obligations", cost of services increased by 89.46% YOY. Jihe East Company has been consolidated into the Group since 30 September 2009, which increased the cost of services of the Group by RMB94,268,000 (2009 Interim: unconsolidated), accounting for 25.63% of the cost of services for the Group's toll highways. Qinglian Project recorded a YOY increase of 84.69% in cost of services for the Reporting Period due to the growth in traffic volume and unit amortisation amount after the operation of Qinglian Expressway since 1 July 2009. The cost of services for remaining toll highways increased by 23.83% YOY. As Jihe East Company increased its amortisation of premium by RMB53,877,000 for the Reporting Period, the overall depreciation and amortisation expenses of the Group experienced a significant YOY increase.

A detailed analysis of cost of services is as follows:

Cost of services item	The Period (RMB'000)	Percentage of total	2009 Interim (RMB'000)	Percentage of total	Change
Employee expenses	48,329	13.14%	33,081	17.04%	46.09%
Road maintenance expenses ^{Note}	35,058	9.53%	16,944	8.73%	106.91%
Depreciation and amortisation	259,763	70.62%	119,521	61.57%	117.34%
Other cost of services	24,657	6.71%	24,585	12.66%	0.29%
Sub-total	367,807	100.00%	194,131	100.00%	89.46%
Provisions for maintenance/resurfacing obligations	78,208	—	47,474	—	64.74%
Total	446,015	—	241,605	—	84.61%

Note: Road maintenance expenses excluded the provisions for maintenance/resurfacing obligations of Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway.

The Group has made provisions for the maintenance/resurfacing obligations to Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway during the Reporting Period. As the expansion works on Meiguan Expressway is about to commence, while the Liannan Section of Qinglian Project has not been completed, no provisions for maintenance/resurfacing obligations were made to these projects for the Reporting Period. As at 1 April 2009, the Group has adjusted the accounting estimates of the above provisions for maintenance/resurfacing obligations based on the review results of the maintenance/resurfacing plan, which resulted in a significant YOY increase in the provisions for maintenance/resurfacing obligations of the Group for the Reporting Period. For details, please refer to the description in the section "Provisions for Maintenance/Resurfacing Obligations" below and notes 4(c) and 13 to the Financial Statements.

2.2 Share of Profit of Jointly Controlled Entities and Associates

The Group's share of profit of jointly controlled entities and associates for the Reporting Period amounted to RMB132,158,000 (2009 Interim: RMB213,830,000), representing a YOY decrease of 38.19%. Excluding the impact of "provisions for maintenance/resurfacing obligations", a YOY decrease of 9.55% was recorded. Excluding the relevant data of Jihe East Company, the investment profit of the Group for the Reporting Period increased by 64.79% YOY, mainly due to the growth in the traffic volume of toll highways operated by invested enterprises. A detailed analysis on share of profit of jointly controlled entities and associates is as follows:

Principal toll highway	Percentage of interests held	Toll revenue		Cost of services of toll highway ⁽¹⁾		Profit attributable to the Group ⁽³⁾	
		The Period (RMB'000)	Change in percentage	The Period (RMB'000)	Change in percentage	The Period (RMB'000)	Change in amount (RMB'000)
Jointly controlled entities:							
Wuhuang Expressway	55%	226,776	16.30%	105,386	17.53%	45,363	1,855
Changsha Ring Road	51%	12,961	14.90%	12,679	20.56%	1,332	-93
Associates:							
Shuiguan Expressway	40%	211,921	20.62%	43,208	11.73%	45,468	10,467
Shuiguan Extension	40%	41,879	28.65%	16,902	17.73%	4,363	2,020
Yangmao Expressway	25%	209,663	16.36%	71,037	7.22%	20,022	6,274
Guangwu Project	30%	68,534	28.22%	29,387	27.32%	4,083	3,469
Jiangzhong Project	25%	145,928	21.36%	78,925	20.32%	6,109	6,271
GZ W2 Expressway	25%	104,604	55.40%	46,697	27.30%	5,743	15,416
Nanjing Third Bridge	25%	146,085	22.97%	55,076	17.00%	5,660	8,164
Total⁽²⁾		1,168,351	22.40%	459,297	17.20%	138,143	53,843

Notes:

- (1) Cost of services for the Reporting Period and the comparative figures of 2009 Interim excluded provisions for maintenance/resurfacing obligations made or adjusted. Profit attributable to the Group excluded the corresponding impacts. For details on provisions for maintenance/resurfacing obligations, please refer to the description in section "Provisions for Maintenance/Resurfacing Obligations" below.
- (2) Jihe East Company was changed from a jointly controlled entity to a subsidiary of the Company, and has been consolidated into the Group since 30 September 2009. The table excluded the figures of Jihe East Company for 2009 interim (2009 Interim: RMB211,565,000 of toll revenue, RMB48,652,000 of cost of services and RMB69,344,000 of profit attributable to the Group).
- (3) Share of profit of Consulting Company of RMB895,000 (2009 Interim: RMB73,000) was not included in profit attributable to the Group for the Reporting Period.

2.3 Profit from Other Highway-related Businesses

◆ Profit from construction under service concessions

During the Reporting Period, the Group recognised revenue and costs from construction under services concession arrangements for Nanguang Expressway, Qinglian Project, Outer Ring Expressway and the expansion of Meiguan Expressway which are within the construction period, based on their percentages of completion in accordance with the relevant requirements of IFRIC 12. The Group recognised profit from construction services based on the budgets of the projects and reasonable estimates of profitability of the construction services. According to estimates of actual construction costs of each project of the Group for the Reporting Period, the Company did not recognise profit from construction services for the aforementioned projects (2009 Interim: nil). The details on the recognition principle of revenue from construction services and accounting estimates of profits are set out in note 4(a) to the Financial Statements. A detailed analysis on revenue from construction services is as follows:

Self-constructed expressway	The Period (RMB'000)			2009 Interim (RMB'000)			Percentage of Service Completed	
	Revenue	Cost	Profit before tax	Revenue	Cost	Profit before tax	Current Period	Cumulative
Nanguang Expressway	68,990	68,990	—	60,320	60,320	—	1.41%	90.77%
Yanba C	—	—	—	1,047	1,047	—	—	100%
Qinglian Project	229,141	229,141	—	337,696	337,696	—	3.75%	89.62%
Outer Ring Expressway	383	383	—	3,500	3,500	—	—	—
Expansion of Meiguan Expressway	13,355	13,355	—	7,744	7,744	—	1.73%	4.46%
Total	311,869	311,869	—	410,307	410,307	—		

◆ Profit from entrusted construction management services

During the Reporting Period, the government's audit work on the total construction costs for Nanping (Phase I) and the estimated budget for Wutong Mountain Project had not been completed and thus the Company's original estimates for these projects remained unchanged. The service results of Coastal Project, Nanping (Phase II), Longhua Extension, Shenyun Project and Hengping Link Section could not be predicted reliably, while the Directors are of the view that future reimbursements of management expenses and taxes incurred are probable, therefore the Company recognised revenue and costs for the Reporting Period based on actual management expenses and taxes of RMB12,571,000 incurred.

◆ Profit from entrusted operation management services

During the Reporting Period, pursuant to the provisions of the entrusted operation management agreement, the Company recognised revenue from entrusted operation management services for Longda Project of RMB7,590,000 and a relevant profit of RMB7,195,000 after deducting relevant business tax. The details are set out in note 24(d) to the Financial Statements.

3. Administrative Expenses and Finance Costs

The Group's administrative expenses for the Reporting Period amounted to RMB21,630,000 (2009 Interim: RMB26,604,000), representing a YOY decrease of 18.70%. Such decrease was mainly attributable to the decrease in specific expenses such as legal fee and consultancy fee. The Group's finance costs for the Reporting Period amounted to RMB261,023,000 (2009 Interim: RMB133,482,000), representing a YOY increase of 95.55%. Excluding the impact of "provisions for maintenance/resurfacing obligations", the Group's finance costs increased by 97.22% YOY. During the Reporting Period, the Group's finance costs for the Reporting Period increased significantly due to a rise of RMB118,895,000 in the expensed borrowing interests of Qinglian Project, despite YOY decrease in the Company's composite borrowing costs and increase in currency exchange gains. A detailed analysis on finance costs is as follows:

Item	The Period (RMB'000)	2009 Interim (RMB'000)	Change
Interest expenses	259,497	240,581	7.86%
Less: Interest capitalised	(9,209)	(119,448)	-92.29%
Exchange gain/loss and others	(12,513)	(567)	2,106.88%
Finance costs excluding time value of provisions for maintenance/resurfacing obligations	237,775	120,566	97.22%
Add: Time value of provisions for maintenance/resurfacing obligations	23,248	12,916	79.99%
Finance costs	261,023	133,482	95.55%

4. Income Tax Expenses

During the Reporting Period, the Group's income tax expenses amounted to RMB65,555,000 (2009 Interim: RMB19,220,000), representing a YOY increase of 241.08%. Excluding the impacts of "provisions for maintenance/resurfacing obligations", the Group's income tax expenses increased by 164.93% YOY. Excluding the relevant data of Jihe East Company, the income tax expenses for the Reporting Period recorded a YOY increase of 41.34%, mainly due to the increase in operating profit, and thus the corresponding increase in taxable income and tax rate (2010: 22%; 2009: 20%). The details are set out in note 19 to the Financial Statements.

5. Provisions for Maintenance/resurfacing Obligations

The impact of the Group's making and adjusting provisions for maintenance/resurfacing obligations on the Group's profit for the Reporting Period and 2009 Interim is analysed as follows:

Item	Impact of provisions for maintenance/resurfacing obligations (RMB'000)	
	Provisions made for the Period	Provisions made and adjusted for 2009 Interim
Cost of services	78,208	47,474
Of which: Jihe West	32,570	20,870
Yanpai Expressway	15,784	10,505
Yanba Expressway	18,856	10,942
Nanguang Expressway	10,998	5,157
Share of profit/(loss) of jointly controlled entities and associates ^{Note}	(6,880)	60,112
Profit/(loss) before interests, tax and administrative expenses	(85,088)	12,638
Finance costs	23,248	12,916
Income tax Expenses	(25,364)	(15,099)
Profit	(82,972)	14,821

Note: The difference between the share of profit/loss of jointly controlled entities and associates for the Reporting Period and that for 2009 Interim was mainly due to the adjustments to provisions for maintenance/resurfacing obligations of Jihe East Company. For details on the adjustment, please refer to the related content of the Annual Report 2009 of the Company.

6. Amortisation Policies of Concession Intangible Assets and Differences under Different Amortisation Methods

The Group's concession intangible assets are amortised based on the units-of-usage method, i.e. based on usage amount per unit, the amortisation amount is calculated by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducted regular reviews on the projected traffic volumes and made corresponding adjustments to ensure reliability and accuracy of the amortisation amount. Details on this accounting policy and estimates are set out in note 4(b) to the Financial Statements.

During the preliminary stages of toll highways' operation and before reaching their designated saturated traffic volumes, the amortisation amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. With the growth in traffic volumes of various toll highways in the Reporting Period, the amortisation difference under the two methods of amortisation attributable to the Group based on its equity interests was RMB68,705,000 and the YOY amortisation difference greatly decreased. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects. Data for reference calculated for various toll highways for the Reporting Period is as follows:

Toll highway	Percentage of interests held	Amortisation amount of operating rights (RMB million)			Amortisation difference attributable to the Company based on its share of interests (RMB million)	
		Units-of-usage method The Period	Units-of-usage method 2009 Interim	⁽¹⁾ Straight-line method	The Period	2009 Interim
The Company and subsidiaries ⁽²⁾:						
Meiguan Expressway	100%	21	15	18	3	-3
Jihe East	100%	77	17	⁽³⁾ 77	0	1
Jihe West	100%	18	14	14	4	0
Yanpai Expressway	100%	17	11	23	-6	-12
Yanba Expressway	100%	17	11	34	-17	-9
Nanguang Expressway	100%	15	8	43	-28	-35
Jointly controlled entities and associates:						
Wuhuang Expressway	55%	44	37	44	0	-4
Changsha Ring Road	51%	7	6	9	-1	-2
Shuiguan Expressway	40%	24	20	20	1	0
Shuiguan Extension	40%	10	8	12	-1	-2
Yangmao Expressway	25%	37	34	45	-2	-3
Guangwu Project	30%	17	14	29	-4	-4
Jiangzhong Project	25%	47	41	64	-4	-6
GZ W2 Expressway	25%	23	14	55	-8	-10
Nanjing Third Bridge	25%	34	27	55	-5	-7
Total					-68	-96

Notes:

- (1) Assuming the book values of the intangible assets are amortised evenly over the allowed operating periods granted by the concession grantors.
- (2) The Liannan Section of Qinglian Project has not been completed in the Reporting Period and the differences due to this project were not included.
- (3) Jihe East Company has been changed from a jointly controlled entity to a subsidiary of the Company since 30 September 2009. The amortisation amount of concession intangible assets of Jihe East Company for the Reporting Period included the amortisation of premium (Units-of-usage method: RMB54 million, straight-line method: RMB61 million).

(II) Financial Position

1. Assets, Equity and Liabilities

The Group's financial position remains solid, with its assets comprising mainly concession intangible assets in high-grade toll highways, as well as investments in jointly controlled entities and associates. As at 30 June 2010, the Group's total assets amounted to RMB22,355,182,000 (31 December 2009: RMB22,253,514,000), representing an increase of 0.46% over the end of 2009. The increase was primarily due to the reconstruction of Qinglian Class 1 Highway into an expressway, the remaining construction and investment of Nanguang Expressway and the amortisation of related assets.

As at 30 June 2010, the Group's total equity amounted to RMB8,993,191,000 (31 December 2009: RMB8,909,852,000), representing an increase of 0.94% over the end of 2009. This was mainly attributable to the profit for the Reporting Period and the deduction of dividend distributed for 2009.

As at 30 June 2010, outstanding bills payable, bonds payable and bank borrowings of the Group amounted to RMB10,208,911,000, which was basically in line with that at the end of 2009 (31 December 2009: RMB10,178,834,000), of which Qinglian Project had used borrowings of RMB5.263 billion.

2. Capital Structure and Debt Repayment Capability

	30 June 2010	31 December 2009
Debt-to-asset ratio (Total liabilities / Total assets)	59.77%	59.96%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents) / Total equity)	108.63%	108.87%

	Jan ~ Jun 2010	Jan ~ Dec 2009
Interest covered multiple (Profit before interests and tax / interest expenses)	2.43	1.86
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation / interest expenses)	3.38	2.49

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, to maintain its good credit ratings and solid financial position. With the increase of the profit from toll highway projects and the operating cash flows for the Reporting Period, the Group recorded decreases in various financial leverage ratios. Given the Group's stable and robust operating cash flows, and expected growth in cash flow after the operation of new projects, the Directors of the Company are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

3. Foreign-currency Denominated Assets and Liabilities

All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB3,034,000 and RMB1,182,973,000 worth of foreign currency-denominated liabilities in US\$ and HK\$, respectively, while RMB1,079,000 worth of foreign currency-denominated assets were in HK\$. Foreign currency-denominated items were net liabilities after netting off. Despite the positive impact of the current upward trend of RMB exchange rate on the Group, the Company has arranged relevant financial instruments to lock up the exchange rate and interest rate for the foreign currency-denominated liabilities of two medium to long-term loans denominated in HK\$ respectively to minimise the risk of exchange rate and interest rate in the future. The Company has arranged "Non-Deliverable Cross Currency Swap" ("NDS") for the loan of HK\$420,000,000 with a maturity period of five years to lock up its interest rate and exchange rate, and "Non-Deliverable Forward ("NDF")" for the loan of HK\$227,000,000 with a maturity period of three years to lock up the exchange rate.

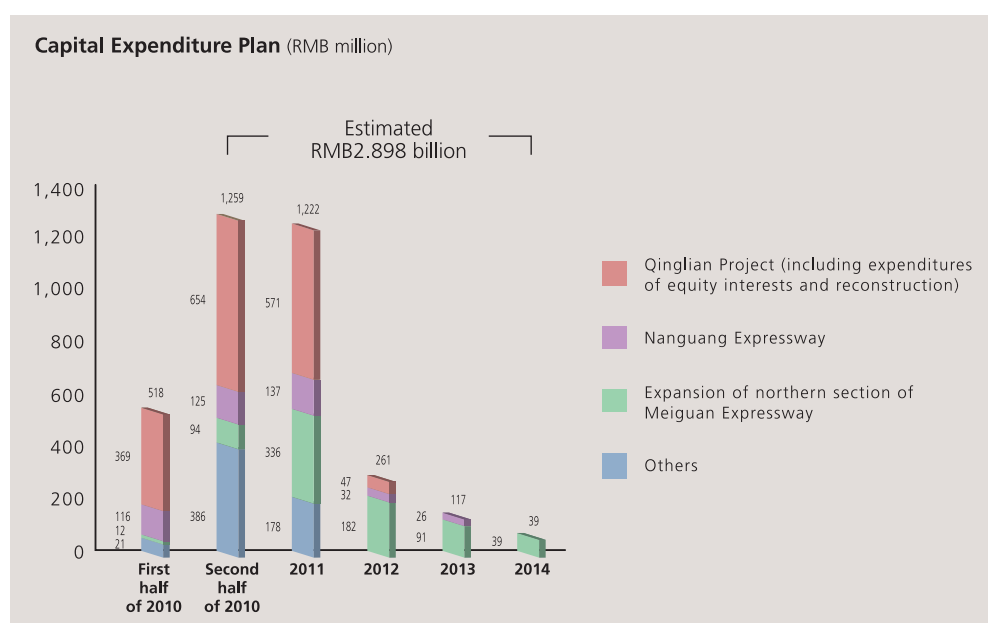
4. Contingencies

For details on the Group's contingencies during the Reporting Period, please refer to note 22 to the Financial Statements.

(III) Capital and Financing

1. Capital Expenditure

During the Reporting Period, the Group's capital expenditures comprised mainly the reconstruction of Qinglian Class 1 Highway into an expressway and the remaining construction and investments of Nanguang Expressway, totalling approximately RMB518,000,000. As at 30 June 2010, the Group's capital expenditure plan comprised mainly construction and investments in the reconstruction of Qinglian Class 1 Highway into an expressway, remaining construction and investments of Nanguang Expressway and the expansion of Meiguan Expressway. It is expected that the Group's total capital expenditures will amount to approximately RMB2.898 billion by the end of 2014. The Group plans to satisfy such capital needs with its own capital reserves and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are sufficient for satisfying the needs of various capital expenditures.

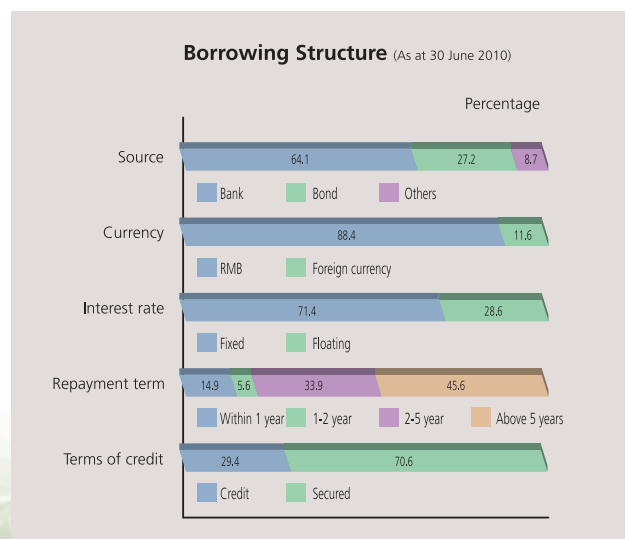


2. Operating Cash Flow

The toll revenue of the Group's principal toll highway operations is collected in cash, thereby giving a steady operating cash flow. During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totalled RMB813,362,000 (2009 Interim: RMB701,191,000), representing a YOY increase of 16%. After deducting the net amount of the receivables and payables of RMB163,658,000 for 2009 Interim on behalf of Coastal Expressway (Shenzhen Section) by the Group, the Group's net cash inflow from operating activities and cash return on investments increased YOY by 51.31%, which mainly resulted from the growth in toll revenue generated from the toll highways operated and invested by the Group and the corresponding increase in profit and cash flow as a result of acquisition of interests in Jihe East Company.

3. Financial Strategies and Financing Arrangements

During the Reporting Period, under the impact of the macro-economic control measures adopted by China, various financial institutions adopted considerably tightening credit policies. To prevent bank credit risks and explore new ways of financing, the Group issued medium-term notes totaling RMB700 million and considerably expanded the scale of entrusted loans during the Reporting Period, so as to further optimise its debt structure and reduce its capital costs. In order to lower the risk of fluctuations in finance costs, based on the expectation in the future changes in RMB exchange rate and foreign currency interest rates, the Group executed transaction arrangements under NDS and NDF during the Reporting Period, which locked up the exchange and interest rates of medium to long-term foreign currency loans totalling HK\$647 million, and thus kept the related borrowing cost at a lower level. During the Reporting Period, the Company continued to maintain the highest rating of AAA in credit rating for borrowing enterprises. Corporate bonds and Bonds with Warrants continued to maintain at the original credit rating of AAA, while the credit rating for the medium-term notes issued by the Group during the Reporting Period was AA+. The Group's composite borrowing costs for the Reporting Period amounted to 4.95%, which is 0.52 percentage point lower than that in 2009 (2009: composite borrowing costs of 5.47%).



As at 30 June 2010, the Group had obtained a total of RMB14.99 billion of banking facilities, of which RMB7.2 billion was credit facilities specifically for projects under construction and RMB7.79 billion was general credit facilities. At the end of the Reporting Period, unutilised banking facilities available amounted to RMB6.8 billion, of which RMB1.5 billion was credit facilities specifically for projects under construction and RMB5.3 billion was general banking credit facilities.

During the Reporting Period, there was no proceeds raised by the Company nor was there any proceeds raised in prior period that was utilised in the Reporting Period (as defined by CSRC).

(IV) Changes in Accounting Estimates

According to the requirements of the Company's related accounting policies and systems, in general consideration of the actual situation of major toll highways, the Group has changed the related accounting estimates of the unit amortisation amount of concession intangible assets of Jihe West, Yanpai Expressway, Meiguan Expressway and Qinglian Class 2 Road since 1 January 2010, based on the adjusted forecast of total standard traffic volume of the above sections for future operating period. The above changes in accounting estimates reduced the equity attributable to the equity holders of the Company as at 30 June 2010 by approximately RMB11,225,000 and Profit for the Reporting Period by RMB11,225,000. The change had no material impact on the financial position and operating results of the Group as a whole. Details on the Company's changes in accounting estimates of the unit amortisation amount of concession intangible assets is set out in note 4(b) to the Financial Statements.

III. Outlook and Plans

1. Analysis on Operating Environment

For the second half of 2010, it is expected that the external economic environment will not be susceptible to material adverse changes, while the stability or growth of the operating performance of toll highways will continue in the short term. However, the economic situation is complicated and subject to changes due to various factors. Our concerns will remain on the economic development trend, assessing of the impacts brought by changes in operating environment on the Company's operation and development, as well as the adoption of timely feasible measures.

With Shenzhen Special Economic Zone formally expanded in July 2010, regional trading activities are expected to be more active, resulting in strong demand for, and heavy pressure on traffic. On the other hand, a temporary "occasional toll free pass measures" were implemented in Guangdong Province during the peak hours of traffic volume during the May Day Holiday. As the period of implementation was short, the revenue of the Group for the Reporting Period was basically not affected. However, implementation of policies of similar natures will require the Group to enhance the capacity at the toll stations and to input more management resources, which will also bring challenges to the Group's operation management mode and scheme in the future.

Since the first quarter of the year, signs of tightening have been obvious in the credit policy of the State. The approval of bank loans and credit facility is strictly controlled and overall cost of financing of the market increased, whereas the pressure of rate hike is relieved to some extent. In view of the changes in the credit market, timely understanding of the policies and requirements, and adjustments on financing strategies and arrangements will enable the Group to capture market opportunities and reduce its risks of finance.

2. Analysis on Changes in Road Network

The changes in road networks have created stimulation and diversion effects. However, taking into account the performance of domestic economy and the level of car ownership, improvement of the road networks is expected at this stage to create greater positive stimulation effect on the projects of the Group. Set out below is the further information in respect of the operational performance in the second half of the year:

- *Yanba Expressway* – With car owners' increasing familiarity with the road networks, the stimulation effect brought by Huishen Coastal Expressway on the Yanba Expressway in the second half of the year will be more significant.
- *Guangwu Project* – the second phase of Guangwu Expressway (Hekou to Pingtai section) commenced operation at the end of June 2010. Consequently, the entire expressway from Guangzhou to Wuzhou has been opened and the transportation between the provinces in the southwestern region, Guangdong, Hong Kong and Macau become more convenient. The synergy effects among road networks will facilitate the rapid growth in Guangwu Project operation.
- *Jiangzhong Project* – the second phase of Guangzhu West Line commenced operation at the end of June 2010, linking Jiangzhong Project. This route shortens the time of the journey between Guangzhou and Zhongshan and thus attracts the traffic volume effectively. It is expected to have proactive impacts on the Jiangzhong Project in the long run.
- *Nanjing Third Bridge* – Nanjing Yangtze Tunnel commenced operation at the end of May 2010 and diverted part of the passenger car volume of Nanjing Third Bridge, the impact of which is expected to be increased in the second half of the year. The Southeast Section of Nanjing Raoyue Expressway is scheduled to commence operation in October, linking Nanjing Third Bridge, and be included synchronously in the expressway networks of Jiangsu. It is expected to have proactive impacts on Nanjing Third Bridge.

3. Focal Point of Work

During the Reporting Period, the Group facilitated the progress of all tasks proactively, promptly attended to the changes in the external environment and made corresponding adjustment to the business strategies, laying a solid foundation for achieving the operating objectives for the year. The focal points of work of the Group in the second half of the year include:

- ◆ assuring passing capacity, enhancing service quality, strengthening marketing strategies and ensuring achievement of the toll collection target. In the second half of the year, the Company will focus on the adoption of a multi-tier marketing strategy for the Yanba Expressway and further enhance the emergency response during the peak hours of each project.
- ◆ enhancing the management of road assets maintenance and reinforcing the in-depth study of the maintenance planning in terms of “The optimal cost of the whole lifespan cycle”. Having considered the specific construction conditions, the physical condition of the road assets and the work progress, some of the specific maintenance constructions or settlement is adjusted to be conducted in the second half of the year. It is expected that there will be a significant increase in the road maintenance expenses to be incurred for the second half of the year over that for the first half of the year.
- ◆ strengthening the supervision and management of the construction and entrusted construction projects to achieve the designated targets on safety, quality, cost and schedules.
- ◆ implementing the coordination for the operation and reconstruction arrangement of the South Section of Meiguan Expressway, strengthening the feasibility study of optimising the assets pool and proactively pushing ahead the research of new industries.
- ◆ persistently attending to and studying the changes in the credit environment and market policies, strengthening the management of financing and taxation, and controlling the total cost of capital.

The Group will continue to seize market opportunities and control risks reasonably in a practical manner for the constant enhancement of the shareholders’ value and return.



1. 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 2010 and the relevant financial information has not been audited.

The auditor of the Company, PricewaterhouseCoopers, has performed a review on the interim financial information of the Group for the six months ended 30 June 2010 prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting", in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and a report dated 20 August 2010 was issued by them.

2. Dividend Distribution

(1) Dividend distribution scheme for the interim of 2010

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2010 (2009 interim: Nil), nor does it recommend any conversion of capital reserve into share capital.

(2) Dividend distribution scheme for the year 2009 and its implementation

Pursuant to the approval at the 2009 Annual General Meeting, the Company paid a final cash dividend of RMB0.12 (tax included) per share for the year 2009 to all shareholders on the basis of the total share capital comprising 2,180,770,326 shares as at the year end of 2009, totaling RMB261,692,439.12. Such dividend distributions were completed by 13 July 2010.

3. Movements of Shares

During the Reporting Period, there was no change in the Company's total number of shares or share structure.

4. Profile of Shareholders

- (1) As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and Hong Kong, the Company had 41,951 shareholders in total, including 41,649 holders of domestic shares and 302 holders of H Shares.

- (2) As at the end of the Reporting Period, the information of the top ten holders of non-restricted circulating shares of the Company based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and Hong Kong were as follows:

Name of shareholder	Number of shares held	Type of shares
HKSCC Nominees Limited (Note)	710,303,098	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A Share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A Share
Huajian Transportation and Economic Development Centre	87,211,323	A Share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A Share
Ip Kow	15,126,000	H Share
Au Siu Kwok	11,000,000	H Share
Pictet Asset Management Limited - Pictet Fund (Luxemburg)	7,378,492	A Share
BOC - China AMC Sector Selected Securities Investment Fund (LOF)	5,133,698	A Share
CMB - Southern Strategy Optimised Securities Investment Fund	1,570,175	A Share

Note: The H Shares held by HKSCC Nominees Limited were held on behalf of various clients.

- (3) As at 30 June 2010, so far as is known to the Directors, Supervisors and senior management of the Company, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the domestic shares of the Company:

	Number of domestic shares	Approximate percentage of total issued domestic share capital	Approximate percentage of total issued share capital
SIHCL	⁽¹⁾ 1,066,239,887	74.39%	48.89%
SIHC	⁽¹⁾ 1,066,239,887	74.39%	48.89%
Ultrarich International Limited	⁽¹⁾ 1,066,239,887	74.39%	48.89%
Shenzhen International	⁽²⁾ 1,066,239,887	74.39%	48.89%
New Vision Limited	⁽²⁾ 1,066,239,887	74.39%	48.89%
Shenzhen International Limited	⁽²⁾ 1,066,239,887	74.39%	48.89%
XTC Company	⁽³⁾ 654,780,000	45.68%	30.03%
SGJ Shenzhen	⁽²⁾ 411,459,887	28.71%	18.87%
SGH Company	⁽³⁾ 411,459,887	28.71%	18.87%
Huajian Centre	⁽³⁾ 87,211,323	6.08%	4.00%

Long positions or short positions in the H Shares of the Company:

	Number of H Shares	Approximate percentage of total issued H Share capital	Approximate percentage of total issued share capital
The Real Return Group Limited	⁽⁴⁾ 75,049,000	10.04%	3.44%
Veritas Asset Management (UK) Limited	⁽⁴⁾ 74,050,000	9.91%	3.40%
SIHCL	⁽⁵⁾ 43,536,000	5.82%	2.00%
SIHC	⁽⁵⁾ 43,536,000	5.82%	2.00%
Ultrarich International Limited	⁽⁵⁾ 43,536,000	5.82%	2.00%
Shenzhen International	⁽⁵⁾ 43,536,000	5.82%	2.00%
New Vision Limited	⁽⁵⁾ 43,536,000	5.82%	2.00%
Shenzhen International Limited	⁽⁵⁾ 43,536,000	5.82%	2.00%
Successful Plan Assets Limited	⁽⁵⁾ 43,536,000	5.82%	2.00%
Advance Great Limited	⁽⁵⁾ 43,536,000	5.82%	2.00%
JPMorgan Chase & Co.	⁽⁶⁾ 38,337,583	5.13%	1.76%
JPMorgan Chase Bank, N.A.	⁽⁶⁾ 38,337,583	5.13%	1.76%

Notes:

- (1) Interests of controlled corporations owned through Shenzhen International. As at 30 June 2010, SIHC was interested in 40.55% of Shenzhen International, including holding directly 6.39% of shares of Shenzhen International and holding indirectly 34.16% of shares of Shenzhen International through its wholly-owned subsidiary Ultrarich International Limited. Pursuant to the SFO, SIHC and Ultrarich International Limited were deemed to be interested in shares of the Company owned by Shenzhen International. Pursuant to the arrangement of the Shenzhen Municipal Government, SIHC will be merged with SIHCL and on 15 October 2009, SIHC (as transferor) and SIHCL (as transferee) entered into share transfer agreement, to transfer all issued share of Ultrarich International Limited, which was not completed as at 30 June 2010. Pursuant to the SFO, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.
- (2) Interests of controlled corporations. SGH is a wholly-owned subsidiary of SGJ Shenzhen. XTC Company and SGJ Shenzhen are wholly-owned subsidiaries of Shenzhen International Limited. Shenzhen International Limited is a wholly-owned subsidiary of New Vision Limited. New Vision Limited is a wholly-owned subsidiary of Shenzhen International. Among the 1,066,239,887 domestic shares, 654,780,000 domestic shares were long positions held directly by XTC Company as beneficial owner and 411,459,887 domestic shares were long positions held directly by SGH Company as beneficial owner.
- (3) Long positions held directly as beneficial owner.
- (4) These 75,049,000 H Shares were interests of controlled corporations of The Real Return Group Limited, including 74,050,000 shares of long position held directly by Veritas Asset Management (UK) Limited.

- (5) Interests of controlled corporations owned through Advance Great Limited and long positions directly held by Advance Great Limited as beneficial owner. Advance Great Limited is a wholly-owned subsidiary of Successful Plan Assets Limited. Successful Plan Assets Limited is a wholly-owned subsidiary of Shenzhen International Limited. For the relations between SIHCL, SIHC, Ultrarich International Limited, Shenzhen International, New Vision Limited and Shenzhen International Limited, please refer to notes (1) and (2).
- (6) These 38,337,583 H Shares were interests of controlled corporations of JP Morgan Chase & Co., including 37,824,713 shares of lending pool held directly by JPMorgan Chase Bank, N.A. as custodian, and 512,870 shares of long position held indirectly by JPMorgan Chase Bank, N.A. as beneficial owner.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2010.

- (4) During the Reporting Period, there was no change in the Company's controlling shareholders or de-facto controller.

5. Purchase, Sale or Redemption of Securities

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

6. Bond Rating

In June 2010, 中誠信國際信用評級有限責任公司(China Chengxin International Credit Rating Co., Ltd.) gave a follow-up rating to the Company's "07 Shenzhen Expressway Bond" with reference to the comprehensive analysis and evaluation of the Company's operation and relevant industries since 2009. As ruled by 中誠信國際信用評級委員會 (China Chengxin International Credit Rating Committee), no adjustment was made to this follow-up rating and the credit rating of the bond remained AAA.

7. Model Code for Securities Transactions by Directors and Supervisors

The Securities Transaction Code of the Company has been adopted by the Board in accordance with relevant rules such as 《上市公司董事、監事和高級管理人員所持本公司股份及其變動管理規則》("Management Rules for Holding and Changing in the Shares of Listed Company by Its Director, Supervisor and Senior Management") issued by CSRC and Appendix 10 to the Listing Rules of HKEx entitled "Model Code for Securities Transactions by Directors of Listed Issuers" in light of the Company's actual situation, as a written guide to regulate dealings in the Company's securities by Directors, Supervisors and relevant staff. After making specific enquiry of all the Directors, Supervisors and senior management, the Company confirms that all of the Directors, Supervisors and senior management have complied with the standards on securities transactions by directors as stipulated by the aforementioned code during the Reporting Period.

8. Disclosure of Interests

During the Reporting Period, none of the Directors, Supervisors or senior management had held or traded the stock of the Company.

As at 30 June 2010, the interests or short positions of the Directors, Supervisors or senior management in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of the SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held	Approximate percentage of issued share capital of Shenzhen International	Nature of interests	Capacity
Li Jing Qi	20,000,000	0.14%	Personal	Beneficial owner

Interests in share option of Shenzhen International:

Name	Share option unexercised as at 1 Jan 2010	Number of share option granted during the Period	Number of share option exercised during the Period	Share option unexercised as at 30 Jun 2010	Nature of interests	Capacity
Li Jing Qi	9,000,000	Nil	9,000,000	Nil	Personal	Beneficial owner

Notes:

- (1) The above share options were granted on 19 January 2005 and could be exercised during the period from 19 January 2005 to 11 January 2010 with the exercise price HK\$ 0.282 per share.
- (2) Ordinary shares obtained upon exercise of share options by Mr. Li Jing Qi, a Director, were disposed during the Reporting Period.

Saved as disclosed above, as at 30 June 2010, none of the Directors, Supervisors or senior management had interests or short positions defined above.

9. Changes of the Directors, Supervisors and Senior Management

As approved by the shareholders at the general meeting held on 8 January 2010, Mr. He Sen has been appointed as the shareholders' representative supervisor of the fifth session of the Supervisory Committee and Mr. Yang Qin Hua has ceased to be a supervisor of the Company with effect from 8 January 2010. For details hereof, please refer to the announcement of the Company dated 8 January 2010.

10. Material Litigation and Arbitration

During the Reporting Period, there is no material litigation or arbitration arising in connection with the Company or its subsidiaries nor is there any material prior litigation or arbitration subsisting in the Reporting Period.

11. Material Acquisition, Sale and Business Combination

During the Reporting Period, there is no material acquisition, sale or business combination by the Company or its subsidiaries nor is there any prior material acquisition, sale or business combination subsisting during the Reporting Period.

12. Connected Transactions

(1) Continuing Connected Transaction

On 28 December 2009, the Company entered into an entrusted management agreement with Baotong Company. Pursuant to the entrusted management agreement, Baotong Company entrusted the Company to manage its 89.93% equity interest in Longda Company. The term of the entrusted management commenced on 1 January 2010 and will expire on 31 December 2011. The entrusted management fees are calculated on an annual basis at RMB15 million or 8% of the audited net profit of Longda Company (but in any event shall not exceed RMB25 million), whichever is the higher. The fees will be paid in cash by Baotong Company by installments to the Company. Longda Company is principally engaged in toll collection, maintenance, management and development of Longda Expressway.

As Baotong Company is a wholly-owned subsidiary of Shenzhen International, which is the indirectly controlling shareholder, in accordance to the Listing Rules of SSE, the transaction constitutes a connected transaction of the Company. According to the Listing Rules of HKEx, this transaction constitutes a continuing connected transaction of the Company. For details thereof, please refer to the announcement of the Company dated 28 December 2009. The entrusted management fees under this transaction were determined after arm's length negotiation between both parties with reference to the experience in operation and management of toll highways of the Company. During the Reporting Period, this connected transaction had no effect on the independence of the Company and the entrusted management agreement was normally performed. Income recognised for the Reporting Period accounted for 0.56% and 100 % of the Group's revenue and management service income from entrusted operation management service respectively.

(2) **Advances and liabilities or guarantees related to the connected parties (as defined in the relevant PRC regulatory rules):**

Unit: RMB'000

Connected party	Fund provided to the connected parties		Fund provided to the Company by the connected parties	
	Amount accrued	Balance	Amount accrued	Balance
⁽¹⁾ Coastal Company	—	—	23,888	24,470
⁽²⁾ Baotong Company	—	—	(507)	393
Nanjing Company	—	—	—	46,500
Total	—	—	23,381	71,363

Notes:

- (1) The operating fund intercourse to ensure timely payment for expenses incurred by Coastal Project.
- (2) Other payable for Baotong Company is the management fee received in advance pursuant to the entrusted construction agreement.

Besides, the loan in a sum of US\$446,840.00 from the Spanish Government on-lent by China Construction Bank was secured by a guarantee given by XTC Company, a substantial shareholder of the Company.

13. Management Contract

Pursuant to a contract dated 7 June 1995 together with subsequent amendments thereof, the Company's jointly controlled entity, Magerk Company, entrusted the toll collection of Wuhuang Expressway and the usage, management, preservation, maintenance and repair of Wuhuang Expressway and its ancillary facilities to 湖北省高等級公路管理局 (Hubei Bureau for the Administration of Higher Class Public Roads), or other sub-contractors whom it may designate from time to time (湖北武黃高速公路經營有限公司 (Hubei Wuhuang Expressway Management Co. Ltd.) is the sub-contractor currently designated), throughout the operating period of Wuhuang Expressway. The service was charged at a fee which is equivalent to a fixed percentage of the toll revenues. The aforesaid matters were disclosed in the announcement and circular of the Company in relation to the acquisition of interests in Wuhuang Expressway by the Company.

For the first half of 2010, investment income of the Group from Wuhuang Expressway amounted to RMB45,363,000, representing 12.61% of the profit attributable to the equity holders of the Company. The amount of entrusted management fees accounted for by Magerk Company during the Reporting Period was RMB57,261,000, of which RMB31,494,000 was attributable to the Company as to the interests held. The aforesaid management contract has no material impact on the financial position and operating results of the Group.

14. Mortgage and Pledge of Assets

As at the end of the Reporting Period, the Company and its subsidiaries had the following assets mortgaged or pledged:

Asset	Type	Bank	Scope of security	Terms
⁽¹⁾ 154,000,000 shares of JEL Company	Mortgage	Industrial and Commercial Bank of China (Asia) Limited	Principal and interests of a HK\$680 million bank loan	Until repayment of all liabilities by Mei Wah Company under the loan agreement
⁽²⁾ Toll collection rights of Qinglian project	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB4.66 billion	Until repayment of all liabilities by Qinglian Company under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the unconditional and irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)
47.3% toll collection rights of Nanguang Expressway	Pledge	Agricultural Bank of China Shenzhen Branch	Counter-guarantee for the unconditional and irrevocable guarantee with joint liability in respect of the redemption of the Bonds with Warrants issued by the Company with an amount of RMB1.5 billion upon maturity	Until repayment of Bonds with Warrants (principal and interests)
⁽³⁾ 40% equity interests in Qinglong Company	Pledge	Industrial and Commercial Bank of China Limited Shenzhen Branch	Principal and interests of bank loans in an aggregate amount of RMB1.3 billion	Until repayment of all liabilities by the Company under the loan agreement
RMB450 million fixed deposit	Pledge	Shanghai Pudong Development Bank Shenzhen Branch	Principal and interests of a HK\$510 million bank loan	Until 29 September 2010

Notes:

- (1) Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company. As at the end of the Reporting Period, the balance of such loan guaranteed was HK\$102 million.
- (2) Pledged by Qinglian Company, a subsidiary of the Company. Interests pledged are toll collection rights of Qinglian Class 1 Highway and Qinglian Class 2 Road during the reconstruction period of Qinglian Class 1 Highway into an expressway; and toll collection rights of Qinglian Expressway and Qinglian Class 2 Road after completion of the reconstruction of Qinglian Class 1 Highway into an expressway. As at the end of the Reporting Period, the balance of such consortium loans used by Qinglian Company was RMB3,733 million.
- (3) As at the end of the Reporting Period, the balance of such loans was RMB855 million.

15. External Guarantees

Unit: RMB million

External guarantees of the Company (excluding guarantees provided for subsidiaries)						
Name of the guaranteed	Date of occurrence (date of agreement)	Amount of guarantee	Type of guarantee	Term of guarantee	Completed or not	Guarantee for connected party or not
China Construction Bank Shenzhen Branch	2007-4-20	800	Counter -guarantee	From August 2007 until repayment of corporate bonds of the Company (principal and interests)	No	No
Agricultural Bank of China Shenzhen Branch	2008-7-11	1,500	Counter -guarantee	From February 2009 until repayment of Bonds with Warrants (principal and interests)	No	No
Total amount of guarantees occurred during the Reporting Period						0
Total balance of guarantees as at the end of the Reporting Period						2,300
Proportion of total amount of guarantees to the net assets of the Company						27.66%

Note: These two external guarantees had been approved by the 2006 Annual General Meeting and the 2007 Annual General Meeting of the Company respectively.

As for the financing needs in Hong Kong, Mei Wah Company, a wholly-owned subsidiary of the Company will accept the guarantee provided by the Industrial and Commercial Bank of China Limited (Shenzhen Branch). It was approved by the Second Extraordinary General Meeting 2010 that the Company will provide credit counter-guarantee for the bank which provides guarantee. It is expected that the guarantees which Mei Wah Company will accept for the related financing arrangement will not exceed HK\$645 million and such guarantees can be appropriately arranged in times. As at the end of the Reporting Period, the Group had not entered into the agreement related to this counter-guarantee.

In order to facilitate and improve the efficiency of financing work, it was approved by the 2009 Annual General Meeting that from the date on which the general meeting approved to the date on which the 2010 Annual General Meeting is held, the Board was granted to provided credit or mortgage/pledge counter-guarantee for the domestic commercial bank which provides guarantee for the Company or wholly-owned subsidiaries of the Company not exceeding RMB500 million in aggregate. As at the end of the Reporting Period, there was no counter-guarantee under this mandate.

16. Other Agreements

On 8 April 2010, the Group entered into a contract with the co-shareholder of Qinglian Company, whereby it is intended to make additional capital contribution to Qinglian Company. The Group will contribute RMB1.451 billion, including RMB976 million of transferred from shareholder's loan into registered capital and RMB475 million of cash injection. For details thereof, please refer to the announcement of the Company dated 9 April 2010. As at the date of this report, the approval procedure of the additional capital contribution is underway.

Save as disclosed in this report, the Company did not enter into any other material contracts in relation to entrustment, subcontracting, leasing, guarantee or cash assets management during the Reporting Period. Furthermore, there were no such prior material contracts subsisting during the Reporting Period.

17. Undertakings

- (1) The shareholders of the Company, XTC Company and SGH Company, each of which has more than 5% shareholding in the Company, have undertaken in the promoters' agreement that they will not engage in Shenzhen in any industry or business in any form, which, directly or indirectly, competes with the Company. The Company did not notice violation of such undertaking by the above two major shareholders up to the end of the Reporting Period.
- (2) Shenzhen International and SJG Shenzhen proposed to acquire 100% equity interest in SGH Company and made undertakings in 《詳式權益變動報告書》 (“Detailed Report on the Change of Equity Interests”) published on 18 October 2007 in the securities market of the PRC. The undertakings includes avoiding competitions and standardising connected transactions, etc. Details related is available in 《詳式權益變動報告書》 (“Detailed Report on the Change of Equity Interests”) published by Shenzhen International and SJG Shenzhen on 18 October 2007 or related contents of the annual report for the year 2007 of the Company. Up to the end of the Reporting Period, the Company did not notice violation of such undertaking by Shenzhen International and SJG Shenzhen.

18. Employees, Remuneration and Training

As at 30 June 2010, the Company and its wholly-owned subsidiaries had 1,836 employees, of whom 431 were management and professional staffs while 1,405 were toll collection staff.

The employee's remuneration and benefits of the Company comprise monthly salary, annual performance bonus and statutory and company benefits which are based on the principle of “salary is based on the individual position and changes with the position” and are determined according to the market value of the position and the overall performance of staff. Pursuant to statutory requirements, the Company has participated in an employee retirement scheme (social pension insurance) which is organised by the local government authorities, and has applied various protection plans such as basic medical insurance package, industrial injury insurance, unemployment insurance and child-bearing insurance for its employees. The Company values staff training. During the Reporting Period, the Company had organised more than ten related training courses such as operation management, engineering management, financial management, general management, and so forth, with a total of 427 participants.

19. Information Disclosure

During the Reporting Period, the Company released the Annual Report, 2 circulars, 19 announcements in the H share market and simultaneously disclosed 24 information documents released in the A share market, among which 9 announcements including monthly operational statistics, notice of annual results presentation are voluntarily disclosed information. The above disclosure documents are available for inspection and download on the website of HKEx at <http://www.hkex.com.hk> and the Company at <http://www.sz-expressway.com> respectively.

20. 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 and complied with the code provisions of the “Code on Corporate Governance Practices” as set out in Appendix 14 of the Listing Rules of HKEx. The current corporate governance practices of the Company have gone beyond the requirements of the aforesaid code provisions in certain aspects. Details related is available in the Annual Report 2009 of the Company.



21. Name of Directors

As at the date of this report, the Directors of the Company are Mr. Yang Hai (Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Li Jing Qi (Non-executive Director), Mr. Zhao Jun Rong (Non-executive Director), Mr. Tse Yat Hong (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. Lam Wai Hon, Ambrose (Independent Director), Mr. Ting Fook Cheung, Fred (Independent Director), Mr. Wang Hai Tao (Independent Director) and Mr. Zhang Li Min (Independent Director).

By Order of the Board

Yang Hai

Chairman

Shenzhen, PRC, 20 August 2010

R eport on Review of Interim Financial Information



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TO THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY COMPANY LIMITED

(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 40 to 65, which comprises the condensed consolidated balance sheet of Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the "Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2010



Condensed consolidated balance sheet

As at 30 June 2010

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,059,500	1,111,330
Investment properties	6	17,268	17,556
Construction in progress	6	14,765	18,084
Concession intangible assets	6	17,765,115	17,663,392
Prepaid leases	6	10,241	12,110
Investments in associates	7	1,297,102	1,275,094
Investments in jointly controlled entities	8	942,224	900,071
Available-for-sale financial assets		28,500	28,500
Deferred income tax assets	12	60,629	35,476
		21,195,344	21,061,613
Current assets			
Inventories		3,024	3,436
Trade and other receivables	9	249,838	219,107
Restricted cash	10	467,423	490,257
Cash and cash equivalents		439,553	479,101
		1,159,838	1,191,901
Total assets		22,355,182	22,253,514
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		2,180,770	2,180,770
Other reserves		4,536,158	4,539,806
Retained earnings			
– Proposed final dividend		—	261,692
– Others		1,597,186	1,237,687
		8,314,114	8,219,955
Non-controlling interest		679,077	689,897
Total equity		8,993,191	8,909,852

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	8,690,608	8,333,197
Deferred income tax liabilities	12	840,685	857,030
Provision for maintenance/resurfacing obligations	13	803,811	702,355
Derivative financial liabilities	14	205	—
		10,335,309	9,892,582
Current liabilities			
Trade and other payables	15	1,422,061	1,565,511
Current income tax liabilities		106,996	92,701
Borrowings	11	1,497,625	1,792,868
		3,026,682	3,451,080
Total liabilities		13,361,991	13,343,662
Total equity and liabilities		22,355,182	22,253,514
Net current liabilities		(1,866,844)	(2,259,179)
Total assets less current liabilities		19,328,500	18,802,434

The notes on pages 45 to 65 form an integral part of this condensed interim financial information.

Yang Hai
Director

Wu Ya De
Director



Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2010

Unaudited
Six months ended 30 June

	Note	2010 RMB'000	2009 RMB'000
Revenue	5	1,366,473	966,196
Cost of services	16	(816,163)	(686,601)
Gross profit		550,310	279,595
Other gains/(loss) - net	17	7,161	(2,144)
Administrative expenses	16	(21,630)	(26,604)
Operating profit		535,841	250,847
Finance income	18	7,258	3,721
Finance costs	18	(261,023)	(133,482)
Finance costs – net		(253,765)	(129,761)
Share of post-tax profit of jointly controlled entities		46,695	174,390
Share of post-tax profit/(loss) of associates		85,463	39,440
Profit before income tax		414,234	334,916
Income tax expenses	19	(65,555)	(19,220)
Profit for the period		348,679	315,696
Other comprehensive income for the period			
Cash flow hedges, net of tax		(3,648)	—
Total comprehensive income for the period		345,031	315,696
Profit attributable to:			
– Equity holders of the Company		359,499	313,409
– Non-controlling interest		(10,820)	2,287
		348,679	315,696
Total comprehensive income attributable to:			
– Equity holders of the Company		355,851	313,409
– Non-controlling interest		(10,820)	2,287
		345,031	315,696
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic and diluted	20	0.165	0.144

The notes on pages 45 to 65 form an integral part of this condensed interim financial information.

Unaudited
Six months ended 30 June

		2010 RMB'000	2009 RMB'000
Dividends	21	—	—



Condensed consolidated statement of changes in equity

For the six months ended 30 June 2010

Unaudited
Attributable to equity holders of the Company

	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interest RMB'000	Total equity RMB'000
Balance at 1 January 2009	2,180,700	3,594,861	1,271,797	7,047,358	704,783	7,752,141
Total comprehensive income for the period ended 30 June 2009	—	—	313,409	313,409	2,287	315,696
Transactions with owners						
Dividends relating to 2008 (Note 21)	—	—	(261,684)	(261,684)	—	(261,684)
Balance at 30 June 2009	2,180,700	3,594,861	1,323,522	7,099,083	707,070	7,806,153
Balance at 1 January 2010	2,180,770	4,539,806	1,499,379	8,219,955	689,897	8,909,852
Total comprehensive income for the period ended 30 June 2010	—	(3,648)	359,499	355,851	(10,820)	345,031
Transactions with owners						
Dividends relating to 2009 (Note 21)	—	—	(261,692)	(261,692)	—	(261,692)
Balance at 30 June 2010	2,180,770	4,536,158	1,597,186	8,314,114	679,077	8,993,191

The notes on pages 45 to 65 form an integral part of this condensed interim financial information.



Condensed consolidated cash flow statement

For the six months ended 30 June 2010

Unaudited
Six months ended 30 June

	2010 RMB'000	2009 RMB'000
Cash flows from operating activities - net	745,365	571,188
Cash flows from investing activities - net	(456,617)	(417,595)
Cash flows from financing activities - net	(328,304)	81,460
Net increase/(decrease) in cash and cash equivalents	(39,556)	235,053
Cash and cash equivalents at beginning of period	479,101	536,293
Exchange gains/(losses)	8	(77)
Cash and cash equivalents at end of period	439,553	771,269

The notes on pages 45 to 65 form an integral part of this condensed interim financial information.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2010

1 General information

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

The address of the registered office of the Company is 2-4/F, JiangSu Building, Yitian Road, Futian district, Shenzhen, the PRC.

The Company has its H shares and A shares listing on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 20 August 2010.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting". The PRC statutory financial statements of the Group have been prepared in accordance with the Accounting Standards for Business Enterprises (2006) of the People's Republic of China ("CAS"). Appropriate restatements have been made to the PRC statutory financial statements to conform with Hong Kong Financial Reporting Standards ("HKFRS").

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with HKFRS.

The Group reported net current liabilities of approximately RMB1.87 billion as at 30 June 2010. The directors of the Company made an assessment and concluded that there is no going concern issue based on the facts that the Group has been generating positive and increasing operating cash flows and it has not experienced any difficulties in renewing its banking facilities and there is no evidence indicating that the banks will not renew the facilities. In addition, the Group had unutilised banking facilities of approximately RMB6.8 billion at 30 June 2010 in order to meet its obligations and commitments. The directors considered that the Group has no going concern issue. Therefore, the interim financial information has been prepared by the directors of the Company on a going concern basis.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2010

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in 2009 annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

(b) The following new standards, amendments and interpretations to existing standards are effective in 2010, but are not currently relevant to the Group:

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.
- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group.
- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.
- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.
- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

3 Accounting policies (continued)

- (c) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:
- HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group has not yet decided when to adopt HKFRS 9.
 - HKAS 24 (Revised) 'Related party disclosures' supersedes HKAS 24 'Related party disclosures' issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011. Earlier application, for either the entire standard or the government-related entity, is permitted. The Group will apply the revised HKAS 24 from 1 January 2010.
 - Under 'Classification of rights issues' (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
 - Amendments to HK(IFRIC) Int-14 'Prepayments of a minimum funding requirement' corrects an unintended consequence of HK(IFRIC) Int-14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) Int-14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.
 - HK(IFRIC) –Int 19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
 - 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters' (Amendment to HKFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing HKFRS preparer.
 - Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010, by the HKICPA. All improvements are effective in the financial year of 2011.

3 Accounting policies (continued)

- (d) The Group entered into certain hedging activities in the first half of 2010 and adopted accounting policy:

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Gain or loss arising from subsequent change in the fair value of derivative financial instruments is recognised in profit and loss except for those effective portion of gain or loss on the derivative financial instruments designated as cash flow hedges which is recognised directly in other comprehensive income. Cash flow hedge represents a hedge against the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability and could affect the profit and loss.

The hedged items of cash flow hedge are the designated items with respect to the risks associated with future cash flow change of the Company and its subsidiaries. Hedging instruments are designated derivative for cash flow hedge whose cash flows are expected to offset changes in the cash flows of a hedged item.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months.

The Company and its subsidiaries document their assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The Company and its subsidiaries apply ratio analysis method to evaluate the ongoing effectiveness of the cash flow hedge.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in equity are reclassified to the statement of comprehensive income in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of cross currency and interest rate swap hedging variable rate borrowings and exchange forward hedging foreign currency borrowings is recognised in the statement of comprehensive income within 'financial cost'.

When a hedging instrument expires or is sold, terminated or exercised or when a hedge no longer meets the criteria for hedge accounting, the Company and its subsidiaries will discontinue hedge accounting.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction revenue recognition relating to concession contracts

Income and expenses associated with construction services and upgrade services provided under the concession service arrangements are recognised in accordance with HKAS 11 using the percentage of completion method. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable.

Due to the fact there was no real cash inflow realised/realisable during the construction phase of the infrastructure under the service concessions, in order to determine the construction revenue to be recognised during a reporting period, the directors of the Company made estimates of the respective amounts by making reference to the management service fees derived from the provision of project management services by the Group for construction of toll roads for respective PRC local governments without the corresponding grants of the related toll road operating rights and entitlement to future toll revenues. The directors of the Company have drawn an analogy of the construction of toll roads under the service concessions as if the Group were providing construction and project management services. Accordingly, construction revenue under the respective service concessions is recognised at the total expected construction costs of the related toll roads plus management fees, computed at a percentage of the costs.

In ascertaining the total construction costs, the directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant third party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans, etc. In ascertaining the amount of management fee, the directors have made reference to the practice for determining management fees for management construction contracts transacted by the Group, whereby the fee is determined based on a range of 1.5% to 2.5% on the total budgeted costs of each project, according to the scale and size of the respective projects.

The construction revenue for the period recognised by the Group under the percentage of completion method for the service concessions amounted to approximately RMB311,869,000 (2009 interim: RMB410,307,000). Due to the significant rise in construction and related costs during 2010, the gross profit derived from the construction activities was estimated to be insignificant and it had not been recognised in the current period (2009 interim: Nil). The directors of the Company consider that these are their current best estimates on the magnitude of construction revenue and related profits. Were the magnitudes of the final construction costs and the management fee applied as a percentage of the construction costs to be differed from management's current estimates, the Group would account for the change prospectively.

4 Critical accounting estimates and judgments (continued)

(b) Amortisation of concession intangible assets

The Group applied IFRIC 12 and recognised concession intangible assets under the service concessions arrangements and provides amortisation thereon.

Amortisation of concession intangible assets is provided under the Traffic Flow Amortisation Method. Material adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between total projected traffic volume and the actual results.

The directors performed a periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies and make an appropriate adjustment if there is a material difference. The Group had appointed an independent professional traffic consultant to perform independent professional traffic studies or internally revisited the four main toll roads in the first quarter of 2010, and prospectively adjusted the amortisation according to the revised total projected traffic volume starting from 1 January 2010. The detailed information of the influence of this change is described in Note 4(d).

(c) Provisions for maintenance/resurfacing obligations

The Group has contractual obligations under the service concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision.

The expenditures expected to be required to settle the obligations at the balance sheet date is determined based on the number of major maintenance and resurfacing to be undertaken throughout the allowed operating periods of some principal toll roads operated by the Group under the service concessions and the expected costs to be incurred for each event. The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by the directors of the Company, which were developed based on the Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on the discount rate estimated by the director which reflects the time value of money and the risks specific to the obligations.

If the expected expenditures, resurfacing plan and discount rate were different from management's current estimates, the change in provision for maintenance/resurfacing is required to be accounted for prospectively.

(d) Changes in critical accounting estimates and assumptions

In the first quarter of 2010, the Group appointed an independent professional traffic consultant or internally reassessed the future traffic volume of Airport-Heao Western Expressway, Yanpai Expressway, Meiguan Expressway and Qinglian Class 2 Highway. The Group has adjusted the amortization unit for concession intangible assets according to the revised total projected traffic volume since 1 January 2010 on prospective basis. Such change in accounting estimate has resulted in decrease in net profit of RMB 11,225,000 for to the six month ended 30 June 2010 and will impact the amortisation charges of the Group in the future.

5 Segment information

The principal activities of the Group are the development, operation and management of toll highways and expressways in the PRC.

In accordance with the Group's internal financial reporting provided to the board of directors of the Company, who is responsible for making strategic decisions, the Group is organised into the following two main business segments:

- Toll roads operations; and
- Construction under service concessions

Other operations mainly comprise provision of advertising services, construction management services and others. There has been no sales being carried out between segments. None of these operations constitutes a separate segment.

Business segment	Toll roads operations RMB'000	Construction under service concessions RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
Six months ended 30 June 2010					
Revenue (from external customers)	1,009,333	311,869	45,271	—	1,366,473
Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA")	797,213	—	10,324	129,963	937,500
Depreciation and amortisation	259,763	—	2,863	6,875	269,501
Finance income	1,375	—	143	5,740	7,258
Finance costs	(160,920)	—	(6)	(100,097)	(261,023)
Share of post-tax profit of jointly controlled entities	46,695	—	—	—	46,695
Share of post-tax profit of associates	84,568	—	895	—	85,463
Income tax expenses	(37,363)	—	(2,087)	(26,105)	(65,555)
Six months ended 30 June 2009					
Revenue (from external customers)	523,375	410,307	32,514	—	966,196
Adjusted EBITDA	384,361	—	10,728	201,171	596,260
Depreciation and amortisation	119,521	—	3,581	4,193	127,295
Finance income	—	—	—	3,721	3,721
Finance costs	(99,548)	—	—	(33,934)	(133,482)
Share of post-tax profit of jointly controlled entities	174,390	—	—	—	174,390
Share of post-tax profit of associates	39,367	—	73	—	39,440
Income tax expenses	(29,032)	—	—	9,812	(19,220)

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For the six months ended 30 June 2010

5 Segment information (continued)

Business segment	Toll roads operations RMB'000	Construction under service concessions RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
As at 30 June 2010					
Assets	18,337,663	767,214	136,401	3,113,904	22,355,182
Liabilities	691,207	1,140,397	54,600	11,475,787	13,361,991
As at 31 December 2009					
Assets	17,997,561	1,091,650	65,666	3,098,637	22,253,514
Liabilities	843,215	1,200,532	69,447	11,230,468	13,343,662

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Adjusted EBITDA for reportable segments	797,213	384,361
Other segments EBITDA	140,287	211,899
Total segments	937,500	596,260
Depreciation	(51,401)	(33,237)
Amortisation	(218,100)	(94,058)
Unrealised financial instrument gains	—	(2,089)
Finance costs – net	(253,765)	(129,761)
Others	—	(2,199)
Profit before tax	414,234	334,916

The Group is domiciled in the PRC. All revenue of the Group from external customers are generated in the PRC. Thus no geographic information is presented.

For the six months ended 30 June 2010, revenues of approximately RMB229,141,000 (for the six months ended 30 June 2009: RMB337,696,000) are derived from a single external customer. These revenues are attributable to construction under service concession.

6 Property, plant and equipment, investment property, construction in progress, concession intangible assets and prepaid leases

	Property, plant and equipment RMB'000	Investment property RMB'000	Construction in progress RMB'000	Concession intangible assets RMB'000	Prepaid leases RMB'000
Six months ended 30 June 2010					
Opening net book amount at 1 January 2010	1,111,330	17,556	18,084	17,663,392	12,110
Additions	15,507	—	14,537	311,869	—
Transfers	7,116	—	(13,201)	6,085	—
Disposals	(23,340)	—	(4,655)	—	—
Depreciation and amortisation	(51,113)	(288)	—	(216,231)	(1,869)
Closing net book amount at 30 June 2010	1,059,500	17,268	14,765	17,765,115	10,241
Six months ended 30 June 2009					
Opening net book amount at 1 January 2009	696,976	18,132	267,562	13,777,469	15,912
Additions	3,756	—	139,662	410,307	—
Transfers	367,305	—	(367,305)	—	—
Disposals	(527)	—	(635)	—	—
Depreciation and amortisation	(32,949)	(288)	—	(92,127)	(1,931)
Closing net book amount at 30 June 2009	1,034,561	17,844	39,284	14,095,649	13,981

	Opening net book amount at 1 January 2010 RMB'000	Additions RMB'000	Amortisation RMB'000	Closing net book amount at 30 June 2010 RMB'000
Concession intangible assets	17,663,392	317,954	(216,231)	17,765,115
Jihe West	639,411	—	(17,744)	621,667
Yanba Expressway (Yanba A, Yanba B)	707,332	—	(7,727)	699,605
Yanpai Expressway	831,560	—	(16,588)	814,972
Nanguang Expressway	2,456,161	68,990	(15,308)	2,509,843
Meiguan Expressway	766,794	19,440	(21,332)	764,902
Qinglian Expressway & Qinglian Class 1 Highway	8,328,590	229,140	(48,415)	8,509,315
Qinglian Class 2 Highway	300,553	—	(7,929)	292,624
Yanba Expressway (Yanba C)	554,362	—	(4,092)	550,270
Jihe West	3,058,591	—	(77,096)	2,981,495
The Shenzhen Outer Ring Expressway	20,038	384	—	20,422

7 Investments in associates

	30 June 2010 RMB'000	31 December 2009 RMB'000
Beginning of the period/year	1,275,094	1,264,681
Increase in investments in associates	—	45,000
Share of results	85,463	80,923
Dividends declared and appropriation made by associates	(63,455)	(115,510)
End of the period/year	1,297,102	1,275,094

Investments in associates at 30 June 2010 included goodwill of RMB76,936,000 (31 December 2009: RMB76,936,000).

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For the six months ended 30 June 2010

8 Investments in jointly controlled entities

	30 June 2010 RMB'000	31 December 2009 RMB'000
Beginning of the period/year	900,071	1,212,980
Share of results	46,695	252,049
Airport-Heao Eastern Company converted to subsidiary	—	(424,440)
Dividends declared and appropriation made by jointly controlled entities	(4,542)	(140,518)
End of the period/year	942,224	900,071

9 Trade and other receivables

	Note	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade receivables	(a)	204,088	176,713
Other receivables		32,135	34,121
Prepayments		6,015	5,693
Interest receivables		7,600	2,580
		249,838	219,107

(a) Trade receivables mainly included construction management service income due from the Shenzhen Transportation Bureau amounting to RMB158,959,000 (31 December 2009: RMB138,960,000).

The aging analysis of trade receivables was as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within 1 year	49,316	38,645
1 to 5 years	154,772	138,068
	204,088	176,713

Due to the fact that the Group is mainly engaged in toll road operations, its income is mainly received in cash and it usually does not maintain any accounts receivable balances. Accordingly, the Group does not have any specified credit period for its customers. Accounts receivables at 30 June 2010 mainly included the amounts due from the Local Government, which exposed to limited credit risk.

10 Restricted cash

	30 June 2010 RMB'000	31 December 2009 RMB'000
Bank fixed deposit denominated in RMB with a maturity of one year	450,000	450,000
Project funds retained for construction management contracts (Note 15(a))	17,423	30,882
Project fund relating to Yanjiang Project	—	9,375
	467,423	490,257

11 Borrowings

	Note	30 June 2010 RMB'000	31 December 2009 RMB'000
Non-current			
– Bank and other borrowings		5,914,403	6,285,944
– Convertible bonds		1,285,913	1,255,661
– Corporate bonds		791,926	791,592
– Medium-term notes	(a)	698,366	—
		8,690,608	8,333,197
Current			
	(b)	1,497,625	1,792,868
		10,188,233	10,126,065

(a) The Company's application for the issuance of medium term notes (the "Notes") with principal amount of RMB 700 million has been approved by the National Association of Financial Market Institutional Investors. The Notes has been issued successfully in two phases in March 2010. The Notes have terms of three years and bear floating interest rate. The applicable interest rate of the first phase notes is 3.72% per annum.

(b) Amongst the current bank borrowing, RMB360,000,000 was extended by the Magerk Company through China Merchants Bank. It is a 6 months' term loan bearing interest of 4.374% per annum.

Movement in borrowings is analysed as follows:

	RMB'000
Six months ended 30 June 2010	
Opening balance as at 1 January 2010	10,126,065
Issuance of medium-term notes	697,327
Proceeds from borrowings	861,746
Repayments of borrowings	(1,485,904)
Translation differences	(11,001)
Closing balance as at 30 June 2010	10,188,233
Six months ended 30 June 2009	
Opening balance as at 1 January 2009	8,022,706
Proceeds from borrowings	1,212,679
Repayments of borrowings	(857,263)
Translation differences	(4)
Closing balance as at 30 June 2009	8,378,118

As at 30 June 2010, the Group's borrowings are repayable as follows:

	Bank borrowings		Other borrowings and bonds	
	30 June 2010 RMB'000	31 December 2009 RMB'000	30 June 2010 RMB'000	31 December 2009 RMB'000
Within 1 year	1,494,591	1,789,817	3,034	3,051
Between 1 and 2 years	571,081	480,407	—	1,526
Between 2 and 5 years	1,475,062	1,628,193	1,984,279	1,255,661
Wholly repayable within 5 years	3,540,734	3,898,417	1,987,313	1,260,238
Over 5 years	3,868,260	4,175,818	791,926	791,592
	7,408,994	8,074,235	2,779,239	2,051,830

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2010

11 Borrowings (continued)

The Group had the following undrawn banking facilities:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Floating rate		
– Expiring within one year	3,421,000	3,249,000
– Expiring beyond one year	3,120,000	3,824,000
	6,541,000	7,073,000
Fixed rate		
– Expiring beyond one year	260,000	260,000
	6,801,000	7,333,000

12 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Deferred tax assets		
– to be recovered after more than 12 months	225,017	199,618
– to be recovered within 12 months	2,077	7,674
	227,094	207,292
Offset within the same tax jurisdiction	(166,465)	(171,816)
Net deferred tax assets	60,629	35,476
Deferred tax liabilities		
– to be settled after more than 12 months	959,557	939,705
– to be settled within 12 months	47,593	89,141
	1,007,150	1,028,846
Offset within the same tax jurisdiction	(166,465)	(171,816)
Net deferred tax liabilities	840,685	857,030

The gross movement on the deferred income tax account is as follows:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Beginning of the period	821,554	390,279
Recognised in the statement of comprehensive income	(41,498)	(20,409)
End of the period	780,056	369,870

12 Deferred income tax (continued)

The movements in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets				
	Payroll accrued but not paid RMB'000	Provision for maintenance/ resurfacing obligations RMB'000	Taxable local financial subsidies RMB'000	Total RMB'000
At 1 January 2010	6,819	175,589	24,884	207,292
Recognised in the statement of comprehensive income	(5,343)	25,364	(219)	19,802
At 30 June 2010	1,476	200,953	24,665	227,094
At 1 January 2009	—	76,033	25,313	101,346
Recognised in the statement of comprehensive income	—	15,098	(190)	14,908
At 30 June 2009	—	91,131	25,123	116,254
Deferred tax liabilities Difference of accounting base and tax base of				
	Concession intangible assets RMB'000	Convertible bonds RMB'000	Total RMB'000	
At 1 January 2010	975,031	53,815	1,028,846	
Recognised in the statement of comprehensive income	(15,627)	(6,069)	(21,696)	
At 30 June 2010	959,404	47,746	1,007,150	
At 1 January 2009	427,352	64,273	491,625	
Recognised in the statement of comprehensive income	(272)	(5,229)	(5,501)	
At 30 June 2009	427,080	59,044	486,124	

13 Provision for maintenance/resurfacing obligations

	30 June 2010 RMB'000	31 December 2009 RMB'000
Opening net book amount	702,355	304,133
Acquisition of a subsidiary	—	251,741
Charged to the income statement:		
– Additions	78,208	118,972
– Increase due to passage of time (Note 18)	23,248	27,509
Closing net book amount	803,811	702,355

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14 Derivative financial instruments

	Note	30 June 2010 RMB'000	31 December 2009 RMB'000
Non-current portion:			
Cross currency and interest rate swap – cash flow hedges	(a)	(6,566)	—
Forward foreign exchange contracts – cash flow hedges	(b)	6,361	—
		(205)	—

(a) Cross currency and interest rate swap

The Company uses a cross currency and interest rate swap contract to hedge its interest rate risk and exchange rate risk against one of its variable-rate foreign currency loans. The notional principal amount of the outstanding cross currency and interest rate swap contract at 30 June 2010 was HK\$420,000,000 (31 December 2009: N/A). Through this arrangement, the Company pays an annually fixed interest at 1.8% and the principal at a fixed HK\$/RMB exchange rate agreed in the contract while the original annual floating interest expense (3-month HIBOR+1.5%) and the floating principal payments (HK\$/RMB exchange spot rate) attached in the loan is offset by the receivable leg of the cross currency and interest rate swap. Such a swap is settled on a quarterly basis from June 2010 to September 2014.

(b) Forward foreign exchange contracts

The Company uses a forward foreign exchange contract to hedge its exchange rate risk against one of its foreign currency loans. The notional principal amount of the outstanding forward foreign exchange contract at 30 June 2010 was HK\$227,000,000 (31 December 2009: N/A). Through this arrangement, the Company will pay fixed principal in RMB at the contractual forward HK\$/RMB exchange rate and will receive foreign currency principal. Such forward foreign exchange contract will be settled on 17 September 2012.

The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income. During the period, the effective portion of the loss on the above hedging instruments amounting to RMB3,648,000 (2009 interim: N/A) has been recognised in other comprehensive income.

15 Other payables and accrued expenses

	Note	30 June 2010 RMB'000	31 December 2009 RMB'000
Payables for construction projects and quality deposits		891,719	1,072,990
Guaranteed deposits for construction projects contracts		140,538	141,388
Notes payable		20,678	52,769
Project funds retained for construction management contracts	(a)	17,423	30,882
Payable relating to Yanjiang Project	(b)	24,470	582
Advance from an associate	(c)	46,500	46,500
Interest payable		75,600	37,269
Salary payable		20,153	52,780
Dividend payable		81,177	—
Others	(d)	103,803	130,351
		1,422,061	1,565,511

- (a) This represents projects fund paid in advance by the Shenzhen Longgang Highway Bureau to the Company for the management of the project of main route of the Hengping Class 1 Highway Project under a construction management contract entered by the government authority and the Company.
- (b) The balance related to Yanjiang Project managed by the Company under a management service contract (the "Contract"). Under the Contract, the Company provides project management services for construction, operation and maintenance of the Yanjiang Project for the government authority. After the Company entered into the Contract with Shenzhen Investment Holding Company in November 2009, the Company offset the loans received against the construction advances made for the Yanjiang Project. As at 30 June 2010, the balance represented the net payable relating to the Yanjiang Project. The management service revenue of Yanjiang Project is 1.5% of the construction budget. The construction management services income of the Yanjiang Project recognised during the period, using the percentage of completion method in accordance with the accounting policies of the Group, amounted to approximately RMB8,060,000 (2009: Nil).
- (c) It represents the advances from Nanjing Yangzi River Third Bridge Company Limited, an associate of the Group.
- (d) It includes the management fee prepaid by Shenzhen Baotang Expressway Construction Company Limited ("Baotong Company") amounting to RMB393,000.

There is no credit period set out by the Group's suppliers.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2010

15 Other payables and accrued expenses (continued)

The aging analysis of other payables and accrued expenses was as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within 1 year	848,505	1,144,923
Over 1 year	573,556	420,588
	1,422,061	1,565,511

16 Expenses by nature

Six months ended 30 June

	Note	2010 RMB'000	2009 RMB'000
Construction costs under service concessions	(a)	311,869	410,307
Business tax and surcharges		36,594	19,938
Depreciation and amortisation		269,501	127,295
Employee benefit expenses		61,701	45,013
Road maintenance expenses		35,058	16,944
Provision for maintenance/resurfacing obligations		78,208	47,474
Other expenses		44,862	46,234
Total cost of services and administrative expenses		837,793	713,205

(a) This represented the construction costs recognised for the period associated with the construction and upgrade services provided under the service concessions using the percentage of completion method.

17 Other (loss)/gains - net

Six months ended 30 June

	Note	2010 RMB'000	2009 RMB'000
Loss on derivative instrument investments		—	(2,089)
Gain on disposal of property, plant and equipment	(a)	5,515	(75)
Others		1,646	20
		7,161	(2,144)

(a) This mainly represented net gain on disposal of the unused office building amounting to RMB5,794,000.

18 Finance income and finance costs

Six months ended 30 June

	2010 RMB'000	2009 RMB'000
Finance income		
Interest income from bank deposits	7,258	3,721
Finance costs		
Interest on bank and other borrowings and bonds	192,121	181,932
Interest on convertible bonds, corporate bonds and medium-term notes	67,376	58,649
Less: interest expenses capitalised in construction project	(9,209)	(119,448)
	250,288	121,133
Other interest expense (Note 13)	23,248	12,916
Other borrowing costs	1,907	284
Net foreign exchange gains	(14,420)	(851)
	261,023	133,482

Borrowing costs of RMB9,209,000 (2009 interim: RMB119,448,000) for the construction of toll roads and related facilities were capitalised during the period and had been included in additions to concession intangible assets. Capitalisation rates ranged from 4.374% to 6.120% (2009 interim: 5.346% to 7.047%) per annum were used, representing the borrowing costs of the loans used to finance the projects.

19 Income tax expenses

Six months ended 30 June

	2010 RMB'000	2009 RMB'000
Current income tax		
– PRC enterprise income tax	107,053	39,629
Deferred income tax		
– Origination and reversal of temporary differences	(41,498)	(20,409)
	65,555	19,220

The Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") was effective from 1 January 2008. According to the new CIT Law and the relevant regulations, the income tax rate applicable to the Company and all of its subsidiaries established in the PRC will be gradually increased to 25% over a five-year period from 2008 to 2012. The rates are 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012.

The PRC enterprise income tax charged to the current period income statement has been calculated based on assessable profits of the Company and its subsidiaries located in the PRC of the period at rates of tax applicable to the respective companies of 22% (2009: 20%).

The applicable tax rate to Mei Wah, a subsidiary of the Company incorporated in Hong Kong, is 16.5% (2009: 16.5%). No provision for Hong Kong profits tax has been made in the financial statements since the subsidiary has no income assessable under Hong Kong profits tax. Maxprofit is incorporated in the British Virgin Islands, which is not subject to profits tax.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2010

20 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	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	359,500	313,409
Number of ordinary shares in issue (thousands)	2,180,770	2,180,700
Basic earnings per share (RMB per share)	0.165	0.144

The Company had no potential dilutive shares in current period and the diluted earnings per share presented is the same with basic earnings per share.

21 Dividends

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2010 (2009 interim: nil), nor does it recommend any conversion of capital reserve into share capital.

A 2009 final dividend of RMB0.12 (2008 final: RMB0.12) per ordinary share, totaling RMB261,692,000 (2008 final: RMB261,684,000) was approved by the shareholders at the Annual General Meeting of the Company, RMB180,515,000 of which was paid in June 2010 (six months ended 30 June 2009: RMB180,527,000). The remaining dividend is paid in July 2010.

22 Contingent liabilities

(a) Projects construction management contracts

The Company has entered into certain project construction management contracts with government authorities. For Nanping Freeway (Phase II) Project and the renovation project of the Shenyun-North Ring Interchange in Shenzhen, the Company had arranged with banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau amounting to RMB50,000,000 and RMB1,000,000 respectively.

The Company has entered into a project construction management contract. For this project, the Company had arranged a bank to issue irrevocable performance guarantees on its behalf to Baotong Company amounting to RMB500,000.

(b) Contingent liabilities relating to enterprise income tax

As explained in more details in the 2008 annual financial statements, according to the demand by the Shenzhen Local Tax Bureau (the "Local Tax Bureau"), the Group had made a provision for enterprise income tax as at 31 December 2008 in the amount of RMB39,236,000. As of the date of approval of this financial information, no formal notice of reassessment/waiver had been issued by the Local Tax Bureau and other relevant authorities. The amount of any related penalty could not be ascertained with reasonably certainty. Thus no change has been made to the provision for the enterprise income tax liabilities and no provision has been made for the potential penalty.

22 Contingent liabilities (continued)

(c) Arbitration in progress

On 8 December 2004, the Company signed a construction contract (“the Contract”) with Shenzhen Pengcheng Construction Company Limited (“Shenzhen Pengcheng”) for Nanping Freeway (Phase I) Project. As disputes concerning the unit prices of some items under the Contract arose that were not resolved by mutual agreement, Shenzhen Pengcheng applied for arbitration to Shenzhen Arbitration Commission against the Company in 2008. As of the date of approval of this financial information, the arbitration process was still in progress. The directors had sought advice from the legal counsel and concluded that the result of the arbitration would not lead to any significant adverse impact on the Company’s operating results.

On 1 June 2004, the Company signed a construction contract with Jilin Great Wall Construction Company Limited (“Great Wall”) for Nanping (Phase I) Project. As disputes concerning construction volume and the unit prices of some items under the contract arose that were not resolved by mutual agreement, Great Wall applied for arbitration to Shenzhen Arbitration Commission against the Company in December 2009. As at 30 June 2010, the arbitration has been revoked, and the Company is still in the negotiation with the Great Wall on the quantities and unit price of the project. According to the relevant provisions and the views of the lawyer, the directors of the Company considered that the outcome of the negotiation will have no significant impact on the operating results of the Company.

23 Commitments

Capital expenditure and investment commitments at the balance sheet date not yet incurred are as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Capital commitments - construction of toll roads		
– contracted but not provided for	61,366	337,384
– authorised but not contracted for	2,505,558	1,903,996
	2,566,924	2,241,380
Investment commitments		
– authorised but not contracted for	607,000	132,000
	3,173,924	2,373,380

The above capital commitments are capital expenditures of concession intangible assets for Nanguang Expressway, the Shenzhen Outer Ring Expressway, Qinglian Expressway, and Meiguan Expressway. The investment commitment related addition capital injection to be made to Qinglong Company and Qinglian Company as approved by the board of directors of the Company.

In the opinion of the directors, the above commitments could be fulfilled by internal financial resources, banking facilities and external financing arrangements made available to the Group.

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2010

24 Related party transactions

As at 30 June 2010, Shenzhen International Holdings Limited ("Shenzhen International") indirectly hold 50.89% interests in the Company and is the ultimate holding company of the Company. Shenzhen International is de facto controlled by Shenzhen Investment Holding Corporation, which is supervised and managed by the Shenzhen Municipal State-owned Assets Supervision and Administration Commission, which is a state-owned authority.

Apart from the related party transactions and balances already disclosed in Notes 9(a), 11(b), 15(b), 15(c) and 15(d) to these financial information, the following material transactions were carried out with related parties on a normal commercial basis during the period.

- (a) The borrowings of USD446,840 (approximately RMB3,034,000) are guaranteed by Xin Tong Chan Development (Shenzhen) Company Limited, a shareholder of the Company.
- (b) Capital expenditures incurred and balances in relation to construction projects

Six months ended 30 June

	2010 RMB'000	2009 RMB'000
Capital expenditures incurred for concession projects and construction in progress by State-owned contractors	382,255	364,048

	30 June 2010 RMB'000	31 December 2009 RMB'000
Payables for construction projects and guarantee deposits to State-owned contractors	325,482	225,872

- (c) Payment of project management service fee

The Group entered into project management service contracts with Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company"), an associate of the Group. The total value of the such management service is approximately RMB94,458,000, which mainly relates to the management service provided to Qinglian Class I Highway reconstruction project. During the six months ended 30 June 2010, the Group paid a management fee of approximately RMB16,339,000 (2009 interim: RMB6,111,000) to Consulting Company. The cumulative management fee paid by the Group to Consulting Company amounted to approximately RMB89,189,000 up to 30 June 2010(2009 interim: RMB55,354,000).

24 Related party transactions (continued)

(d) Management entrustment

On 28 December 2009, the Company entered into an operation and management entrustment agreement with Baotong Company, a wholly-owned subsidiary of Shenzhen International. Pursuant to the agreement, Baotong Company entrusts the Company to manage the 89.93% equity interests held in Shenzhen Longda Expressway Company Limited ("Longda Company"). The term of the operation and management entrustment agreement commenced on 1 January 2010 and will expire on 31 December 2011. However, Baotong Company retains the legal ownership in and its entitlement to risks and rewards/obligations of Longda companies. In return for the services rendered, the Company is entitled to a management entrustment fee determined at the higher amount of an annual fee of RMB15 million, or at 8% of the annual audited net profit of Longda Company (but in any event shall not exceed RMB25 million). The management entrustment fee for the six months ended 30 June 2010 amounted to RMB7,590,000 (2009 interim: RMB7,500,000).

In May 2009, the Company entered into a project construction management contract with Yibin Company and Baotong Company. Pursuant to the contract, Baotong Company entrusts the Company to construct Longhua Extension of Longda Company ("Longhua Extension"). The period of construction is 24 months from the contract's signing date. The Group recorded the related construction management service income of RMB537,000.

(e) Key management compensation

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Salaries, bonuses and other short-term employee benefits	3,421	2,845

Supplementary Information

For the six months ended 30 June 2010

Reconciliation of interim financial information

The Group has prepared a separate set of unaudited interim financial statements for the six months ended 30 June 2010 in accordance with the CAS. The differences between the financial information prepared under the CAS and HKFRS are summarised as follows:

	Unaudited	
	Profit attributable to equity holders of the Company for the six months ended 30 June 2010 RMB'000	Equity attributable to equity holders of the Company as at 30 June 2009 RMB'000
As per PRC statutory financial statements	359,499	8,271,649
Impact of HKFRS adjustments:		
Adjustments arising from adoption of IFRIC 12		
– Profit recognition for construction services and amortisation of concession intangible assets	—	42,465
	—	42,465
As restated after HKFRS adjustments	359,499	8,314,114

1. Names of Highway and Road Project

Changsha Ring Road	Changsha National Highway Ring Road (Northwestern Section), located in Hunan Province
Coastal Expressway (Shenzhen Section)	The section from Nanshan district of Shenzhen to Dongbao River (the boundary between Dongguan City and Shenzhen City) of the coastal expressway from Guangzhou to Shenzhen
Coastal Project	The entrusted management of Coastal Company by the Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period. During the Reporting Period, it specifically refers to the entrusted management of Coastal Expressway (Shenzhen Section) during the construction period
Guangwu Project	The section from Ma'an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi (called <u>Guangwu Expressway</u> for short), located in Guangdong Province
GZ W2 Expressway	Xiaotang to Maoshan Section of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway, located in Guangdong Province
Hengping Project	The entrusted construction management of Shenzhen Hengping Class 1 Highway and the connecting section undertaken by the Company, among which the link section between Hengping Class 1 Highway and National Highway 205 is called <u>Hengping Link Section</u>
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan, located in Guangdong Province
Jihe Expressway	The expressway from Shenzhen airport to He'ao in Shenzhen City, comprising <u>Jihe East</u> and <u>Jihe West</u>
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan
Longda Project	The entrusted management of 89.93% equity interest in Longda Company by the Company, including the daily operation management of Longda Expressway
Longhua Extension	The entrusted construction management of Longhua Extension of Longda Expressway undertaken by the Company
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue
Nanjing Third Bridge	Nanjing Yangtze Third Bridge, located in Jiangsu Province

Nanping Project	The entrusted construction management of Shenzhen Nanping Freeway (also referred to as Nanping Avenue) undertaken by the Company, among which the first phase of Nanping Freeway is called <u>Nanping (Phase I)</u> and the second phase of Nanping Freeway is called <u>Nanping (Phase II)</u> , comprising section A and section B
Outer Ring Expressway	Shenzhen Outer Ring Expressway
Qinglian Project	<u>Qinglian Expressway</u> , <u>Qinglian Class 1 Highway</u> , <u>Qinglian Class 2 Road</u> and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be, located in Guangdong Province, among which the Lianzhou to Fengbu section of Qinglian Class 1 Highway approximately 27km having commenced reconstruction into an expressway since the first half of 2009 due to adjustments to the planning of connecting road network is called <u>Liannan Section</u>
Shenyun Project	The entrusted construction management of Shenyun-North Ring Interchange renovation undertaken by the Company
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City, also referred to as Yuping Avenue)
Wuhuang Expressway	The expressway from Wuhan to Huangshi, located in Hubei Province
Wutong Mountain Project	The entrusted construction management of Shenzhen Wutong Mountain Avenue (Ancillary Road) and Jihe Expressway Yantian Subsidiary Route Checkpoint Station undertaken by the Company
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising <u>Yanba A</u> , <u>Yanba B</u> and <u>Yanba C</u>
Yangmao Expressway	The expressway from Yangjiang to Maoming, located in Guangdong Province
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Route of Jihe Expressway

2. Enterprise Invested

Advertising Company	深圳市高速廣告有限公司 (Shenzhen Expressway Advertising Company Limited)
Consulting Company	深圳高速工程顧問有限公司 (Shenzhen Expressway Engineering Consulting Company Limited)
Guangdong UETC	廣東聯合電子收費股份有限公司 (Guangdong United Electronic Toll Collection Inc.)
JEL Company	Jade Emperor Limited, which holds 100% interests in Magerk Company
Jihe East Company	深圳機荷高速公路東段有限公司 (Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited), which owns Jihe East
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, which holds 100% interests in Maxprofit Gain Limited and 55% interests in JEL Company
Meiguan Company	深圳梅觀高速公路有限公司 (Shenzhen Meiguan Expressway Company Limited), which owns Meiguan 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
Qinglian Company	廣東清連公路發展有限公司 (Guangdong Qinglian Highway Development Company Limited), which owns Qinglian Project
Qinglong Company	深圳清龍高速公路有限公司 (Shenzhen Qinglong Expressway Company Limited), which owns Shuiguan Expressway

3. Others

A Shares	Renminbi-denominated ordinary shares of the Company with a par value of RMB1.00 each, which were issued in the PRC and subscribed in RMB and are listed on SSE
Baotong Company	深圳市寶通公路建設開發有限公司 (Shenzhen Baotong Highway Construction and Development Company Limited), which is a wholly-owned subsidiary of Shenzhen International, and owns 89.93% equity interest in Longda Company
Board	The board of Directors of the Company
Bonds with Warrants	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited), which is a wholly-owned subsidiary of SIHCL, and is engaged in the construction and operation of Coastal Expressway (Shenzhen Section)
Company, the Company	Shenzhen Expressway Company Limited
CSRC	China Securities Regulatory Commission
Director(s)	The director(s) of the Company
Group, the Group	The Company and its consolidated subsidiaries
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 HK\$ and are listed on HKEx
HK\$	Hong Kong dollars, the lawful currency of the Hong Kong Special Administration Region of the PRC
HKEx	The Stock Exchange of Hong Kong Limited
HKFRS	Hong Kong Financial Reporting Standards
Huajian Centre	華建交通經濟開發中心 (Huajian Transportation and Economic Development Centre), a shareholder of the Company
IFRIC 12	HK(IFRIC) - Int 12 "Service Concession Arrangements" issued by the Hong Kong Institute of Certified Public Accountants
Independent Director(s)	The independent non-executive Director(s) of the Company
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be)

Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited), which is a subsidiary of Shenzhen International, and owns Longda Expressway
PRC	The People's Republic of China, which for the purpose of this report, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
the Period, the Reporting Period	For the six months ended 30 June 2010
RMB	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SGH Company	深圳深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company), a shareholder of the Company
SGJ Shenzhen	深國際控股 (深圳) 有限公司 (Shenzhen International Holdings (SZ) Limited), formerly known as 怡萬實業發展 (深圳) 有限公司 (Yiwan Industry Development (Shenzhen) Company Limited), which is a wholly-owned subsidiary of Shenzhen International, and owns 100% equity interest in SGH Company
Shenzhen International	Shenzhen International Holdings Limited, the shares of which are listed on the main board of HKEx, the controlling shareholder of XTC Company and SGH Company
Shenzhen SASAB	深圳上國有資產監督管理局 (Shenzhen State-owned Assets Supervision and Administration Bureau)
SIHC	深圳市投資管理公司 (Shenzhen Investment Holding Corporation), which is the investment holding institutions under the People's Government of Shenzhen, supervised and managed by Shenzhen SASAB
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited), which is wholly-owned by Shenzhen SASAB
SSE	The Shanghai Stock Exchange
Supervisor(s)	The supervisor(s) of the Company
Supervisory Committee	The Supervisory Committee of the Company
XTC Company	新通產實業開發 (深圳) 有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳高速公路開發公司 (Shenzhen Freeway Development Company Limited), a shareholder of the Company

Note: For details of the highways, projects and enterprises invested, please refer to the content of Annual Report 2009 of the Company.

6 Corporate Information

Registered Names in Chinese and English	深圳高速公路股份有限公司 Shenzhen Expressway Company Limited
Legal Representative	YANG Hai
Registered Address and Place of Business	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code: 518026)
Website	http://www.sz-expressway.com
E-mail	szew@sz-expressway.com
Secretary of the Board / Company Secretary	WU Qian
Telephone	(86) 755-8285 3331
Securities Officer	GONG Xin
Telephone	(86) 755-8285 3338
Fax	(86) 755-8285 3400
Investor Hotline	(86) 755-8285 3330
E-mail	secretary@sz-expressway.com
Contact Address	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen
Listing Exchanges	A Share: The Shanghai Stock Exchange Security Code: 600548 Abbreviation: Shenzhen Expressway Bond: The Shanghai Stock Exchange Security Code: 126006 Abbreviation: 07 Shenzhen Expressway Bond H Share: The Stock Exchange of Hong Kong Limited Security Code: 00548 Abbreviation: Shenzhen Expressway
Designated Publication Website	http://www.sse.com.cn http://www.hkex.com.hk http://www.sz-expressway.com
Interim Report Available at:	PRC: Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen Hong Kong: Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Statutory Auditor	PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. 11/F, PricewaterhouseCoopers Centre, 202 Hubin Road, Shanghai
International Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong

PRC Legal Adviser	Guangdong Junyan Law Firm 13/F, Dutyfree Business Building, First Fuhua Road, Shenzhen
Hong Kong Legal Adviser	Loong & Yeung, Solicitors Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Domestic Share Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lu Jia Zui Road East, Pudong New District, Shanghai
Share Registrar and Transfer Office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor Relations Consultant of A Shares	Everbloom Investment Consultant Company Limited Room 512-515, 5th Floor, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor Relations Consultant of H Shares	Rikes Hill & Knowlton Limited Room 1312, Wing On Centre, 111 Connaught Road Central, Hong Kong
Place of Business in Hong Kong	Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996
Principal Banks	Industrial and Commercial Bank of China China Merchants Bank China Development Bank

As the Directors and senior management of Shenzhen Expressway Company Limited ("Company"), we confirm that there are no false representations or misleading statements contained in or material omissions from the Interim Report 2010 of the Company, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of the report.

20 August 2010

Directors who signed this Confirmation:

Yang Hai

Wu Ya De

Li Jing Zi

Zhao Jun Rong

Tse Yat Hong

Lin Xiang Ke

Zhang Yang

*Chiu Chi Cheong,
Clifton*

*Lam Wai Hon,
Ambrose*

*Ting Fook Cheung,
Fred*

Wang Hai Tao

Zhang Li Min

Senior Management who signed this Confirmation:

Li Jian

Zhou Ling Ming

Ge Fei

Liao Xiang Wen

Gong Tao Tao

Wu Xian

Wu Zian