



Shenzhen International  
深國際

2012  
Interim Report 中期報告

Advancing  
Together,  
Harvesting  
Together  
共同進步 分享快樂

Shenzhen International Holdings Limited  
深圳國際控股有限公司

(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

Stock Code 股份代號: 00152

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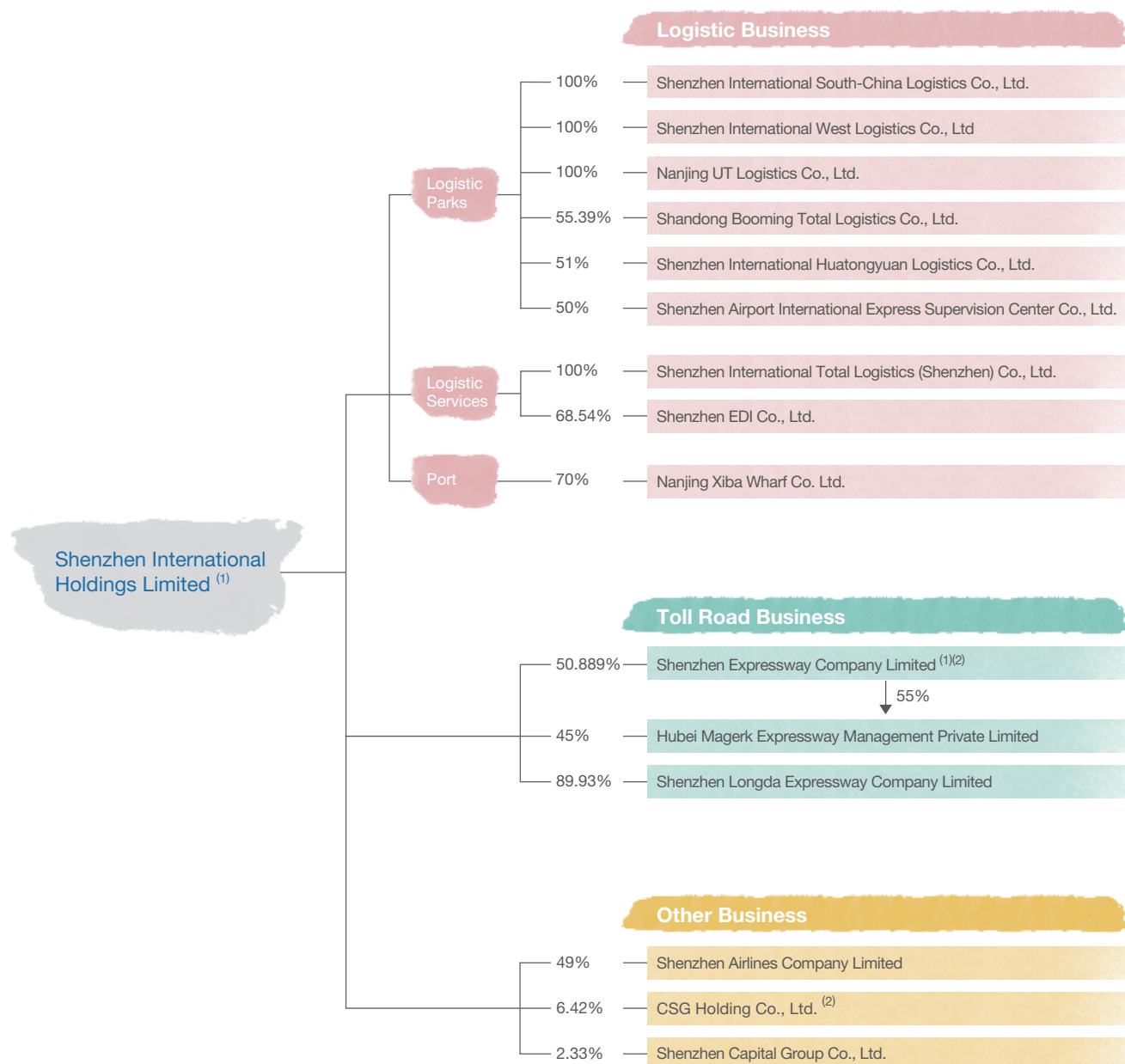
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## CORPORATE PROFILE

Shenzhen International Holdings Limited is a company incorporated in Bermuda with limited liability and is listed on the main board of the Stock Exchange of Hong Kong. The Group is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities.

Shenzhen Investment Holdings Company Limited, the controlling shareholder of the Company, is a corporation wholly-owned by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission and, as at the date of this report holds approximately 48.59% of the issued share capital of the Company.

The Group's development strategy defines the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim in the PRC as strategic regions, through acquisitions, restructuring and integration, the Group endeavours to invest, construct and operate logistic infrastructure projects such as logistic parks and toll roads and applies supply-chain management techniques and information technology to provide high-end and value-added logistic services to customers, creating greater value for its shareholders.



(1) Listed company in Hong Kong

(2) Listed company in the PRC

In this report, the English names of the PRC entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors:

Guo Yuan (*Chairman*)  
Li Jing Qi (*Chief Executive Officer*)  
Liu Jun (*Vice President*)  
Yang Hai

### Non-Executive Directors:

Wang Dao Hai  
Wong Yuk Shan

### Independent Non-Executive Directors:

Leung Ming Yuen, Simon  
Ding Xun  
Nip Yun Wing

## AUDIT COMMITTEE

Leung Ming Yuen, Simon (*Chairman*)  
Ding Xun  
Nip Yun Wing

## NOMINATION COMMITTEE

Ding Xun (*Chairman*)  
Leung Ming Yuen, Simon  
Li Jing Qi

## REMUNERATION COMMITTEE

Ding Xun (*Chairman*)  
Leung Ming Yuen, Simon  
Li Jing Qi

## COMPANY SECRETARY

Tam Mei Mei

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 2206-2208, 22nd Floor  
Greenfield Tower, Concordia Plaza  
No. 1 Science Museum Road  
Tsimshatsui East  
Kowloon, Hong Kong

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## COMPANY WEBSITE

<http://www.szihl.com>

## STOCK CODE

Shares : 00152  
Senior Notes : 04542 (SZ INTL N1704)

## AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
Hong Kong

## LEGAL ADVISERS

Reed Smith Richards Butler (*Hong Kong Legal Advisers*)

## PRINCIPAL BANKERS

Bank of China (*Hong Kong*)  
Bank of Communications  
Bank of Jiangsu (*PRC Domestic Bank*)  
The Bank of Tokyo-Mitsubishi UFJ, Hong Kong Branch  
China Everbright Bank (*PRC Domestic Bank*)  
China Merchants Bank  
DBS Bank  
Guangdong Development Bank  
(*PRC Domestic Bank*)  
Hang Seng Bank  
ING Bank N.V.  
Shanghai Pudong Development Bank  
(*PRC Domestic Bank*)  
Shenzhen Development Bank  
(*PRC Domestic Bank*)  
Standard Chartered Bank  
Wing Lung Bank

## PRINCIPAL SHARE REGISTRAR

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East, Hong Kong

## INVESTOR RELATIONS CONSULTANT

Hill+Knowlton Strategies Asia  
36th Floor, PCCW Tower, Taikoo Place  
979 King's Road, Quarry Bay, Hong Kong

## FINANCIAL HIGHLIGHTS

### ANALYSIS OF REVENUE AND PROFIT BEFORE FINANCE COSTS AND TAX BY PRINCIPAL ACTIVITIES

For the six months ended 30 June (HK\$ Million)	Revenue		Operating profit		Share of profit of associates and jointly controlled entities		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	Toll roads							
– Toll revenue	2,198	1,926	1,216	976	84	98	1,300	1,074
– Construction service revenue	205	442	–	–	–	–	–	–
	2,403	2,368	1,216	976	84	98	1,300	1,074
Logistic business								
– Logistic parks	244	223	86	66	5	4	91	70
– Logistic services	153	114	4	8	–	–	4	8
– Port	57	37	20	11	–	–	20	11
	2,857	2,742	1,326	1,061	89	102	1,415	1,163
Head office	–	–	–	380	369	187	369	567
Profit before finance costs and tax	2,857	2,742	1,326	1,441	458	289	1,784	1,730
Finance income							35	14
Finance costs							(508)	(300)
Finance costs – net							(473)	(286)
Profit before income tax							1,311	1,444

	For the six months ended 30 June		
	2012 HK\$ million	2011 HK\$ million	Increase/ (Decrease)
<b>Results</b>			
Revenue	2,857	2,742	4%
Operating profit	1,326	1,441	(8%)
Profit before income tax	1,311	1,444	(9%)
Profit attributable to shareholders	805	954	(16%)
Basic earnings per share (HK cents)	4.91	5.83	(16%)
Core EBITDA to interest expense multiple	4.60 times	6.32 times	(1.72 times) <sup>Δ</sup>

	30 June 2012		31 December 2011	Increase
	HK\$ million			
<b>Financial Position</b>				
Total assets	41,308	39,901		4%
Total equity	18,389	18,148		1%
Debt asset ratio (Total liabilities/Total assets)	55%	55%		–
Ratio of Net borrowings to Total equity	72%	72%		–
Ratio of Total borrowings to Total equity	99%	92%		7%*
Net asset value per share attributable to shareholders (HK dollar)	0.70	0.68		3%

<sup>Δ</sup> Change in multiple

\* Change in percentage point

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERALL REVIEW

### International Credit Ratings and Issuance of US Dollar Senior Notes

In early 2012, the Group was awarded investment grade credit ratings of BBB and Baa3 by international credit rating agencies, Standard & Poor's and Moody's respectively, reflecting the high-quality assets, stable financial position, adequate cash flow and strong credit standing of the Group. On 20 April 2012, the Company successfully issued a five-year US\$300,000,000 senior note with a coupon of 4.375% per annum with overwhelming market response. The issue not only demonstrated recognition of the Group's business development and profitability by the market, but also widened the Group's financing channels to facilitate its future business expansion.

### Operating Results

In the first half of 2012, the global economy continued to remain weak, causing demand in China and other countries to decline. Under the influence of various unfavourable factors, including the difficult external environment as well as the negative impact brought by the policy changes in China, the Group's recurring profit for the six months ended 30 June 2012 (the "Period") remained stable with a slight growth, reflecting the core business and assets of the Group have strong capability to sustain profitability and withstand risk.

	For the six months ended 30 June		Increase/ (Decrease)
	2012 HK\$'000	2011 HK\$'000	
Revenue (excluding construction service revenue from toll roads)	<b>2,651,720</b>	2,300,462	15%
Construction service revenue from toll roads	<b>204,923</b>	441,927	(54%)
<b>Total Revenue</b>	<b>2,856,643</b>	2,742,389	4%
<b>Profit before finance costs and tax</b>	<b>1,784,074</b>	1,729,684	3%
of which: Core Business	<b>1,784,074</b>	1,390,495	28%
<b>Profit attributable to shareholders</b>	<b>804,656</b>	954,351	(16%)
of which: Core Business	<b>804,656</b>	698,256	15%
<b>Basic earnings per share (HK cents)</b>	<b>4.91</b>	5.83	(16%)

During the Period, revenue from the Group's core business rose 15% to reach HK\$2,652 million, of which revenue from the logistic business and toll revenue increased by 21% and 14% respectively as compared to the corresponding period of the previous year. Profit before finance costs and tax from the Group's core business amounted to HK\$1,784 million, representing an increase of 28% as compared to the corresponding period of the previous year, while profit attributable to shareholders of the core business rose 15% to HK\$805 million. Due to a weak China stock market during the first half of 2012, the Group did not dispose of any A shares of CSG Holding Co., Ltd. ("CSG"), whereas the Group disposed of A shares of CSG during the corresponding period of the previous year and recorded a non-recurring gain after tax of approximately HK\$256 million, causing the profit attributable to shareholders to drop 16% as compared to the corresponding period of the previous year.



Revenue from the Group's logistic business amounted to HK\$454 million during the Period, an increase of 21% over the corresponding period of the previous year, while profit attributable to shareholders increased by 18% to HK\$70.82 million as compared to the corresponding period of the previous year. During the Period, a number of factors led to the increase in revenue and profit of the Group's logistic business, including (1) the continuing improvement of operating efficiency and enhancement of economy of scale of the logistic centres in the logistic parks, combined with successful marketing strategies, (2) the significant rise in revenue from the logistic service business driven by the increase in business volume from certain major customers, and (3) the growing maturity of the port business during the Period, which was still at cultivation stage during the corresponding period of the previous year.

During the Period, toll revenue from the Group's toll road business increased by 14% to HK\$2,198 million, while profit attributable to shareholders increased by 12% to HK\$446 million as compared with the corresponding period in 2011. The growth in revenue and profit was mainly attributable to the opening of new road sections, as well as the recognition of a revenue amounting to HK\$117 million from the entrusted construction management services during the Period.

On 4 January 2012, the Group completed the acquisition of an additional 24% equity interest in Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate of the Company, and the shareholding in Shenzhen Airlines increased to 49%. During the Period, Shenzhen Airlines contributed a profit of HK\$341 million to the Group, representing an increase of 83% over the corresponding period of the previous year. During the Period, Shenzhen Airlines has fully offset its accumulated loss. It is expected that Shenzhen Airlines will continue to generate profit in the second half of 2012 and may distribute dividend to the Group.

### Progress of the Qianhai Area Development Plan

Subsequent to the earlier review and approval by the State Council for the "Overall Development Plan on Hong Kong/Shenzhen Co-operation on Modern Service Industries in Qianhai Area", the "Consolidated Plan on Hong Kong/Shenzhen Co-operation on Modern Service Industries in Qianhai Area", together with a series of policies in relation to finance, taxation, regulations etc., were launched during the first half of 2012. The Qianhai Area will be developed into a new international modern service industries zone for financial services, modern logistics, information services and technology services.





## Management Discussion and Analysis

The location of the Group's wholly-owned Western Logistic Park has been included in Shenzhen Qianhai Shenzhen/Hong Kong Modern Service Industries Cooperation Zone. As the focus of the development of the modern logistics industry in Qianhai Area is in line with the Group's development directions, the Group is actively repositioning the land of Western Logistic Park according to Qianhai's policy and plan. The Group has also signed strategic collaboration MOUs with several leading enterprises recently. At the same time, following the redevelopment plan for the Qianhai area, the Group will strengthen the communication with the respective government departments, and strive to obtain more land interests in the transformation process of the function of land. Through the transformation and enhancement of the existing logistic business, the economic value of the Group's land is expected to be further enhanced.

In the second half of 2012, the Group will closely monitor the progress of the implementation of Qianhai's policies and measures, and will continue to interact closely with the Qianhai Management Bureau and relevant government departments so as to facilitate the future work on the planning, design, business development and operation of the project.

### Changes in and Impacts of the Toll Road Policy

The unified standardisation of the toll fees for all expressways in Guangdong Province (the "Standardisation Scheme") was implemented on 1 June 2012. Also, the State Council has recently approved an implementation scheme, pursuant to which small passenger vehicles are entitled to waiver of toll fee during key statutory holidays (the "Holiday Toll-Free Scheme"). According to a subsequent notice issued by the Ministry of Transport, the Holiday Toll-Free Scheme will be implemented with effect from the National Day Holiday this year. The implementation of both the Standardisation Scheme and the Holiday Toll-Free Scheme is expected to reduce the budgeted total revenue of the Group by 4.5% for the whole year of 2012. The Group will cope with these in a positive manner, closely monitor the impacts they may bring in and formulate strategies which are in line with the Group's development needs and conform to the internal and external environments.

### Impact of the Interest Rate Policy

The Chinese Government has successively cut benchmark interest rates for Renminbi loans from financial institutions twice in the first half of 2012 in order to stabilise economic growth, which will benefit the Group as it will lower the cost of borrowing. Borrowing costs are expected to be reduced by approximately HK\$20 million in the second half of the year. The Group will closely monitor the implementation of the policy, and will carry out an assessment of the Group's loan structure and future financing strategies and make appropriate adjustments in a timely manner.

The global economic situation is expected to remain grim, and the operating environment for logistic enterprises will continue to face challenges in the second half of 2012. The Group will continue its efforts to strengthen its existing businesses, and will capture opportunities to expand its logistic business so as to ensure that the Group is able to maintain its sustainability in its future development.

### LOGISTIC BUSINESS

#### Overview

The Group owns various well-equipped logistic parks in major cities of China, including Shenzhen, Nanjing and Yantai. Currently, the Group owns a land area and an operating area of approximately 1.30 million and 0.53 million square metres respectively. The Group's port business is equipped with 2 general bulk cargo terminals with a 70,000-tonnage capacity and a site area of 400,000 square metres in Phase 1 of Nanjing Xiba Port. The port has the capability of providing services including ship loading and unloading, lightering, train loading and automobile loading, and has a storage capacity of over 1 million tonnes.

#### Analysis of Operating Performance

##### Logistic Parks

The Group's logistic park business has experienced relatively rapid development following the continued improvement in operating efficiency and enhancement of economy of scale of the logistic parks. In the first half of 2012, with the active market expansion and strengthened relationships with existing customers, the performance of the logistic park business remained stable, with an overall average occupancy rate maintained at 95%.

The Group continued to focus on investing in and developing logistic infrastructure facilities with a view to supporting future revenue growth momentum. During the Period, the construction of the new logistic centre and exhibition centre at South China Logistic Park progressed satisfactorily, and is expected to be completed and put into operation in early 2013. Upon completion of the construction, the operating area of the Group's logistic parks will increase by approximately 24% from 530,000 square metres to 660,000 square metres.

##### Port Business

In the first half of 2012, a total of 102 vessels had berthed at Nanjing Xiba Port, with vessels of 30,000 tonnes or more accounting for 55% of the 102 vessels. Total throughput was 5.28 million tonnes, representing an increase of 35% over the corresponding period of the previous year.

In May 2012, the berthing capacity of Nanjing Xiba Port was increased from an original capacity of 50,000-tonnage to 70,000-tonnage, thereby expanding the range of berthing vessels and improving the efficiency of cargo transit. Subsequently, in June 2012, Nanjing Xiba Port obtained berthing permission for international vessels. This is a significant milestone in the opening of Nanjing Xiba Port to the foreign trade, which is essential to enhancing of the profitability and ability to resist risks of the port business.

##### Logistic Service Business

By capitalising on its existing logistic infrastructure facilities, the Group has made full use of its competitive advantages in its resources and capital to actively explore supply chain management and value-added logistic businesses on the basis of its traditional warehousing business.

In the first half of 2012, benefitting from the increasing production volume of its existing customers as well as its active and strengthened efforts in business expansion, the Group was able to offset the adverse impact of the weak economic environment. However, rising operating costs, including labour costs, also put pressure on the profitability of the logistic service business. In order to further enhance the competitive edges of its logistic service business and the overall profitability, the Group is committed to cost control and the optimisation of its customer mix.

## Management Discussion and Analysis

### Financial Analysis

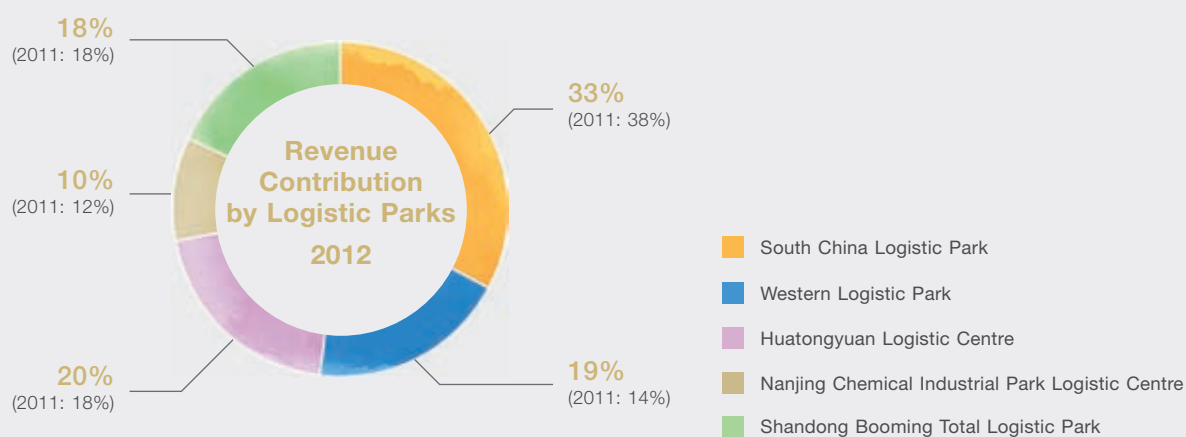
During the Period, the logistic business recorded a steady growth in revenue and profit before finance costs and tax of HK\$454 million and HK\$115 million, representing increases of 21% and 29% respectively over the corresponding period of the previous year. Profit attributable to shareholders grew by 18% to HK\$70.82 million.

#### Revenue of each logistic business unit

For the six months ended 30 June

	2012 HK\$'000	2011 HK\$'000	Increase/ (Decrease)
<b>Logistic Park Business</b>			
South China Logistic Park	81,076	84,707	(4%)
Western Logistic Park	46,401	31,739	46%
Huatongyuan Logistic Centre	49,159	39,602	24%
Nanjing Chemical Industrial Park Logistic Centre	23,606	26,093	(10%)
Shandong Booming Total Logistic Park	43,537	40,987	6%
<b>Sub-total</b>	<b>243,779</b>	<b>223,128</b>	<b>9%</b>
<b>Logistic Service Business</b>	<b>152,683</b>	<b>114,130</b>	<b>34%</b>
<b>Port Business</b>	<b>57,170</b>	<b>36,934</b>	<b>55%</b>
<b>Total</b>	<b>453,632</b>	<b>374,192</b>	<b>21%</b>

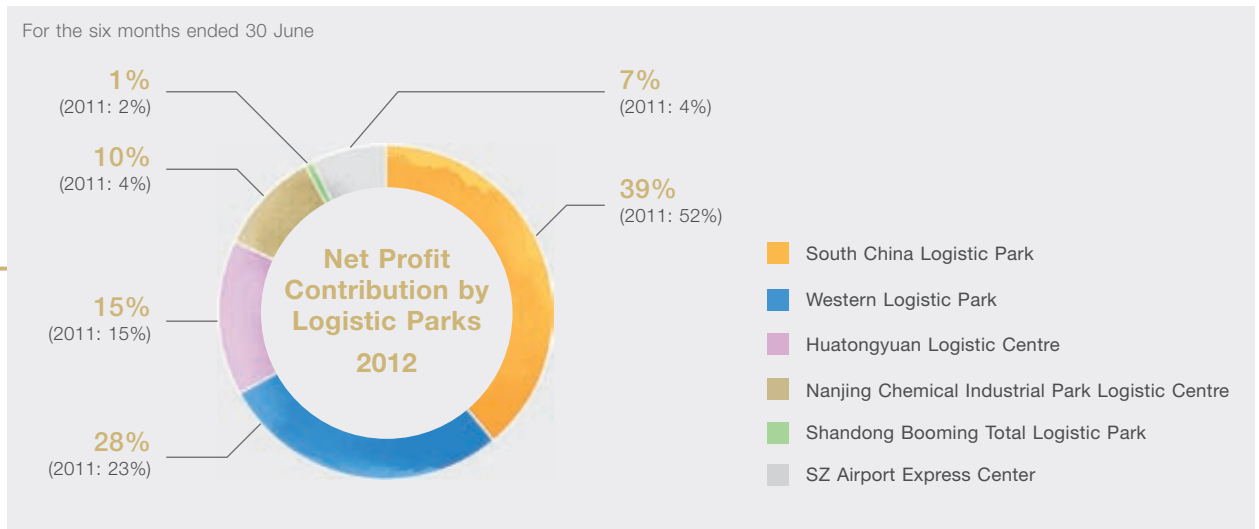
For the six months ended 30 June



**Profit attributable to shareholders of each logistic business unit**

For the six months ended 30 June

	<b>2012</b>	2011	<b>Increase/ (Decrease)</b>
	<b>HK\$'000</b>	HK\$'000	
<b>Logistic Park Business</b>			
South China Logistic Park	<b>24,347</b>	26,924	(10%)
Western Logistic Park	<b>17,491</b>	11,722	49%
Huatongyuan Logistic Centre	<b>8,979</b>	7,686	17%
Nanjing Chemical Industrial Park Logistic Centre	<b>6,039</b>	2,000	202%
Shandong Booming Total Logistic Park	<b>824</b>	854	(4%)
SZ Airport Express Center*	<b>4,566</b>	2,287	100%
<b>Sub-total</b>	<b>62,246</b>	51,473	21%
<b>Logistic Service Business</b>	<b>2,855</b>	4,631	(38%)
<b>Port Business</b>	<b>5,714</b>	3,762	52%
<b>Total</b>	<b>70,815</b>	59,866	18%



\* SZ Airport Express Center is a jointly controlled entity and is accounted for using the equity accounting method.

## Management Discussion and Analysis

The logistic park business achieved stable growth in revenue and profit during the Period. This was mainly attributable to the growing maturity in business development as the logistic centres at several logistic parks were at trial operation stage during the corresponding period of the previous year, along with the adjustment of rental charges on customers and the continued optimisation of its customer mix. South China Logistic Park recorded decreases in revenue and profit attributable to shareholders during the Period. This was due to the decline in the operations of empty container depots as a result of the structural adjustment of its business, as well as the negative impact from the external economic environment, leading to a decline in import and export trade volume.

Following completion of the construction of Phase 1 in early 2011, Nanjing Xiba Port has developed gradually after the cultivation of the business and performance of the port business achieved expected results during the Period.

Revenue from the logistic service business was driven by an increase in business volume from major customers. However, during the Period, the growth in revenue was offset by persistent increases in operating costs and year-on-year increases in costs such as research and development costs for logistic information services technology. As a result, profit attributable to shareholders decreased by 38% year-on-year.

### Outlook for the Second Half of 2012

Looking forward to the second half of 2012, the major tasks of the Group include:

- To actively push forward the construction of the new logistic centre and exhibition centre in South China Logistic Park;
- To speed up the feasibility study on the development plan for Phase 2 of the construction of Nanjing Xiba Port, which includes the construction of three cargo terminals with a 50,000-70,000 tonnage capacity and relevant depots;
- To step up efforts to develop a business model of “Integrated Logistic Port” which combines highway transport, logistic information, warehousing and distribution as well as delivery services in key logistic gateway cities in China; and to actively push forward investment in Integrated Logistic Port projects in key logistic gateway cities in China; and
- To increase investment in and expand the scale of the logistic business and to actively carry out prudent analysis of potential acquisitions in order to further support the continuous growth of the Group’s logistic business.

Locations of Logistic Parks and Nanjing Xiba Port



**1. South China Logistic Park**

Located in Shenzhen Longhua Logistic Park  
 Land area: 611,000 square metres  
 Gross floor area: 399,000 square metres  
 Operating area: 197,000 square metres

**2. Western Logistic Park**

Located in Shenzhen Qianhaiwan Logistics Park  
 Land area: 380,000 square metres  
 Gross floor area: 420,000 square metres  
 Operating area: 111,000 square metres

**3. Huatongyuan Logistic Centre**

Located in the vicinity of Meilin gateway of Shenzhen  
 Land area: 116,000 square metres  
 Gross floor area: 133,000 square metres  
 Operating area: 130,000 square metres

**4. SZ Airport Express Center**

Located in Shenzhen Baoan International Airport  
 Land area: 32,000 square metres  
 Gross floor area: 28,000 square metres  
 Operating area: 28,000 square metres

**5. Nanjing Chemical Industrial Park Logistic Centre**

Located in Nanjing Chemical Industrial Park  
 Land area: 95,000 square metres  
 Gross floor area: 48,000 square metres  
 Operating area: 48,000 square metres

**6. Nanjing Xiba Port**

Located in Nanjing Chemical Industrial Park  
 Land area: 400,000 square metres  
 Operating area: 220,000 square metres

**7. Shangdong Booming Total Logistic Park**

Located in the economic and technology development zone in Yantai City  
 Land area: 70,000 square metres  
 Gross floor area: 50,000 square metres  
 Operating area: 26,000 square metres



## Management Discussion and Analysis

### TOLL ROAD BUSINESS

#### Overview

The Group's toll road operations span across the Shenzhen region, other regions in Guangdong Province and other provinces in China. The Group holds or controls a total of 17 expressway projects with total mileage of toll roads amounting to approximately 180 kilometres, 268 kilometres and 92 kilometres in the Shenzhen region, other regions in Guangdong Province and other provinces in China respectively. The Group operates the toll road business mainly through Shenzhen Expressway Company Limited ("Shenzhen Expressway") in which the Group holds a 50.889% equity interest. Shenzhen Expressway's H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange respectively. In addition, the Group directly holds a 89.93% equity interest in Longda Expressway and a 45% equity interest in Wuhuang Expressway (with the remaining 55% equity interest owned by Shenzhen Expressway).

#### Analysis of Operating Performance

The operating performance of the Group's toll roads during the Period were as follows:

Toll roads	Interest held by the Group	Operation period	Length (approximate km)	Average Daily Traffic Volume		Average Daily Toll Revenue	
				First half of 2012 (Vehicle/Thousands)	Increase/ (decrease) as compared to the same period of 2011	First half of 2012 (HK\$'000)	Increase/ (decrease) as compared to the same period of 2011
<b>Shenzhen region:</b>							
Longda Expressway	89.93%	2005.10 – 2027.10	28	80	5%	1,608	2%
Meiguan Expressway	100%	1995.05 – 2027.03	19.3	120	–	1,122	(1%)
Jihe East	100%	1997.10 – 2027.03	23.9	128	14%	1,652	–
Jihe West	100%	1999.05 – 2027.03	21.7	101	4%	1,436	(1%)
Yanpai Expressway	100%	2006.05 – 2027.03	15.2	39	3%	612	25%
Yanba Expressway <sup>Notes (1) and (2)</sup>	100%	Yanba (Section A) commenced toll operation from 2001.04; operation period of the entire Yanba Expressway is to be approved by the relevant authority	29.1	27	3%	456	7%
Nanguang Expressway	100%	2008.01 – 2033.01	33.1	55	–	707	2%
Shuiguan Expressway	40%	2002.02 – 2025.12	20.1	129	7%	1,375	5%
Shuiguan Extension	40%	2005.10 – 2025.12	5.2	27	(21%)	195	(23%)
<b>Other regions in Guangdong Province:</b>							
Qinglian Expressway <sup>Note (1)</sup>	76.37%	2009.07 – 2034.07	216	24	13%	1,922	28%
Yangmao Expressway <sup>Note (1)</sup>	25%	2004.11 – 2027.07	79.7	28	14%	1,683	16%
Guangwu Project <sup>Note (1)</sup>	30%	2004.12 – 2027.11	39.8	27	13%	910	18%
Jiangzhong Project	25%	2005.11 – 2027.08	37.5	92	7%	1,177	4%
Guangzhou Western Second Ring	25%	commenced toll operation from 2006.12; operation period to be approved by the relevant authority	42	34	5%	869	1%
<b>Other provinces in China:</b>							
Wuhuang Expressway <sup>Note (1)</sup>	100%	1997.09 – 2022.09	70.3	40	6%	1,428	6%
Changsha Ring Road	51%	1999.11 – 2029.12	34.5	13	32%	134	38%
Nanjing Third Bridge <sup>Notes (1) and (3)</sup>	25%	2005.10 – 2030.10	15.6	26	8%	1,099	11%

Notes: (1) Projects for which toll-by-weight policy has been implemented.

(2) Sections A, B and C of Yanba opened and commenced operation in April 2001, June 2003 and March 2010 respectively; operation period of the entire Yanba Expressway is to be approved.

(3) Pursuant to a notice issued by Jiangsu Provincial Government in July 2012, the operation period of Nanjing Third Bridge was re-approved to be 25 years, which was previously approved to be 30 years.

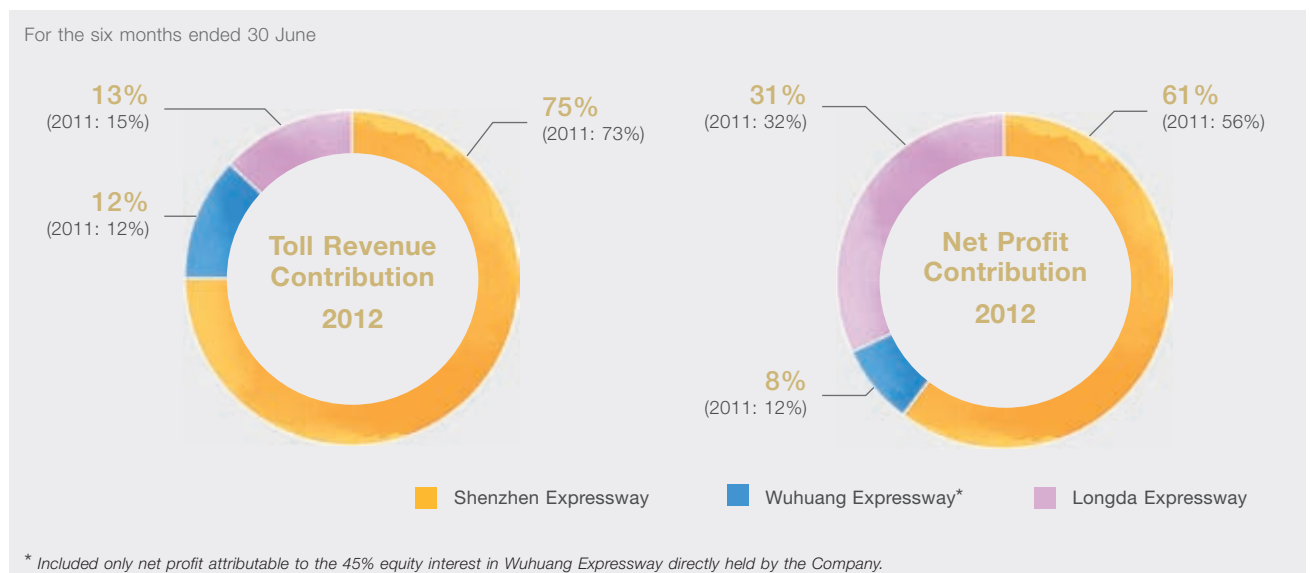
During the Period, the operating performance of the toll road business of the Group was influenced by the economic environment, changes in government toll fee policies in China and their implementation, as well as conditions of road network, and these factors brought different impacts on the operating performance of each expressway project of the Group:

- Decline in growth of foreign trade reduced the growth rate of traffic volume of expressway projects which connect ports, such as Yanba Expressway and Yanpai Expressway;
- The statistics in June 2012 show that the implementation of the Standardisation Scheme had negative effect on the operating performance of Meiguan Expressway and Jihe Expressway;
- Changes in conditions of road network in Shenzhen improved the operating performance of Yanpai Expressway. Nevertheless, Meiguan Expressway and Nanguang Expressway were subject to some negative effects.

### Financial Analysis

During the Period, toll revenue and profit before finance costs and tax of the toll road business of the Group amounted to HK\$2,198 million (2011: HK\$1,926 million) and HK\$1,300 million (2011: HK\$1,074 million) respectively, representing increases of 14% and 21% respectively over the corresponding period of the previous year. In addition, profit attributable to shareholders amounted to HK\$446 million (2011: HK\$397 million), representing an increase of 12% over the corresponding period of the previous year. During the Period, revenue of HK\$117 million and profit attributable to shareholders of HK\$27.68 million recognised from the entrusted construction management services accounted for 5% and 6% of the toll revenue and profit attributable to shareholders of the toll road business of the Group respectively.

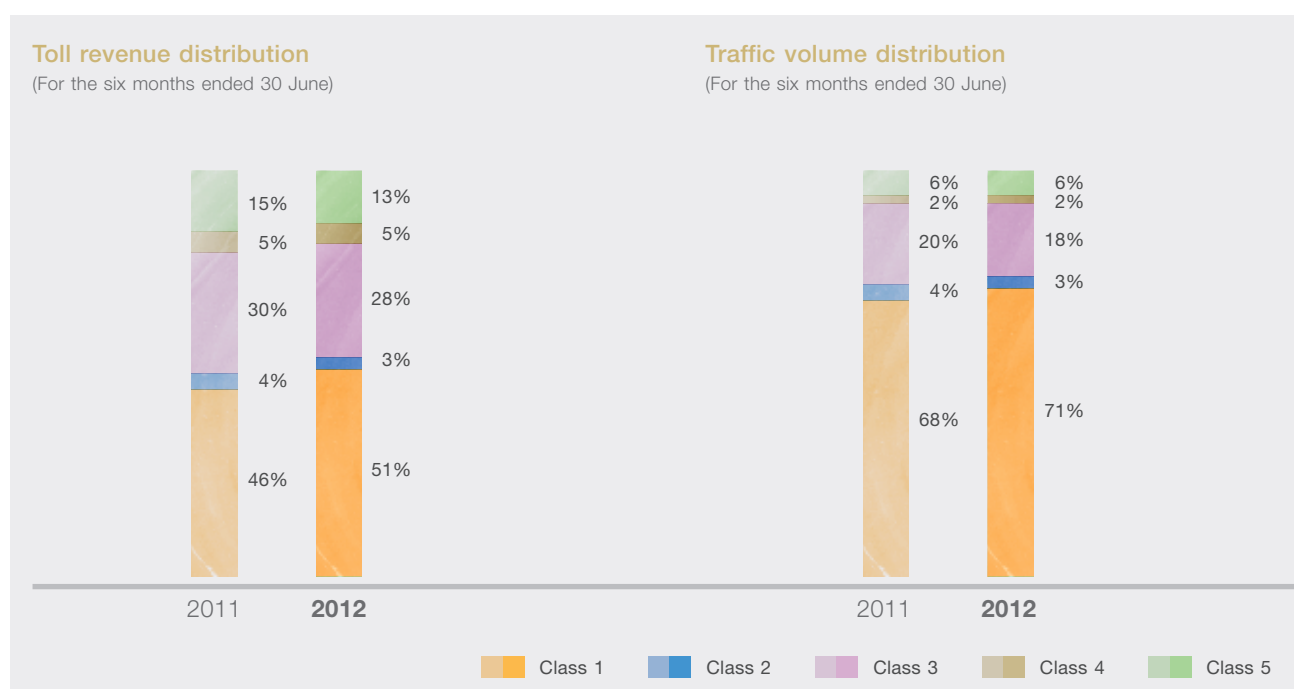
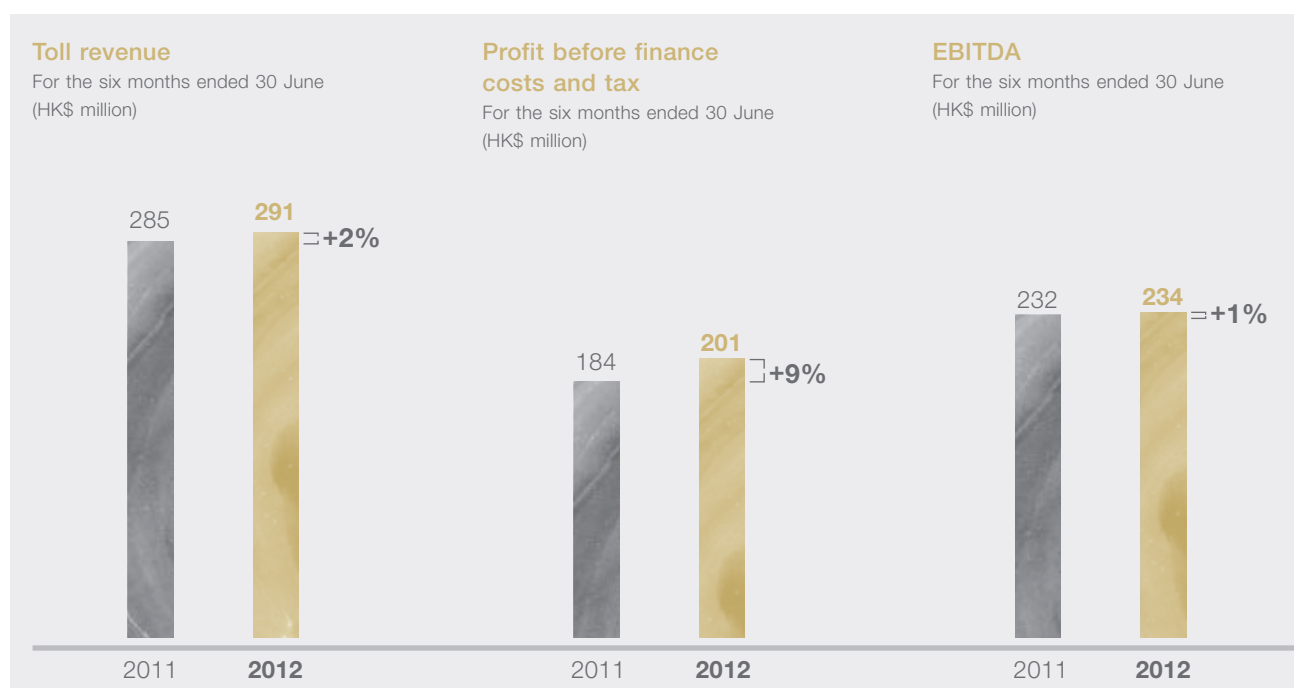
The implementation of the Standardisation Scheme since 1 June 2012 reduced the total revenue of the Group by approximately 1% during the Period.



## Management Discussion and Analysis

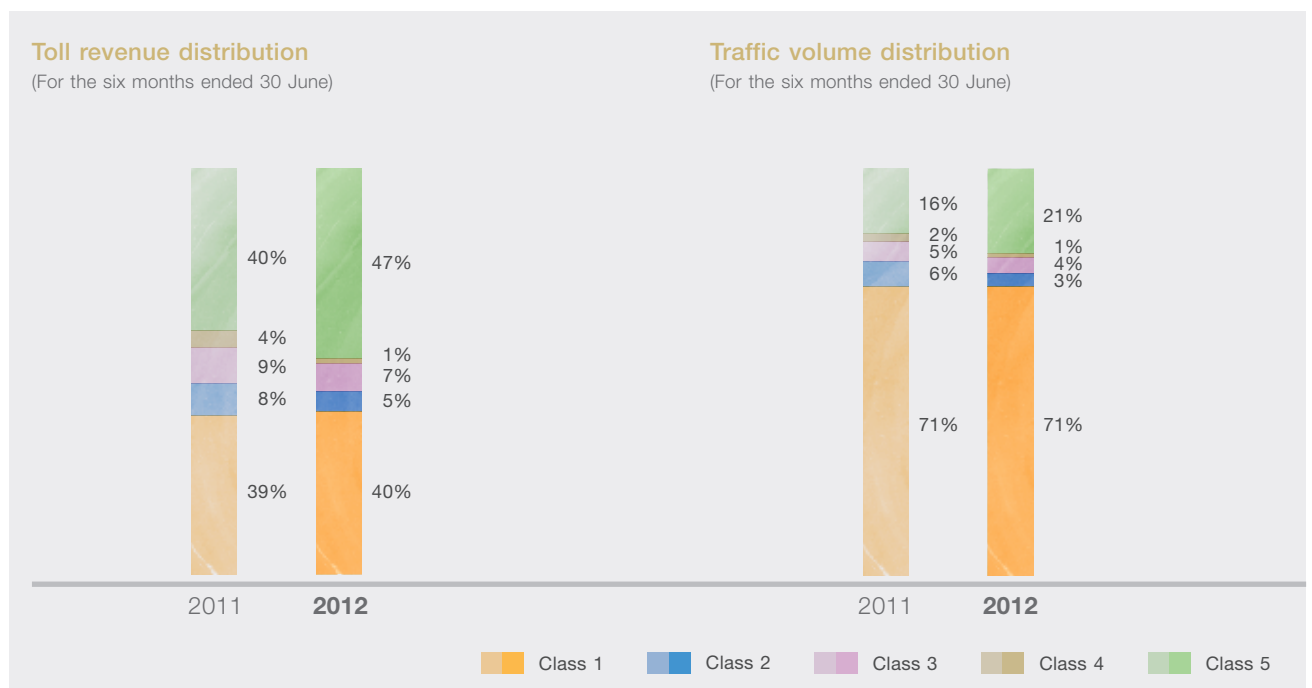
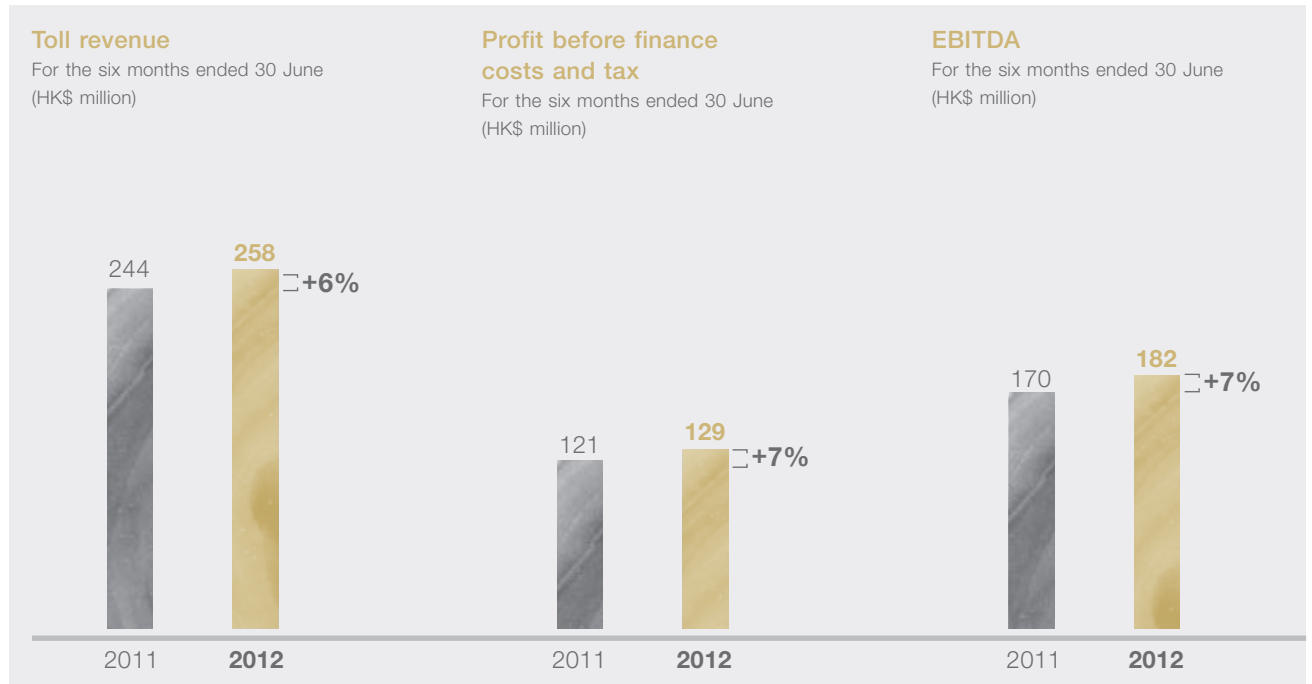
### Longda Expressway

The slowdown in China's economic growth and a fall in exports reduced the traffic volume of container trucks, which pay higher toll rates. This, along with the increasing number of toll-free vehicles under the "Green Passage" due to the relocation of the neighbouring wholesale market, put a greater negative impact on the toll revenue of Longda Expressway. Nonetheless, although the growth in toll revenue of Longda Expressway has slowed down, benefitting from the steady growth of the traffic volume of class 1 vehicles, toll revenue of Longda Expressway recorded a slight increase of 2% during the Period.



**Wuhuang Expressway**

Beacon stations were put into operation and the opening of the southern section of Daguang Expressway (Huangshi to Tongshan, Hubei) in early May 2012 both of which facilitated the rise in traffic volume and toll revenue of Wuhuang Expressway during the Period.



## Management Discussion and Analysis

### Shenzhen Expressway and its expressway projects

During the Period, Shenzhen Expressway recorded a toll revenue of HK\$1,649 million (2011: HK\$1,397 million), representing an increase of 18% over the corresponding period of the previous year. Profit before finance costs and tax amounted to HK\$970 million (2011: HK\$748 million), representing an increase of 30% over the corresponding period of the previous year, and the Group's share of profit in Shenzhen Expressway amounted to HK\$272 million (2011: HK\$221 million), representing an increase of 23% over the corresponding period of the previous year.

The opening of Yilian Expressway (spanning from Fengtouling in Guangdong to Yizhang in Hunan, also known as Yifeng Expressway) on 25 September 2011, which connects to the northern end of Qinglian Expressway, integrated the links between Qinglian Expressway and the surrounding road network and thereby creating synergy effect. This drives the toll revenue of Qinglian Expressway to increase by 28% over the corresponding period of the previous year and attributed to the increase in toll revenue of Shenzhen Expressway during the Period.

### Outlook for the Second Half of 2012

Besides the Standardisation Scheme which was implemented on 1 June 2012, the State Council has recently approved the Holiday Toll-Free Scheme. According to a subsequent notice issued by the Ministry of Transport, the Holiday Toll-Free Scheme will be implemented with effect from the National Day Holiday this year. The implementation of both the Standardisation Scheme and the Holiday Toll-Free Scheme is expected to reduce the budgeted total revenue of the Group by 4.5% for the whole year of 2012. The Group will cope with these policies in a positive manner, closely monitor the direction of the policies, maintain communications with government departments and formulate feasible coping measures.

With the macro-control efforts in China in place, the economy in China is expected to sustain steady development throughout 2012, notwithstanding that economic growth in China is expected to continue to come under pressure in the second half of 2012. This will facilitate the steady growth to the overall performance of the toll road industry.

## OTHER BUSINESS

### Shenzhen Airlines

The Group acquired an additional 24% equity interest in Shenzhen Airlines in May 2011 at a consideration of RMB788,632,500. Subsequent to the completion of this acquisition on 4 January 2012, the Group's equity interest in Shenzhen Airlines increased to 49% and Shenzhen Airlines remains as an associate of the Company.

In the first half of 2012, civil aviation industry in China continued to maintain its growth momentum. In particular, the business development of domestic airlines in China was driven by a higher consumption level of residents and the rapid growth in traffic volume of outgoing passenger. During the Period, the operating costs of Shenzhen Airlines were reduced and efficiency in the use of resources was enhanced, these were attributable to Shenzhen Airlines continued to actively push forward the business cooperation with its controlling shareholder, Air China Limited, thereby exerting synergy effects in areas such as passenger transport, cargo transport, fleets and centralised purchasing.

The total revenue of Shenzhen Airlines amounted to RMB10,613 million (HK\$13,044 million) for the Period (2011: RMB9,458 million (HK\$11,287 million)), representing an increase of 12% over the corresponding period of the previous year. However, as the level of international oil prices remained high in the first half of 2012, the costs of aviation oil for Shenzhen Airlines rose more rapidly as compared to the corresponding period of the previous year. In addition, during the Period, Shenzhen Airlines recorded a foreign exchange loss as a result of the fluctuation in the exchange rate in Renminbi against U.S. dollar. These factors offset the growth of the operating profits of Shenzhen Airlines and its profit attributable to shareholders for the Period decreased to RMB580 million (HK\$713 million) (2011: RMB625 million (HK\$745 million)), representing a decline of 7% over the corresponding period of the previous year. During the Period, Shenzhen Airlines contributed a profit of HK\$341 million to the Group (2011: HK\$187 million), representing an increase of 83% over the corresponding period of the previous year.

Passenger transport of Shenzhen Airlines performed well during the Period, recording growth in both volume and price. Passenger traffic achieved 13,933 million passenger-km (2011: 12,522 million passenger-km) and passenger revenue reached RMB9,320 million (2011: RMB8,180 million), up 11% and 14% respectively over the corresponding period of the previous year. The airlines carried 9.53 million passenger rides (2011: 8.64 million passenger rides), up 10% over the corresponding period of the previous year.

As of 30 June 2012, Shenzhen Airlines operated a total of 110 passenger aircraft. At present, Shenzhen Airlines operates 136 domestic and international routes, of which 125 are domestic routes, 5 are international routes and 6 serve the Hong Kong, Macau and Taiwan regions.



## Management Discussion and Analysis

Though cost pressure brought by the increase in aviation oil prices was mitigated to a certain extent by a fuel surcharge, Shenzhen Airlines is still very concerned about the risks associated with the fluctuations in aviation oil prices. It aims to control the consumption level of aviation oil in its daily operations and the possible impact arising from the volatility in oil prices through a series of measures that include enhancing the utilisation rate of aircraft, as well as optimising its fleet structure and routes. Looking ahead, the domestic airline market in China is expected to maintain its growth momentum in the second half of 2012. Shenzhen Airlines will speed up the progress in adjusting its strategic structure in order to grasp the opportunities in peak seasons, as well as to enhance the operating capabilities and ability to reduce exposure to risks so as to generate better results.

During the Period, Shenzhen Airlines has fully offset its accumulated loss. It is expected that Shenzhen Airlines will continue to generate profit in the second half of 2012 and may distribute dividend to the Group. Considering the trends in future demand in domestic airline market in China, as well as the overall operating performance of Shenzhen Airlines, it is believed that Shenzhen Airlines, as a strategic investment of the Group, will further enhance shareholders' returns in the future.

### CSG

According to the Group's business development, capital need and internal resources coordination, coupled with capital market conditions, the Group adjusts the volume of the shares of CSG to be disposed of so as to maximise the Group's profits.

Due to a weak China stock market during the Period, the Group did not dispose of any A shares of CSG, while the disposal of approximately 14.62 million A shares last year realised a gain after tax of approximately HK\$256 million. As at the date of this report, the Group beneficially owned a total of 133,170,000 A shares of CSG, representing approximately 6.42% in the total issued share capital of CSG. All A shares of CSG held by the Group are freely tradable on the Shenzhen Stock Exchange.

**FINANCIAL POSITION**

	<b>30 June 2012</b>	31 December 2011	<b>Increase/ (Decrease)</b>
	<b>HK\$ million</b>	HK\$ million	
Total Assets	<b>41,308</b>	39,901	4%
Total Liabilities	<b>22,919</b>	21,753	5%
Total Equity	<b>18,389</b>	18,148	1%
Net Asset Value attributable to shareholders	<b>11,418</b>	11,214	2%
Net Asset Value per share attributable to shareholders (HK dollar)	<b>0.70</b>	0.68	3%
Cash	<b>4,917</b>	3,733	32%
Bank and other borrowings			
Short-term bank loans and other borrowings	<b>127</b>	287	(56%)
Long-term bank loans due for repayment within one year	<b>1,104</b>	1,126	(2%)
Long-term bank loans	<b>9,260</b>	9,949	(7%)
	<b>10,491</b>	11,362	(8%)
Notes and bonds	<b>7,688</b>	5,372	43%
Total Borrowings	<b>18,179</b>	16,734	9%
Net Borrowings	<b>13,262</b>	13,001	2%
Debt-asset Ratio (Total Liabilities/Total Assets)	<b>55%</b>	55%	–
Ratio of Total Borrowings to Total Assets	<b>44%</b>	42%	2%#
Ratio of Net Borrowings to Total Equity	<b>72%</b>	72%	–
Ratio of Total Borrowings to Total Equity	<b>99%</b>	92%	7%#

# Change in percentage points

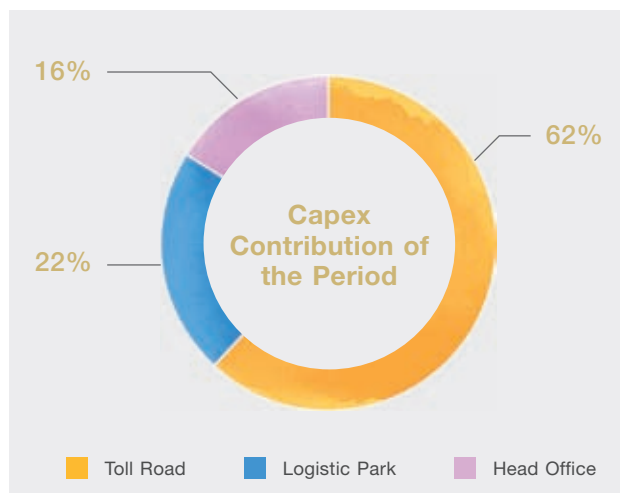
**Cash Balance**

As at 30 June 2012, the cash balance held by the Group amounted to HK\$4,917 million (31 December 2011: HK\$3,733 million), representing a significant increase of 32% over the end of 2011. The funds raised from the Company's issuance of a five-year US\$300,000,000 senior note on 20 April 2012 were applied for the repayment of certain short-term borrowings, and part of the funds are retained for capital expenditures of the Group's core business and as general working capital. Of the cash held by the Group, 82% was denominated in Renminbi. The Group currently possesses adequate cash and a healthy level of liquidity. Based on a prudent liquidity risk management, the Group continues to maintain sufficient cash and adequate standby banking facilities to guard against liquidity risks and to provide funds necessary for operations, financing, and business development.

## Management Discussion and Analysis

### Capital Expenditure

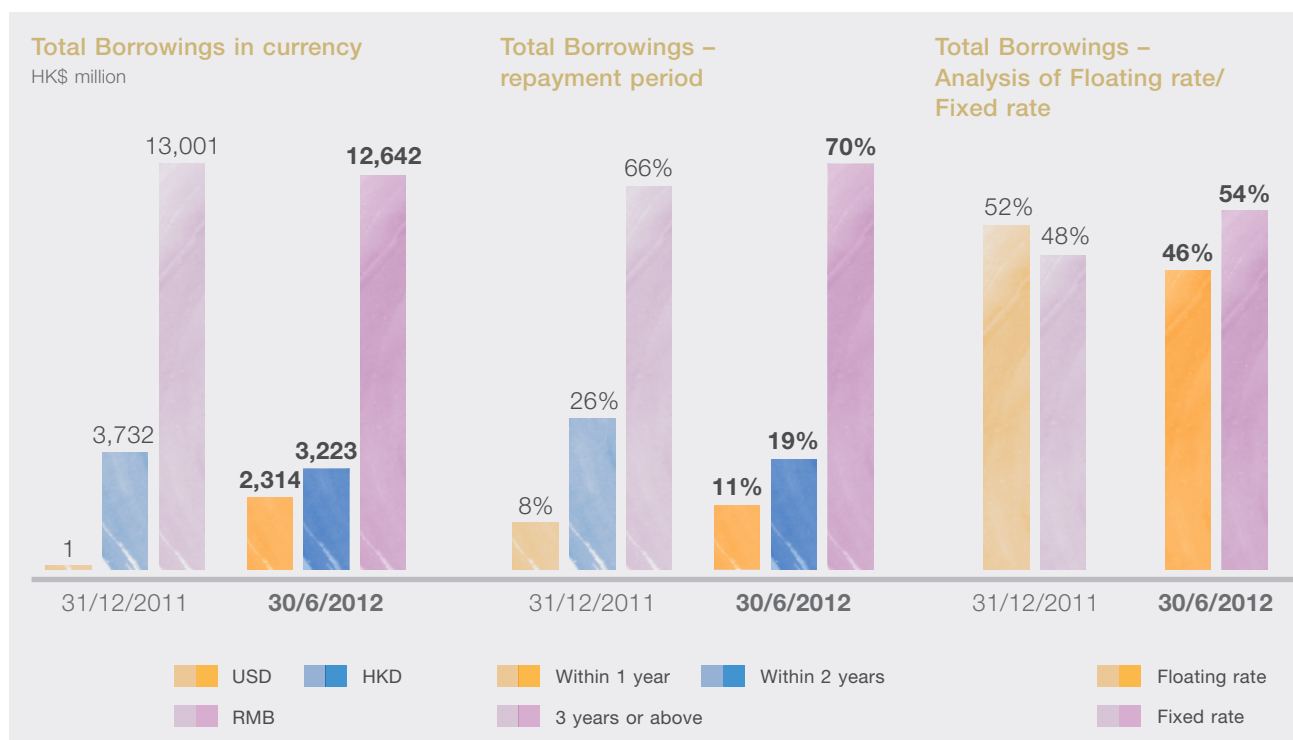
During the Period, the Group's capital expenditures amounted to HK\$619 million (RMB501 million), of which approximately RMB78.86 million was used to pay for the remaining 10% acquisition consideration of the 24% equity interest in Shenzhen Airlines, RMB86 million was used to pay for construction of logistic park, and RMB311 million was used to pay for the construction work of Qinglian Expressway as well as the expansion of Meiguan Expressway. Capital expenditure for the second half of 2012 are expected to be HK\$1,407 million (RMB1,150 million).



### Borrowings

#### Bank Loans and Other Borrowings

As at 30 June 2012, the Group's total bank loans and other borrowings amounted to approximately HK\$10,500 million (31 December 2011: HK\$11,400 million), of which 11.7%, 16% and 72.3% were due for repayment within one year, two years and three years or thereafter, respectively. Total bank loans and other borrowings decreased by 8% as compared with those as at the end of last year. Of such bank loans, approximately HK\$3,200 million are repayable in Hong Kong dollars and HK\$7,300 million are repayable in Renminbi to banks in the PRC. During the Period, the Company opened up new financing channels through the successful issuance of a five-year US\$300,000,000 senior note in the market. Part of the proceeds had been used to repay short-term bank loans, thus effectively reducing the percentage of short-term borrowings.



### Notes and Bonds

On 20 April 2012, the Company issued five-year US\$300,000,000 senior notes at a coupon rate of 4.375% per annum, which will expire on 20 April 2017. The notes were rated BBB– and Baa3 grades by Standard & Poor's and Moody's respectively.

As at 30 June 2012, the total carrying value of the notes and bonds was approximately HK\$7,688 million, including US dollars senior notes of approximately HK\$2,314 million, medium term notes and corporate bonds denominated in RMB of approximately HK\$855 million and HK\$4,519 million respectively.

### Debt-Asset Ratio

As at 30 June 2012, the Group's debt-asset ratio remained at 55% as compared to the end of 2011. Despite the Group's issuance of five-year US\$300,000,000 senior notes has led to an increase in total liabilities, the increase in assets such as cash and equity interests in associates has offset the increase of liabilities impact on the debt-asset ratio.

### Cash Flow and Financial Ratios

During the Period, cash inflow generated from operations rose 11% to reach HK\$1,868 million, while the cash outflow for investment activities dropped 39% to HK\$746 million and net cash inflow generated from financing activities increased by HK\$788 million as compared to the same period last year. The Group's core business consistently generates stable cash flow. According to changes in the external environment and capital market conditions in the Period, the Group adjusted the pace of investment activity and captured the opportunity to raise funds from the capital market. In addition, EBITDA margin and operating cash flow interest coverage are 64% and 3.4 times respectively, maintained at levels similar to those as at the end of 2011.

### The Group's Financial Policy

#### Locking up Interest Rates, Lowering Financial Risks

Borrowings are a major source of interest rate risk for the Group. Bank borrowings bearing floating interest rates expose the Group to interest rate risk. To manage interest rate risk on long-term bank loans, the management of the Company considers fixed-rate loans or interest-rate swaps to achieve the economic effect of converting the bank loans from floating rate loans to fixed rate loans, thereby minimising the impact brought by interest rate volatility. The management regularly reviews the appropriate ratio of fixed rate and floating rate risks. For further details on the Group's hedging activities, please refer to note 16 of the condensed consolidated interim financial information.

#### Exchange Rate Risk

Assets, cash flows and cash held for businesses operated by the Group are primarily denominated in Renminbi. Cash outflow denominated in Hong Kong dollars and US dollars mainly comprises cash dividend payments to shareholders and bank loans as well as interest on senior notes and related expenses. The Renminbi exchange rate during the Period was relatively volatile, which impacted the Group's financial costs, causing the Group's foreign exchange gain of HK\$76.54 million generated in the same period of last year to turn into a foreign exchange loss of HK\$27.87 million during the Period. The Group closely monitors the trend in the Renminbi exchange rate, and will work out measures to minimise risks in a timely manner.

## Management Discussion and Analysis

### **Strengthening Cash Flow Management, Maintaining a Good Credit Rating**

The Company's management places strong emphasis on capital planning to ensure the Group's development needs are met and to reward shareholders with stable cash dividends. The management carries out rolling forecasts and monitors the Group's standby banking facilities and cash in the cash flow forecast to strengthen cash flow management. The management also monitors any changes in the capital market and macro policies from time to time in order to work out its financing plans, and also optimises the Group's debt structure through different financing channels to ensure the Group has the capacity to carry out ongoing operations to enhance shareholders' value.

The Group currently has cash on hand and standby banking facilities of approximately HK\$22,800 million. The Group's overall risk management plan is to cope with unpredictable changes in the capital market in order to maintain a high degree of flexibility to seize business opportunities. The Group will broaden its financing channels through different financing methods and will also ensure that it has sufficient standby banking facilities to meet future financing needs so as to minimise the adverse impact of fluctuations in the capital market on the costs of debt and liquidity.

The Group has been awarded investment grade credit ratings of BBB (stable) and Baa3 (stable) by Standard & Poor's and Moody's respectively. The Group pledges to maintain a healthy financial position, adequate cash flow and strong credit ratio in order to maintain a good credit rating status, thereby optimising its capital structure and reducing its financing costs.

### **Pledge of Assets, Guarantees and Contingent Liabilities**

For details of the Group's pledge of assets, guarantees and contingent liabilities as at 30 June 2012, please refer to notes 15 and 25 respectively of the condensed consolidated interim financial information.

## **HUMAN RESOURCES**

The Group always considers talents as a valuable resource and considers its human resources management strategy to be an important component of its business strategy. The Group places emphasis on the recruitment and training of talents. Through recruiting new talents, strengthening efforts in staff training, optimising the effectiveness of management system, as well as improving the remuneration system, the Group aims to enhance the overall quality of its management and professional teams, as well as to encourage the proactiveness and creativity of its staff. As at 30 June 2012, the Group had a total of 4,601 staff.

The Group has established a comprehensive remuneration incentive scheme under which staff remuneration is determined according to position values, capabilities and work performance of the staff with reference to market trends. In addition, to promote its long-term development, the Group has implemented the share option scheme and established a long-term incentive scheme. In 2010, the Group granted share options to its management, its subsidiaries' senior management and certain key staff members. The granting of share options is an initiative which plays an important role in promoting the staff's proactiveness and retaining talents, which facilitates the achievement of the Group's strategic goals.

To cater for the needs of its business development, the Group continued to recruit managers and logistic professionals in the first half of 2012 in order to strengthen its management and professional teams. In June 2012, the Group cooperated with Xiamen University, a prestigious university in China, to run an EMBA program which provides a two-year systematic training program to the key staff members of the Group to enhance their management and professional capabilities, so as to build a high quality team of management and professionals that best suits the Group's business development.

# AUDITOR'S REVIEW REPORT



羅兵咸永道

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SHENZHEN INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 55, which comprises the condensed consolidated interim balance sheet of Shenzhen International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of 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, 21 August 2012

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# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at	
		30 June 2012 (Unaudited)	31 December 2011 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	3,879,074	4,024,897
Investment properties	7	69,300	62,900
Land use rights	7	650,133	663,930
Construction in progress	7	313,343	181,415
Intangible assets	7	24,010,964	24,386,045
Investments in associates	8	4,172,259	2,829,232
Investments in jointly controlled entities		320,068	319,819
Available-for-sale financial assets	10	244,946	246,879
Deferred income tax assets		75,886	72,609
Other non-current assets	9	95,772	953,470
		<b>33,831,745</b>	33,741,196
<b>Current assets</b>			
Inventories		7,022	8,413
Available-for-sale financial assets	10	1,466,630	1,488,061
Trade and other receivables	11	1,085,468	916,769
Restricted bank deposits		5,242	9,518
Cash and cash equivalents		4,911,660	3,723,557
		<b>7,476,022</b>	6,146,318
Assets held for sale		-	13,320
<b>Total assets</b>		<b>41,307,767</b>	39,900,834
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital and share premium	12	4,945,836	4,937,120
Other reserves	13	405,176	474,490
Retained earnings			
– Proposed dividends		-	540,281
– Others		6,066,966	5,262,310
		<b>11,417,978</b>	11,214,201
<b>Non-controlling interests</b>		<b>6,970,612</b>	6,934,105
<b>Total equity</b>		<b>18,388,590</b>	18,148,306

## Condensed Consolidated Interim Balance Sheet

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at	
		30 June 2012 (Unaudited)	31 December 2011 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	16,093,006	15,321,113
Derivative financial instruments	16	54,953	59,327
Provision for maintenance/resurfacing obligations	17	459,073	439,208
Deferred income tax liabilities		1,447,017	1,523,944
		<b>18,054,049</b>	17,343,592
<b>Current liabilities</b>			
Trade and other payables	14	2,146,929	2,244,671
Income tax payable		222,212	310,837
Provision for maintenance/resurfacing obligations	17	408,094	438,784
Borrowings	15	2,086,360	1,412,841
Derivative financial instruments	16	1,533	1,803
		<b>4,865,128</b>	4,408,936
<b>Total liabilities</b>		<b>22,919,177</b>	21,752,528
<b>Total equity and liabilities</b>		<b>41,307,767</b>	39,900,834
<b>Net current assets</b>		<b>2,610,894</b>	1,750,702
<b>Total assets less current liabilities</b>		<b>36,442,639</b>	35,491,898

The notes on pages 32 to 55 form an integral part of this unaudited condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2012 (Unaudited)	2011 (Unaudited)
<b>Revenue</b>	6, 18	<b>2,856,643</b>	2,742,389
Cost of sales		<b>(1,436,136)</b>	(1,609,716)
<b>Gross profit</b>		<b>1,420,507</b>	1,132,673
Other gains – net	19	<b>7,647</b>	368,075
Other income	20	<b>53,244</b>	80,460
Distribution costs		<b>(18,640)</b>	(15,379)
Administrative expenses		<b>(136,713)</b>	(124,817)
<b>Operating profit</b>		<b>1,326,045</b>	1,441,012
Share of profit of jointly controlled entities		<b>7,681</b>	1,493
Share of profit of associates	8	<b>450,348</b>	287,179
<b>Profit before finance costs and tax</b>		<b>1,784,074</b>	1,729,684
Finance income	21	<b>35,031</b>	14,286
Finance costs	21	<b>(508,513)</b>	(299,841)
Finance costs – net	21	<b>(473,482)</b>	(285,555)
<b>Profit before income tax</b>		<b>1,310,592</b>	1,444,129
Income tax expense	22	<b>(247,530)</b>	(286,613)
<b>Profit for the period</b>		<b>1,063,062</b>	1,157,516
<b>Attributable to:</b>			
Equity holders of the Company		<b>804,656</b>	954,351
Non-controlling interests		<b>258,406</b>	203,165
		<b>1,063,062</b>	1,157,516
<b>Earnings per share for the profit attributable to equity holders of the Company during the period</b> (expressed in HK cents per share)			
– Basic	23	<b>4.91</b>	5.83
– Diluted	23	<b>4.91</b>	5.81
<b>Dividends</b>	24	<b>–</b>	–

The notes on pages 32 to 55 form an integral part of this unaudited condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
<b>Profit for the period</b>	<b>1,063,062</b>	1,157,516
<b>Other comprehensive income:</b>		
Fair value losses on available-for-sale financial assets, net of tax	<b>(4,591)</b>	(345,604)
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	–	(251,224)
Fair value gains on derivative financial instruments, net of tax	<b>2,117</b>	16,830
Derecognition of cash flow hedges, net of tax	<b>1,503</b>	–
Share of other comprehensive income/(loss) of an associate	<b>6</b>	(15)
Currency translation differences	<b>(123,907)</b>	487,076
<b>Other comprehensive loss for the period, net of tax</b>	<b>(124,872)</b>	(92,937)
<b>Total comprehensive income for the period</b>	<b>938,190</b>	1,064,579
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>735,342</b>	721,158
Non-controlling interests	<b>202,848</b>	343,421
	<b>938,190</b>	1,064,579

The notes on pages 32 to 55 form an integral part of this unaudited condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

	(Unaudited)						
	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital and share premium	Other reserves	Retained earnings	Total	Total		
<b>Balance as at 1 January 2011</b>	4,919,854	1,219,263	4,704,910	10,844,027	6,179,498	17,023,525	
<b>Total comprehensive income for the six months ended 30 June 2011</b>	-	(233,193)	954,351	721,158	343,421	1,064,579	
<b>Transactions with owners in their capacity as owners</b>							
Employee share options-value of employee services	9,072	-	-	9,072	-	9,072	
Dividend relating to 2010	-	-	(490,052)	(490,052)	-	(490,052)	
Dividend paid to the non-controlling interests by the subsidiaries	-	-	-	-	(221,431)	(221,431)	
Injection from the non-controlling interests	-	-	-	-	76,332	76,332	
<b>Total transactions with owners</b>	9,072	-	(490,052)	(480,980)	(145,099)	(626,079)	
<b>Balance as at 30 June 2011</b>	4,928,926	986,070	5,169,209	11,084,205	6,377,820	17,462,025	
<b>Balance as at 1 January 2012</b>	4,937,120	474,490	5,802,591	11,214,201	6,934,105	18,148,306	
<b>Total comprehensive income for the six months ended 30 June 2012</b>	-	(69,314)	804,656	735,342	202,848	938,190	
<b>Transactions with owners in their capacity as owners</b>							
Employee share options-value of employee services	8,716	-	-	8,716	-	8,716	
Dividend relating to 2011	-	-	(540,281)	(540,281)	-	(540,281)	
Dividend paid to the non-controlling interests by the subsidiaries	-	-	-	-	(230,874)	(230,874)	
Injection from the non-controlling interests	-	-	-	-	64,533	64,533	
<b>Total transactions with owners</b>	8,716	-	(540,281)	(531,565)	(166,341)	(697,906)	
<b>Balance as at 30 June 2012</b>	4,945,836	405,176	6,066,966	11,417,978	6,970,612	18,388,590	

The notes on pages 32 to 55 form an integral part of this unaudited condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
<b>Cash generated from operations</b>	<b>1,867,750</b>	1,688,698
Interest paid	<b>(373,661)</b>	(195,427)
Income tax paid	<b>(385,091)</b>	(354,878)
<b>Net cash inflows from operating activities</b>	<b>1,108,998</b>	1,138,393
<b>Net cash outflows from investing activities</b>	<b>(745,697)</b>	(1,216,091)
<b>Net cash inflows from financing activities</b>	<b>831,637</b>	43,386
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,194,938</b>	(34,312)
Cash and cash equivalents at beginning of period	<b>3,723,557</b>	1,729,590
Exchange (losses)/gains	<b>(6,835)</b>	3,163
<b>Cash and cash equivalents at end of period</b>	<b>4,911,660</b>	1,698,441

The notes on pages 32 to 55 form an integral part of this unaudited condensed consolidated interim financial information.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

## 1. GENERAL INFORMATION

The principal activities of Shenzhen International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”), and its associates and jointly controlled entities include the following businesses:

- Toll roads; and
- Logistic business.

The Group has operations mainly in the People’s Republic of China (“PRC”).

The Company is a limited liability company incorporated in Bermuda and is an investment holding company. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company has its listing on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). One of the major subsidiaries of the Company, Shenzhen Expressway Company Limited (“Shenzhen Expressway”) is listed on Hong Kong Stock Exchange and Shanghai Stock Exchange.

As at 30 June 2012, Ultrarich International Limited (“Ultrarich”) owns 7,955,216,814 ordinary shares of the Company directly, representing approximately 48.59% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited (“SIHCL”) held the 100% equity interests in Ultrarich, it has a deemed interest in 48.59% of the equity in the Company held by Ultrarich and was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People’s Government State-owned Assets Supervision and Administration Commission (“Shenzhen SASAC”). The directors of the Company regard that Shenzhen SASAC controls the financial and operating policies of the Company and is the de facto controller of the Company.

This condensed consolidated interim financial information (“Financial Information”) is presented in Hong Kong dollar (“HKD”), unless otherwise stated.

This Financial Information was approved for issue on 21 August 2012 and has not been audited.

### Key events

On 4 January 2012, the Group’s acquisition of 24% equity interest in Shenzhen Airlines Company Limited (“Shenzhen Airlines”) was completed. Upon the completion of the acquisition, the Group increased its equity interest in Shenzhen Airlines from 25% to 49% and Shenzhen Airlines remained as an associate of the Group.

In April 2012, the Company issued senior notes in an aggregate principal amount of USD300 million, see more details in Note 15(e).

## 2. BASIS OF PREPARATION

This Financial Information for the six months ended 30 June 2012 (the “Period”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants. The Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those 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) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012 have no impact on the Group or are currently not relevant to the Group.
- (b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
Amendment to HKAS 1	Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of Interest in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
Amendment to HKAS 19	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separated financial statements	1 January 2013
HKAS 28 (revised 2011)	Investment in associates and joint ventures	1 January 2013
HK (IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2014
Amendment to HKAS 32	Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosure	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
Additions to HKFRS 9	Financial instruments – Financial liabilities	1 January 2015

The Group has commenced an assessment of the impact of the new standards, amendments to the standards and interpretations but is not yet in a position to state whether these new standards, amendments to standards and interpretations would have a significant impact to the Group's results of operations and financial position.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 4. CHANGES IN CRITICAL ACCOUNTING ESTIMATE AND ASSUMPTIONS

The preparation of Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of the change in accounting estimate of the amortisation unit for concession intangible assets.

The Group appointed an independent professional traffic consultant reassessed the aggregate future traffic volume of Longda Expressway. The Group has adjusted the amortisation unit for concession intangible assets according to the revised total projected traffic volume since 1 January 2012 on prospective basis. Such change in accounting estimate has resulted in increase in profit after tax of HKD14,273,000 for the six months ended 30 June 2012 and will affect the amortisation charges of the Group in the future.

### 5. FINANCIAL RISK MANAGEMENT

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There have been no significant changes in the risk management of the Group since year end.

#### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

#### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 5. FINANCIAL RISK MANAGEMENT (continued)

#### 5.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2012:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Available-for-sale financial assets				
– Equity securities	1,466,630	–	208,027	1,674,657
<b>Liabilities</b>				
Derivatives – interest rate swaps, cross currency and interest rate swap and foreign exchange forward contract	–	56,486	–	56,486

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Available-for-sale financial assets				
– Equity securities	1,488,061	–	209,669	1,697,730
<b>Liabilities</b>				
Derivatives – interest rate swaps, cross currency and interest rate swap and foreign exchange forward contract	–	61,130	–	61,130

During the Period, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

During the Period, there were no reclassifications of financial assets.

### 6. SEGMENT INFORMATION

The Group assessed its operations to be organised in two main business segments:

- Toll roads; and
- Logistic business.

Head office functions include corporate management functions and investment and financial activities of the Group.

The chief operating decision-maker has been identified as the board of directors. The board of directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 6. SEGMENT INFORMATION (continued)

Toll roads include development, operation and management of toll highway; logistic business includes: (i) logistic parks mainly include the construction, operation and management of logistic centres; (ii) logistic services include the provision of third party logistic and logistic information services to customers; and (iii) port includes construction, operation and management of wharf and logistic centres at Xiba Port in Nanjing.

The board of directors assesses the performance of the operating segments based on a measure of operating profit.

The segment revenue and results presented to the board of directors, the chief operating decision-maker are as follows:

For the six months ended 30 June 2012

	Toll roads	Logistic business			Subtotal	Head office functions	Total
		Logistic parks	Logistic services	Port			
Revenue	2,403,011 <sup>(a)</sup>	243,779	152,683	57,170	453,632	-	2,856,643
Operating profit	1,215,805	86,068	3,863	20,372	110,303	(63)	1,326,045
Share of profit/(loss) of jointly controlled entities	2,696	5,190	(205)	-	4,985	-	7,681
Share of profit of associates	81,434	-	282	-	282	368,632	450,348
Finance income	24,616	710	460	290	1,460	8,955	35,031
Finance costs	(404,826)	(7,279)	(70)	(12,503)	(19,852)	(83,835)	(508,513)
Profit before tax	919,725	84,689	4,330	8,159	97,178	293,689	1,310,592
Income tax expense	(221,320)	(18,574)	(1,554)	-	(20,128)	(6,082)	(247,530)
Profit for the period	698,405	66,115	2,776	8,159	77,050	287,607	1,063,062
Non-controlling interests	(252,171)	(3,869)	79	(2,445)	(6,235)	-	(258,406)
Profit attributable to equity holders of the Company	446,234	62,246	2,855	5,714	70,815	287,607	804,656
Depreciation and amortisation	485,631	32,620	5,705	18,026	56,351	11,661	553,643
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	222,357	118,921	18,008	4,404	141,333	7,258	370,948
- Additions in investments in associates	-	-	-	-	-	97,266	97,266

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 6. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2011

	Toll roads	Logistic business			Subtotal	Head office functions	Total
		Logistic parks	Logistic services	Port			
Revenue	2,368,197 <sup>(a)</sup>	223,128	114,130	36,934	374,192	–	2,742,389
Operating profit	975,339	67,053	7,902	11,021	85,976	379,697	1,441,012
Share of (loss)/profit of jointly controlled entities	(665)	2,848	(690)	–	2,158	–	1,493
Share of profit of associates	99,530	–	692	–	692	186,957	287,179
Finance income	7,972	892	446	426	1,764	4,550	14,286
Finance costs	(299,992)	(5,913)	(1,591)	(6,072)	(13,576)	13,727	(299,841)
Profit before tax	782,184	64,880	6,759	5,375	77,014	584,931	1,444,129
Income tax expense	(185,378)	(12,509)	(1,610)	–	(14,119)	(87,116)	(286,613)
Profit for the period	596,806	52,371	5,149	5,375	62,895	497,815	1,157,516
Non-controlling interests	(200,136)	(898)	(518)	(1,613)	(3,029)	–	(203,165)
Profit attributable to equity holders of the Company	396,670	51,473	4,631	3,762	59,866	497,815	954,351
Depreciation and amortisation	443,592	29,697	5,797	13,113	48,607	13,222	505,421
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	624,813	80,150	1,763	143,797	225,710	10,222	860,745
– Investments in jointly controlled entities	5,899	–	–	–	–	–	5,899

- (a) The revenue from toll roads includes construction service revenue under service concession arrangements of HKD204,923,000 (2011 interim: HKD441,927,000) for the Period.
- (b) The Group has a number of customers. Revenue of approximately HKD99,816,000 (2011 interim: HKD277,169,000) are derived from a single external customer. Those revenue are attributable to construction service revenue under service concession arrangements.
- (c) The Group's non-current assets are mainly located in the PRC.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 7. CAPITAL EXPENDITURE

	Intangible assets – concession intangible assets	Investment properties	Property, plant and equipment	Land use rights	Construction in progress
<b>Six months ended 30 June 2012</b>					
<b>Net book amount as at 1 January 2012</b>	<b>24,386,045</b>	<b>62,900</b>	<b>4,024,897</b>	<b>663,930</b>	<b>181,415</b>
Fair value gain	–	6,400	–	–	–
Additions	196,983	–	21,461	–	152,504
Disposals	–	–	(8,367)	–	–
Transfers	7,038	–	12,278	–	(19,316)
Exchange difference	(175,244)	–	(30,045)	(5,162)	(1,260)
Depreciation/amortisation	(403,858)	–	(141,150)	(8,635)	–
<b>Net book amount as at 30 June 2012</b>	<b>24,010,964</b>	<b>69,300</b>	<b>3,879,074</b>	<b>650,133</b>	<b>313,343</b>
<b>Six months ended 30 June 2011</b>					
<b>Net book amount as at 1 January 2011</b>	23,446,980	49,989	3,226,152	647,623	368,096
Fair value gain	–	5,500	–	–	–
Additions	445,917	–	76,402	1,227	337,199
Disposals	–	–	(30,109)	–	–
Transfers	–	–	528,553	–	(528,553)
Exchange difference	520,580	109	75,716	14,661	5,129
Depreciation/amortisation	(377,796)	–	(119,308)	(8,317)	–
<b>Net book amount as at 30 June 2011</b>	<b>24,035,681</b>	<b>55,598</b>	<b>3,757,406</b>	<b>655,194</b>	<b>181,871</b>

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 11 to 24 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.



## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 8. INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2012	2011
Beginning of the period	2,829,232	2,280,452
Transfer from other non-current assets (Note (a))	875,394	–
Additions	97,266	–
Share of post-tax profits of associates	450,348	287,179
Share of other comprehensive income/(loss) of associates	6	(15)
Dividends received	(48,654)	(79,812)
Exchange difference	(31,333)	54,483
End of the period	<b>4,172,259</b>	2,542,287

The ending balance comprises the following:

	As at	
	30 June 2012	31 December 2011
Unlisted investments, at cost		
Share of net assets other than goodwill	3,132,273	2,068,803
Goodwill on acquisition	1,039,986	760,429
Total	<b>4,172,259</b>	2,829,232

- (a) The Group's acquisition of 24% equity interest in Shenzhen Airlines was completed on 4 January 2012. The prepayment of HKD875,394,000 which was classified under 'other non-current assets' as at 31 December 2011 was transferred to 'investments in associates' during the Period accordingly.
- (b) Based on the assessment made by the directors of the Company, there were no impairment losses for the goodwill as at 30 June 2012.
- (c) In May 2011, Shenzhen Airlines received an originating summons from the Higher People's Court of Guangdong Province in respect of an outstanding loan totalling RMB390,000,000 borrowed by Shenzhen Huirun Investment Co., Ltd. ("Huirun") from a third party. It is alleged that Shenzhen Airlines has entered into several guarantee agreements with the third party and Huirun, pursuant to which Shenzhen Airlines acted as guarantor in favour of the third party for the amount borrowed by Huirun in or before the year 2009. Shenzhen Airlines has questioned the authenticity of the guarantee agreements and is awaiting the court ruling on this issue. The directors of Shenzhen Airlines have made a reasonable estimate on the potential loss on these guarantees and a provision of RMB130,000,000 was made in year 2011. The directors of the Company did not make an adjustment for provision during the Period.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 9. OTHER NON-CURRENT ASSETS

As at 30 June 2012, other non-current assets mainly include certain leased assets and the prepayment for construction in projects.

### 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June	
	2012	2011
Beginning of the period	1,734,940	3,583,228
Net fair value losses	(9,778)	(397,788)
Disposals	-	(347,634)
Exchange differences	(13,586)	81,536
End of the period	1,711,576	2,919,342
Less: non-current portion	(244,946)	(273,899)
Current portion	1,466,630	2,645,443

Available-for-sale financial assets, all denominated in RMB, include the following:

	As at	
	30 June 2012	31 December 2011
Listed securities in the PRC, at fair value (Note (a) and Note 5.3)	1,466,630	1,488,061
Unlisted equity investments:		
at fair value (Note 5.3)	208,027	209,669
at cost less impairment		
– Cost	61,014	61,305
– Provision for impairment	(24,095)	(24,095)
	36,919	37,210
	244,946	246,879
	1,711,576	1,734,940

(a) As at 30 June 2012, listed equity investments stated at market price represent 6.42% interest (equivalent to 133,170,000 shares) in CSG Holding Co., Ltd.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 11. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2012	31 December 2011
Trade receivables	580,012	583,303
Less: Provision for impairment	(9,258)	(9,309)
Trade receivables – net	570,754	573,994
Other receivables and prepayments	136,580	342,775
Prepayment for land acquisition	378,134	–
	<b>1,085,468</b>	916,769

The income from toll road operations is mainly received in cash and it usually does not maintain any trade receivable balances related to toll road operations. Accordingly, the Group does not have any specified credit period for its customers related to toll road operations. Trade receivables other than toll road income generally have credit terms of 30 to 120 days. The ageing analysis of the trade receivables of the Group based on invoice date or the time from the initial recognition of receivables is as follows:

	As at	
	30 June 2012	31 December 2011
0 – 90 days	431,109	304,320
91 – 180 days	29,769	38,599
181 – 365 days	871	2,257
Over 365 days (i)	118,263	238,127
	<b>580,012</b>	583,303

- (i) Trade receivables due over 365 days mainly comprised the amounts of HKD109,170,000 (31 December 2011: HKD214,797,000) arising from the development and management of certain toll road projects administrated for Shenzhen Traffic and Transport Committee.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 12. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares (share)	Ordinary shares	Share premium	Total
<b>As at 1 January 2011</b>	16,372,173,064	1,637,217	3,282,637	4,919,854
Employee share option scheme – value of employee services	–	–	9,072	9,072
<b>As at 30 June 2011</b>	16,372,173,064	1,637,217	3,291,709	4,928,926
<b>As at 1 January 2012</b>	<b>16,372,173,064</b>	<b>1,637,217</b>	<b>3,299,903</b>	<b>4,937,120</b>
Employee share option scheme – value of employee services	–	–	8,716	8,716
<b>As at 30 June 2012</b>	<b>16,372,173,064</b>	<b>1,637,217</b>	<b>3,308,619</b>	<b>4,945,836</b>

#### i) Authorised and issued

The total authorised number of ordinary shares is 20,000 million shares (31 December 2011: 20,000 million shares) with par value of HKD0.1 per share (31 December 2011: HKD0.1 per share). All issued shares are fully paid.

#### ii) Share option

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Average exercise price (HKD per share)	Number of share options (thousands)	Average exercise price (HKD per share)	Number of share options (thousands)
Beginning of period	0.574	308,800	0.575	321,600
Lapsed	0.532	(35,000)	0.580	(6,600)
End of period	0.580	273,800	0.575	315,000

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 12. SHARE CAPITAL AND SHARE PREMIUM (continued)

#### ii) Share option (continued)

Share options outstanding at the end of the period/year have the following dates of maturity and exercise prices:

Date of maturity	Exercise price (HKD per share)	Number of share options (thousands)	
		30 June 2012	31 December 2011
5 February 2012 (Note (a))	–	–	35,000
27 September 2015 (Note (b))	0.580	<b>273,800</b>	273,800
		<b>273,800</b>	308,800

(a) 35,000,000 share options (31 December 2011: 35,000,000 options) granted to certain directors and employees on 6 February 2007 are unconditional and vested immediately. No share options were exercised during the Period (2011 interim: Nil) and 35,000,000 share options were lapsed during the Period (2011 interim: Nil).

(b) On 28 September 2010, the grant date (the “Grant Date”), 286,600,000 share options (the “Share Options”) with an exercise price of HKD0.58 per share were granted to certain directors of the Company and to selected employees of the Group. The exercise price of the Share Options in 2010 was equal to the market price of the shares on the Grant Date. The options are exercisable starting two years from the Grant Date: 40% of the Share Options will be vested on the date which is 24 months after the Grant Date; another 30% of the Share Options granted will be vested on the date which is 36 months after the Grant Date, and the remaining 30% of the Share Options will be vested on the date which is 48 months after the Grant Date. The vesting of the Share Options is conditional, subject to the individual performance of respective grantees and the achievement of certain performance targets of the Group. No Share Options were lapsed during the Period (2011 interim: 6,600,000).

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 13. OTHER RESERVES

	Equity component of convertible bond	Fair value reserve	Reserve funds (Note (a))	Capital reserve	Goodwill reserve	Hedging reserve	Merger reserve	Revaluation surplus	Other reserves	Currency translation reserve	Contributed surplus	Total
<b>At 1 January 2011</b>	133,978	2,472,918	1,462,932	59,723	(159,583)	(64,359)	(4,082,110)	507,216	(165,019)	1,040,562	13,005	1,219,263
Fair value losses on available-for-sale financial assets, net of tax	-	(345,604)	-	-	-	-	-	-	-	-	-	(345,604)
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	-	(251,224)	-	-	-	-	-	-	-	-	-	(251,224)
Fair value gains on derivative financial instruments, net of tax	-	-	-	-	-	13,175	-	-	-	-	-	13,175
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	-	(15)	-	-	(15)
Currency translation differences	-	78,869	-	-	-	-	-	-	-	271,606	-	350,475
<b>At 30 June 2011</b>	133,978	1,954,959	1,462,932	59,723	(159,583)	(51,184)	(4,082,110)	507,216	(165,034)	1,312,168	13,005	986,070
<b>At 1 January 2012</b>	133,978	1,062,192	1,619,317	59,723	(159,583)	(33,199)	(4,082,110)	507,216	(165,047)	1,518,998	13,005	474,490
Fair value losses on available-for-sale financial assets, net of tax	-	(4,591)	-	-	-	-	-	-	-	-	-	(4,591)
Fair value gains on derivative financial instruments, net of tax	-	-	-	-	-	3,539	-	-	-	-	-	3,539
Derecognition of cash flow hedges, net of tax	-	-	-	-	-	1,503	-	-	-	-	-	1,503
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	-	6	-	-	6
Currency translation differences	-	(11,654)	-	-	-	-	-	-	-	(58,117)	-	(69,771)
<b>At 30 June 2012</b>	133,978	1,045,947	1,619,317	59,723	(159,583)	(28,157)	(4,082,110)	507,216	(165,041)	1,460,881	13,005	405,176

- (a) In accordance with the PRC regulations, certain companies of the Group in the PRC are required to transfer part of their profits after taxation to various reserve funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies, in accordance with their joint venture agreements and/or articles of association.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 14. TRADE AND OTHER PAYABLES

	As at	
	30 June 2012	31 December 2011
Trade payables (Note (a))	82,979	71,906
Payables relating to construction projects	1,293,630	1,321,355
Advances from associates (Note (b))	75,924	64,190
Other payables and accrued expenses	694,396	787,220
	<b>2,146,929</b>	<b>2,244,671</b>

(a) The ageing analysis of the trade payables was as follows:

	As at	
	30 June 2012	31 December 2011
0 – 90 days	77,652	65,165
91 – 180 days	2,391	1,470
181 – 365 days	2,929	1,814
Over 365 days	7	3,457
	<b>82,979</b>	<b>71,906</b>

(b) The advances from associates represent HKD48,391,000 (31 December 2011: HKD48,773,000) and HKD27,533,000 (31 December 2011: HKD15,417,000) from Nanjing Yangzi River Third Bridge Company Limited and Guangzhou Western Second Ring Expressway Company Limited, respectively. These advances are interest-free, unsecured and repayable on demand.



## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 15. BORROWINGS

	As at	
	30 June 2012	31 December 2011
Non-current		
– Bank and other borrowings (Note (b))	10,363,875	11,074,863
– Convertible bond (Note (c))	1,729,167	1,701,659
– Medium-term notes (Note (d))	854,711	862,758
– Senior notes (Note (e))	2,314,326	–
– Corporate bonds (Note (f))	2,789,952	2,807,623
	<b>18,052,031</b>	16,446,903
Less: Current portion	<b>(1,959,025)</b>	(1,125,790)
	<b>16,093,006</b>	15,321,113
Current		
– Bank and other borrowings (Note (g))	1,231,649	1,412,841
– Medium-term notes (Note (d))	854,711	–
	<b>2,086,360</b>	1,412,841
<b>Total borrowings</b>	<b>18,179,366</b>	16,733,954

Interest expense on borrowings for the Period was HKD470,597,000 (2011 interim: HKD386,911,000).

Movement in borrowings is analysed as follows:

	Six months ended 30 June	
	2012	2011
Opening balance as at 1 January	16,733,954	12,400,377
Proceeds from borrowings	2,557,143	2,154,451
Repayments of borrowings	(982,144)	(1,486,492)
Exchange differences	(129,587)	227,667
<b>Closing balance as at 30 June</b>	<b>18,179,366</b>	13,296,003

(a) The Group has the following undrawn banking facilities:

	As at	
	30 June 2012	31 December 2011
Floating rate		
– Expiring within one year	3,910,739	4,738,501
– Expiring beyond one year	13,993,514	6,381,969
	<b>17,904,253</b>	11,120,470

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 15. BORROWINGS (continued)

- (b) Including in bank and other borrowings, HKD210,000,000 (31 December 2011: HKD210,000,000) are secured by the Group's 55% equity interest in Jade Emperor Limited ("JEL"), a wholly owned subsidiary; HKD5,375,556,000 (RMB4,392,904,000) (31 December 2011: HKD5,251,164,000 (RMB4,257,644,000)) is secured by a pledge of the operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway of Guangdong Qinglian Highway Development Company Limited ("Qinglian Company"), of which HKD245,815,000 (RMB200,880,000) (31 December 2011: HKD186,581,000 (RMB151,280,000)) was current portion of the non-current bank and other borrowings (Note15(g)). HKD813,754,000 (RMB665,000,000) (31 December 2011: HKD820,178,000 (RMB665,000,000)) is secured by a pledge of the 40% equity rights of Shenzhen Qinglong Expressway Company Limited, an associate of the Group.
- (c) The convertible bond with the face value of RMB1,500,000,000 was issued in 2007 by Shenzhen Expressway. The movement during the Period is as follows:

	Liability component	Equity component	Total
<b>At 1 January 2011</b>	1,549,341	344,810	1,894,151
Interest expense	37,907	–	37,907
Exchange differences	35,597	–	35,597
<b>At 30 June 2011</b>	1,622,845	344,810	1,967,655
<b>At 1 January 2012</b>	<b>1,701,659</b>	<b>344,810</b>	<b>2,046,469</b>
Interest expense	<b>41,015</b>	–	<b>41,015</b>
Exchange differences	<b>(13,507)</b>	–	<b>(13,507)</b>
<b>At 30 June 2012</b>	<b>1,729,167</b>	<b>344,810</b>	<b>2,073,977</b>

The full amount of the principal and related interests of the convertible bond is guaranteed by the Shenzhen Branch of the Agricultural Bank of China, which is in turn secured by the 47.30% of the operating rights of Nanguang Expressway. The bonds are attached with warrants subscription rights which entitle the holders of the bonds to subscribe for newly issued A shares of Shenzhen Expressway at the rate of 7.2 shares per bond. The rights have expired in 2009.

Following the expiry of the rights, the bonds have been included in borrowings.

- (d) The medium-term notes with principal amount of RMB700 million (HKD855 million) (31 December 2011: RMB700 million (HKD863 million)) have a term of three years and bear floating rate interest. The applicable interest rate of the notes is 3.72% per annum for the first year, 4.47% per annum for the second year and 4.97% per annum for the third year.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 15. BORROWINGS (continued)

- (e) In April 2012, the Company issued senior notes in an aggregate principal amount of USD300 million (the "Senior Notes"). The Senior Notes bear interest at the rate of 4.375% per annum, payable semi-annually in arrears on 20 April and 20 October in each year, and will mature on 20 April 2017, unless redeemed earlier.

The Senior Notes may be redeemed at the option of the Company in whole, but not in part, in the event of certain changes affecting taxes of Bermuda or Hong Kong. At any time following a change of control in the Company, the holder of each senior note will have the right, at such holder's option, to require the Company to redeem in whole but not in part such holder's senior notes at 101% of their principal amount, together with accrued but unpaid interest.

- (f) Shenzhen Expressway issued long-term corporate bonds of RMB800 million for a term of 15 years bearing interest at 5.5% per annum in August 2007 ("Corporate Bond A"). Interest is payable annually and the principal is repayable in full upon maturity. The full amount of principal and interest of the Corporate Bond A are unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by Shenzhen Expressway's 100% equity interest in Shenzhen Meiguan Expressway Company Limited.

In August 2011, Shenzhen Expressway issued another corporate bonds with face value of RMB1.5 billion which are fixed interest rate with maturity of 5 years ("Corporate Bond B"), with attached options that Shenzhen Expressway can increase the coupon rate and investors can request for redemption upon the end of third year from the date of issuance of the bonds. The nominal interest rate of the Corporate Bond B is 6% per annum.

- (g) Amongst the current bank borrowing, HKD20,000,000 (31 December 2011: HKD170,000,000) was secured by a pledge of the Group's 55% equity interest in JEL. HKD245,815,000 (RMB200,880,000) (31 December 2011: HKD186,581,000 (RMB151,280,000)) is secured by a pledge of the operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway of Qinglian Company.

### 16. DERIVATIVE FINANCIAL INSTRUMENTS

	As at	
	30 June 2012	31 December 2011
Interest rate swaps		
– non-current liabilities – cash flow hedges (Note (a))	40,242	45,311
– current liabilities – cash flow hedges	–	649
Cross currency and interest rate swap		
– non-current liabilities – cash flow hedges (Note (b))	14,711	14,016
Foreign exchange forward contract		
– current liabilities – cash flow hedges (Note (c))	1,533	1,154
	<b>56,486</b>	<b>61,130</b>

During the Period, the fair value change of derivative financial instruments recognised in other reserve and income statement amounted to HKD3,539,000 (2011 interim: HKD13,175,000) and HKD1,503,000 (2011 interim: Nil) respectively.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

#### (a) Interest rate swaps

At 30 June 2012, the fixed interest rates of interest rate swap contracts vary from 1.29% to 2.9% (31 December 2011: 1.29% to 2.9%), and the main floating rates are Hong Kong Interbank Offer Rate ("HIBOR"). Gains and losses recognised in the hedging reserve in other comprehensive income (Note 13) on interest rate swap contracts as of 30 June 2012 will be continuously released to the income statement until the full repayment of the bank borrowings.

As at 30 June 2012, the aggregate notional amount of the interest rate swaps for cash flow hedge purpose amounted to HKD1,337,500,000 (31 December 2011: HKD1,663,125,000).

Outstanding notional principal amount HKD	30 June 2012 balance of the derivative financial instruments HKD	Maturity date
837,500,000	24,378,000	31 July 2013
400,000,000	13,519,000	28 October 2016
100,000,000	2,345,000	28 October 2016
1,337,500,000	40,242,000	

#### (b) Cross currency and interest rate swap

The Group 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 2012 was HKD378,000,000 (31 December 2011: HKD378,000,000). Through this arrangement, Shenzhen Expressway pays an annually fixed interest at 1.8% and the principal at a fixed HKD/RMB exchange rate agreed in the contract while the original annual floating interest expense (3-month HIBOR+1.5%) and the floating principal payments (HKD/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.

#### (c) Foreign exchange forward contract

The Group uses a foreign exchange forward contract to hedge its exchange rate risk against one of its foreign currency loans. The notional principal amount of the outstanding foreign exchange forward contract at 30 June 2012 was HKD227,000,000 (31 December 2011: HKD227,000,000). Through this arrangement, the Group will pay fixed principal in RMB at the contractual forward HKD/RMB exchange rate and will receive foreign currency principal. Such foreign exchange forward contract will be settled on 17 September 2012.

Gains and losses recognised in the hedging reserve in equity (Note 13) on cross currency and interest swap and forward foreign exchange contracts at 30 June 2012 will be continuously released to the statement of comprehensive income until the full repayment of the bank borrowings.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 17. PROVISION FOR MAINTENANCE/RESURFACING OBLIGATIONS

	Six months ended 30 June	
	2012	2011
Opening net book amount	877,992	1,110,712
Charged to the income statement:		
Additions	6,207	87,687
Increase due to passage of time (Note 21)	22,925	37,264
Utilised	(33,099)	–
Exchange differences	(6,858)	26,402
Closing net book amount	867,167	1,262,065
Less: Current portion	(408,094)	(23,469)
Non-current portion	459,073	1,238,596

### 18. REVENUE

	Six months ended 30 June	
	2012	2011
Toll roads		
– Toll revenue	2,198,088	1,926,270
– Construction service revenue under concession arrangements	204,923	441,927
Logistic business		
– Logistic parks	243,779	223,128
– Logistic services	152,683	114,130
– Port	57,170	36,934
	2,856,643	2,742,389

### 19. OTHER GAINS – NET

	Six months ended 30 June	
	2012	2011
Gain on disposals of available-for-sale financial assets	–	339,189
Others	7,647	28,886
	7,647	368,075

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 20. OTHER INCOME

	Six months ended 30 June	
	2012	2011
Dividend income	40,226	63,971
Rental income	11,484	10,957
Government subsidies	1,534	5,532
	<b>53,244</b>	80,460

### 21. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2012	2011
Interest income from bank deposits	(35,031)	(14,286)
Interest expenses		
– Bank and other borrowings wholly repayable within 5 years	104,152	98,026
– Bank and other borrowings wholly repayable after 5 years	187,811	163,031
– Convertible bond wholly repayable within 5 years	41,015	37,907
– Medium-term notes wholly repayable within 5 years	21,568	15,485
– Corporate bond wholly repayable within 5 years	67,176	–
– Corporate bond wholly repayable after 5 years	28,730	35,198
– Senior notes wholly repayable within 5 years	20,145	–
– Others interest expense (Note 17)	22,925	37,264
Net foreign exchange losses/(gains) directly attributable to borrowings	27,872	(76,539)
Less: interest expenses capitalised in construction in progress	(12,881)	(10,531)
	<b>508,513</b>	299,841
Net finance costs	<b>473,482</b>	285,555

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 22. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the Period. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC corporate income tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the Period at a rate of 25% (2011 interim: 24%) applicable to the respective companies.

	Six months ended 30 June	
	2012	2011
Current income tax		
– PRC corporate income tax	<b>296,466</b>	361,243
Deferred income tax	<b>(48,936)</b>	(74,630)
	<b>247,530</b>	286,613

### 23. EARNINGS PER SHARE

#### (a) Basic

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

	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company	<b>804,656</b>	954,351
Weighted average number of ordinary shares in issue (thousands)	<b>16,372,173</b>	16,372,173
Basic earnings per share (HK cents)	<b>4.91</b>	5.83



## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 23. EARNINGS PER SHARE (continued)

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2012	2011
Profit attributable to equity holders of the Company	804,656	954,351
Profit used to determine diluted earnings per share	804,656	954,351
Weighted average number of ordinary shares in issue (thousands)	16,372,173	16,372,173
Adjustments – share options (thousands)	–	48,770
Weighted average number of ordinary shares for diluted earnings per share (thousands)	16,372,173	16,420,943
Diluted earnings per share (HK cents)	4.91	5.81

### 24. DIVIDENDS

The board of directors has resolved not to declare an interim dividend in respect of the Period (2011 interim: Nil). The 2011 final dividend of HKD409,304,000 (HK cents 2.5 per ordinary share) and special dividend of HKD130,977,000 (HK cents 0.8 per ordinary share) totalling HKD540,281,000 (HK cents 3.3 per ordinary share) (2011 interim: HKD491,165,000 (HK cents 3.0 per ordinary share)) was paid on 22 June 2012.

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 25. GUARANTEES AND CONTINGENCIES

- (a) During year 2007 and year 2011, Shenzhen Expressway had construction management contracts and arranged with bank to issue irrevocable performance guarantees amounting to RMB51,000,000 (HKD62,409,000) and RMB2,000,000 (HKD2,447,000) on its behalf to Shenzhen Communications Bureau and Shenzhen Traffic Public Facilities Construction Center respectively.
- (b) According to the demand by the Shenzhen Local Tax Bureau (the "Local Tax Bureau"), the Group had made a provision for the enterprise income tax in the amount of RMB39,236,000 (HKD48,013,000) in year 2008. As of the date of approval of the 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. The tax payable of RMB39,236,000 was not paid out at the reporting date.
- (c) Upon the government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. During the year 2011, Qinglian Fengyun Eco-tourism Development Company Limited, BP Petrochina Qingyuan Sales Company Limited and Petrochina Guangdong Sales Company Limited sued against Qinglian Company in Qingyuan Intermediate People's Court for the objection to closing of exit of expressway due to the upgrade project. The decision was favourable to Qinglian Company in the first instance judgment. During the year 2011, these three companies lodged an appeal to the Higher People's Court of Guangdong Province. As at the date of approval of these financial statements, the litigation is still in progress. According to the nature and construction status of the upgrade project, the directors of the Company considered that the outcome of the litigation will have no significant impact on the Group's operating result.
- (d) Details of contingences of associates are set out in Note 8.

### 26. COMMITMENTS

Save as disclosed elsewhere in this condensed Financial Information, the Group has the following capital expenditure committed but not yet incurred:

	<b>As at</b>	
	<b>30 June 2012</b>	31 December 2011
Capital commitments – expenditure of property, plant and equipment and concession intangible assets		
– Contracted but not provided for	<b>724,358</b>	892,932
– Authorised but not contracted for	<b>475,039</b>	495,060
	<b>1,199,397</b>	1,387,992
Investment commitments		
– Contracted but not provided for	–	97,266
– Authorised but not contracted for	<b>51,884</b>	140,355
	<b>51,884</b>	237,621
	<b>1,251,281</b>	1,625,613

## Notes to the Condensed Consolidated Interim Financial Information

(All amounts in HK dollar thousands unless otherwise stated)

### 27. RELATED-PARTY TRANSACTIONS

As described in Note 1, the Company is de facto controlled by Shenzhen SASAC. Apart from the related party transactions and balances already disclosed in other notes to this Financial Information, the following material transactions were carried out with related parties during the Period:

- (a) During the six months ended 30 June 2012 and 2011, the Group has bank deposits in and obtained borrowings from state-owned banks in normal commercial terms. Interests are earned and incurred on these deposits and borrowings respectively.
- (b) The Group has capital expenditure incurred for service concession projects and construction in progress with state-owned contractors in the six months ended 30 June 2012 and 2011 and payable balances due to state-owned contractors for construction projects and guaranteed deposits as of 30 June 2012 and 31 December 2011.
- (c) Shenzhen Expressway entered into project management service contracts with Shenzhen Expressway Engineering Consulting Company Limited (“Consulting Company”), an associate of Shenzhen Expressway, under which Consulting Company assumes the management of the reconstruction project of Shenzhen Expressway. The value of the management service contract is approximately HKD200,295,000. During the Period, Shenzhen Expressway paid a management fee of approximately HKD4,970,000 (2011 interim: HKD20,755,000) to Consulting Company. The cumulative management fee paid by Shenzhen Expressway to Consulting Company amounted to approximately HKD159,875,000 up to 30 June 2012.
- (d) Shenzhen Expressway provides project management services for construction, operation and maintenance of Guangshen Coastal Expressway (Shenzhen Section) Project (“Coastal Project”) for the Shenzhen Municipal Government. The Coastal Project is owned by Shenzhen Guangshen Coastal Expressway Investment Co., Ltd., (“Coastal Company”) which is wholly owned by SIHCL. The management service revenue is 1.5% of the construction budget. On 9 September 2011, Shenzhen Expressway and Coastal Company entered into the entrusted construction management agreement to formalize the terms of these arrangements. During the Period, Shenzhen Expressway has recognised construction management service revenue amounting to RMB10,027,000 (HKD12,324,000) (2011 interim: RMB10,193,000 (HKD12,162,000)).

## SUPPLEMENTARY INFORMATION

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012 (the "Period").

### DIRECTORS' INTERESTS IN SECURITIES

The interests of the directors in the share options of the Company are separately disclosed in the section headed "SHARE OPTION SCHEME" below.

As at 30 June 2012, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of The Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

#### Long positions in the ordinary shares of the Company

Name of directors	Number of ordinary shares held	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Li Jing Qi	8,000,000	beneficial owner	personal	0.05%
Liu Jun	9,000,000	beneficial owner	personal	0.06%

Save as disclosed above and in the section headed "SHARE OPTION SCHEME" below, as at 30 June 2012, none of the directors or chief executives of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") at a special general meeting held on 30 April 2004. The Scheme is valid and effective for a period of 10 years commencing on 30 April 2004 and is a share incentive scheme to reward and motivate the eligible participants whose contributions are important to the long-term growth and profitability of the Group.

Eligible participants of the Scheme include person being (a) any full-time employee of the Group, (b) any director (including executive, non-executive or independent non-executive directors) of the Group, associates and jointly controlled entities of the Group or (c) any substantial shareholder of the Company, to be determined by the board of directors of the Company (the "Board").

## Supplementary Information

The following table lists the details of the outstanding share options of the Company which were granted under the Scheme and their movements during the Period:

Name and category of participants	Date of grant of share options	Exercise period of share options	Exercise price of share option (Note 3) HK\$	Number of unlisted share options (physically settled equity derivatives)					Share price of the Company (Note 4)	
				As at 1 January 2012	Granted during the Period	Exercised during the Period	Cancelled/lapsed during the Period	As at 30 June 2012	As at the date of grant of share options HK\$	As at the date of exercise of share options HK\$
<b>Directors</b>										
Mr. Guo Yuan	6 February 2007 (Note 1)	6 February 2007 to 5 February 2012	0.532	35,000,000	-	-	35,000,000	-	0.530	N/A
	28 September 2010 (Note 2)	28 September 2012 to 27 September 2015	0.580	17,900,000	-	-	-	17,900,000	0.590	N/A
Mr. Li Jing Qi	28 September 2010 (Note 2)	28 September 2012 to 27 September 2015	0.580	17,000,000	-	-	-	17,000,000	0.590	N/A
Mr. Liu Jun	28 September 2010 (Note 2)	28 September 2012 to 27 September 2015	0.580	14,300,000	-	-	-	14,300,000	0.590	N/A
Mr. Yang Hai	28 September 2010 (Note 2)	28 September 2012 to 27 September 2015	0.580	14,300,000	-	-	-	14,300,000	0.590	N/A
				98,500,000	-	-	35,000,000	63,500,000		
<b>Other employees</b>										
In aggregate	28 September 2010 (Note 2)	28 September 2012 to 27 September 2015	0.580	210,300,000	-	-	-	210,300,000	0.590	N/A
				210,300,000	-	-	-	210,300,000		
				308,800,000	-	-	35,000,000	273,800,000		

Notes:

- (1) There is no vesting period for these share options.
- (2) 40% of these share options granted will be vested on the date which is 24 months after 28 September 2010 (the "Date of Grant"); another 30% of these share options granted will be vested on the date which is 36 months after the Date of Grant; and the remaining 30% of these share options will be vested on the date which is 48 months after the Date of Grant. Vesting of these share options is subject to the individual performance of the respective grantees and the achievement of certain performance targets of the Group.
- (3) The exercise price of the share options was subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (4) The share price of the Company disclosed as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange of the trading day immediately prior to the date of the grant of the share options. The share price of the Company disclosed as at the date of exercise of the share options was the weighted average closing price of the shares immediately before the date on which the share options with the disclosure category were exercised.

## Supplementary Information

Upon exercise of the share options of the Company, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which lapse or are cancelled prior to the expiration of their exercise date are deleted from the register of outstanding share options. No share option was granted during the Period.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2012, the interests and short positions of the substantial shareholders, other than the directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO are set out below:

#### Long positions in ordinary shares of the Company

Name of shareholders	Number of ordinary shares held	Capacity	Approximate % of issued share capital of the Company
Shenzhen Investment Holdings Company Limited ("SIHCL") – Note (1)	7,955,216,814	interest of controlled corporations	48.59%
Ultrarich International Limited ("Ultrarich") – Note (2)	7,955,216,814	beneficial owner	48.59%

Notes:

- (1) Ultrarich holds an aggregate of 7,955,216,814 shares of the Company and is a wholly-owned subsidiary of SIHCL. Accordingly, SIHCL is deemed to be interested in the 7,955,216,814 shares of the Company owned by Ultrarich.
- (2) Messrs. Guo Yuan, Li Jing Qi and Liu Jun are the directors of Ultrarich which has an interest in the shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 30 June 2012, the Company had not been notified by any substantial shareholders, other than the directors and chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

## OTHER PERSONS' INTERESTS IN SHARES

As at 30 June 2012, the interests and short positions of other persons in the shares and underlying shares of the Company, which are known to the Company or are required to be recorded in the register kept by the Company under section 336 of Part XV of the SFO are set out below:

### Long positions in ordinary shares of the Company

Name of shareholder	Number of ordinary shares held	Capacity	Approximate % of issued share capital of the Company
RARE Infrastructure Limited	915,786,000	investment manager	5.594%
UBS AG	1,755	beneficial owner	0.00001%
	343,287,500	person having a security interest in shares	2.10%
	569,135,000 – Note	interest of controlled corporation	3.47%
UBS Global Asset Management (Hong Kong) Limited	98,472,500	beneficial owner	0.60%
UBS Fund Services (Luxembourg) S.A.	440,922,500	beneficial owner	2.69%
UBS Global Asset Management (Singapore) Ltd	29,640,000	beneficial owner	0.18%
UBS Financial Services Inc.	100,000	beneficial owner	0.0006%

Note:

*Each of UBS Global Asset Management (Hong Kong) Limited, UBS Fund Services (Luxembourg) S.A., UBS Global Asset Management (Singapore) Ltd and UBS Financial Services Inc. is a wholly-owned subsidiary of UBS AG and accordingly, UBS AG is deemed to be interested in the aggregate of 569,135,000 ordinary shares of the Company held by these companies as disclosed above.*

Save as disclosed above, as at 30 June 2012, the Company had not been notified by any other persons who had interests or short positions in the shares and underlying shares of the Company which are known to the Company or as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

## Supplementary Information

### CORPORATE GOVERNANCE

The Board is committed to maintain a high standard of corporate governance in the best interests of the Company's shareholders. The corporate governance principles adopted by the Company emphasise a highly efficient Board, sound internal control and the transparency and accountability to all shareholders.

During the Period, the Company has complied with the Code Provisions set out in the "Code on Corporate Governance Practices" (effective until 31 March 2012) and the "Corporate Governance Code and Corporate Governance Report" (effective from 1 April 2012) as stated in Appendix 14 of the Listing Rules save that a non-executive director and an independent non-executive director who had to handle business outside Hong Kong, and a non-executive director who had a prior-committed university meeting, were unable to attend the annual general meeting of the Company held on 18 May 2012.

#### Board of Directors

As at the date of this report, the Board comprises nine directors, including four executive directors and five non-executive directors, three of whom are independent non-executive directors.

The Board held three meetings and discussed the following major issues during the Period:

- (1) considering and approving 2011 annual results;
- (2) reviewing the results and business development of the first quarter of 2012;
- (3) approving the participation of tender for the first batch of the land use rights of the development project of Guilong Economic Zone in Guizhou Province by Shenzhen Expressway Company Limited; and
- (4) approving the amendments to the "Responsibility of the Chairman and the Chief Executive Officer", "Terms of Reference of the Executive Board Committee", "Terms of Reference of the Audit Committee" and "Terms of Reference of the Nomination Committee", and the adoption of the "Shareholders Communication Policy".

#### Audit Committee

The Audit Committee was established in 1995. The Audit Committee consists of three independent non-executive directors, namely Mr. Leung Ming Yuen, Simon (Chairman), Mr. Ding Xun and Mr. Nip Yun Wing. In establishing and adopting the terms of reference of the Audit Committee, the Board had regard to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee held three meetings to discuss and review the following major issues together with the management and the auditor of the Company (the "Auditor") during the Period:

- (1) reviewing the 2011 financial statements and considering the completeness, accuracy and fairness of relevant disclosure in the financial statements and submitting the same to the Board for approval;
- (2) approving the Auditor's fees for the audit of 2011 financial statements;
- (3) reviewing the re-appointment of the Auditor;
- (4) reviewing the relevant procedures in relation to internal control and risk management of the Company; and
- (5) reviewing the amendment to the "Terms of Reference of the Audit Committee" regarding the responsibility of the committee.



## Supplementary Information

The Company has engaged PricewaterhouseCoopers, the Auditor, to review the unaudited 2012 condensed consolidated interim financial information of the Group. Before the date of approval of the condensed consolidated interim financial information by the Board, a meeting of the Audit Committee had been held with the Auditor for reviewing the unaudited condensed interim financial information of the Group for the six months ended 30 June 2012. The Auditor's Review Report is set out on page 25 of this report.

### Nomination Committee

The Nomination Committee of the Company was established in December 2003 and consists of three members, two of whom are independent non-executive directors. Members of the Nomination Committee include Mr. Ding Xun (Chairman), Mr. Leung Ming Yuen, Simon and Mr. Li Jing Qi.

The Nomination Committee held two meetings and discussed and reviewed the following major issues during the Period:

- (1) evaluating and making recommendation as to the performance of the directors who were subject to retirement by rotation and re-election at the 2012 annual general meeting; and
- (2) reviewing the amendment to the "Terms of Reference of the Nomination Committee" regarding the responsibility of the committee.

### Remuneration Committee

The Remuneration Committee was established in December 2003 and consists of three members, two of whom are independent non-executive directors. Members of the Remuneration Committee include Mr. Ding Xun (Chairman), Mr. Leung Ming Yuen, Simon and Mr. Li Jing Qi.

The Remuneration Committee held a meeting during the Period to consider the appropriation of the bonus of senior management for the year 2011.

### Attendance of the Board and the specialised committees of the Board

Details of the directors' attendance at the meetings of the Board and respective specialised committee meetings during the Period are set out in the following table:-

Directors	Board	Number of Meetings Attended/ Number of Meetings Held		
		Audit Committee	Nomination Committee	Remuneration Committee
<b>Executive directors</b>				
Mr. Guo Yuan ( <i>Chairman</i> )	3/3			
Mr. Li Jing Qi	3/3		2/2	1/1
Mr. Liu Jun	3/3			
Mr. Yang Hai	3/3			
<b>Non-executive directors</b>				
Mr. Wang Dao Hai	3/3			
Professor Wong Yuk Shan	3/3			
<b>Independent non-executive directors</b>				
Mr. Leung Ming Yuen, Simon	3/3	3/3	2/2	1/1
Mr. Ding Xun	3/3	3/3	2/2	1/1
Mr. Nip Yun Wing	3/3	3/3		

## Supplementary Information

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES**

The Board adopted a code of conduct (the “Code of Conduct”) in respect of securities transactions of the Company by directors and relevant employees of the Group on terms which are more stringent than those set out in the Model Code under the Listing Rules. Relevant employees include any employees of the Company or directors or employees of subsidiaries of the Company who, as a result of their office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Group.

The Company, having made specific enquiry to the directors, confirms that all directors have complied with the standards set out in the Model Code and the Code of Conduct at all times throughout the Period.

### **COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES**

The following information is disclosed pursuant to rules 13.18 and 13.21 of Chapter 13 of the Listing Rules.

On 31 July 2008, the Company, as borrower, entered into a loan agreement (the “Loan Agreement”) relating to a HK\$1,340,000,000 term loan facility with a syndicate of banks (the “Lenders”). The Loan Agreement shall have a maturity of 5 years.

Pursuant to the Loan Agreement, the Company undertakes to procure that the controlling shareholder of the Company, namely Shenzhen Municipal People’s Government State-owned Assets Supervision and Administration Commission (formerly known as “Shenzhen State-owned Assets Supervision and Administration Bureau”) shall at all times during the continuance of the Loan Agreement (i) beneficially own, directly or indirectly, not less than 35% of the issued share capital of the Company; (ii) be the single largest shareholder of the Company (in terms of the percentage ownership of the issued share capital of the Company); (iii) maintain control over the management of the Company; and (iv) beneficially own, directly or indirectly, 100% of the equity interest in SIHCL.

Failure to comply with any of the aforesaid undertakings will constitute an event of default under the Loan Agreement. Upon the occurrence of an event of default under the Loan Agreement, the Lenders may declare that the outstanding loan, accrued interest and other sums payable to be immediately due and payable; and/or declare that the facility under the Loan Agreement be terminated.

Shenzhen International Holdings Limited  
深圳國際控股有限公司