SHENZHEN EXPRESSWAY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0548)

Interim Report 2008

夯

The original meaning of the Chinese character「夯」(pronunciation: hāng) refers to the rhythmic cries by construction workers in the course of work. Meanwhile, a song led by a worker with others joining in chorus while reinforcing the foundation is known as "a song of hang" (「夯歌」). The first-level significance of using the character「夯」as the theme of this report is to express the whole Company's attitude and determination to achieve solidarity and dedicated efforts, so as to tackle and embrace the challenges we will face on the road ahead.

The character「夯」comprises two separate characters, namely「大」("big"/"huge") and「力」("effort"), implying that hard efforts are to be made while working. As such, the theme's second-level significance is that with the Company heading into a crucial stage of development, we face immense tests and challenges on various fronts, be it operations and construction management, or investments and financing arrangements. To attain the pre-set strategic objectives, the Company as a whole must adopt a proactive and realistic attitude, dedicating all efforts to push forward and complete all tasks and projects.

「夯」also refers to the tool used to reinforce the foundation. The Company's various efforts in recent years are all aimed at laying a solid foundation for the Company's future development. Such efforts include actively building up quality project resources, introducing an excellent performance management model to enhance the overall management standards, expanding the financing effort through various channels and controlling capital costs. Reinforcing the foundation is not only a required procedure in highway construction before laying the road surface, but also a necessary path for the Company's development and management processes. As we reinforce the foundation, we may find that the surface is lowered, which is similar to witnessing a slowed growth in investor return for a particular period as we invest in or construct certain new projects. However, once a flat road surface is laid on a firm foundation, more vehicles can run on a quality expressway much faster afar; similarly, once Shenzhen Expressway has reinforced its foundation, more investors will join us to develop much further ahead!

Contents

Financial Highlights

1. Prepared in accordance with HKFRS (Unaudited)

Results Highlights (For the six months ended 30 June)

(RMB'000)	**2008**	2007 (Restated*)	Change
Revenue	**1,757,758**	1,653,313	6.32%
Profit before interests, tax, depreciation and amortisation	**526,300**	517,305	1.74%
Profit before interests and tax	**433,378**	425,661	1.81%
Profit attributable to equity holders of the Company	**284,291**	290,171	-2.03%
Basic earnings per share for profit attributable to equity holders of the Company (RMB)	**0.130**	0.133	-2.03%

Assets Highlights

(RMB'000)	**As at 30 Jun 2008**	As at 31 Dec 2007 (Restated*)	Change
Total assets	**16,101,026**	14,711,393	9.45%
Total liabilities	**8,562,562**	7,104,868	20.52%
Equity attributable to equity holders of the Company	**6,828,454**	6,893,075	-0.94%
Total equity	**7,538,464**	7,606,525	-0.89%
Net assets per share to equity holders of the Company (RMB)	**3.13**	3.16	-0.94%

Principal Financial Ratios**

(For the six months ended 30 June)	**2008**	2007 (Restated*)	Change
Operating profit ratio	**15.62%**	19.58%	Decrease 3.96 pct.pt.
Toll highway operating profit ratio	**57.46%**	62.42%	Decrease 4.96 pct.pt.
Return on equity attributable to equity holders of the Company	**4.16%**	4.60%	Decrease 0.44 pct.pt.
Interest covered multiple	**2.09**	3.66	-1.57

	As at 30 Jun 2008	As at 31 Dec 2007 (Restated*)	Change
Gross liabilities-to-equity ratio	**113.58%**	93.40%	Increase 20.18 pct.pt.
Net borrowings-to-equity ratio	**90.69%**	69.29%	Increase 21.40 pct.pt.

2. Financial Indicators for the Past Five Years

Principal Financial Ratios **

(For the year ended 31 December)	**2007 (Restated*)**	2006 (Restated*)	2005 (Restated*)	2004 (Restated*)	2003 (Restated*)
Operating profit ratio	**17.93%**	27.31%	43.46%	43.30%	160.01%
Toll highway operating profit ratio	**61.49%**	68.57%	68.60%	64.77%	59.68%
Return on equity attributable to equity holders of the Company	**9.03%**	8.46%	8.18%	5.99%	14.27%
Interest covered multiple	**3.16**	6.34	5.88	21.83	53.07
Profit before interests, tax and administrative expenses (RMB'000)	**923,677**	718,050	666,541	490,623	1,051,824

(As at 31 December)	**2007 (Restated*)**	2006 (Restated*)	2005 (Restated*)	2004 (Restated*)	2003 (Restated*)
Gross liabilities-to-equity ratio	**93.40%**	49.22%	49.40%	15.85%	8.79%
Net borrowings-to-equity ratio	**69.29%**	33.17%	21.97%	N/A	N/A

* The Group adopted IFRIC 12 since 2008. The comparative information in previous years have been restated in accordance with the relevant requirements.

** Description of Principal Financial Ratios:

Operating profit ratio = Operating profit/Revenue

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

Return on equity = Profit attributable to equity holders of the Company/Equity attributable to the equity holders of the Company

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

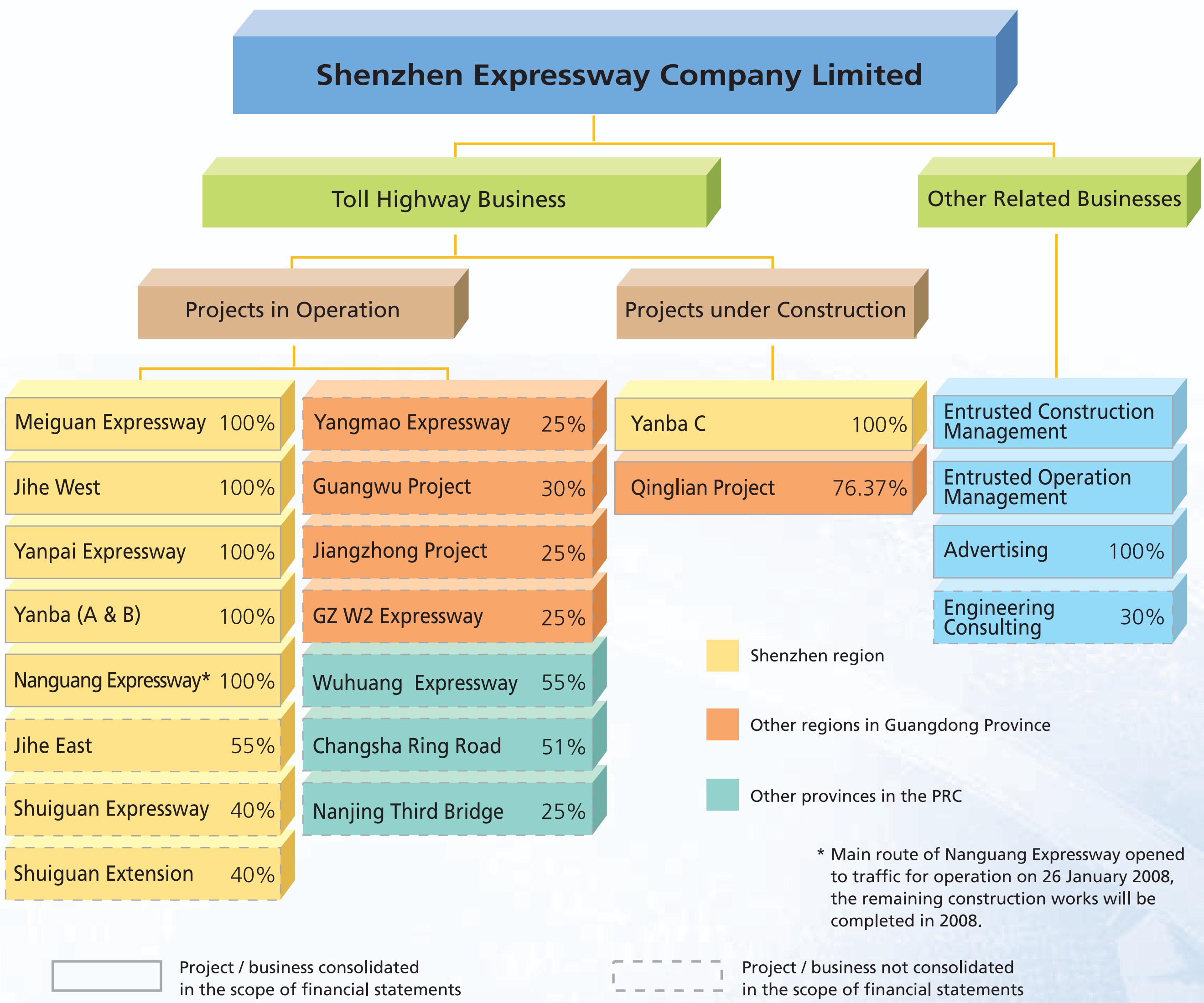
Gross liabilities-to-equity ratio = Total liabilities/Total equity

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

Corporate Profile

The Company is principally engaged in the investment, construction, operation and management of toll highways and roads. The Company adheres to the development strategy of focusing on toll highway operations as its core business and expanding towards the Pearl River Delta region as well as other economically developed regions in the PRC through establishing a foothold in Shenzhen. It aims at bringing ever-improving returns to its shareholders and providing premier and efficient services to the public and government at reasonable costs.

The toll highway projects, which were operated and invested by the Company, located in Shenzhen region, other regions in Guangdong Province and other provinces in the PRC. Apart from operation, management and investment of toll highway projects, the Group also participates in the construction management and operation management of certain road projects entrusted by the government and other enterprises. As at the end of the Reporting Period, the principal business structure of the Company is as follows:



Management Discussion and Analysis

1. Business Review and Analysis

Toll highway operation and investment are the primary sources of the Group's earnings. After 10 years of continuous development, the Group currently operates and invests in 17 toll highway projects in Shenzhen region, other regions in Guangdong Province and other provinces in the PRC, of which 15 are in operation and 2 are under construction or reconstruction. A summary of the business operations during the Reporting Period is as follows:

(1) Toll Highway Operations

			Average daily mixed traffic volume (number of vehicles in thousands)		Average daily toll revenue (RMB'000)	
Toll highway	Percentage of interests held by the Group	Percentage of revenue consolidated	The Period	Change as compared to the same period of 2007	The Period	Change as compared to the same period of 2007
Shenzhen Region:						
Meiguan Expressway	100%	100%	90	-3.6%	772	-13.4%
Jihe West	100%	100%	66	8.4%	938	6.7%
Yanpai Expressway	100%	100%	31	38.6%	394	20.2%
Yanba (A&B)(1)	100%	100%	11	-7.1%	166	5.0%
Nanguang Expressway(2)	100%	100%	12	N/A	147	N/A
Jihe East	55%	—	90	9.6%	1,219	15.2%
Shuiguan Expressway	40%	—	105	11.9%	985	13.1%
Shuiguan Extension	40%	—	27	5.3%	173	1.4%
Other Regions in Guangdong Province:						
Yangmao Expressway	25%	—	20	12.4%	973	-3.7%
Guangwu Project	30%	—	10	9.3%	275	5.3%
Jiangzhong Project	25%	—	46	25.4%	667	20.5%
GZ W2 Expressway	25%	—	9.1	77.0%	281	93.3%
Qinglian Project	76.37%	100%	13	-37.6%	132	-59.3%
Other Provinces in the PRC:						
Wuhuang Expressway	55%	—	29	6.7%	1,013	0.2%
Changsha Ring Road	51%	—	5.7	1.6%	58	-0.3%
Nanjing Third Bridge	25%	—	19	12.5%	661	6.6%

Notes:

(1) To facilitate the travel of Shenzhen residents to and from the east coast for leisure and vacation, the government entered into agreements with the Company pursuant to which the government would, commencing from February 2007, pay the tolls collectively for all vehicles travelling between the Yantian and Dameisha Interchange according to the mutually agreed standard and method (2007: RMB6 million/year; 2008-2012: RMB9 million/year; the arrangement beyond 2012 shall be negotiated and decided by both parties prior to the expiry of the term of the agreements). The tolls collectively paid are included monthly in Yanba (A&B)'s toll revenue, whereas the traffic volume in this section was no longer included in the scope of statistics.

(2) Main route of Nanguang Expressway opened to traffic for operation on 26 January 2008.

During the Reporting Period, traffic volumes and toll revenues on most of the Group's toll highways maintained growth, in which approximately one-third of the projects recorded double-digit growth, including Shuiguan Expressway, Jihe East and the three toll highways opened to traffic in the past 2 years, namely Yanpai Expressway, Jiangzhong Project and GZ W2 Expressway. The overall growth slowed down as compared to the rapid growth in the past 2 years. The main factors generally affecting the operating performance on toll highways in the first half of 2008 include:

◆ **Slowdown in economic growth:** Economic development is the critical factor in determining growth in traffic demand. According to the information published by the Bureau of Statistics, in the first half of 2008, the PRC's GDP increased by 10.4% over the same period of 2007 while that in Shenzhen region reached 10.5%, representing decreases of 1.8 percentage points and 2.7 percentage points, respectively. Economic benchmarks that reflect traffic demand such as cargo turnover, passenger turnover and port throughput showed various degrees of slowdowns in their overall growths. The national economy continued to post growth but at a slower pace, leading to an overall growth in operating performance of toll highways in the first half but with a slower speed.

◆ **Devastating natural disasters:** In the first half of 2008, there were frequent natural disasters in the PRC including rare snowstorms in southern China, serious earthquake in Sichuan and rainstorms in southern China. These natural disasters not only impeded the overall economic development, but also caused direct losses in assets and revenues to highways in the affected areas. The snowstorms in early 2008 caused road closure and traffic jam during certain periods to Wuhuang Expressway, Changsha Ring Road and Nanjing Third Bridge. Continuous rainstorms in Shenzhen and Guangdong region in June suppressed a certain degree of traffic demand on the relevant highways. In general, the impact of these disasters on toll highway operation was temporary and the highway projects operated and invested by the Group that were directly affected by the disasters were relatively few. As a result, the disasters had merely slight effect on the operating results during the Reporting Report.

◆ **Implementation of the "Green Passage Toll Free Policy":** The State had established "Green Passage" in major transportation routes in the PRC since 2005 with a view to ensuring smoothness for fresh agricultural product carrier vehicles and granted considerable toll concessions. The State and regional governments initiated provisionally the "Green Passage" emergency mechanism, upgrading the policy from toll concessions to toll free and extending the implementation period on a case-by-case basis to the end of 2008 ("Green Passage Toll Free Policy"), with an aim to cope with the natural disasters occurring in 2008 and ensure social stability. The Group's projects affected by this policy mainly included Jihe Expressway, Yangmao Expressway and Wuhuang Expressway. During the Reporting Period, toll fees waived from these projects amounted to approximately RMB40 million, which led to a decrease of the Group's operating results amounting to approximately RMB12 million. It is estimated that the impact in the second half would be similar to that in the first half.

Although the operating performance of various toll highways during the Reporting Period was mainly affected by the external economic environment, the operating results of projects in different provinces varied due to their different functions, years of opening to traffic and neighbouring road networks. A further analysis by area is as follows:

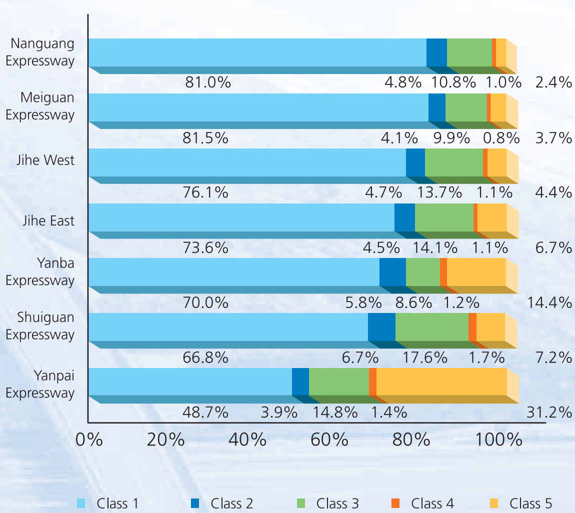
Shenzhen region

Changes in the neighbouring road networks led to varied performances on the toll highways in the Shenzhen region. The number of travelling vehicles on Yanpai Expressway, Jihe East and Shuiguan Expressway recorded increases and thus toll revenues posted increases in turn due to the opening to traffic of Yanpai Expressway and Shuiguan Interchange, the construction works on the Shenzhen Metro Line 3, and the reconstruction works on Shenhui Highway and Bulong Road. The proportion of Class 1 vehicles rose to 48.7% during the Reporting Period from 42.7% during the same period of 2007, as the number of small vehicles travelling on Yanpai Expressway increased. This led to a surge of 38.6% increase in traffic volume, which was higher than the growth in toll revenues. On the other hand, construction works on Shenyan Pathway 2 (Shenzhen downtown-Yantian) caused traffic inconvenience, diminishing the growth in traffic volume and toll revenue on Yanba (A&B) which is connected with it. Guanshen Expressway (Donghuan-Shenzhen) which is connected with Meiguan Expressway has been partly closed for large-scale road surface maintenance works since October 2007. During such period, Class 4 and Class 5 vehicles were prohibited from travelling on Guanshen Expressway. The maintenance works also affected the traffic efficiency of the peripheral road network. Such maintenance works along with the diversion caused by Fulong Road, a municipal road which was opened to traffic at the end of 2007, led to a decrease of 13.4% in toll revenue on Meiguan Expressway during the Reporting Period as compared to the same period of 2007.

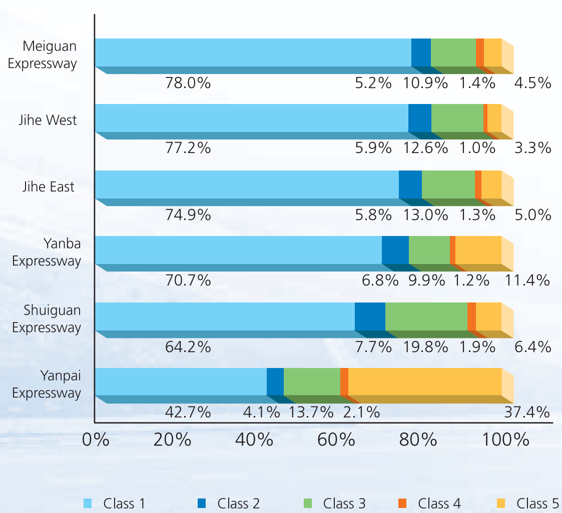
Nevertheless, with the completion of large-scale road surface maintenance works on Guanshen Expressway and its entire resumption of operation on 30 May 2008, large-size vehicles travelling on Meiguan Expressway had increased markedly since June 2008. Besides, the opening to traffic of Shenyan Pathway 2 in July 2008 cleared the bottleneck between Shenzhen downtown and eastern Shenzhen, thereby facilitating economic development in the eastern area and generating synergy on Yanba Expressway.

With respect to vehicle category mix, except for Yanpai Expressway which is a passage for traffic distribution for Yantian Port, vehicles on various highways in the Shenzhen region were mainly Class 1 vehicles, accounting for approximately 70% to 80% of the total traffic volume. During the Reporting Period, the ratio of Class 1 vehicles on Meiguan Expressway, Yanpai Expressway and Shuiguan Expressway recorded an increase over the same period of 2007 under the impact of maintenance works on neighbouring roads. The ratio of Class 1 vehicles on other highways saw a trend of slight decrease. The vehicle category mix on various major highways in the Shenzhen region is as follows:

Vehicle Category Mix of Principal Toll Highways during the Period



Vehicle Category Mix of Principal Toll Highways during the Same Period of 2007



The main route of Nanguang Expressway, which is the Group's major investment in recent years, was successfully completed and opened to traffic on 26 January 2008. It provides a quick passage connecting Hong Kong and the Pearl River Delta region and serves its function as traffic distribution for Shenzhen-Hong Kong Western Corridor and western Shenzhen port area, with a view to enhancing the road networks of the Shenzhen region and of the Group. The connecting section between Nanguang Expressway and Tongle Road, a municipal road, is scheduled to be completed this year while the connecting section between Nanguang Expressway and Nanping (Phase II) will be completed concurrently with Nanping (Phase II).

While Nanguang Expressway was at a preliminary stage of operation with imperfect connection between the starting point and municipal roads, the Company emphasised targeted promotion and sales work on Nanguang Expressway including releasing advertisements and highway information on traffic radios, visiting neighbouring large-scale passenger stations and improving relevant road signs and signposts. Currently, the operating performance of Nanguang Expressway improved significantly as compared to its initial operation, with an average toll revenue exceeding RMB200,000. It is expected that the operating performance of Nanguang Expressway will continue to improve with the entire expressway opening to traffic and highway users becoming more and more familiar with the new highway, especially along with network effect generated on the connection between Shenzhen-Hong Kong Western Corridor and western Shenzhen port area upon the completion of Nanping (Phase II).

Other regions in Guangdong Province

The four projects invested by the Company as a minority shareholder in other regions of Guangdong Province have all been in operation. Except for Yangmao Expressway recording a slight decrease in toll revenue during the Reporting Period due to the effect of the "Green Passage Toll Free Policy", other highways achieved good performances. Among these projects, GZ W2 Expressway, commencing operation in late 2006, recorded a significant improvement in operating performance during the Reporting Period owing to the successive openings-to-traffic of the interchange connecting Guangsan Expressway (Guangzhou-Sanshui) and GZ W2 (Southern Section) in the second half of 2007, thereby enhancing the peripheral road network. Toll revenue posted a surge of 93% increase over the same period of 2007.

Affected by its reconstruction into an expressway, Qinglian Class 1 Highway recorded a significant decrease in traffic volume and toll revenue during the Reporting Period. The reconstruction works are expected to be completed within the year. Please refer to the following section of "Project Construction and Development" for details.

Other provinces in the PRC

The performances of the three toll highway projects invested by the Group in other provinces in the PRC during the Reporting Period were basically at par with those of the same period of 2007, which was mainly attributable to the various direct impacts on the abovementioned projects exerted by the snowstorms in early 2008 and the "Green Passage Toll Free Policy" implemented thereafter. Such factors affected revenue from Wuhuang Expressway for the first half of this year by nearly RMB20 million.

(2) Project Construction and Development

At present, the Group's toll highway projects under construction or reconstruction include Yanba C and the reconstruction of Qinglian Class 1 Highway into an expressway.

Construction of Yanba C commenced officially in October 2006. As at the end of the Reporting Period, an aggregated investment amount (on accounting recognition basis) of approximately RMB467 million (end of 2007: RMB340 million) had been utilised on the project. Currently, the project is proceeding smoothly and is expected to be completed within this year as scheduled.

As at the end of the Reporting Period, an aggregated investment amount (on accounting recognition basis) of approximately RMB2.78 billion (end of 2007: RMB1.68 billion) had been utilised on the Qinglian Project. The snowstorms and continuous rainstorms in the first half of 2008 had affected the progress of the project to a certain degree. To cope with these obstacles, the Group actively adopted effective measures. As at the end of the Reporting Period, road surface works on the reconstructing sections of the Qinglian Project were basically completed; works on most of the tunnels were completed; and the superstructure on Dubu Bridge, which is the critical-path portion of the project, has commenced construction. All reconstruction works of the highway into an expressway are likely to be completed within this year as planned. It is expected that there should be certain upward adjustments to the capital expenditure plan for the Qinglian Project given the spiralling prices of construction materials such as steel products and cement in recent years, as well as the increased spending on purchasing toll-by-weight facilities and setting up check points tackling overloading. Please refer to the following section of "Capital/ Financing" in "Financial Review and Analysis" for details.

Apart from the aforementioned projects under construction, the Group's construction and investment plan in the recent two years include the expansion of Meiguan Expressway and Shuiguan Expressway. The Company is currently proceeding with preliminary studies and proposal works for the expansion of Meiguan Expressway pursuant to legal procedures. As at the date of this report, the approval of the feasibility research report on the project and the work on inviting tenders for the preliminary design have been completed while the environmental impact evaluation is underway. According to the feasibility research report of the project, Meiguan Expressway is scheduled to be expanded to two-way eight lanes with an estimated investment amount of approximately RMB970 million. Qinglong Company is responsible for the expansion of Shuiguan Expressway and the approval of the feasibility research report on the project has been completed at present. According to the aforementioned report, a "two-way six lanes plus four ancillary lanes" proposal is intended to be adopted for the expansion of Shuiguan Expressway with an estimated investment amount of approximately of RMB940 million. The above expansion proposals are subject to the approval of the Board.

In addition, the Company is currently undertaking preliminary works on Outer Ring Expressway which include compiling an environmental evaluation report for the project, revising the feasibility research report on the project with reference to the comments of supervising governmental authorities, and carrying out the relevant application procedures for approval. The Company will make appropriate arrangements for the progress of the project with reference to overall work arrangements and actual conditions of human resources and financial resources.

As at the end of the Reporting Period, the Company has finished certain preliminary works on Coastal Expressway (Shenzhen Section), and actively communicated with the Shenzhen Municipal Government with reference to the results of the preliminary works for a decision on the detailed investment and construction plan. As the design standard is high and the project needs to take into account social development and public interests, it is estimated that the total investment of the project would exceed RMB10 billion. This project cannot satisfy the requirement of return for a normal commercial investment. According to the spirit of the 深圳市政府常務會議 (Executive Meeting of the Shenzhen Municipal Government) in July 2008, the Shenzhen Municipal Government agreed in principle to have Coastal Expressway (Shenzhen Section) as a state-owned enterprise invested project, and to entrust the Company to take up the construction, operation, maintenance and management of the project. The details of the entrustment and the rights and obligations of both parties are subject to in-depth negotiation and investigation between the Company and the Shenzhen Municipal Government and should be determined upon the fulfillment of approval procedures by both parties as required. Coastal Expressway (Shenzhen Section) taking the mode of entrusted management will relieve the funding pressure upon the Company at this stage, and will be beneficial for the Company to export its extensive experience accumulated on construction and operation management of highway projects. This will enable the Company to contribute its extensive experience and skills to social and economic development while continuously exploring new sources of profit for the Company.

2. Financial Review and Analysis

In the first half of 2008, the Group's operating results were basically in line with the Company's expectations. Profit attributable to equity holders of the Company ("Profit") amounted to RMB284,291,000, representing a decrease of 2.03% over the same period of 2007.

Since 1 January 2008, the Group has adopted IFRIC 12 in preparing the financial statements under HKFRS. The Group changed its accounting policies and made retrospective adjustments pursuant to IFRIC 12, which led to a significant increase in revenue and operating costs of the Group for the Reporting Period and the previous years; a decrease of RMB357,138,000 in capital and reserves attributable to the Company's equity holders ("Shareholders' equity") as at 31 December 2007; a drop of RMB34,149,000 in Profit for the Reporting Period. Such changes and adjustments had no material impact on the total assets, financial position and profitability of the Group as a whole. Please refer to the following explanation in "Adoption of IFRIC 12 and Changes in Major Accounting Policies" for details. After excluding the impacts of IFRIC 12 and adjustments to deferred income tax of RMB65,848,000 added in the first half of 2007, Profit for the Reporting Period decreased by 16.94% as compared to the corresponding period of 2007.

During the Reporting Period, although toll revenues of the major toll highways operated and invested by the Group maintained certain growth in general, toll revenue and profit recorded certain decreases over the same period of the previous year as Meiguan Expressway was affected by maintenance works on a connecting highway and changes in the road network. After Nanguang Expressway commenced operation, relevant borrowing interests had ceased capitalisation, which caused a significant increase in the Group's finance costs over the same period of the previous year. Impacted by the rise in finance costs and Green Passage Toll Free Policy, the operating performance of some of the jointly controlled entities and associates were weaker than expected. In addition, the Group's operating costs went up amid escalating inflation. All of the above-mentioned factors led to a decrease in the Group's operating results for the Reporting Period over the corresponding period of 2007.

(1) Analysis of Operating Results

1) Revenue

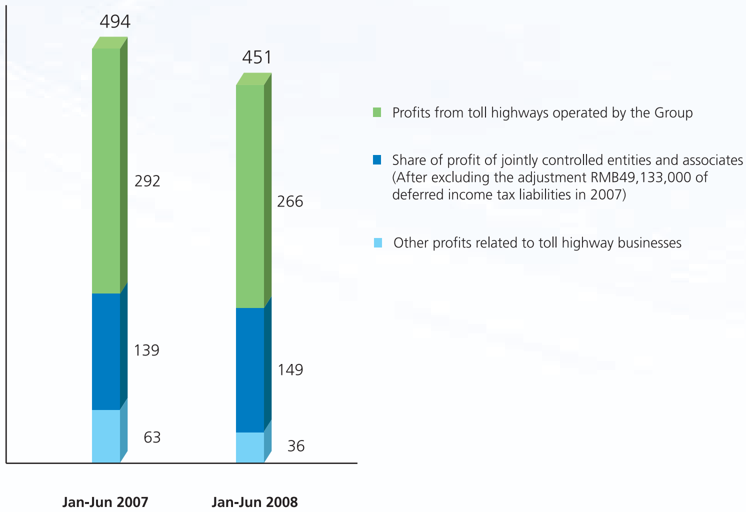
During the Reporting Period, the Group recorded a revenue of RMB1,757,758,000, representing an increase of 6.32% over the same period of 2007. Revenue from construction services under concession arrangements and toll revenue are the two main sources of revenue of the Group upon the adoption of IFRIC 12 during the Reporting Period. Out of this amount, revenue from construction services under service concession arrangements recorded an increase of 11.31% over the corresponding period of the previous year while toll revenue recorded a slight decrease of 1.48%. A detailed analysis of revenue is as follows:

Revenue item	The Period (RMB'000)	Percentage	The corresponding period of 2007 (RMB'000) (Restated)	Percentage	Change
Revenue from construction services under service concession arrangements	1,263,194	71.86%	1,134,864	68.64%	11.31%
Toll revenue	460,424	26.19%	467,343	28.27%	-1.48%
Income from entrusted management services	14,102	0.80%	33,727	2.04%	-58.19%
Other income (including income from advertising)	20,038	1.15%	17,379	1.05%	15.30%
Total	1,757,758	100.00%	1,653,313	100.00%	6.32%

2) Earnings before Interests, Tax and Administrative Expenses

During the Reporting Period, the Group's earnings before interests, tax and administrative expenses amounted to RMB450,769,000 (2007: RMB445,419,000), representing an increase of 1.2% over the same period of 2007. After deducting the impact of adjustments to deferred income tax liabilities of jointly controlled entities of RMB49,133,000 added for the same period of 2007, the Group's earnings before interests, tax and administrative expenses recorded a decrease of 8.85% over the same period of 2007. Profit contributions from principal operations are as follows:

Earnings before Interests, Tax and Administrative Expenses (RMB million)



a) Profits from Toll Highways Operated by the Group

Toll highway	Percentage of interests held	Toll revenue: The Period (RMB'000)	Toll revenue: Change	Operating costs: The Period (RMB'000)	Operating costs: Including: provision for maintenance/ resurfacing obligations** (RMB'000)	Operating costs: Change	Gross margin: The Period (RMB'000)	Gross margin: Change in pct.pt.	Profit before interests, tax and administrative expenses: The Period (RMB'000)	Profit before interests, tax and administrative expenses: Change
Meiguan Expressway	100%	140,602	-12.87%	31,783	—	4.25%	77.40%	-3.71	105,387	-16.55%
Jihe West	100%	170,703	7.32%	40,013	10,804	10.97%	76.56%	-0.77	126,029	6.31%
Yanba Expressway	100%	30,295	5.55%	25,983	4,202	13.77%	14.24%	-6.19	*3,523	-29.99%
Yanpai Expressway	100%	71,754	20.86%	32,336	6,315	22.75%	54.93%	-0.69	*37,405	19.97%
Nanguang Expressway	100%	23,003	N/A	24,362	—	N/A	—	N/A	-2,079	N/A
Qinglian Project	76.37%	24,067	-59.10%	27,024	—	N/A	—	N/A	-3,796	N/A
Total		460,424	-1.48%	181,501	21,321	12.72%	60.58%	-4.97	266,469	-8.72%

* After adoption of IFRIC 12, the government grants obtained for Yanba Expressway and Yanpai Expressway were treated as payment commitment under service concession arrangements, and was no longer included in subsidy income.

** Please refer to the explanation in the following section of "Operating Costs" for details of the provision for maintenance/resurfacing obligations.

Toll revenue

During the Reporting Period, the Group recorded a toll revenue of RMB460,424,000, representing a decrease of 1.48% over the same period of 2007, of which Nanguang Expressway recorded a toll revenue of RMB23,003,000 in the first half after it commenced operation on 26 January 2008. As Qinglian Project is undergoing a period of reconstruction into an expressway, toll revenue decreased by 59.1% for construction works. Revenue on other toll highways as a whole recorded a mere increase of 1.19% over the same period of 2007, which was mainly due to a decrease of 12.87% in toll revenue on Meiguan Expressway caused by maintenance works on a connecting highway and changes in the road network.

The increase or decrease of the Group's toll revenue is principally determined by changes in traffic volumes and average toll revenues per vehicle. Traffic volumes of the Group's principal toll highways for the Period are set out in the section of "Business Review and Analysis" above. During the Reporting Period, the proportion of heavy lorries and full-trip vehicles on Meiguan Expressway decreased due to large-scale maintenance works on Guanshen Expressway and during such period, heavy lorries were prohibited from travelling on Guanshen Expressway, thereby leading to a drop in the average toll revenue per vehicle on this highway. The construction works on the Shenzhen Metro Line 3 and the Shenyan Pathway 2 led to diversions of a portion of vehicles from local highways to Yanpai Expressway, and thus the growth of small vehicles was larger than that of heavy lorries on this highway during the Reporting Period, while average toll revenue per vehicle was lower than that of the same period of 2007. Average toll revenues per vehicle of various principal toll highways are as follows:

	Average toll revenue per vehicle *		
Principal toll highway	**The Period (RMB)**	**Change as compared to the corresponding period of 2007**	**Change as compared to 2007**
Meiguan Expressway	8.55	-10.19%	-6.96%
Jihe West	14.10	-1.16%	-1.95%
Yanba (A&B) **	12.43	-6.47%	-1.51%
Yanpai Expressway	12.70	-13.25%	-9.74%
Nanguang Expressway***	10.97	N/A	N/A

* Average toll revenue per vehicle = Average daily toll revenue / Average daily mixed traffic volume.

** The average toll revenue per vehicle of Yanba Expressway does not include the tolls collectively paid by the government under an agreement for all vehicles travelling between Yantian and Dameisha Interchange. Please refer to relevant contents in the section of "Business Review and Analysis" above for details.

*** Nanguang Expressway commenced toll operation on 26 January 2008.

Operating costs

During the Reporting Period, operating costs for the Group's toll highways rose by 12.72% to RMB181,501,000 over the same period of 2007. An increase of RMB24,301,000 in operating costs was caused by the commencement of operation of Nanguang Expressway, while Qinglian Project, undergoing a period of reconstruction into an expressway, recorded a decrease of 40.34% in operating costs for the Reporting Period over the same period of 2007 as a result of decrease in traffic volume. Operating costs for other toll highways rose 12.43% as compared to the same period of 2007. The rise in operating costs was mainly attributable to the expansion in the scale of maintenance works on highways and increases in costs fuelled by inflation, thereby leading to a rising trend of operating costs for the Group during the Reporting Period and in the future. Besides, the Group made provisions for maintenance/resurfacing obligations for Jihe West, Yanba (A&B) and Yanpai Expressway during the Reporting Period in accordance with the relevant requirements of IFRIC 12 and the large-scale maintenance work plan for the Group's principal toll highways. A detailed analysis of operating costs is as follows:

Operating costs item	The Period (RMB'000)	Percentage	The corresponding period of 2007 (RMB'000) (Restated)	Percentage	Change
Employee expenses	25,576	14.09%	20,553	12.76%	24.44%
Road maintenance expenses	42,493	23.41%	33,058	20.53%	28.54%
Including: provision for maintenance/resurfacing obligations	*21,321*	*11.75%*	*19,383*	*12.04%*	*10.00%*
Depreciation and amortisation	88,916	48.99%	89,172	55.38%	-0.29%
Other operating costs	24,516	13.51%	18,242	11.33%	34.39%
Total	181,501	100%	161,025	100%	12.72%

As the expansion works on Meiguan Expressway is scheduled to commence in 2009 while Nanguang Expressway is in the preliminary phase of operation and Qinglian Project is undergoing a period of reconstruction into an expressway, no provision for maintenance/resurfacing obligations were made to these highways during the Reporting Period. Please refer to the explanation in the following section of "Adoption of IFRIC 12 and Changes in Major Accounting Policies" and notes 3(c), 4(d) and 13 to the Financial Statements for details of accounting policies and accounting estimates for provision for maintenance/resurfacing obligations.

Profit and gross margin

Affected by a slight decrease in toll revenue and an increase in operating costs, profits from toll highways operated by the Group for the Reporting Period slipped by 8.72% to RMB266,469,000 over the same period of 2007, and gross margins of various toll highways decreased. However, the overall profitability of toll highways operated by the Group is expected to resume and show improvement given that Qinglian Expressway will commence operation and its connecting road network will be enhanced in future.

b) Share of Profit/Loss of Jointly Controlled Entities and Associates

During the Reporting Period, the Group's share of profit of jointly controlled entities and associates amounted to RMB149,205,000 (2007: RMB90,003,000), representing an increase of 65.78% as compared to the same period of 2007. After deducting the impact of adjustments to deferred income tax liabilities of jointly controlled entities of RMB49,133,000 added in the same period of 2007, the Group's share of profit of jointly controlled entities and associates increased by 7.24% as compared to the corresponding period of 2007. During the Reporting Period, certain associates recorded slight decreases in profits due to rising finance costs, and the implementation of the Green Passage Toll Free Policy had certain negative effect on the operating performance of the highways such as Yangmao Expressway, Wuhuang Expressway and Jihe East. However, the investment gain of the Company saw an improvement as a whole given that the traffic volumes and revenues from the toll highways operated by the Company's invested enterprises maintained stable growth in general. A detailed analysis of profit/loss of jointly controlled entities and associates is as follows:

Principal toll highway	Percentage of interests held	Toll income The Period (RMB'000)	Change	Operating costs of toll highway The Period (RMB'000)	Change	Profit/loss attributable to the Group The Period (RMB'000)	Change
Jointly controlled entities:							
Jihe East	55%	221,918	15.88%	*59,052	13.02%	64,852	6,800
Shuiguan Expressway	40%	179,328	13.78%	36,850	12.45%	41,958	5,457
Wuhuang Expressway	55%	184,505	0.71%	**84,376	5.39%	41,970	-2,989
Changsha Ring Road	51%	10,467	0.27%	10,391	6.00%	1,064	121
Associates:							
Yangmao Expressway	25%	177,169	-3.17%	60,260	-3.48%	13,422	63
Jiangzhong Project	25%	121,429	21.17%	62,612	18.36%	-1,344	1,532
Nanjing Third Bridge	25%	120,370	7.21%	53,059	12.06%	-1,930	-985
Guangwu Project	30%	49,996	5.92%	22,540	9.14%	-712	-429
GZ W2 Expressway	25%	51,200	94.32%	29,843	49.71%	-10,733	271
Shuiguan Extension	40%	31,451	2.54%	13,572	10.83%	652	-852
Total		1,147,833	10.11%	432,554	10.80%	***149,198	8,989

* Operating costs for Jihe East include a provision of RMB17,620,000 (2007: RMB16,018,000) made for maintenance/resurfacing obligations pursuant to the relevant provision of IFRIC 12. As the expansion work on Shuiguan Expressway is scheduled to commence in this year, expenses for large-scale maintenance works on Wuhuang Expressway have already been included in entrusted management fees, and other highways are still in the preliminary phase of operation or such expenses are not significant, no provision of maintenance/resurfacing obligations were made for such highways.

** The operating costs for Wuhuang Expressway recorded a decrease of RMB10,278,000 (2007: RMB12,760,000) due to changes in the amortisation method of intangible assets under concession to align the accounting policy to be consistent with the Group. Please refer to the following section of "Adoption of IFRIC 12 and Changes in Major Accounting Policies" for details of changes in the amortisation method.

*** Profit from Consulting Company of RMB7,000 (2007: an adjustment to income tax liabilities of RMB49,133,000 and a loss of RMB1,073,000 for Consulting Company were not included) is not included in profit/loss attributable to the Group for the Reporting Period.

c) Profit from Other Highway-related Businesses

Profit from construction services under service concession arrangements

During the Reporting Period, the Group recognised revenue and costs from construction services under service concession arrangements for Yanpai Expressway, Nanguang Expressway, Qinglian Project and Yanba C within construction periods, based on their completion percentages in accordance with the relevant requirements of IFRIC 12. Based on the budgets of the projects and reasonable estimation of profitablilty of the construction services, the Group recognised profits of RMB9,632,000 from construction services of various projects representing a decrease of 5.38% over the corresponding period of 2007. The details of recognisation principle of revenue from construction service and accounting estimates of profits are set out in notes 3(c) and 4(b) to the Financial Statements. A detailed analysis of revenue from construction services is as follows:

	The Period (RMB'000)			The corresponding period of 2007 (RMB'000)			Percentage of service completed	
Self-construction expressway	Revenue	Costs	Profit before tax	Revenue	Costs	Profit before tax	The Period	Cumulative
Yanpai Expressway	14,811	14,500	311	72,319	71,376	943	2.26%	95.66%
Nanguang Expressway	90,030	87,068	2,963	545,644	539,249	6,395	8.47%	75.17%
Yanba C	125,265	123,416	1,850	141,446	140,251	1,195	32.42%	69.76%
Qinglian Project	1,033,088	1,028,579	4,509	400,986	399,339	1,647	23.87%	52.87%
Jihe West	—	—	—	-25,531	-25,531	—	—	100.00%
Total	1,263,194	1,253,562	9,632	1,134,864	1,124,684	10,180		

Profit from entrusted construction management services

During the Reporting Period, no profit or loss from any entrusted construction management services was recognised by the Company. Profit from this item recorded a decrease of RMB30,375,000 over the corresponding period of 2007. During the Reporting Period, the government's auditing work on the total costs for Nanping (Phase I) and the estimated budget for Wutong Mountain Project were not completed and thus the Company's estimations for these projects remained unchanged and the Company did not recognise or predict any relevant gains during the Reporting Period. In addition, as the aggregated completions of Nanping (Phase II) and Hengping Project were less than 50%, results of the relevant services could not be predicted reliably. Since the Directors of the Company are of the view that future reimbursements of management expenses incurred are probable, the Company recognised revenue and costs for the Reporting Period based on actually incurred management costs of RMB2,562,000 and RMB4,040,000, respectively.

Profit from entrusted operation management services

The Company had been entrusted to manage Baotong Company and the equity interests in Longda Company held by Baotong Company since 8 January 2008. Pursuant to the terms of the entrusted operation management agreement, the Company recognised a revenue of RMB7,500,000 from entrusted operation management services and a relevant profit of RMB7,110,000 after deducting business tax during the Reporting Period. Please refer to the following section of "Other Matters" for details.

3) **Administrative Expenses and Finance Costs**

The Group's administrative expenses for the Reporting Period decreased by 11.98% to RMB17,391,000 (2007: RMB19,758,000) as compared to the same period of 2007. The Group's finance costs for the Reporting Period increased by 54.58% to RMB117,293,000 as compared to the same period of 2007. This was mainly attributable to the cessation of capitalisation for relevant borrowing interests of RMB44,790,000 upon the commencement of operation of Nanguang Expressway. Besides, as adoption of IFRIC 12 and the rise in relevant interest expenses caused by increased provision made for maintenance/resurfacing obligations during the Reporting Period, such expenses increased by 31.44% over the same period of 2007. A detailed analysis of finance costs is as follows:

Item	The Period (RMB'000)	The corresponding period of 2007 (RMB'000) (Restated)	Change
Interest expenses	205,746	102,885	99.98%
Including: interest expenses of provision for maintenance/resurfacing obligations	*11,886*	*9,043*	*31.44%*
Excluded: interest capitalised	(80,290)	(22,022)	264.59%
Exchange gains and others	(8,163)	(4,983)	63.82%
Finance costs	117,293	75,880	54.58%

4) **Income Tax and Impact of Implementation of New Tax Law**

During the Reporting Period, the Group's income tax expenses amounted to RMB27,071,000 (2007: RMB54,823,000), representing a decrease of 50.62% as compared to the same period of 2007. After deducting the impact of adjustment to deferred income tax liabilities of RMB16,715,000 added for the same period of 2007, the Group's income tax expenses decreased by 28.96% as compared to the same period of 2007, which was mainly attributable to the decrease in taxable profit arising from a decrease in profits from toll highways operated by the Group and an increase in finance costs.

Furthermore, as stipulated by the New Tax Law, the enterprise income tax rate will be a unified 25% effective from 1 January 2008. For the enterprises established before the New Tax Law's implementation and having been enjoying the concessionary tax rate of 15% under the then tax law, there will be a gradual transition of 5 years, of which a transitional tax rate of 18% will be applied in 2008. Subject to the above requirements, the Company and the enterprises in which the Company invests in the Shenzhen region, as well as certain foreign-invested enterprises in which it invests in other regions of the PRC, adopted an enterprise income tax rate of 18% for the Reporting Period; other enterprises which had originally adopted an enterprise income tax rate of 33% adopted a tax rate of 25% since this year. The Group's profit decreased by approximately RMB12,810,000 after a consolidated neutralisation of the above effects.

5) **Amortisation Policies of Intangible Assets under Concession and the Differences under Different Amortisation Methods**

The Group's intangible assets under concession recognised under IFRIC 12 are amortised based on the units-of-usage method which is the same as the method of depreciation for the fixed assets on toll highways in previous years, i.e. based on the units-of-usage method, where the amortisation amount is calculated by the percentage of the actual traffic volumes in respective periods to the total projected traffic volume during the operating period. The Group conducted regular reviews on the total projected traffic volumes and made corresponding adjustments to ensure reliability and accuracy of the amortisation amount. Details of this accounting policy and estimation are set out in note 4(c) to the Financial Statements.

As the toll highways operated and invested by the Group had not reached their designated saturated traffic volumes and certain toll highways were at preliminary stages of operation, the amortisation amount calculated by the units-of-usage method was lower than that calculated by the straight-line method for the Reporting Period. The amortisation difference under different amortisation methods attributable to the Group based on its equity interests was RMB103,225,000. With the growth in traffic volume on the various toll highways in future, the above difference will gradually decrease. The adoption of different amortisation methods had no impact on the cash flows generated from various toll highway projects and thus had no impact on the valuations of various projects. Data for reference calculated for various toll highways for the Reporting Period are as follows:

Toll highway	Percentage of interests held	Amortisation amount of operating rights (RMB million)			Amortisation difference attributable to the Company based on equity interests percentage (RMB million)	
		Units-of-usage method The Period	Units-of-usage method Corresponding period of 2007	Straight-line method**	The Period	Corresponding period of 2007
The Company and subsidiaries:*						
Meiguan Expressway	100%	12	13	15	-3	-1
Jihe West	100%	13	13	14	-1	-1
Yanba (A&B)	100%	9	9	21	-12	-13
Yanpai Expressway	100%	14	12	24	-10	-12
Nanguang Expressway	100%	5	—	43	-37	—
Jointly controlled entities and associates:						
Jihe East	55%	18	17	16	1	1
Shuiguan Expressway	40%	20	18	20	0	-1
Wuhuang Expressway	55%	34	32	44	-6	-7
Changsha Ring Road	51%	6	5	9	-2	-2
Yangmao Expressway	25%	34	35	45	-3	-3
Jiangzhong Project	25%	41	34	64	-6	-8
Nanjing Third Bridge	25%	28	27	59	-8	-8
Guangwu Project	30%	10	10	29	-5	-6
GZ W2 Expressway	25%	11	7	55	-11	-12
Shuiguan Extension	40%	8	8	12	-2	-2
Total					-103	-74

* Qinglian Project is undergoing a period of reconstruction into an expressway and the differences of this item was not calculated.

** Assuming the carrying values of the intangible assets be amortised evenly over the allowed operating periods granted by the concession grantors.

(2) Analysis of Financial Position

1) Assets, Equity and Liabilities

The Group's financial position remains solid, with its assets comprising mainly intangible assets under concession in high-grade toll highways, as well as jointly controlled entities and associates investments. As at 30 June 2008, the Group's total assets amounted to RMB16,101,026,000, representing an increase of 9.45% as compared to the end of 2007. The increase was primarily owing to increased investments in the reconstruction of Qinglian Class 1 Highway into an expressway and the construction of Nanguang Expressway and the Yanba C. During the Reporting Period, the main route of Nanguang Expressway was completed and opened to traffic while the progress of other projects under construction basically met the Company's expectations. It is expected that such projects will become new sources of profit for the Group upon completion and operation.

During the Reporting Period, the Group adopted IFRIC 12 and made retrospective adjustments, treating relevant operating rights of highway assets obtained under service concession arrangements as "intangible assets under concession"; treating government grants obtained for Yanba Expressway and Yanpai Expressway as consideration for construction; and making provision for maintenance/resurfacing obligations on principal toll highways. Such acts reduced Shareholders' equity and caused certain changes in classification of assets while having no material effect on the scale of total assets. Please refer to the explanation in the following section of "Adoption of IFRIC 12 and Changes in Major Accounting Policies" for details.

	As at 30 June 2008 (RMB million)		As at 31 December 2007 (RMB million) (Restated)		
Item	**The Group (consolidated)**	***Including: the impact of IFRIC 12***	**The Group (consolidated)**	***Including: the impact of IFRIC 12***	**Change**
Asset					
Total assets	16,101	-485	14,711	-488	9.45%
Property, plant and equipment	627	-8,981	345	-7,065	81.74%
Construction in progress	632	-2,784	702	-3,506	-9.97%
Intangible assets under concession	11,589	11,589	10,389	10,389	11.57%
Land use rights and prepaid lease payments	13	-210	—	-216	—
Investments in jointly controlled entities and associates	2,525	-99	2,566	-90	-1.60%
Equity and Liabilities					
Shareholder's equity	6,828	-391	6,893	-357	-0.94%
Minority interest in equity	710	2	713	1	-0.42%
Borrowings*	7,087	—	5,643	—	25.59%
Deferred income tax liabilities	431	-39	442	-33	-2.49%
Provision for maintenance/ resurfacing obligations	271	271	238	238	13.87%
Government grants	—	-328	—	-337	—
Other liabilities	774	—	782	—	-1.02%

* The borrowings stated in the table include bank loans and bonds payable, but does not include bills payable.

As at 30 June 2008, the Group's total equity amounted to RMB7,538,464,000, representing a decrease of RMB68,061,000 over the end of 2007. This was mainly attributable to the profit for the Reporting Period and the deduction of dividend distributed for 2007. As at 30 June 2008, outstanding bills payable, bonds payable and bank loans of the Group amounted to RMB7,159,505,000, representing an increase of RMB1,422,235,000 over the beginning of the year, of which Qingling Project and Nanguang Expressway used borrowings of RMB3.150 billion and RMB1.699 billion respectively.

2) Capital Structure and Debt Repayment Capability

	As at 30 June 2008	As at 31 December 2007 (Restated)
Debt-to-asset ratio (total liabilities/total assets)	53.18%	48.30%
Net borrowings-to-equity ratio ((total amount of borrowings-cash and cash equivalents)/total equity)	90.69%	69.29%

	Jan~Jun 2008	Jan~Dec 2007 (Restated)
Interest covered multiple (profit before interests and tax/interest expenses)	2.09	3.16
EBITDA interest multiple (earnings before interests, tax, depreciation and amortisation /interest expenses)	2.53	3.82

With progress of new projects and gradual capital payments by the Company, various financial leverage ratios of the Group increased over the beginning of the year. As at 30 June 2008, net current liabilities of the Group amounted to RMB731,865,000. Based on the fact that the Group possesses a stable and robust operating cash flow and sufficient bank credit facilities, and that appropriate financing arrangements have been made to meet the needs of debt repayment and capital expenditure, the Board is of the view that there is no concern over the Group's ongoing operation and the leverage ratios at the end of the Reporting Period remained at a safe level.

3) Foreign-Currency Based Assets and Liabilities

All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB13,026,000 and RMB246,255,000 worth of foreign currency-based liabilities (borrowings) denominated in US$ and HK$, respectively, while RMB4,090,000 worth of foreign currency-based assets were denominated in HK$. All foreign currency-based items netted off in the form of net liabilities.

In June 2008, the Company applied to a bank for a loan of HK$133 million with a term of 1 year and arranged forward transaction of foreign exchange for the principal and interests upon maturity, with a view to locking the risks related to the exchange rate.

With RMB on an appreciating trend under the current market conditions, it is projected that the trend of exchange rate fluctuations will benefit the Group but there will be no substantial impact on the Group's results.

4) Contingent Liabilities

For details of the Group's contingent liabilities during the Reporting Period, please refer to note 21 to the Financial Statements.

5) Pledge of Assets

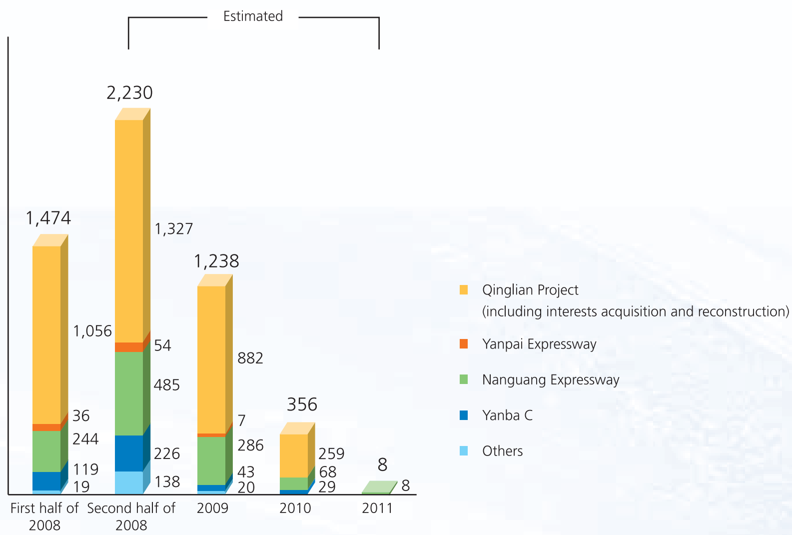
For details of the Group's pledge of assets during the Reporting Period, please refer to relevant content in the following section of "Other matters".

(3) Capital/Financing

1) Capital Expenditure

During the Reporting Period, the Group's capital expenditures comprised mainly construction investments in the reconstruction of Qinglian Class 1 Highway into an expressway, Nanguang Expressway and Yanba C, totalling approximately RMB1.474 billion. As at 30 June 2008, the Group's capital expenditure plan comprised mainly construction investments in the reconstruction of Qinglian Class 1 Highway into an expressway, Nanguang Expressway and Yanba C. It is expected that the Group's total capital expenditures will amount to approximately RMB3.832 billion by the end of 2011. Of such amounts, affected by factors such as rising material prices, the total capital expenditures of Qinglian Project and Nanguang Expressway increased RMB372 million and RMB322 million respectively on the basis of the Company's original controlled amounts of RMB4.765 billion and RMB2.722 billion. The Company plans to satisfy such capital needs with its own capital reserve and through bank borrowings. According to the Directors' estimate, the Group's financial resources and financing capability are sufficient for satisfying the needs of various capital expenditures.

Capital Expenditure Plan (RMB million)



2) Operating Cash Flow

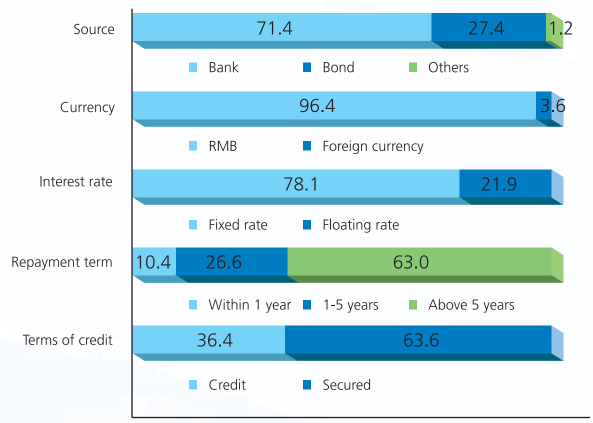
The toll revenues of the Group's principal toll highway operations are collected in cash, thereby giving a steady operating cash flow. The Group had RMB323,076,000 worth of cash and cash equivalents as at the end of the Period (31 December 2007: RMB466,990,000), which were primarily denominated in RMB. During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totalled RMB489,513,000 (2007: RMB567,493,000), representing a decrease of 13.74%, which was mainly due to decreases in revenues and profits from the toll highways operated by the Group for the Reporting Period. In future, with the completion and opening to traffic of Qinglian Expressway and with an improved connecting road network, the Company's operating cash flow is expected to resume and will further increase, thereby safeguarding the Company's development.

3) Financial Strategies and Financing Arrangements

In the first half of 2008, the PRC government continued to implement macro-economic control measures including a persistently tightened monetary policy, resulting in a further increase in market interest rates. Although the Company's debt level was rising, the Company, backed by its steady and sufficient operating cash flow and good reputation, continued to attain the highest rating of AAA in Shenzhen credit rating for borrowing enterprises, and the highest rating of AAA in the follow-up rating for the corporate bonds of RMB800 million and Bonds with Warrants of RMB1.5 billion issued in 2007. During the Reporting Period, the Company maintained good access to financing channels and continued to enjoy the most favourable rates under the interest rate policy of the People's Banks of China.

With the relevant financing arrangements made in 2007 and previous years, the proportion of the Company's borrowings at fixed interest rates reached 78.1%; and borrowings with terms over 5 years reached 63%, leading to an effective control on the Company's financing risks and financial risks. Based on the Company's existing borrowing structure and its judgment that the increase in interest rates in future will be probably less than expected, the Company appropriately increased the scale of short-term current borrowings and borrowings denominated in foreign currencies during the Reporting Period in order to reduce capital costs. The Company's consolidated borrowing costs for the Reporting Period amounted to 5.6%, slightly higher than that of 5.307% in 2007.

Borrowing Structure (as at 30 June 2008) (percentage)



As at 30 June 2008, the Group has obtained RMB12.3 billion of banking facilities, of which RMB4.8 billion has been utilised and total unutilised banking facilities available amounted to RMB7.5 billion. Of these amounts, facilities with terms over 10 years accounted for 37% and fixed-rate facilities accounted for 13%.

4) **Use of Proceeds**

The Company raised RMB604 million from the issue of A Shares in 2001. During the Reporting Period, the Company applied such proceeds in the construction of Yanba B in strict compliance with the representations made in the prospectus. An amount of RMB40,351,000 was applied during the Reporting Period and the cumulative amount of proceeds applied was RMB602,941,000. As at 30 June 2008, proceeds in the amount of RMB1,187,000 remained unutilized and were mainly held as deposits with domestic commercial banks in the PRC to be used for Yanba B, involving payment for approximately 2-km uncompleted works as well as settlement of payment for a small quantity of completed works.

The construction of Yanba B started in June 2001 and the major works were completed in June 2003, thereby forming a local traffic network with Yanba A and steadily enhancing the traffic volume and toll revenue of Yanba Expressway. As the construction of Yanba C was delayed and the relevant road network is not yet formed, the overall road network efficiency is not fully realised for the time being. Accordingly, there are certain discrepancies between Yanba Expressway's operating gains at this stage and the estimates disclosed in the prospectus. According to the government's planning, Yanba Expressway would connect with Renbai Expressway in Huizhou City and Shenshan Expressway through Yanba C, thereby achieving full inter-connection with Guangdong Province's expressway networks. As the construction of Renbai Expressway was delayed to 2006 and after considering the operation characteristics of road network effect of expressways, the Company had postponed the construction of Yanba C (including the remaining 2-km section of Yanba B) to align with the construction schedule of Renbai Expressway so as to ensure economic and social benefits of the investment. The construction of Yanba C commenced in October 2006 and is scheduled to be completed in 2008, with an aggregate investment amount (on accounting recognition basis) of approximately RMB467 million already utilised for the project. It is estimated that following the full operation of Yanba Expressway and the gradual enhancement of the road network in Huizhou, the investment return of Yanba Expressway will grow further.

(4) Adoption of IFRIC 12 and Changes in Major Accounting Policies

Since 1 January 2008, the Group has adopted IFRIC 12 in preparing financial statements under HKFRS and has made comprehensive retrospective adjustments for the previous years. According to IFRIC 12, the Group accounted for the investment, construction and operation businesses as "service concession arrangements". Changes in major accounting policies and their effects include:

The Group accounted for the operating rights of relevant highway assets obtained under service concession arrangements, i.e. the rights to charge public service users, as "intangible assets under concession" in the financial statements, and measured at the fair value of the considerations received or receivable for providing concession service and amortising such considerations based on the units-of-usage method during the operation period. As for the year 2007 and previous years, they were treated as property, plant and equipment, construction in progress and land use rights, which were booked basing on actual construction expenses of toll highway projects. This accounting policy change mainly resulted in a reclassification of non-current assets and amortisation method to be adopted at the units-of-usage method and led to an increase of RMB53,347,000 in shareholders' equity of the Group as at 31 December 2007.

In accordance with HKFRS 11 "Construction Contracts", the Group recognised revenues and costs for construction services or reconstruction services provided under service concession arrangements by adopting the percentage-of-completion method. The revenues incurred in construction services provided by the Group were recognised based on the fair values of considerations received or receivable. As for the year 2007 and previous years, no revenues or costs were recognised for such construction services carried out on toll highways. This accounting policy change led to a significant increase in revenues and operating costs of the Group, an increase of RMB42,464,000 in shareholders' equity of the Group as at 31 December 2007, and increases of RMB6,094,000 and RMB7,073,000 in profits for the Reporting Period and for the corresponding period of 2007, respectively.

The Group recognised the government grants obtained under service concession arrangements for Yanba Expressway and Yanpai Expressway as financial assets, which were given by the concession grantor as payment commitments of a portion of investment, and resulted in reducing the amortisation amount for the operating period. As for the year 2007 and previous years, such amounts were treated as deferred income liabilities and recognised as subsidy income during the operating period. Such accounting policy change led to a decrease of RMB168,863,000 in shareholders' equity of the Group as at 31 December 2007, and decreases of RMB5,594,000 and RMB6,261,000 in profits for the Reporting Period and for the corresponding period of 2007, respectively.

In accordance with HKFRS 37 "Provisions, contingent liabilities and contingent assets", the Group made "provision for maintenance/ resurfacing obligations" for the obligations of highway maintenance and road surface repaving under service concession arrangements, except for those under reconstruction service. Such provisions were made based on the Group's reasonable estimates of the extent of maintenance required and the expected expenses, and the provisions were made at discounted present values thereof. Incremental provisions due to passage of time were recognised as interest expenses. As for the year 2007 and previous years, toll highways were deemed as dividable fixed assets, while reconstruction and large-scale maintenance expenses were treated as asset costs which would be amortised in future usage period. The book value of assets replaced would be expensed in the income statement. Such accounting policy change led to a decrease of RMB312,638,000 in shareholders' equity of the Group as at 31 December 2007, and decreases of RMB38,889,000 and RMB33,432,000 in profits for the Reporting Period and for the corresponding period of 2007, respectively.

For the intangible assets under concession owned by Magerk Company, the Group's jointly controlled entity - the operating rights of Wuhuang Expressway, the Group had their amortisation changed to the units-of-usage method in order to be consistent with the Group's unified accounting policies. As for the year 2007 and previous years, such assets were amortised by the straight-line method. Such accounting policy change led to an increase of RMB28,552,000 in shareholders' equity of the Group as at 31 December 2007, and increases of RMB4,240,000 and RMB5,263,000 in profits for the Reporting Period and for the corresponding period of 2007, respectively.

To conclude, the Group's changes in certain accounting policies corresponding to the adoption of IFRIC 12 resulted in a decrease of RMB357,138,000 in shareholders' equity of the Group as at 31 December 2007, and decreases of RMB34,149,000 and RMB27,357,000 in profits for the Reporting Period and for the corresponding period of 2007, respectively. Such changes had no material impact on the Group's financial position and operating results as a whole.

Please refer to note 3 to the Financial Statements for the details of the Group's adoption of IFRIC 12 and changes in accounting policies.

3. Outlook and strategy

The Company's future operating performance and outlook will be affected by changes in the external economic environment and the operating environment. In the face of opportunities and challenges arising from such changes, the Company will not give up any development opportunities easily, nor will it neglect any potential risks. The management will continue to evaluate internal and external factors which may affect the Company's development, and will adopt appropriate measures to tackle them. As compared to the information disclosed in the Annual Report 2007, the Company is, at the present stage, also paying close attention to the possible impacts on the Company exerted by the following changes and developments:

Factors	Corresponding measures and strategies
Slowdown in economic growth: Slowdown in economic growth directly affected the traffic demand generated from economic and social activities. **Rise in fuel prices:** On 20 June, domestic fuel prices were raised by over 15%. Rise in fuel prices will increase costs of transportation enterprises and suppress travelling demand.	• Strengthening analyses and studies on factors such as traffic flow composition and price elasticity of demand; • Closely monitoring the impact of the relevant factors on the existing operating projects of the Company and conducting in-depth studies and analyses; • Formulating targeted marketing strategies or traffic coordination measures based on actual conditions; • Thoroughly evaluating the pressure brought about by such factors upon project valuation when conducting investment feasibility studies on new projects.
Rise in costs triggered by inflation: Raw material prices and remuneration kept rising amid inflation, presenting the Company with pressures from surging operating costs and construction costs.	• Adopting active cost control measures, including strengthening comprehensive budget management, enhancing relevant operating procedures and ensuring various expenses are reasonable and under effective control; • In the process of construction, closely controlling key matters such as survey designs and engineering changes; strengthening the management of tendering and contracting; optimising construction plan and fully capitalising on market-oriented methods, with an aim to control costs; • Reasonably and effectively transferring the relevant risks by entering into appropriate insurance contracts, construction contracting agreements and centralised procurement contracts for major materials.

Factors	Corresponding measures and strategies
Changes in road network or its planning: – Qinglian Expressway and Yanba C are scheduled to open to traffic within this year. However, Yilian Expressway and Huishen Coastal Expressway which are connected with them are not expected to open to traffic concurrently; – The planning of Erguang Expressway, which is originally planned to intersect Qinglian Expressway, has been adjusted.	• Paying close attention to the user base and traffic flow composition on newly operating highways; strengthening publicity efforts and expanding the publicity scope for these highways; and launching effective marketing measures; • Continuously maintaining good communication and cooperation with government authorities and other industry peers and urging the government to guide reasonable distribution and connection in the regional road network; • Timely adjusting construction plans; making good preparation for various works.
Persistently tightened monetary policy: The People's Bank of China continued to raise the deposit reserve ratio to squeeze the credit scale.	• Continuously maintaining good bank-corporation cooperation and timely entering into or renewing banking facilities agreements with banks; • Conducting research on new financing products and portfolio, appropriately increasing foreign currency borrowings, with a view to broadening financing channels and optimising the financing structure; • Strengthening planning on capital expenditure and borrowings utilisation.

The Company's principal toll highway projects are located in areas with dynamic economic development in the PRC. As a result, despite numerous operating challenges faced by the Company currently, given our reasonable expectation of the macro economy being on an upbeat note in the long run and a maturing neighbouring road network, the Company will continue to implement its designated development strategies through focusing on investment, construction and operation management of toll highways and roads. The management will continue to prudently evaluate and review various challenges faced by the Company currently, and will adopt corresponding measures and strategies to enhance its capability of risk resistance, so as to ensure a stable development for the Company.

Other Matters

1. Dividend Distribution

(1) Dividend distribution scheme for the interim of 2008

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2008 (2007: Nil), nor does it recommend any conversion of capital reserve into share capital.

(2) Dividend distribution scheme for the year 2007 and its implementation

Pursuant to the approval at the 2007 Annual General Meeting, the Company paid a final dividend of RMB0.16 per share for the year 2007 on the basis of the total share capital comprising 2,180,700,000 shares as at the year end of 2007, totaling RMB348,912,000. Such dividend distributions were implemented before 4 July 2008.

2. Elections and Changes of Directors, Supervisors and Appointment of Senior Management

(1) During the Reporting Period, there is no election or change of Directors or Supervisors and no appointment or dismissal of senior management of the Company.

(2) Subsequent Event: Mr. Yi Ai Guo, the Supervisor representing the staff of the fourth session of the Supervisory Committee, has resigned the Supervisor representing the staff with effect from 4 August 2008, as he ceased to be an employee of the Company due to change in his employment. Mr. Fang Jie has been elected as the Supervisor representing the staff of the fourth session of the Supervisory Committee at the staff representatives' meeting of the Company held on 4 August 2008, and the term of office of Mr. Fang commences on 4 August 2008 and ends on 31 December 2008.

3. Disclosure of Interests

None of the Directors, Supervisors or senior management of the Company had held, bought or sold any shares of the Company during the Reporting Period.

As at 30 June 2008, none of the Directors, Supervisors or senior management had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers".

4. Profile of Shareholders

(1) As at 30 June 2008, the Company had 45,956 shareholders in total, including 256 holders of H Shares and 45,700 holders of domestic shares.

(2) As at 30 June 2008, so far as is known to the Directors, Supervisors and senior management of the Company, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the domestic shares of the Company:

		Number of domestic shares (note 1)	Approximate percentage of total issued domestic share capital	Approximate percentage of total issued share capital
Shenzhen Investment Holding Corporation	(note 2)	1,066,239,887 (note 5)	74.40%	48.89%
Shenzhen International	(note 3)	1,066,239,887 (note 6)	74.40%	48.89%
XTC Company	(note 4)	654,780,000 (note 7)	45.69%	30.03%
SGH Company	(note 4)	411,459,887 (note 7)	28.71%	18.86%
Huajian Centre	(note 4)	87,211,323 (note 7)	6.09%	4.00%

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

	Number of H Shares (note 8)	Approximate percentage of total issued H Share capital	Approximate percentage of total issued share capital
JPMorgan Chase & Co.	58,991,130 (note 9)	7.89%	2.71%
Capital Research and Management Company	42,916,000 (note 10)	5.74%	1.97%
Coupland Cardiff Asset Management LLP	37,758,000 (note 11)	5.05%	1.73%

Notes:

(1) Restricted circulating shares.

(2) Shenzhen Investment Holding Corporation is an investment holding institution subordinate to the Shenzhen Municipal Government, and is under the supervision of Shenzhen SASAC.

(3) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.

(4) Limited company incorporated under the laws of the PRC.

(5) Interests of controlled corporations owned through Shenzhen International. As at 30 June 2008, Shenzhen Investment Holding Corporation held 40.52% of shares of Shenzhen International. Pursuant to the SFO, Shenzhen Investment Holding Corporation was deemed to be interested in shares of the Company owned by Shenzhen International.

(6) Interests of controlled corporations, including 654,780,000 domestic shares held through XTC Company, a wholly-owned subsidiary, as beneficial owner, and 411,459,887 domestic shares held through SGH Company, to be acquired as a wholly-owned subsidiary, as beneficial owner. On 16 October 2007, Yiwan Company, a wholly-owned subsidiary of Shenzhen International, entered into an agreement with Shenzhen SASAC with conditions precedent about the acquisition of 100% interests in SGH Company. As at the date of this report, the conditions precedent set out in the above-mentioned agreement are still not fulfilled. In addition to the interests in the above-mentioned domestic shares, Shenzhen International, through its wholly-owned subsidiary, Advance Great Limited, held 24,568,000 H Shares of the Company.

(7) Long positions held directly as beneficial owner.

(8) Share listed on the main board of HKEx.

(9) These 58,991,130 H Shares were held by the associates of JPMorgan Chase & Co., including 58,008,260 shares of lending pool held directly by JPMorgan Chase Bank, N.A. as custodian, and 982,870 shares of long position held directly by JPMorgan Whitefriars Inc. as beneficial owner.

(10) These 42,916,000 H Shares were long position held directly by Capital Research and Management Company as investment manager.

(11) These 37,758,000 H Shares were long position held by Coupland Cardiff Asset Management LLP as investment manager.

Save as disclosed above, the register required to be kept under Section 336 of Part XV of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2008.

(3) As at 30 June 2008, the top ten holders of non-restricted circulating shares of the Company based on the shareholders' registers supplied by the share registrars and the transfer offices of Hong Kong and the PRC were as follows:

Name of shareholders	Number of shares held	Type of shares
HKSCC Nominees Limited (note)	737,745,098	H Share
BOC – China AMC Sector Selected Securities Investment Fund (LOF)	12,133,698	A Share
BoComm – Bosera Growth Securities Investment Fund	8,999,868	A Share
Social Insurance Fund Portfolio 102	5,500,000	A Share
ICBC – Lion Balance Securities Investment Fund	3,641,836	A Share
Arsenton Nominees Limited	3,000,000	H Share
CMB – SSE Dividend ETF	2,891,420	A Share
ICBC – China Universal Balanced Growth Securities Investment Fund	2,238,716	A Share
BOC – Harvest CSI300 Securities Investment Fund	1,773,554	A Share
Ping An Property & Casualty Insurance Company of China, Ltd. – Investment Insurance Product	1,500,000	A Share

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

(4) Number of shares held by shareholders of restricted circulating shares and their restricted circulating conditions:

Unit: Share

Name of shareholder of restricted circulating shares	Number of restricted circulating shares	Date allowed for trading	Increase of number of tradable shares	Restricted circulating condition
XTC Company	654,780,000	2 March 2009	654,780,000	Within 36 months from the day of obtaining the circulation rights, they shall not be traded on the stock exchange.
SGH Company	411,459,887		411,459,887	
Huajian Centre	87,211,323		87,211,323	
GDRB Company	61,948,790		61,948,790	

(5) During the reporting period, there is no change in the de-facto controller (as defined in relevant PRC regulatory rules) of the Company. The de-facto controller of the Company is still the Shenzhen SASAC. Shenzhen SASAC indirectly held approximately 50.021% shares of the Company through Shenzhen International and SGH Company. On 16 October 2007, Yiwan Company, a wholly-owned subsidiary of Shenzhen International, entered into an agreement with conditions precedent with Shenzhen SASAC for the acquisition of 100% interests in SGH Company. Upon completion of the aforesaid acquisition, Shenzhen International will in aggregate indirectly hold approximately 50.021% shares of the Company. As at 30 June 2008, the aforesaid acquisition is still in the process of obtaining approvals form relevant PRC government authorities.

(6) SGH Company pledged its 200,000,000 shares among the 411,459,887 restricted circulating domestic shares of the Company to China Merchants Bank, Shenzhen Xingheshiji Branch as security of a bank loan. Relevant registration procedures related to the pledge was completed with China Securities Depository and Clearing Corporation Limited, Shanghai Branch on 27 June 2008.

(7) On an ex-dividend basis of A Shares, the exercise price of the warrants of the Company has been adjusted from RMB13.85 to RMB13.48 since 16 June 2008, and the proportion of exercise rights of the warrants remained unchanged.

(8) In June 2008, 中誠信國際信用評級有限責任公司 (China Chengxin International Credit Rating Co., Ltd.) gave a follow-up rating to the Company's 07 Shenzhen Expressway Bond with reference to the comprehensive analysis and evaluation of the Company's operation position in 2007 and related industries. As ruled by 中誠信國際信用評級委員會 (Committee of China Chengxin International Credit Rating), no adjustment was made to this follow-up rating and the credit rating of the bond remained AAA.

5. Undertaking

(1) The two major shareholders of the Company, XTC Company and SGH Company, each of which has more than 5% shareholding in the Company, have undertaken in the promoters' agreement that they will not engage in Shenzhen in any industry or business in any form, which, directly or indirectly, competes with the Company. As at the end of the Reporting Period, the Company did not notice violation of such undertaking by the above two major shareholders.

(2) Special undertakings and the fulfillment made by the holders of former non-circulating shares during the process of Share Segregation Reform:

Name of shareholders	Special undertakings	Fulfillment
XTC Company	1. Within 36 months from the day of granting listing status to the unlisted shares of the Company held by them, they shall not trade such shares on the stock exchange;	
SGH Company Huajian Centre	2. During three consecutive years immediately following the completion of implementation of the Share Segregation Reform, they shall propose resolutions at the annual general meeting of the Company that the Company shall distribute at least 50% of the profit available for distribution in the corresponding periods as cash dividends to the shareholders, and they shall vote for such resolutions at the annual general meeting;	The Company did not notice that these shareholders had violated such undertaking during the Reporting Period.
GDRB Company	3. They shall pay all relevant expenses arising from the Share Segregation Reform in proportion to their shareholdings.	

(3) Shenzhen International and Yiwan Company proposed to acquire 100% equity interest in SGH Company and made undertakings in《詳式權益變動報告書》("Detailed Report on the Change of Equity Interests") published on 18 October 2007 in the securities market of PRC. The undertakings includes procuring SGH Company to continue to comply with the relevant undertakings made under the Share Segregation Reform of the Company, avoiding competition and standardizing connected transactions, etc. Details related is available in《詳式權益變動報告書》("Detailed Report on the Change of Equity Interests") published by Shenzhen International and Yiwan Company on 18 October 2007 or related contents of the Annual Report 2007 of the Company. As at the date of this report, the aforesaid acquisition was not completed yet.

6. Purchase, Sale or Redemption of Securities

During the Reporting Period, there was no change in the total number of shares or share structure of the Company, and the Company, any of its subsidiaries or any of its jointly controlled entities had not purchased, sold or redeemed any listed securities of the Company.

7. Mortgage and Pledge of Assets

As at the end of the Reporting Period, the Group had the following assets mortgaged or pledged:

Asset	Type	Bank	Scope of security	Terms
154,000,000 shares of JEL Company (note 1)	Mortgage	Industrial and Commercial bank of China (Asia) Limited	Principal and interests of a HK$680 million bank loan	Until repayment of all liabilities by Mei Wah Company under the loan agreement
Toll collection rights of Qinglian project (note 2)	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB4.66 billion	Until repayment of all liabilities by Qinglian Company under the loan agreement
100% interests in Meiguan Company (note 3)	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the unconditional and irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)
RMB116 million fixed deposit (note 4)	Pledge	Bank of China Shenzhen Longhua Branch	Principal and interests of a HK$133 million bank loan	Until 24 June 2009

Notes:

(1) Pledged by the subsidiary Mei Wah Company, as at the end of the Reporting Period, the balance of such loan guaranteed was HK$147 million.

(2) Pledged by Qinglian Company, a subsidiary of the Company. On 19 May 2006, Qinglian Company entered into agreements with lending banks, and pledged the following interests in favor of lending bank as security of loans of an aggregate amount of RMB4.66 billion: (a) toll collection rights of Qinglian Class 1 Highway and Qinglian Class 2 Road during the reconstruction period of Qinglian Class 1 Highway into an expressway; (b) toll collecton rights of Qinglian Expressway and Qinglian Class 2 Road after completion of the reconstruction of Qinglian Class 1 Highway into an expressway. As at the end of the Reporting Period, the balance of such loans used by Qinglian Company is RMB2,336 million.

(3) As approved by the 2007 annual general meeting, the Company entered into an agreement with China Construction Bank Corporation Shenzhen Branch on 20 April 2007. The Company provided a pledge of its 100% interests in Meiguan Company in favor of the bank, as a counter-guarantee to it for the unconditional and irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds issued by the Company with an amount of RMB800 million upon maturity. As stipulated by the agreement, the pledging procedure for the aforesaid interest was completed in August 2007.

(4) The Company entered into an agreement with Bank of China Limited Shenzhen Longhua Branch on 24 June 2008. The Company pledged its RMB116 million fixed deposit with the maturity of one year in favor of the bank as security of the principal and interests of a HK$133 million bank loan provided to the Company. As stipulated by the agreement, the pledging procedure for the aforesaid fixed deposit was completed in June 2008.

Save as the aforesaid mortgage and pledge of assets as at the end of the Reporting Period, the Company entered into agreements with Agricultural Bank of China Shenzhen Branch and Industrial and Commercial Bank of China Limited Shenzhen Futian Branch on 11 July 2008 and 8 July 2008 respectively, according to the approval and authorisation of the general meeting and the Board. The Company pledged its 47.3% toll collection rights of Nanguang Expressway in favor of Agricultural Bank of China as a counter-guarantee to it for the unconditional and irrevocable guarantee with joint liability in respect of the redemption of the Bonds With Warrants issued by the Company with an amount of RMB1.5 billion upon maturity, and pledged its 52.7% toll collection rights of Nanguang Expressway in favor of Industrial and Commercial Bank of China as security of a loan of an aggregate amount of RMB1.5 billion. As at the date of this report, the pledging procedures were still in the process.

8. Management contract

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

For the first half of 2008, investment income of the Group from Wuhuang Expressway amounted to RMB37,730,000, representing 11.86% of the profit attributable to equity holders of the Company. The amount of entrusted management fees accounted for by Magerk Company during the Reporting Period was RMB47,679,000. The aforesaid management contract has no material impact on the financial status and operating results of the Group.

9. Connected Transactions

(1) Connected transactions in usual course

On 7 January 2008, the Company entered into an entrusted management agreement with Yibin Company. Pursuant to the entrusted management agreement, Yibin Company entrusted the Company to manage the operation of its 100% equity interest in Baotong Company and the 89.93% equity interest in Longda Company owned by Baotong Company. Longda Company is principally engaged in toll collection, maintenance, management and development of Longda Expressway. The transaction constitutes a continuing connected transaction of the Company pursuant to the Listing Rules. The term of aforesaid entrusted management commenced on 8 January 2008 and will expire on 31 December 2009. The entrusted management fees are calculated on an annual basis at RMB15 million or 8% of the audited net profit of Longda Company (but in any event shall not exceed RMB25 million), whichever is the higher. The fees will be paid in cash by Yibin Company by installments to the Company as follows: (1) entrusted management fees of RMB7.5 million are payable on or before 30 June and 31 December each year, respectively; (2) if the annual entrusted management fees determined is over RMB15 million after the annual audit of Longda Company, the balance is payable to the Company on or before 30 April in the following year. The above entrusted management fees were determined after arm's length negotiation between both parties with reference to the Company's experiences in operation and management of toll highways. Operation and management of toll highways is an ordinary and usual course of business of the Company. By the Transaction, the Company will timely seize the opportunities in development of operation management of toll highway business and leverage ten years of professional experience and strength of the Company in operation and management of toll highways, export the management experience and gain reasonable income and returns. In addition, the Company will enhance the traffic efficiency of the transportation network in Shenzhen area through strengthening the operation and management of Longda Expressway and reduce operating risk and enhance the operating efficiency by consolidating Longda Expressway into one unified toll network, which in turn will result in mutual benefits of both parties. Details related is available in the announcement of the Company dated 8 January 2008.

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

During the Reporting Period, there was no non-operating advance or liability between the Company and the connected parties. Other matters are as follows:

The Company was entrusted by Yibin Company to manage the operation of its 100% equity interest in Baotong Company and the 89.93% equity interest in Longda Company owned by Baotong Company. Pursuant to the agreement, the Company recognised entrusted management fees with an amount of RMB7.5 million as receivables due from Yibin Company on 30 June 2008, and recovered in full the aforesaid payment on 4 July 2008.

As at the end of the Reporting Period, there was an amount of RMB46.5 million payable for Nanjing Company in the item of "Other Payables", which is the pre-distributed dividends to the Group from Nanjing Company accumulated during previous years.

In addition, the loan in a sum of US$1,899,070.07 from the Spanish Government on-lent by China Construction Bank was secured by a substantial shareholder of the Company, XTC Company.

10. Material Litigation and Arbitration

During the Reporting Period, there was no material litigation or arbitration arising in connection with the Group nor was there any material prior litigation or arbitration subsisting in the Reporting Period.

11. Employees, Remuneration and Training

As at 30 June 2008, the Company and its wholly owned subsidiaries had 1,430 employees, of whom 377 were management and professional staff while 1,053 were toll collection staff.

The employee's remuneration of the Company comprises of three parts, namely monthly salary, annual performance bonus as well as statutory and company fringe benefits. The remuneration is determined in accordance with the results of the overall assessment, of which the salary and the performance bonus are respectively determined according to the individual staff's position and performance and with a view to maintaining market competitiveness. Pursuant to statutory requirements, the Group has participated in an employee's retirement scheme, which is organized by the local government authorities. The Group has also provided various insurances such as basic medical insurance package, industrial injury insurance and unemployment insurance to its employees. The Company values staff training. During the Reporting Period, the Company had organized theme training courses such as serial trainings on an excellent performance management regime, leadership skills training for middle/senior management and operational training for engineering and technical staff, and so forth, with a total of 486 participants.

12. Corporate Governance

(1) Compliance with the Code on Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Company had fully adopted the code provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 to the Listing Rules of HKEx. The current corporate governance practices of the Company have gone beyond the requirements of the aforesaid code provisions in certain aspects.

(2) Review of Interim Results

The Audit Committee of the Company has reviewed and endorsed the Interim Results Announcement and the Interim Report for the six months ended 30 June 2008 and the relevant financial information has not been audited.

The auditor of the Company, PricewaterhouseCoopers, has performed a review on the interim financial information of the Group for the six months ended 30 June 2008 prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting", in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and a report was issued by them dated 29 August 2008.

(3) Model Code for Securities Transactions by Directors and Supervisors

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

(4) Improving Standard of Corporate Governance

During the Reporting Period, the Company completed the following works to improve standard of corporate governance: (1) Amended or established the rules such as Securities Transaction Code,《獨立董事工作細則》(Working Rules for Independent Directors), to perfect the rules system of the Company; (2) Enhanced information disclosure, and further enhanced the transparency, by means of increasing voluntary disclosing contents in the periodical reports, disclosing monthly operational statistics by announcement, and so forth; (3) Established an authorising system to the executive directors by the Board, to improve the quality and efficiency on decision-making of the Company as a whole through appropriate authorisation and management; (4) Purchased the liability insurance pursuant to the approval and authorisation of the general meeting, to enhance the Company's capability of risk resistance and competition, and protect the legal interests of small/medium shareholders.

(5) Investor Relation Activities

During the first half of 2008, the Company organized annual results presentations and press conferences in Hong Kong and Shenzhen respectively, while an online reception day was held regarding quarterly results. The Company also took part in roadshows organized by securities institutions and investor forums held in Hong Kong, Beijing, Shanghai and Shenzhen. During the Reporting Period, the Company received 37 investor visits involving 63 investors and made prompt responses to investors' telephone and email enquiries, ensuring active and effective communications with various types of investors.

13. Name of Directors

As at the date of this report, the Directors of the Company are Mr. Yang Hai (Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Li Jing Qi (Non-executive Director), Mr. Wang Ji Zhong (Non-executive Director), Mr. Liu Jun (Non-executive Director), Mr. Lin Xiang Ke (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Li Zhi Zheng (Independent non-executive Director), Mr. Zhang Zhi Xue (Independent non-executive Director), Mr. Poon Kai Leung, James (Independent non-executive Director) and Mr. Wong Kam Ling (Independent non-executive Director).

By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 29 August 2008

Report on Review of Interim Financial Information

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY COMPANY LIMITED

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

Introduction

We have reviewed the interim financial information set out on pages 36 to 65, which comprises the condensed consolidated balance sheet of Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of 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, 29 August 2008

Condensed Consolidated Interim Balance Sheet

As at 30 June 2008

	Note	**30 June 2008 RMB'000 (Unaudited)**	31 December 2007 RMB'000 (Restated) (Note 3(c))
ASSETS			
Non-current assets			
Property, plant and equipment	6	**627,281**	344,800
Construction in progress	6	**631,531**	702,485
Concession intangible assets	6	**11,589,195**	10,388,606
Prepaid lease payments	6	**13,142**	—
Investments in associates	7	**1,274,741**	1,141,828
Investments in jointly controlled entities	8	**1,250,260**	1,423,810
		15,386,150	14,001,529
Current assets			
Inventories		**3,590**	2,956
Trade and other receivables	9	**253,929**	223,886
Restricted cash	10	**134,281**	16,032
Cash and cash equivalents		**323,076**	466,990
		714,876	709,864
Total assets		**16,101,026**	14,711,393
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**2,180,700**	2,180,700
Other reserves		**3,586,887**	3,586,887
Retained earnings			
– Proposed final dividend		**—**	348,912
– Others		**1,060,867**	776,576
		6,828,454	6,893,075
Minority interest		**710,010**	713,450
Total equity		**7,538,464**	7,606,525

	Note	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Restated) (Note 3(c))
LIABILITIES			
Non-current liabilities			
Borrowings	11	**6,414,012**	5,251,963
Deferred income tax liabilities	12	**430,882**	441,741
Provision for maintenance/resurfacing obligations	13	**270,927**	237,720
		7,115,821	5,931,424
Current liabilities			
Other payables and accrued expenses	14	**751,304**	754,895
Current income tax liabilities		**22,238**	27,565
Borrowings	11	**673,199**	390,984
		1,446,741	1,173,444
Total liabilities		**8,562,562**	7,104,868
Total equity and liabilities		**16,101,026**	14,711,393
Net current liabilities		**(731,865)**	(463,580)
Total assets less current liabilities		**14,654,285**	13,537,949

Yang Hai
Director

Wu Ya De
Director

The notes on pages 41 to 65 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2008

	Note	Unaudited Six months ended 30 June 2008 RMB'000	2007 RMB'000 (Restated) (Notes 3(c) and 23)
Revenue	5	**1,757,758**	1,653,313
Business tax and surcharges	15	**(16,753)**	(17,917)
Cost of services	15	**(1,449,594)**	(1,293,736)
Gross profit		**291,411**	341,660
Other gains - net	16	**594**	1,818
Administrative expenses	15	**(17,391)**	(19,758)
Operating profit		**274,614**	323,720
Finance income	17	**1,396**	6,955
Finance costs	17	**(117,293)**	(75,880)
Share of post-tax profit of jointly controlled entities		**149,844**	91,321
Share of post-tax loss of associates		**(639)**	(1,318)
Profit before income tax		**307,922**	344,798
Income tax expenses	18	**(27,071)**	(54,823)
Profit for the period		**280,851**	289,975
Attributable to:			
– equity holders of the Company		**284,291**	290,171
– minority interest		**(3,440)**	(196)
		280,851	289,975
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
– basic	19	**0.130**	0.133
– diluted	19	**0.130**	0.133
Dividends	20	**—**	—

The notes on pages 41 to 65 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2008

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interest RMB'000	Total equity RMB'000
Balance at 1 January 2007, as previously stated	2,180,700	3,264,104	1,159,834	6,604,638	—	6,604,638
Adjustments for changes in accounting policies (Note 3(c))	—	—	(305,183)	(305,183)	—	(305,183)
Balance at 1 January 2007, as restated	2,180,700	3,264,104	854,651	6,299,455	—	6,299,455
Acquisition of a subsidiary	—	—	—	—	718,905	718,905
Profit for the period	—	—	290,171	290,171	(196)	289,975
Dividends relating to 2006	—	—	(283,491)	(283,491)	—	(283,491)
Balance at 30 June 2007	2,180,700	3,264,104	861,331	6,306,135	718,709	7,024,844
Balance at 1 January 2008, as previously stated	**2,180,700**	**3,586,887**	**1,482,626**	**7,250,213**	**712,480**	**7,962,693**
Adjustments for changes in accounting policies (Note 3(c))	**—**	**—**	**(357,138)**	**(357,138)**	**970**	**(356,168)**
Balance at 1 January 2008, as restated	**2,180,700**	**3,586,887**	**1,125,488**	**6,893,075**	**713,450**	**7,606,525**
Profit for the period	**—**	**—**	**284,291**	**284,291**	**(3,440)**	**280,851**
Dividends relating to 2007 (Note 20)	**—**	**—**	**(348,912)**	**(348,912)**	**—**	**(348,912)**
Balance at 30 June 2008	**2,180,700**	**3,586,887**	**1,060,867**	**6,828,454**	**710,010**	**7,538,464**

The notes on pages 41 to 65 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2008

	Unaudited Six months ended 30 June 2008 RMB'000	2007 RMB'000
Cash flows from operating activities – net	**300,301**	396,280
Cash flows from investing activities – net	**(1,286,100)**	(1,429,646)
Cash flows from financing activities – net	**839,269**	958,115
Net decrease in cash and cash equivalents	**(146,530)**	(75,251)
Cash and cash equivalents at start of period	**466,990**	328,494
Exchange gains/(losses)	**2,616**	(2,547)
Cash and cash equivalents at end of period	**323,076**	250,696

The notes on pages 41 to 65 form an integral part of this condensed interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

1 General information

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

The address of the registered office of the Company is 19/F, Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen, the PRC.

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 29 August 2008.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting". The PRC statutory financial statements of the Group have been prepared in accordance with the Accounting Standards for Business Enterprises (2006) of the People's Republic of China ("CAS"). Appropriate restatements have been made to the PRC statutory financial statements to conform with Hong Kong Financial Reporting Standards ("HKFRS").

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with HKFRS.

The Group reported net current liabilities of approximately RMB732 million as at 30 June 2008. The directors of the Company made an assessment and concluded that there is no going concern issue of the Group based on the facts that the Group has been generating positive and increasing operating cash flows and it has not experienced any difficulties in renewing its banking facilities and there is no evidence indicating that the banks will not renew the facilities. In addition, the Group had unutilised banking facilities of approximately RMB7.5 billion at 30 June 2008 in order to meet its obligations and commitments. Consequently, the interim financial information has been prepared by the directors of the Company on a going concern basis.

3 Accounting policies

Except for the changes in accounting policies arising from the adoption of HK(IFRIC) – Int 12, 'Service Concession Arrangements', as described in Note 3(c) below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the 2007 annual financial statements.

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

(a) The following interpretations are mandatory for the financial year beginning 1 January 2008:

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and Treasury Share Transactions'. This interpretation is not currently relevant to the Group.
- HK(IFRIC) – Int 12, 'Service Concession Arrangements'. Adoption of the interpretation resulted in changes in accounting policies on accounting for the service concession arrangements of the Group. The details and impact on the financial statements are described in Note 3(c) below.
- HK(IFRIC) – Int 14, 'HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. This interpretation is not currently relevant to the Group.

(b) The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HK(IFRIC) – Int 13, 'Customer Loyalty Programmes', effective for annual periods beginning on or after 1 July 2008. This interpretation is not relevant to the Group.
- HKFRS 8, 'Operating Segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment Reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Management is currently assessing the impact of HKFRS 8.
- HKAS 1 (amendment), 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 January 2009. The revised disclosure requirements of the standard will be followed by the Group from 1 January 2009.
- HKAS 23 (amendment), 'Borrowing Costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs which is similar to the requirements under the amendments.

3 Accounting policies (continued)

(b) (continued)

- HKFRS 2 (amendment), 'Share-based Payment', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group.

- HKAS 32 (amendment), 'Financial Instruments: Presentation', and consequential amendments to HKAS 1, 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group, as the Group does not have any puttable instruments.

- HKFRS 3 (amendment), 'Business Combinations' and consequential amendments to HKAS 27, 'Consolidated and Separate Financial Statements', HKAS 28, 'Investments in Associates' and HKAS 31, 'Interests in Joint Ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation, jointly controlled entities and associates on the Group.

(c) Changes in accounting policies

In previous years, the costs incurred for constructing the related infrastructures for toll roads under the service concession arrangements ("Service Concessions") of the Group with relevant local governments were accounted for as property, plant and equipment of the Group and these expenditures were depreciated on an units-of-usage basis, making reference to the proportion of actual traffic volume achieved for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate these toll roads (the "Traffic Flow Amortisation Method"). HK(IFRIC) – Int 12 ("IFRIC 12") requires the Group to account for these Service Concessions under this interpretation from 1 January 2008 onwards. The application of the interpretation results in changes in accounting policies of the Group, which have been applied retrospectively and the comparative figures have been restated accordingly.

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

The accounting policies changed arising from the adoption of IFRIC 12 include the following:

Concession arrangements

The Group has entered into contractual service arrangements with local government authorities for its participation in the development, financing, operation and maintenance of various toll road infrastructures. Under the arrangements, the Group carries out the construction or upgrade work of toll roads for the granting authorities and receives in exchange of a right to operate the toll roads concerned and the entitlement to the toll fees collected from users of the toll road services. In accordance with IFRIC 12, the assets under the Service Concessions are classified as intangible assets or financial assets. The assets are classified as intangible assets if the Group receives a right to charge users of the respective toll roads or as financial assets if it is paid by the grantor.

Construction contracts

The Group recognises income and expenses associated with construction services and upgrade services provided under the Service Concessions in accordance with HKAS 11, "Construction Contracts".

Revenue generated by construction and upgrade services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The consideration may be rights to attain a financial asset or an intangible asset.

The Group uses the percentage of completion method to determine the appropriate amount of income and expenses to be recognised in a given period. The stage of completion is measured by reference to the construction costs of the related infrastructures incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

Intangible asset model

The Group applies the intangible asset model to account for the Service Concessions where the Group is paid by the users of the toll roads and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. The intangible asset corresponds to the right granted by the respective concession grantors to the Group to charge users of the toll road services.

Intangible assets resulting from the application of IFRIC 12 are recorded in the balance sheet as 'Concession intangible assets'. Once the underlying infrastructure of the Service Concessions is completed, the intangible assets are amortised, on the Traffic Flow Amortisation Method, as allowed under HK-Int 1, 'The Appropriate Policies for Infrastructure Facilities', over the operating periods granted.

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

Intangible asset model (continued)

For certain Service Concessions contracts, the Group receives from the concession grantors certain monetary grants (the "Grants") in addition to the entitlements and rights to receive the toll fees from users of the toll road services. The consideration receivable is divided into two components, financial assets recognised based on the amount of Grants payable by the concession grantors, and the residual balance is recognised as intangible assets. The Grants were previously recognised as deferred income or advances from government, where deferred income was credited to the income statement of the Group based on the actual traffic volume of a period and the basis as determined based on the Grants and the total projected traffic volume throughout the whole approved operating period of the relevant toll roads, over the operating periods of the respective toll roads before the adoption of IFRIC 12.

Financial assets resulting from the application of IFRIC 12 are recorded in the balance sheet as financial assets.

Provisions

As part of its obligations under the respective Service Concessions, the Group assumes responsibility for maintenance and resurfacing of the toll roads it manages. The resulting maintenance and resurfacing costs, except for upgrade services, are recognised as provisions according to the requirements of HKAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provision for maintenance/resurfacing obligations are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Land use rights

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions. They were previously separately presented as long-term assets of the Group before the adoption of IFRIC 12.

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

These changes in accounting policies have been applied retrospectively and resulted in the following financial impact:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Increase in concession intangible assets	**11,589,195**	10,388,606
Decrease in property, plant and equipment	**8,980,890**	7,065,518
Decrease in construction in progress	**2,783,857**	3,505,947
Decrease in land use rights	**209,854**	215,526
Decrease in investments in jointly controlled entities	**99,565**	89,820
Increase in deferred income tax assets	**67,731**	59,430
Increase in deferred income tax liabilities	**29,234**	26,936
Increase in provision for maintenance/resurfacing obligations	**270,927**	237,720
Decrease in government grants	**327,882**	337,263
Decrease in retained earnings	**391,287**	357,138
Increase in minority interest	**1,768**	970

	Six months ended 30 June 2008 RMB'000	Six months ended 30 June 2007 RMB'000	Year ended 31 December 2007 RMB'000
Increase in revenue	**1,263,194**	1,134,864	2,742,056
Increase in cost of services	**1,271,536**	1,140,906	2,750,344
Increase in finance costs	**11,886**	9,043	18,087
Decrease in other income	**9,382**	9,781	18,199
Decrease in share of profit of jointly controlled entities	**9,745**	6,850	14,947
Decrease in income tax expenses	**6,004**	4,651	8,538
Increase in minority interest	**798**	292	970
Decrease in basic and diluted earnings per share (in RMB per share)	**0.016**	0.013	0.024

The opening retained earnings at 1 January 2007 has been decreased by RMB305,183,000 as a result of these changes in accounting policies.

The above changes reflect the impact of application of IFRIC 12 to the Group, including its share of net assets and operating results in associates and jointly controlled entities engaged in Service Concessions accounted for under the equity method of accounting, to the extent that they are significant to the Group.

4 Critical accounting estimates and judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to this condensed consolidated interim financial information, are discussed below.

(a) Revenue recognition relating to construction management contracts and impairment provision of investment in a jointly controlled entity

The estimates and assumptions in relation to revenue recognition relating to construction management contracts and impairment provision of investment in a jointly controlled entity, Changsha Shenchang Expressway Company Limited, details of which have been disclosed in full in the annual financial statements for the year ended 31 December 2007, do not have significant changes during the interim period.

(b) Construction revenue recognition relating to Service Concessions

As described in Note 3(c), income and expenses associated with construction services and upgrade services provided under the Service Concessions are recognised in accordance with HKAS 11 using the percentage of completion method. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable.

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

4 Critical accounting estimates and judgements (continued)

(b) Construction revenue recognition relating to Service Concessions (continued)

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

The construction revenue and related profit for the period recognised by the Group under the percentage of completion method for the Service Concessions amounted to approximately RMB1,263,194,000 (2007 interim: RMB1,134,864,000) and RMB9,632,000 (2007 interim: RMB10,180,000), respectively. The directors of the Company consider that these are their current best estimates on the magnitude of construction revenue and related profits. Were the magnitudes of the final construction costs and the management fee applied as a percentage of the construction costs were to be differed from management's current estimates, the Group would account for the change prospectively.

(c) Amortisation of concession intangible assets

As mentioned in Note 3(c), the Group applied IFRIC 12 and recognised concession intangible assets under the Service Concessions and provides amortisation thereon.

Amortisation of concession intangible assets is provided under the Traffic Flow Amortisation Method, which resembles the method of depreciation of toll roads previously recorded as property, plant and equipment before the adoption of IFRIC 12. Consequently, the estimate and assumptions in relation to depreciation of toll roads recognised under property, plant and equipment as disclosed in the 2007 annual financial statements are applicable to the amortisation of concession intangible assets in the interim period. Material adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between total projected traffic volume and the actual results. However, there is no significant change in the directors' estimate of the total projected traffic volume throughout the approved operating rights period of respective toll roads during the interim period.

4 Critical accounting estimates and judgements (continued)

(d) Provision for maintenance/resurfacing obligations

As described in Note 3(c), the Group has contractual obligations under the Service Concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision. Provision for resurfacing obligations at 30 June 2008 of RMB270,927,000 had been provided at the present value of expenditures expected to be incurred by the Group to settle the obligations at the balance sheet date.

The expenditures expected to be required to settle the obligations at the balance sheet date is determined based on the number of major maintenance and resurfacing to be undertaken throughout the allowed operating periods of each toll roads operated by the Group under the Service Concessions and the expected costs to be incurred for each event. The costs are then discounted to the prevent value based on a pre-tax discount rate of 10%.

The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by the directors of the Company, which were developed based on the Group's resurfacing plan and historical costs incurred for similar activities. In addition, the directors are of the view that the discount rate currently used in the current estimate reflects the time value of money and the risks specific to the obligations.

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

5 Segment information

Due to the adoption of IFRIC 12 during the period, as at 30 June 2008, the Group reassessed its operations to be organised in three main business segments:

– Toll roads operations;

– Construction under Service Concessions; and

– Provision of construction management services.

Revenue consists of income from operations of toll roads, construction under Service Concessions and service income derived from the construction management services, which are RMB460,424,000, RMB1,263,194,000 and RMB6,602,000 for the six months ended 30 June 2008 and RMB467,343,000, RMB1,134,864,000 and RMB33,727,000 for the six months ended 30 June 2007 (restated), respectively.

Other operations mainly comprise provision of advertising services and other services. None of these operations constitutes a separately reportable segment.

The segment results for the six months ended 30 June 2008 are as follows:

Business segment	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Construction management services RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	**460,424**	**1,263,194**	**6,602**	**27,538**	**—**	**1,757,758**
Segment results	**264,558**	**9,632**	**—**	**17,221**	**—**	**291,411**
Other gains – net	—	—	—	—	594	594
Administrative expenses	—	—	—	—	(17,391)	(17,391)
Operating profit						**274,614**
Finance income	—	—	—	—	1,396	1,396
Finance costs	(124,864)	—	—	—	7,571	(117,293)
Share of post-tax profit of jointly controlled entities	149,844	—	—	—	—	149,844
Share of post-tax loss of associates	(646)	—	—	7	—	(639)
Profit before income tax						**307,922**
Income tax expenses						(27,071)
Profit for the period						**280,851**

5 Segment information (continued)

The segment results for the six months ended 30 June 2007 are as follows:

Business segment	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Construction management services RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	467,343	1,134,864	33,727	17,379	—	1,653,313
Segment results	291,737	10,180	30,375	9,368	—	341,660
Other gains - net	—	—	—	—	1,818	1,818
Administrative expenses	—	—	—	—	(19,758)	(19,758)
Operating profit						323,720
Finance income	—	—	—	—	6,955	6,955
Finance costs	(80,863)	—	—	—	4,983	(75,880)
Share of post-tax profit of jointly controlled entities	91,321	—	—	—	—	91,321
Share of post-tax loss of associates	(245)	—	—	(1,073)	—	(1,318)
Profit before income tax						344,798
Income tax expenses						(54,823)
Profit for the period						289,975

Other segment items included in the income statement are as follows:

	Six months ended 30 June 2008					
	Toll roads operations RMB'000	**Construction under Service Concessions RMB'000**	**Construction management services RMB'000**	**Others RMB'000**	**Unallocated RMB'000**	**Group RMB'000**
Depreciation	**26,311**	**—**	**—**	**621**	**2,291**	**29,223**
Amortisation	**62,605**	**—**	**—**	**1,094**	**—**	**63,699**

	Six months ended 30 June 2007					
	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Construction management services RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Depreciation	15,141	—	—	633	1,839	17,613
Amortisation	74,031	—	—	—	—	74,031

5 Segment information (continued)

Segment assets consist primarily of property, plant and equipment, construction in progress, concession intangible assets, prepaid lease payments, inventories, trade and other receivables, restricted cash and cash and cash equivalents. Unallocated assets comprise investments in jointly controlled entities and investments in associates.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment, construction in progress and concession intangible assets, including those additions resulting from acquisitions through business combination.

The segment assets and liabilities at 30 June 2008 and capital expenditure for the six months then ended are as follows:

	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Construction management services RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Assets	**1,444,531**	**11,589,195**	**178,837**	**29,258**	**2,859,205**	**16,101,026**
Liabilities	**372,222**	**497,771**	**47,500**	**12,459**	**7,632,610**	**8,562,562**
Capital expenditure	**287,548**	**1,263,194**	**—**	**2,310**	**9,870**	**1,562,922**

The segment assets and liabilities at 31 December 2007 and capital expenditure for the six months ended 30 June 2007 are as follows:

	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Construction management services RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Assets	1,286,969	10,388,606	150,498	21,679	2,863,641	14,711,393
Liabilities	304,895	518,950	19,161	11,441	6,250,421	7,104,868
Capital expenditure	50,087	5,363,023	—	1,991	113,391	5,528,492

No geographical segment information is presented as substantially all the Group's business activities were carried out and substantially all the Group's assets are located in the PRC.

6 Property, plant and equipment, construction in progress, concession intangible assets and prepaid lease payments

	Property, plant and equipment RMB'000	Construction in progress RMB'000	Concession intangible assets RMB'000	Prepaid lease payments RMB'000
Six months ended 30 June 2008				
Opening net book amount at 1 January 2008, as restated	**344,800**	**702,485**	**10,388,606**	**—**
Additions	**5,198**	**294,530**	**1,263,194**	**14,236**
Transfers	**306,537**	**(364,729)**	**—**	**—**
Disposals	**(31)**	**(755)**	**—**	**—**
Depreciation and amortisation	**(29,223)**	**—**	**(62,605)**	**(1,094)**
Closing net book amount at 30 June 2008	**627,281**	**631,531**	**11,589,195**	**13,142**
Six months ended 30 June 2007				
Opening net book amount at 1 January 2007, as restated	334,352	41,366	3,919,473	—
Acquisition of a subsidiary	8,621	—	4,228,159	—
Additions	2,588	154,260	1,134,864	—
Disposals	(86)	(222)	—	—
Depreciation and amortisation	(17,613)	—	(74,031)	—
Closing net book amount at 30 June 2007	327,862	195,404	9,208,465	—

7 Investments in associates

	30 June 2008 RMB'000	31 December 2007 RMB'000
Beginning of the period/year	**1,141,828**	3,006,665
Increase in investments in associates	—	11,899
Share of results	**(639)**	(13,486)
Dividends declared and appropriation made by associates	—	(24,050)
Transfer from investment in a jointly controlled entity (Note 8(b))	**133,552**	—
Transfer to investment in a subsidiary as a result of business combination	—	(1,839,200)
End of the period/year	**1,274,741**	1,141,828

Investments in associates at 30 June 2008 included goodwill of RMB75,300,000 (31 December 2007: RMB75,300,000).

8 Investments in jointly controlled entities

	30 June 2008 RMB'000	31 December 2007 RMB'000
Beginning of the period/year, as previously stated	**1,513,630**	1,685,182
Adjustments for changes in accounting policies (Note 3(c))	**(89,820)**	(74,873)
Beginning of the period/year, as restated	**1,423,810**	1,610,309
Share of results	**149,844**	189,003
Transfer to investment in associate (b)	**(133,552)**	—
Dividends declared and appropriation made by jointly controlled entities	**(189,842)**	(375,502)
End of the period/year	**1,250,260**	1,423,810

(a) Investments in jointly controlled entities at 30 June 2008 included goodwill of RMB1,636,000 (31 December 2007: RMB1,636,000).

(b) During the period, the equity owners of a jointly controlled entity, Shenzhen Qinglong Expressway Company Limited ("Qinglong Company"), jointly resolved to revise the articles of association of Qinglong Company. As a result, Qinglong Company is no longer subject to joint control of the Group. The Group can only exercise significant influence on Qinglong Company. Consequently, Qinglong Company became an associate of the Group and the investment in Qinglong Company was transferred to investments in associates accordingly. There was no gain or loss arising from such conversion.

9 Trade and other receivables

	Note	30 June 2008 RMB'000	31 December 2007 RMB'000
Trade receivables	(a)	**161,930**	152,560
Other receivables		**84,099**	54,213
Prepayments		**7,900**	17,113
		253,929	223,886

(a) Trade receivables mainly represented amounts due from the Shenzhen Communications Bureau of RMB131,337,000 (31 December 2007: RMB131,337,000) for management services income recognised.

At 30 June 2008 and 31 December 2007, the aging analysis of trade receivables was as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 1 year	**102,566**	121,140
Over 1 year	**59,364**	31,420
	161,930	152,560

10 Restricted cash

Restricted cash included a bank fixed deposit of RMB116,272,000 (31 December 2007: Nil) with a maturity of one year and project funds retained for a construction management contract of RMB18,009,000 (31 December 2007: RMB16,032,000) (Note 14(c)).

11 Borrowings

	30 June 2008 RMB'000	31 December 2007 RMB'000
Non-current		
– Bank and other borrowings	**4,452,842**	3,318,551
– Convertible bonds	**1,170,580**	1,143,129
– Corporate bonds	**790,590**	790,283
	6,414,012	5,251,963
Current	**673,199**	390,984
	7,087,211	5,642,947

11 Borrowings (continued)

(a) Movement in borrowings is analysed as follows:

	RMB'000
Six months ended 30 June 2008	
Opening balance as at 1 January 2008	**5,642,947**
Proceeds from borrowings	**1,894,610**
Repayments of borrowings	**(470,315)**
Exchange differences	**(7,482)**
Interest expense of convertible bonds	**27,451**
Closing balance as at 30 June 2008	**7,087,211**
Six months ended 30 June 2007	
Opening balance as at 1 January 2007	2,058,931
Acquisition of a subsidiary	635,420
Proceeds from borrowings	2,954,300
Repayments of borrowings	(1,619,502)
Exchange differences	(4,343)
Closing balance as at 30 June 2007	4,024,806

As at 30 June 2008, borrowings to the extent of RMB2,335,760,000 (31 December 2007: RMB1,227,160,000) is secured by a pledge of the operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway (upon completion of its reconstruction) of Guangdong Qinglian Highway Development Company Limited ("Qinglian Company"), a subsidiary of the Company; to the extent of RMB129,238,000 (31 December 2007: RMB95,511,000) is secured by a pledge of the 55% equity interest of Jade Emperor Limited held by Mei Wah Industrial (Honk Kong) Limited, a subsidiary of the Company; to the extent of RMB117,017,000 (31 December 2007: Nil) is secured by a fixed deposit of RMB116,272,000; to the extent of RMB13,026,000 (31 December 2007: RMB16,864,000) is guaranteed by Xin Tong Chan Development (Shenzhen) Company Limited, a substantial shareholder of the Company.

(b) The Group had the following undrawn banking facilities as at 30 June 2008:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Floating rate		
– Expiring within one year	**3,465,000**	2,972,000
– Expiring beyond one year	**3,042,000**	3,123,000
	6,507,000	6,095,000
Fixed rate		
– Expiring beyond one year	**982,000**	2,205,000
	7,489,000	8,300,000

12 Deferred income tax

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

	30 June 2008 RMB'000	31 December 2007 RMB'000
Deferred tax liabilities	**430,882**	441,741

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

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Beginning of the period, as previously stated	**474,235**	24,989
Adjustments for changes in accounting policies (Note 3(c))	**(32,494)**	(23,957)
Beginning of the period, as restated	**441,741**	1,032
Acquisition of a subsidiary	—	357,997
Recognised in the income statement	**(10,859)**	(3,097)
Adjustment to the enacted tax rate	—	16,715
End of the period	**430,882**	372,647

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

	Deferred tax assets		
	Provision for impairment losses of assets RMB'000	Provision for maintenance/ resurfacing obligations RMB'000	Total RMB'000
At 1 January 2008, as previously stated	—	—	—
Adjustments for changes in accounting policies (Note 3(c))	—	**59,430**	**59,430**
At 1 January 2008, as restated	—	**59,430**	**59,430**
Recognised in the income statement	—	**8,301**	**8,301**
At 30 June 2008	—	**67,731**	**67,731**
At 1 January 2007, as previously stated	1,878	—	1,878
Adjustments for changes in accounting policies (Note 3(c))	—	45,218	45,218
At 1 January 2007, as restated	1,878	45,218	47,096
Recognised in the income statement	(1,878)	7,106	5,228
At 30 June 2007	—	52,324	52,324

12 Deferred income tax (continued)

	Deferred tax liabilities				
		Difference of accounting base and tax base of			
	Depreciation of property, plant and equipment RMB'000	Toll road assets resulted from acquisition of a subsidiary RMB'000	Concession intangible assets RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 January 2008, as previously stated	**43,043**	**357,997**	**—**	**73,195**	**474,235**
Adjustments for changes in accounting policies (Note 3(c))	**—**	**—**	**26,936**	**—**	**26,936**
Reclassification	**(43,043)**	**(357,997)**	**401,040**	**—**	**—**
At 1 January 2008, as restated	**—**	**—**	**427,976**	**73,195**	**501,171**
Recognised in the income statement	**—**	**—**	**1,903**	**(4,461)**	**(2,558)**
At 30 June 2008	**—**	**—**	**429,879**	**68,734**	**498,613**
At 1 January 2007, as previously stated	26,867	—	—	—	26,867
Adjustments for changes in accounting policies (Note 3(c))	—	—	21,261	—	21,261
Reclassification	(26,867)	—	26,867	—	—
At 1 January 2007, as restated	—	—	48,128	—	48,128
Acquisition of a subsidiary	—	—	357,997	—	357,997
Recognised in the income statement	—	—	2,131	—	2,131
Adjustment to the enacted tax rate	—	—	16,715	—	16,715
At 30 June 2007	—	—	424,971	—	424,971

13 Provision for maintenance/resurfacing obligations

	30 June 2008 RMB'000	31 December 2007 RMB'000
Opening net book amount, recognised as a result of adoption of IFRIC 12	**237,720**	180,870
Charged to the income statement:		
– Additions	**21,321**	38,763
– Increase due to passage of time (Note 17)	**11,886**	18,087
Closing net book amount	**270,927**	237,720

14 Other payables and accrued expenses

	Note	30 June 2008 RMB'000	31 December 2007 RMB'000
Payables for construction projects and quality deposits	(a)	**265,296**	237,509
Guaranteed deposits for construction projects contracts	(a)	**160,181**	187,118
Notes payable	(a)	**72,294**	94,323
Management fee for a construction management project received in advance	(b)	**15,290**	—
Project funds retained for construction management contracts	(c)	**18,009**	16,032
Advance from an associate	(d)	**46,500**	46,500
Advance from a jointly controlled entity	(d)	**—**	21,300
Interest payable		**66,712**	33,922
Salary payable		**12,457**	43,454
Others		**94,565**	74,737
		751,304	754,895

(a) These represent liabilities and quality deposits arising from the progress project payments payable for the construction of certain toll roads projects of the Group at approximately RMB265,296,000 (31 December 2007: RMB237,509,000); deposits received from the contractors as guarantees for the bidding process and their performance commitment for the construction of projects amounting to RMB160,181,000 (31 December 2007: RMB187,118,000); and bills payable of RMB72,294,000 (31 December 2007: RMB94,323,000), respectively.

(b) This represents the management fee paid in advance by the Shenzhen Communications Bureau for the Company's management of the project of main route of Nanping Freeway (Phase II) ("Nanping (Phase II) Project") under a construction management contract entered by the government authority and the Company.

(c) This represents the unutilised balance of project fund received from government authority for the use of construction of the western section of Hengping Highway ("Hengping Project") managed by the Company under a management service contract. The project funds are advanced by the government and they are deposited in bank accounts jointly supervised by the Company and the relevant government departments. The project funds balance is presented as restricted cash in the balance sheet with a corresponding liability of the same amount included in other payables.

(d) These represent the advances from Nanjing Yanzi River Third Bridge Company Limited, an associate of the Group, and Hubei Magerk Expressway Management Company Limited ("Magerk Company"), a jointly controlled entity of the Group, of RMB46,500,000 and RMB21,300,000 respectively. The advance from Magerk Company has been repaid during the period.

15 Expenses by nature

	Note	Six months ended 30 June 2008 RMB'000	 2007 RMB'000 (Restated)
Construction costs under Service Concessions	(a)	**1,253,562**	1,124,684
Business tax and surcharges	(b)	**16,753**	17,917
Depreciation and amortisation		**92,922**	91,644
Employee benefit expenses		**36,655**	33,371
Road maintenance expenses		**21,172**	13,675
Provision for maintenance/resurfacing obligations		**21,321**	19,383
Other expenses		**41,353**	30,737
Total cost of services and administrative expenses		**1,483,738**	1,331,411

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

(b) The amount represents PRC business tax and surcharges levied on the Group's toll income at RMB14,365,000 (2007 interim: RMB15,717,000); service income derived from the provision of construction management services at RMB206,000 (2007 interim: RMB1,123,000); and income arising from the provision of other services at RMB2,182,000 (2007 interim: RMB1,077,000).

Toll income of the Group is subject to the following taxes and surcharges:

– PRC business tax at 3% or 5% of toll income;

– City development tax at 1% of the PRC business tax; and

– Education supplementary fee at 3% of the PRC business tax.

16 Other gains – net

	Six months ended 30 June 2008 RMB'000	 2007 RMB'000
Excess of fair value of net identifiable assets acquired in a business combination over the cost of acquisition	**—**	127,206
Adjustment on fair value of the equity interest previously held in the acquiree at acquisition date	**—**	(127,206)
Gain on disposals of non-current assets classified as held for sale	**—**	1,902
Change in fair value of derivative instrument	**1,344**	—
Others	**(750)**	(84)
	594	1,818

17 Finance income and finance costs

	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Finance income		
Interest income from bank deposits	**1,396**	6,955
Finance costs		
Interest on bank and other borrowings and bonds	**193,860**	93,842
Less: interest expenses capitalised in construction in progress and under Service Concessions	**(80,290)**	(22,022)
	113,570	71,820
Other interest expenses (Note 13)	**11,886**	9,043
Other borrowing costs	**1,605**	167
Net foreign exchange gains	**(9,768)**	(5,150)
	117,293	75,880

18 Income tax expenses

	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Current income tax		
– PRC enterprise income tax	**37,930**	41,205
Deferred income tax		
– Temporary differences recognised	**(10,859)**	(3,097)
– Adjustment to the enacted tax rate	**—**	16,715
	27,071	54,823

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

The PRC enterprise income tax charged to the condensed consolidated interim income statement has been calculated based on assessable profits of the Company and its subsidiaries located in the PRC of the period at rates of tax applicable to the respective companies of 18% (2007: 15%).

No provision for Hong Kong profits tax has been made for the period since the Group has no income assessable under Hong Kong profits tax.

19 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**284,291**	290,171
Number of ordinary shares in issue (thousands)	**2,180,700**	2,180,700
Basic earnings per share (RMB per share)	**0.130**	0.133

The Company had no diluted potential shares in both 2007 and 2008 interim periods and the diluted earnings per share presented is the same with basic earnings per share.

In 2007, the Company issued convertible bonds with attached warrants subscription rights. Though the contingently issuable shares of the Company due to the exercise of the warrants subscription rights by the bonds holders may potentially dilute basic earnings per share in the future, the exercise price of those rights is higher than the prevailing share price of the Company as at 30 June 2008 and therefore, they were not included in the calculation of diluted earnings per share for the period.

20 Dividends

A 2007 final dividend of RMB0.16 (2006 final: RMB0.13) per ordinary share, totaling RMB348,912,000 (2006 final: RMB283,491,000) was approved by the shareholders at the Annual General Meeting of the Company, RMB334,958,000 of which was paid in June 2008 (six months ended 30 June 2007: RMB272,153,000).

21 Contingent liabilities

The Company has entered into certain projects construction management contracts with government authorities. For Hengping Project, the Company had arranged a bank to issue irrevocable performance guarantees on its behalf to the Shenzhen Longgang Highway Bureau amounting to RMB30,000,000. The Company also paid a guarantee deposit of RMB9,425,000 to the authority for assuring the progress, quality and safety standards for the construction of the Hengping Project. For Nanping (Phase II) Project and the renovation project of the Shenyun-North Ring Interchange in Shenzhen, the Company had arranged with banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau amounting to RMB50,000,000 and RMB1,000,000 respectively.

During the period, the Company tendered for a management project in relation to the daily maintenance and tunnel operation of the Shenzhen Eastern Yanhai Expressway (from Liantang to Yantian, Shenzhen). Pursuant to the relevant arrangement, the Company had arranged a bank to issue tender guarantee to the Shenzhen Communications Bureau amounting to RMB600,000. The tender guarantee was expired on 5 August 2008.

During the period, the Company had arranged a bank to issue guarantee to Shenzhen Keyuan Construction Holding Company Limited amounting to RMB1,075,000 for assuring the payment of decoration of the new office building of the Company.

22 Commitments

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

	30 June 2008 RMB'000	31 December 2007 RMB'000
Capital commitments - construction of toll roads		
– contracted but not provided for	**1,595,649**	3,458,803
– authorised but not contracted for	**1,774,348**	787,374
	3,369,997	4,246,177
Investment commitments		
– contracted but not provided for	**83,750**	83,750
	3,453,747	4,329,927

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

23 Related party transactions

The substantial shareholder of the Company is Xin Tong Chan, which owns 30.026% interest of the Company. Xin Tong Chan is wholly owned by Shenzhen International Holdings Limited ("Shenzhen International"), a company whose shares are listed on The Stock Exchange of Hong Kong Limited. Shenzhen International indirectly holds 1.127% interest of the Company through its another wholly owned subsidiary. Shenzhen International is controlled by the Shenzhen Municipal State-owned Assets Supervision and Administration Commission, which is a state-owned authority. In addition, as at 30 June 2008, 25.7% of the equity interests of the Company are held by various state-owned legal persons. As a result, equity interest of 56.85% of the Company is indirectly held by the PRC government authorities in aggregate.

Apart from the related party transactions and balances already disclosed in Notes 5, 11(a) and 14(d) to these financial information, the following material transactions were carried out with related parties on a normal commercial basis during the period:

(a) Bank deposits and interest income

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Bank deposits balance		
State-owned banks	**270,841**	104,964
Interest income from bank deposits		
State-owned banks	**1,433**	1,606

23 Related party transactions (continued)

(b) Borrowings and interest expenses

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Loans from state-owned banks		
Beginning of the period	**2,494,755**	1,745,162
Acquisition of a subsidiary	**—**	584,235
New borrowings	**1,332,472**	1,153,505
Repayments	**(29,887)**	(1,103,377)
Interest expense	**93,932**	61,472
Interest paid	**(87,828)**	(57,569)
End of the period	**3,803,444**	2,383,428

(c) Capital expenditure and payable balances for construction projects

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Capital expenditure incurred for concession projects and construction in progress		
State-owned contractors	**1,074,462**	867,442
Payables for construction projects and guarantee deposits		
State-owned contractors	**193,231**	104,993

(d) Payment of project management service fee

In January 2006, Qinglian Company (a then associate of the Group which became a subsidiary of the Group from January 2007 onwards), entered into a project management service contact with Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company"), another associate of the Group. Under the agreement, Consulting Company assumes the management of Phase I of the reconstruction project of Qinglian Class I Highway of Qinglian Company. The value of the management service contract is approximately RMB66,989,000. During the six months ended 30 June 2008, Qinglian Company paid a management fee of approximately RMB7,162,000 (2007 interim: RMB4,876,000) to Consulting Company. The cumulative management fee paid by Qinglian Company to Consulting Company amounted to approximately RMB27,639,000 up to 30 June 2008.

(e) Toll income collection

Due to the geographical layout of the toll roads operated by the Group, certain toll gates of the toll roads of the Group and Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao Eastern") are overlapping and they collect toll income for each other. During the period, the aggregated toll income collected by the Group on behalf of Airport-Heao Eastern was RMB67,639,000 (2007 interim: RMB65,461,000) while the aggregated toll income collected by Airport-Heao Eastern on behalf of the Group was RMB62,368,000 (2007 interim: RMB53,980,000). All toll income collected is paid back to the counterparties within three days after collection without charging any handling fees.

23 Related party transactions (continued)

(f) Management entrustment

On 7 January 2008, the Company entered into an operations and management entrustment agreement with Yibin Indistrial (Shenzhen) Company Limited ("Yibin Company"), a wholly-owned subsidiary of Shenzhen International. Pursuant to the agreement, Yibin Company entrusts the Company to manage its 100% equity interest held in Shenzhen Baotong Expressway Construction Company Limited ("Baotong Company") and the 89.93% equity interests held in Shenzhen Longda Expressway Company Limited ("Longda Company") by Baotong Company. The term of the operation and management entrustment agreement commenced on 8 January 2008 and will expire on 31 December 2009. However, Yibin Company retains the legal ownership in and its entitlement to risks and rewards/obligations of the two investee companies. In return for the services rendered, the Company is entitled to a management entrustment fee determined at the higher amount of an annual fee of RMB15 million, or at 8% of the annual audited net profit of Longda Company (but in any event shall not exceed RMB25 million). The management entrustment fee for the six months ended 30 June 2008 amounted to RMB7,500,000, which was recognised on a pro rata basis on the minimum agreed annual fee. The amount had not been settled by Yibin Company up to 30 June 2008 and is included in trade receivables. On 4 July 2008, the Company received the amount.

(g) Key management compensation

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Salaries, bonuses and other short-term employee benefits	**1,913**	1,976

24 Comparative figures

Apart from the restatements made based on the changes in accounting policies (Note 3(c)), the Group has revised the classification of interest income in the income statement and interest payments in the cash flow statement. The Group previously reported interest income in the income statement as other income and interest payments as cash flows for operating activities in the cash flow statement. The directors of the Company believe that it is more appropriate to classify interest income as finance income in the income statement and interest payments as cash flows for financing activities in the cash flow statement. The comparative figures have been reclassified to conform with current year presentation. There is no impact on net profit and net cash flows as a result of these reclassification.

Supplementary Information (Unaudited)

For the six months ended 30 June 2008

Reconciliation of interim financial information

The Group has prepared a separate set of unaudited interim financial statements for the six months ended 30 June 2008 in accordance with the CAS. The differences between the financial information prepared under the CAS and HKFRS are summarised as follows:

	Unaudited	
	Profit attributable to equity holders of the Company for the six months ended 30 June 2008 RMB'000	Capital and reserves attributable to equity holders of the Company as at 30 June 2008 RMB'000
As per PRC statutory financial statements	**318,050**	**7,244,282**
Impact of HKFRS adjustments:		
Adjustments arising from adoption of IFRIC 12		
– Revenue and profit recognition for construction services and amortisation of concession intangible assets	**6,096**	**48,561**
– Provision for maintenance/resurfacing obligations	**(24,905)**	**(203,196)**
– Recognition of government grants as financial assets under the Service Concessions and adjustment on their related amortisation	**(5,205)**	**(199,000)**
– Adjustment on investments in jointly controlled entities	**(9,745)**	**(99,565)**
– Reclassification of land use rights relating to Service Concessions to concession intangible assets and adjustment on amortisation	**—**	**37,372**
	(33,759)	**(415,828)**
As restated after HKFRS adjustments	**284,291**	**6,828,454**

Definitions

1. Names of Highway and Road Projects

Changsha Ring Road	Changsha National Highway Ring Road (Northwestern Section), located in Hunan Province
Coastal Expressway (Shenzhen Section)	The Shenzhen Section of Guangshen Coastal Expressway
Guangwu Project	The Ma'an to Hekou Section of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi (called Guangwu Expressway for short), located in Guangdong Province
GZ W2 Expressway	Xiaotang to Maoshan Section of national trunk highway Guangzhou Ring Road, also referred to as Guangzhou Western Second Ring Expressway, located in Guangdong Province
Hengping Project	Shenzhen Hengping Class 1 Highway (Western Section)
Jiangzhong Project	the expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan (called Jianghe Expressway for short), located in Guangdong Province
Jihe Expressway	The expressway from Shenzhen airport to He'ao in Shenzhen City, comprising Jihe East and Jihe West
Longda Expressway	The expressway from Longhua in Shenzhen City to Dalingshan in Dongguan City
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue
Nanjing Third Bridge	Nanjing Yangtze Third Bridge, located in Jiangsu Province
Nanping (Phase I), Nanping (Phase II)	Shenzhen Nanping Freeway (also referred to as Nanping Avenue) Phase I, main route of Nanping Freeway Phase II
Outer Ring Expressway	The Shenzhen Outer Ring Expressway
Qinglian Project	Guangdong Qinglian Class 1 Highway (Qingyuan - Lianzhou), and/or its being reconstructed into an expressway, and/or Qinglian Class 2 Road (Qingyuan - Lianzhou) (as the case may be)
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City, also referred to as Yuping Avenue)

Wuhuang Expressway	The expressway from Wuhan to Huangshi, located in Hubei Province
Wutong Mountain Project	Shenzhen Wutong Mountain Avenue (Ancillary Road) and Jihe Expressway Yantian Subsidiary Route Checkpoint Station Project
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising Yanba A, Yanba B and Yanba C
Yangmao Expressway	The expressway from Yangjiang to Maoming, located in Guangdong Province
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Route to Jihe Expressway

2. Enterprises invested

Consulting Company	深圳高速工程顧問有限公司 (Shenzhen Expressway Engineering Consulting Company Limited), a company incorporated in Shenzhen City with limited liability
JEL Company	Jade Emperor Limited, a company incorporated in the Cayman Islands with limited liability, which owns 100% interests in Magerk Company
Magerk Company	湖北馬鄂高速公路經營有限公司 (Hubei Magerk Expressway Management Private Limited), a wholly foreign-owned enterprise incorporated in Hubei Province, which owns the operating rights of Wuhuang Expressway
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
Meiguan Company	深圳市梅觀高速公路有限公司 (Shenzhen Meiguan Expressway Company Limited), a company incorporated in Shenzhen City with limited liability, which owns Meiguan Expressway
Nanjing Company	南京長江第三大橋有限責任公司 (Nanjing Yangtze River Third Bridge Company Limited), a company incorporated in Jiangsu Province with limited liability, which owns Nanjing Third Bridge
Qinglian Company	廣東清連公路發展有限公司 (Guangdong Qinglian Highway Development Company Limited), a Sino-foreign joint-venture enterprise incorporated in Guangdong Province, which owns Qinglian Project
Qinglong Company	深圳清龍高速公路有限公司 (Shenzhen Qinglong Expressway Company Limited), a Sino-foreign joint-venture enterprise incorporated in Shenzhen City, which owns Shuiguan Expressway

3. Others

A Shares	Renminbi-denominated ordinary shares of the Company with a par value of RMB1.00 each, which were issued in the PRC and subscribed in RMB and are listed on SSE
Baotong Company	深圳市寶通公路建設開發有限公司 (Shenzhen Baotong Highway Construction and Development Company Limited), which owns 89.93% interests in Longda Company, and is a wholly-owned subsidiary of Yibin Company
Board	The board of Directors of the Company
Bonds With Warrants	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately
The Company, Company, Shenzhen Expressway	Shenzhen Expressway Company Limited
CSRC	China Securities Regulatory Commission
Director(s)	The director(s) of the Company
GDRB Company	廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development Company Limited), a shareholder of the Company
The Group, Group	The Company and its subsidiaries
H Shares	Overseas-listed foreign shares of the Company with a par value of RMB1.00 each, which were issued in Hong Kong and subscribed in HK$ and are listed on HKEx
HKEx	The Stock Exchange of Hong Kong Limited
HKFRS	Hong Kong Financial Reporting Standards
Huajian Centre	華建交通經濟開發中心 (Huajian Transportation and Economic Development Centre), a shareholder of the Company
IFRIC 12	HK(IFRIC) - Int 12 "Service Concession Arrangements" issued by the Hong Kong Institute of Certified Public Accountants
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be)
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited), which owns Longda Expressway
New Tax Law	《中華人民共和國企業所得稅法》(The Enterprise Income Tax Law of the People's Republic of China), which came into effect on 1 January 2008

PRC	The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
The Reporting Period, The Period	For the six month ended 30 June 2008
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SGH Company	深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company), a shareholder of the Company
Shenzhen International	Shenzhen International Holdings Limited, whose shares are listed on the main board of HKEx, the controlling shareholder of XTC Company
Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shenzhen Municipal Government)
SSE	The Shanghai Stock Exchange
Supervisor(s)	The supervisor(s) of the Company
XTC Company	新通產實業開發（深圳）有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited), a shareholder of the Company
Yibin Company	怡賓實業（深圳）有限公司 (Yibin Industry (Shenzhen) Company Limited), a wholly-owned subsidiary of Shenzhen International
Yiwan Company	怡萬實業發展(深圳)有限公司 (Yiwan Industry Development (Shenzhen) Company Limited), a wholly-owned subsidiary of Shenzhen International

Corporate Information

Registered Chinese and English Names of the Company	深圳高速公路股份有限公司 Shenzhen Expressway Company Limited
Legal Representative	YANG Hai
Registered Address of the Company	19/F, Tower A, United Plaza, No.5022 Binhe Road North, Shenzhen
Company Secretary	WU Qian
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E-mail	szew@sz-expressway.com
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Investor Hotline	(86) 755-8295 1041
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Website	http://www.sz-expressway.com
Place of Business in Hong Kong	Suite 2201-2203, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996
Listing Exchanges	H Share: The Stock Exchange of Hong Kong Limited Security Code: 0548 Abbreviation: Shenzhen Expressway
	A Share: The Shanghai Stock Exchange Security Code: 600548 Abbreviation: Shenzhen Expressway
	Bond: The Shanghai Stock Exchange Security Code: 126006 Abbreviation: 07 Shenzhen Expressway Bond
	Warrant: The Shanghai Stock Exchange Security Code: 580014 Abbreviation: Shenzhen Expressway CWB1

Corporate Information

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Statutory Auditor	PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. 11/F, PricewaterhouseCoopers Centre, 202 Hubin Road, Shanghai
Hong Kong Legal Adviser	Loong & Yeung, Solicitors Suite 2201-2203, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
PRC Legal Adviser	Guangdong Junyan Law Firm 16/F, B Tower, International Commercial Building, First Fuhua Road, Shenzhen
Share Registrar and Transfer Office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Domestic Share Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lu Jia Zui Road East, Pudong New District, Shanghai
Investor Relations Consultant	Rikes Hill & Knowlton Limited Room 1312, Wing On Centre, 111 Connaught Road Central, Hong Kong
Principal Banks	Industrial and Commercial Bank of China China Merchants Bank China Development Bank