SHENZHEN EXPRESSWAY COMPANY LIMITED

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

2009
Interim Report

越

逾越 • 超越 • 卓越

The Chinese character “越” (pronounced as “yue”) has multiple meanings. It can mean “jump over” or “overcome” (逾越) – to jump over or overcome obstacles. The first level of significance of using the character “ 越 ” as the theme of this report is to demonstrate the fact that the Company has come across a number of obstacles both externally and internally at present, but has managed to overcome them one after another through adopting a proactive, pragmatic approach and with persistent hard work in resolving the challenges that it faced.

“越” can also mean “surpass” (超越) – to surpass one’s limit, to surpass one’s current abilities. As such, the theme’s second-level significance is to reflect that the Company has been working hard continuously to surpass itself. In the Period, the Company has endeavored to improve and develop its various projects, of which the noteworthy one is Qinglian Project, a project involving such immense scale and construction difficulties that the Company's works on the project were truly unprecedented in the industry. Meanwhile, the Company has actively enhanced its internal management and introduced the Excellent Performance Management Model, thereby continuously upgrades its management level.

“越” can also mean “excellence” (卓越) – to surpass the ordinary. A pursuit of excellence has always been the goal of the Company. Looking ahead, Shenzhen Expressway is confident that it will weather the current economic “winter”, making strides towards excellence through continuously enhancing its management and unfailingly exceeding its own limits. We are indeed stocking fuel of today’s hard efforts for tomorrow’s fast journey.

Contents

Financial Highlights

1. Prepared in accordance with HKFRS (Unaudited)

Results Highlights (For the six months ended 30 June)

(RMB'000)	**2009**	2008	Change
Revenue	**966,196**	1,757,758	-45.03%
Profit before interests, tax, depreciation and amortisation	**596,260**	526,300	13.29%
Profit before interests and tax	**468,965**	433,378	8.21%
Profit attributable to equity holders of the Company	**313,409**	284,291	10.24%
Basic earnings per share for profit attributable to equity holders of the Company (RMB)	**0.144**	0.130	10.24%

Assets Highlights

(RMB'000)	**As at 30 Jun 2009**	As at 31 Dec 2008	Change
Total assets	**19,702,142**	18,263,578	7.88%
Total liabilities	**11,895,989**	10,511,437	13.17%
Equity attributable to equity holders of the Company	**7,099,083**	7,047,358	0.73%
Total equity	**7,806,153**	7,752,141	0.70%
Net assets per share to equity holders of the Company (RMB)	**3.26**	3.23	0.93%

Principal Financial Ratios**

(For the six months ended 30 June)	**2009**	2008	Change
Operating profit ratio	**25.96%**	15.62%	Increase 10.34 pct.pt
Toll highway operating profit ratio	**50.45%**	57.46%	Decrease 7.01 pct.pt
Return on equity attributable to equity holders of the Company	**4.41%**	4.16%	Increase 0.25 pct.pt
Interest covered multiple	**1.84**	2.09	-0.25

	As at 30 Jun 2009	As at 31 Dec 2008	Change
Gross liabilities-to-equity ratio	**152.39%**	135.59%	Increase 16.80 pct.pt
Net borrowings-to-equity ratio	**98.67%**	96.75%	Increase 1.92 pct.pt

2. Financial Indicators for the Past Five Years

Principal Financial Ratios**

(For the year ended 31 December)	**2008**	2007 (Restated*)	2006 (Restated*)	2005 (Restated*)	2004 (Restated*)
Operating profit ratio	**12.59%**	17.93%	27.31%	43.46%	43.30%
Toll highway operating profit ratio	**55.25%**	61.49%	68.57%	68.60%	64.77%
Return on equity attributable to equity holders of the Company	**7.14%**	9.03%	8.46%	8.18%	5.99%
Interest covered multiple	**1.82**	3.16	6.34	5.88	21.83
Profit before interests, tax and administrative expense (RMB'000)	**876,884**	923,677	718,050	666,541	490,623

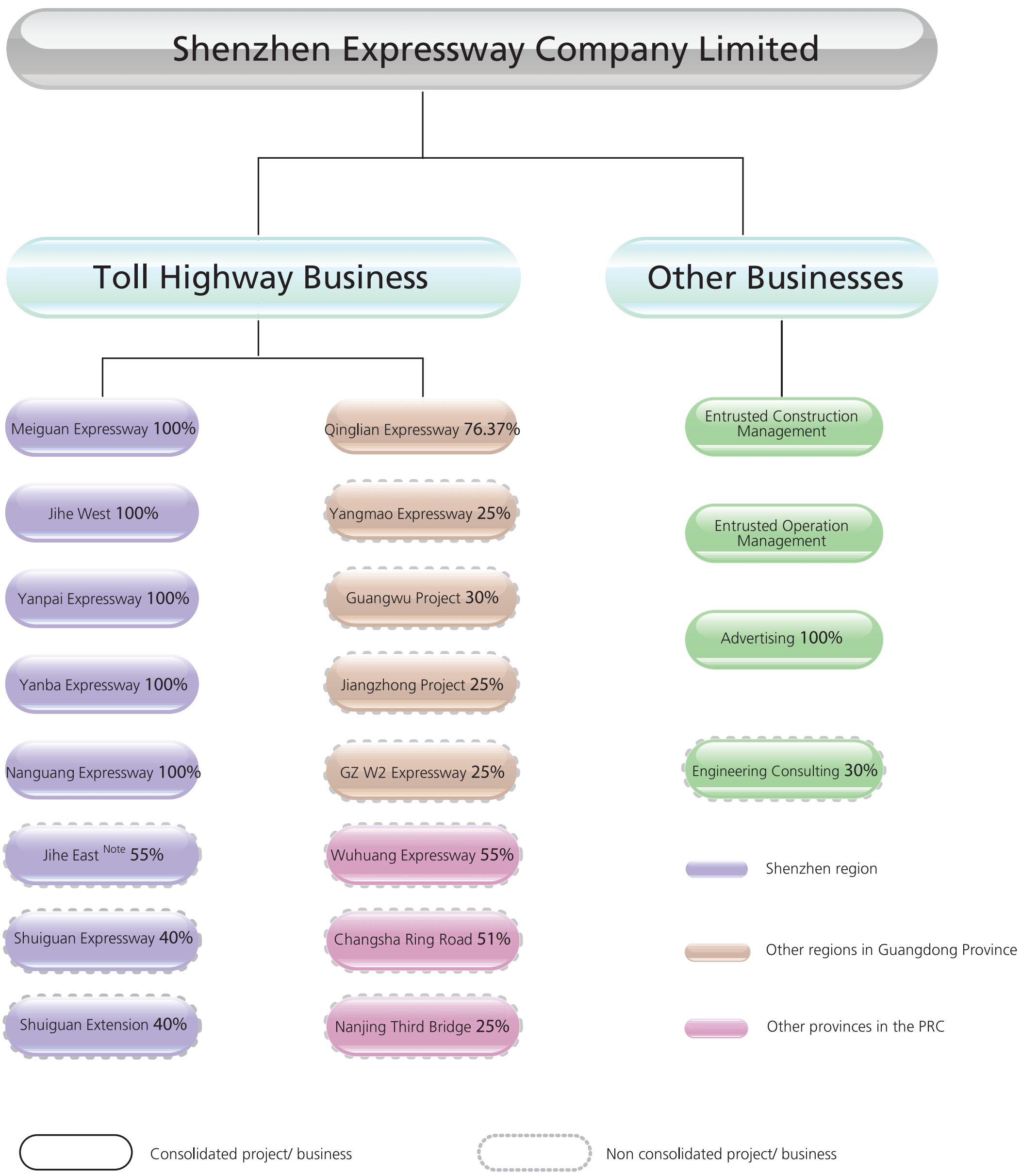
(As at 31 December)	**2008**	2007 (Restated*)	2006 (Restated*)	2005 (Restated*)	2004 (Restated*)
Gross liabilities-to-equity ratio	**135.59%**	93.40%	49.22%	49.40%	15.85%
Net borrowings-to-equity ratio	**96.75%**	69.29%	33.17%	21.97%	N/A

* The Group has 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 highways
Return on equity attributable to equity holders of the Company = Profit attributable to equity holders of the Company / Equity attributable to 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

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 the investment strategy of expanding towards the Pearl River Delta region as well as other economically developed regions in the PRC through establishing a foothold in Shenzhen.

The toll highway projects, which were operated and invested by the Group, are located in Shenzhen City, other areas of Guangdong Province and other provinces in the PRC. The mileage of the highways invested by the Group (on an equity basis) has been over four hundred kilometers. Apart from operation, management and investment of toll highway projects, the Group is also entrusted by the government and other enterprises to carry out the construction management and operation management of certain highway and road projects. As at the date of this report, the principal business structure of the Company is as follows:



Note: The Company entered into an agreement for the acquisition of the remaining 45% equity interest in Jihe East on 1 June 2009. As at the date of this report, such acquisition has not been completed.

I. Business Review and Analysis

The Group's earnings are mainly contributed from toll highway operation, investment and management. Currently, the Group operates and invests 16 toll highway projects in Shenzhen, other regions in Guangdong province and other provinces in the PRC; and the Group is entrusted with the construction management of 4 projects and operation management of 1 project. During the Reporting Period, the operating results of the projects were generally in line with anticipation. A summary of the underlying business operations is as follows:

1. Toll Highway Operations

			Average daily mixed traffic volume ('000 vehicles)			Average daily toll revenue (RMB'000)		
Toll highway	**Percentage of interests held by the Group**	**Percentage of revenue consolidated**	**January to June 2009**	January to June 2008	YOY changes	**January to June 2009**	January to June 2008	YOY changes
Shenzhen region:								
Meiguan Expressway	100%	100%	**93**	90	2.9%	**769**	773	-0.5%
Jihe West	100%	100%	**67**	67	0.6%	**890**	938	-5.1%
Yanpai Expressway	100%	100%	**30**	31	-4.5%	**340**	394	-13.8%
Yanba Expressway	100%	100%	**15**	11	31.9%	**191**	166	14.5%
Nanguang Expressway [Note 1]	100%	100%	**26**	12	108.7%	**244**	147	66.0%
Jihe East	55%	—	**87**	91	-3.9%	**1,169**	1,219	-4.1%
Shuiguan Expressway	40%	—	**107**	105	2.4%	**971**	985	-1.5%
Shuiguan Extension	40%	—	**29**	27	5.3%	**180**	173	4.1%
Subtotal			***454***	*434*	*4.6%*	***4,754***	*4,795*	*-0.9%*
Other regions in Guangdong Province:								
Yangmao Expressway	25%	—	**21**	20	4.8%	**995**	973	2.3%
Guangwu Project	30%	—	**11**	10	13.9%	**295**	275	7.5%
Jiangzhong Project	25%	—	**48**	46	3.8%	**677**	667	1.4%
GZ W2 Expressway	25%	—	**11**	9	22.1%	**372**	281	32.2%
Subtotal			***91***	*85*	*7.0%*	***2,339***	*2,196*	*6.5%*
Qinglian Project [Note 2]	76.37%	100%	**27**	13	105.8%	**458**	132	246.6%
Other provinces in the PRC:								
Wuhuang Expressway	55%	—	**32**	29	11.4%	**1,077**	1,014	6.3%
Changsha Ring Road	51%	—	**7.2**	6	24.7%	**62**	58	8.4%
Nanjing Third Bridge	25%	—	**20**	19	6.1%	**656**	661	-0.8%
Subtotal			***59***	*54*	*11.0%*	***1,795***	*1,733*	*3.7%*

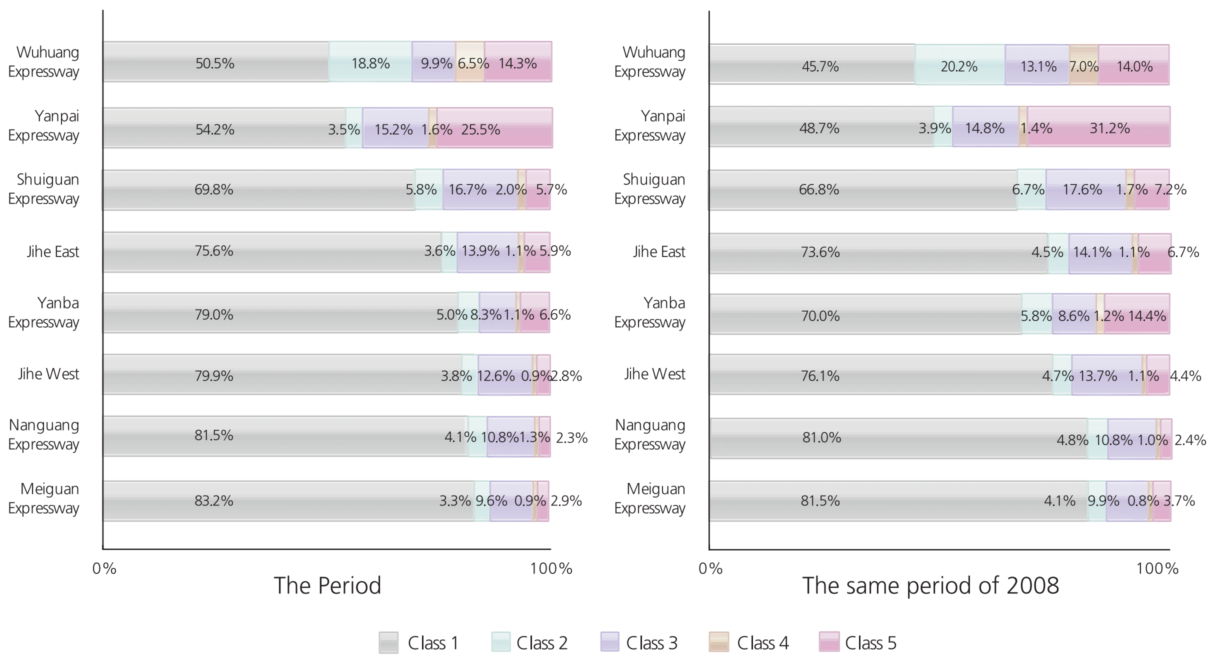
Note 1: Nanguang Expressway opened to traffic in late January 2008, and given the lower figures of the same period last year, the project recorded a higher YOY growth as compared to the average of projects in Shenzhen region.

Note 2: Qinglian Project includes Qinglian Class I Highway and Qinglian Class II Highway. Of which, Qinglian Class I Highway was fully reopened during the Reporting Period, whereas it was in the stage of construction during the same period of 2008, and therefore the figures on it were not comparable. In addition, as the toll model of class I highways differs from the toll model of expressways, the statistical method for the traffic volume data of the Qinglian Project during the Reporting Period is different from other projects and traffic volume data is for reference only.

As seen from the table above, the operating results of the Group's toll highways generally remained stable during the Reporting Period, with the major influencing factors as follows:

- **Macroeconomic control measures showed preliminary effects amidst slowdown in macroeconomic growth.** The operating results of toll highways closely relate to the macro economy. Affected by the global financial crisis, the PRC economy recorded a slower growth in the fourth quarter of 2008. Responding to the impact of the financial crisis, the central and local governments have promulgated a series of policies to boost the domestic demand and stimulate the economy. During the first half of 2009, even though the impact of the financial crisis still exists, the economic stimulus policies gradually showed effects with the PRC economy lodging an overall recovery trend. According to data published by the Statistics Bureau, the national GDP gained a 7.9% growth for the second quarter of 2009, representing an increase of 1.8 percentage points over the first quarter. Major benchmarks that reflect traffic demand such as cargo turnover and passenger turnover in the Shenzhen region also showed steady growths. As such, the Group's toll highway projects posted generally steady operating results during the Reporting Period, with most of the projects showing trends of a YOY growth for the second quarter.

- **Changes in vehicle category mix.** Due to a sluggish macro economy and weak exports, the traffic volume of medium-size and large-size vehicles shrunk considerably. On the other hand, the ownership of vehicles continued to grow under the promulgation and implementation of policies to boost the domestic demand and enhance vehicle consumption, with the small-size vehicles (especially class 1 vehicles) accounting for a greater weight as to the proportion to the total traffic volume and their contribution to the toll income. As such, the growth in average daily toll revenue was lower than the growth in traffic volume for most of the Group's projects, and the average toll revenue per vehicle recorded a decrease. The Group's vehicle category mix on various major highways is as follows:



- **Impact of the "Green Passage Toll Free Policy" continued without significant changes.** During the Reporting Period, Jihe Expressway, Wuhuang Expressway, Yangmao Expressway, Nanjing Third Bridge and other projects continued to implement the "Green Passage Toll Free Policy" for fresh agricultural products in accordance with the requirements of the relevant government departments. During the Reporting Period, toll fees waived from these projects amounted to approximately RMB54,740,000 (2008: RMB52,144,000) which reduced income and profits of the Group during Reporting Period by approximately RMB3,690,000 and RMB13,004,000 (2008: RMB3,812,000 and RMB12,013,000) respectively.

- Apart from the general impact of the external economic environment and policies, the actual operating results of projects in different provinces also varied as they were subject to different local economic characteristics, functions, years of operation and neighboring road networks. A further analysis by region is as follows:

Shenzhen region

Shenzhen and the peripheral regions are relatively dependent on the external factors. As the external demand weakened under the global financial crisis, economic and trading activities in the region were subject to greater impact. According to data published by the Statistics Bureau of Shenzhen, indicators in Shenzhen such as total import/export volume, port throughput and container throughput recorded YOY decreases of 18.1%, 16.9% and 20.6% respectively during the Reporting Period. Against this background, the container traffic volume of Jihe Expressway, Yanpai Expressway, Yanba Expressway, Shuiguan Expressway and other roads recorded a greater decrease over the same period of 2008. On the other hand, the average daily traffic volume and average daily toll revenue from project in the Shenzhen region of the second quarter were higher than that of the first quarter under the stimulation by approximately 90,000 new automobiles during the first half of 2009 and the narrowing decrease in port turnover since March in Shenzhen.

Changes in the regional network layout and maintenance of peripheral roads were other major factors that affected the operating results of the toll expressways. During the first half of 2008, construction works on Shenyan Pathway 2 has affected the income of Yanba Expressway to a certain extent, but since the completion and opening to traffic of the pathway since 4 July 2008, it has enhanced the peripheral network of Yanba Expressway and thereby brought about YOY increases of 32% and 15% in the average daily traffic volume and average daily toll revenue of Yanba Expressway during Reporting Period respectively.

Nanguang Expressway opened to traffic in January 2008, and given the lower operating figures of the same period last year after initial opening, the project recorded higher YOY growths in its average daily traffic volume and toll revenue for the Reporting Period. On the other hand, since the commencement of operation of Nanguang Expressway, the Company has adopted a series of targeted promotion and marketing measures that have gradually shown effects, and Nanguang Expressway became more widely known to the road users. Upon completion of Nanping (Phase II) in the future, Nanguan Expressway will be connected with Shenzhen-Hong Kong Western Corridor and the Shenzhen western port area, the synergies created by the connection of road networks would lead to better operating results.

Other regions in Guangdong Province

During the Reporting Period, the four projects invested by the Company as a minority shareholder in other regions of Guangdong Province have all recorded growth in operating performance. Among these projects, benefited from increased popularity and the diversion from Guangzhou North Ring Road where large-size vehicles were prohibited from traveling during certain hours, GZ W2 Expressway maintained a strong growth during the Reporting Period, with its toll revenue having increased by approximately 32% over the same period of 2008.

Road surface works of the reconstruction into an expressway for the main part (Fengtouling-Lianzhou section and Fengbu-Jingkou section) of Qinglian Project was completed in December 2008 and traffic had fully resumed. During the Reporting Period, as sealing works were still under way, the section continued to toll by class I highway, and its operating results were generally in line with the anticipation of the Company. The above completed section started to toll by expressway since 1 July 2009. Pursuant to the approval of the relevant government department, the concession rights of Qinglian Expressway is 25 years. Subject to the prevailing toll rate of 4-lane expressway of Guangdong Province, the basic toll rate is RMB0.45/standard vehicle kilometer. The toll mileage of the completed section of Qinglian Expressway was approximately 188km, the average daily toll revenue was approximately RMB680,000 in July 2009.

Other provinces in the PRC

During the Reporting Period, the traffic volume of the three toll highway projects invested by the Group in other provinces in the PRC showed an increase over the same period last year. On the one hand, this was attributable to the lower operating figures recorded during the corresponding period last year under the impact of natural disasters suffered by the projects in early 2008. On the other hand, the economic activities in the regions in which the projects are located were subject to lesser influence of the global financial crisis and the weak import/export trading. During the Reporting Period, the expressway network in Hubei Province was further enhanced, and Wuhuang Expressway also opened the new Huangshi toll station. Both have improved the traffic environment and positively augmented the operating results of the project. Since June 2009, Hubei Province further specified the standards and scopes of implementation of the "Green Passage Toll Free Policy" which would help to minimize the loss of toll revenue for the project. However, as Hubei Province waived the toll of government debt-repaying Class II highway since 1 May 2009 and given the opening of the Wuhan-Hefei railway, the project suffered from traffic diversion to a certain extent.

2. Project Construction and Development

To further enlarge its scale of assets and profit basis and to increase stable cash revenue, the Company contracted for acquisition of 45% additional interests in Jihe East on 1 June, 2009. Please refer to the "Connected Transactions" in "Other Matters" of this report for the relevant details. The transaction has not been completed as at the date of this report.

Road surface works for the reconstruction into an expressway for the main part (Fengtouling-Lianzhou section and Fengbu-Jingkou Section) of Qinglian Project was completed in December 2008, and sealing works, construction of ancillary road, installation of mechanical engineering and road safety facilities and other engineering and finishing works for the reconstruction into an expressway were completed during the Reporting Period. Please refer to the relevant description under point 1 headed "Toll Highway Operations" above for the operating results of the above completed highway section. Due to adjustments to the planning of connecting road network, the Lianzhou-Fengbu section of Qinglian Project ("Liannan Section") has commenced reconstruction into an expressway since the second quarter of 2009. By now, the preliminary design and approval have been completed as well as the controlled land requisition, demolition and relocation works, and reconstruction work was basically proceeding as planned. As at the end of the Reporting Period, Liannan Section has completed the slope, culvert and passageway works and commenced the road surface works. The whole reconstruction work is planned to be completed in two years.

To meet the demands of the fast-growing traffic volume of the highway in the Shenzhen region, the Group intends to expand Meiguan Expressway and Shuiguan Expressway and is currently conducting the preliminary studies for Outer Ring Expressway. During the Reporting Period, the water and soil conservation proposal for the expansion of Meiguan Expressway has been officially approved by the Department of Water Resources of Guangdong Province, and the inquisitional procedures for project land use are underway. Since the expansion proposal for the section south to Qinghu of Meiguan Expressway is subject to adjustments, the Company intends to divide the project into south and north sections for separate construction, but the relevant arrangements have not been finalized. Preliminary design for the expansion of Shuiguan Expressway has been approved by the Department of Communications of Guangdong Province, and the expansion work will be undertaken by Qinglong Company. The water and soil conservation proposal, evaluation of geological hazard and reports on seismic safety of Outer Ring Expressway have obtained the relevant approvals. The Company will further determine the concrete investment proposal and work arrangements through necessary decision-making in accordance with the actual progress of these projects.

3. Entrusted Management Business

In November 2007, the Company was entrusted by the government as the project administrator of Nanping (Phase II) and Shenyun Project, under which the Company will be responsible for the management during the period of drawing design stage of the projects, as well as the construction management of the projects during the construction preparation period, construction period and defects responsibility period (excluding land requisition, demolition and relocation). As determined by Shenzhen Municipal Government, the Company is also responsible for the construction management of Hengping Link Section. During the Reporting Period, the construction progress and construction costs of Shenyun Project and Nanping (Phase II) were basically consistent with expectations. The progress of certain contracted sections of Nanping (Phase II) was behind schedule as the result of land requisition, demolition and relocation and planning adjustments. However, such delay will not incur performance obligations of the Company under entrusted construction agreement.

The Shenzhen Municipal Government has agreed in principle to entrust the Company to undertake the construction, operation and maintainance management for Coastal Expressway (Shenzhen Section), and the Board has agreed in principle to be entrusted to undertake the relevant management of the project. On this basis, the Company has conducted due negotiations with the relevant parties during the Reporting Period, and has basically agreed in principle on the entrusted project management. The Company intended to be entrusted by SIHCL to manage 深圳市廣深沿江高速公路投資有限公司(Shenzhen Guangshen Coastal Expressway Investment Company Limited) for the construction and/or operation management of Coastal Expressway (Shenzhen Section). The Company will also continue to conduct in-depth discussions with the relevant parties in respect of the specific matters, standards and risk allocation of entrusted operation management during the construction period and operation period. The detailed and specific entrusted construction management agreement and entrusted operation management agreement will be submitted to the Board for approval upon finalization. As at the end of the Reporting Period, the land requisition, demolition and relocation works of the project were basically completed, and the project commencement report was approved. Relevant works are progressing systematically.

In addition, the Company has also accepted the entrustment of Shenzhen International to undertake the operation management of Longda Expressway and the construction management of the extension of Longda Expressway in the form of equity management. For details, please refer to the relevant information in the "Connected Transactions" in "Other Matters" of this report.

II. Financial Review and Analysis

In the first half of 2009, the Group's operating results basically met the Company's expectation. Profit attributable to equity holders of the Company ("Profit") amounted to RMB313,409,000, representing an increase of 10.24% over the same period of 2008 (the same period of 2008: RMB284,291,000).

Since 1 April 2009, the Group made adjustments to the provisions for maintenance/resurfacing obligations to principal toll highways based on the review results of the highway maintenance/resurfacing programs and discount rates, and began to make provisions for maintenance/resurfacing obligations to Nanguang Expressway, which led to an increase in operating costs and investment income and a decrease in finance costs of the Group during the year, but had no material impact on the total assets, financial position and profitability of the Group as a whole. Please refer to the relevant statements in the following sections of "Analysis of Operating Results" and "Change of Accounting Estimates" for details.

Excluding the related figures of the provisions for maintenance/resurfacing obligations for the Reporting Period and the same period of 2008, Profit of the Group for the Reporting Period would amount to RMB298,589,000, representing a decrease of approximately 7.61% over the same period of 2008 (the same period of 2008: Profit of RMB323,180,000 after provisions for maintenance/resurfacing obligations). During the Reporting Period, the functions of road network for Nanguang Expressway have improved and Qinglian Class 1 Highway resumed traffic upon the completion of road surface of reconstruction into expressway, toll revenue of these two projects witnessed a rapid growth. Being affected by a slowdown in macroeconomic growth, an increase in operating costs and an increase in expensed borrowing interests, there is a slight decrease in the Group's operating results for the Reporting Period as compared to the same period of 2008.

(I) Analysis of Operating Results

1. Revenue

During the Reporting Period, the Group recorded revenue of RMB966,196,000, representing a decrease of 45.03% over the same period of 2008 (the same period of 2008: RMB1,757,758,000). Toll revenue and revenue from construction services under concession arrangements are the two main sources of the Group's revenue. Out of this amount, toll revenue recorded an increase of 13.67% over the same period of 2008 while revenue from construction services under concession arrangements recorded a decrease of 67.52%. A detailed analysis of revenue is as follows:

Revenue item	The Period (RMB'000)	Percentage	The same period of 2008 (RMB'000)	Percentage	Change
Toll revenue	**523,375**	54.17%	460,424	26.19%	13.67%
Revenue from construction services under concession arrangements	**410,307**	42.47%	1,263,194	71.87%	-67.52%
Income from entrusted management services	**12,471**	1.29%	14,102	0.80%	-11.57%
Other income (including income from advertising)	**20,043**	2.07%	20,038	1.14%	0.03%
Total	**966,196**	100.00%	1,757,758	100.00%	-45.03%

2. **Profit before Interests, Tax and Administrative Expenses**

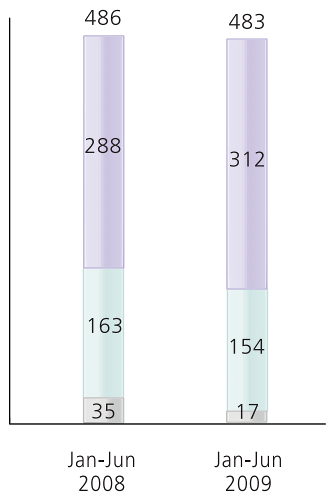
During the Reporting Period, the Group's profit before interests, tax and administrative expenses amounted to RMB495,568,000, representing an increase of 9.94% over the same period of 2008 (the same period of 2008: RMB450,769,000). After excluding the impacts on the increased Profit of RMB12,638,000 from making and adjusting provisions for maintenance/resurfacing obligations for the Reporting Period and those on the decreased Profit of RMB35,306,000 from making provisions for maintenance/resurfacing obligations for the same period of 2008, the Group's Profit before interests, tax and administrative expenses would be RMB482,930,000, representing a decrease of 0.65% over the same period of 2008 (the same period of 2008: after excluding the impacts of the provisions for maintenance/resurfacing obligations, the Group's profit before interests, tax and administrative expenses would be RMB486,075,000). Profit contributed by principal operations is as follows:

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

Profits from the toll highways operated by the Group (After excluding the decreased profit of RMB47,474,000 from making and adjusting provisions for maintenance/resurfacing obligations for the Reporting Period. The decreased profit of RMB21,321,000 from provisions for maintenance/resurfacing obligations has been deducted for the same period of 2008)

Share of profit of jointly controlled entities and associates (After excluding the increased profits of RMB60,112,000 from making and adjusting provisions for maintenance/resurfacing obligations to Jihe East for the Reporting Period and the decreased profits of RMB13,985,000 from provisions for maintenance/resurfacing obligations to Jihe East for the same period of 2008)

Other profits related to the toll highway business



2.1 Profit from Toll Highways Operated by the Group

Profit

During the Reporting Period, profit from toll highways operated by the Group amounted to RMB264,840,000, representing a decrease of 0.61% YOY (the same period of 2008: RMB266,469,000), and an increase of 8.52% YOY after excluding the impacts of making and adjusting provisions for maintenance/resurfacing obligations. It was principally attributable to the new profit contribution from Nanguang Expressway and Qinglian Project.

Toll highway	Percentage of interests held	Toll revenue		*Operating costs		*Profit before interests, tax and administrative expenses	
		The Period (RMB'000)	Change	The Period (RMB'000)	Change	The Period (RMB'000)	Change
Meiguan Expressway	100%	**139,145**	-1.04%	**30,489**	-4.07%	**104,623**	-0.72%
Jihe West	100%	**161,065**	-5.65%	**32,527**	11.36%	**123,864**	-9.48%
Yanba Expressway	100%	**34,505**	13.90%	**23,261**	6.79%	**10,263**	32.85%
Yanpai Expressway	100%	**61,550**	-14.22%	**26,213**	0.74%	**33,498**	-23.38%
Nanguang Expressway	100%	**44,164**	91.99%	**27,166**	11.51%	**15,618**	N/A
Qinglian Project	76.37%	**82,946**	244.65%	**54,475**	101.58%	**24,448**	N/A
Total		**523,375**	13.67%	**194,131**	21.20%	**312,314**	8.52%

* During the Reporting Period, operating costs and profit before interests, tax and administrative expenses excluded provisions for maintenance/resurfacing obligations to Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway, which amounted to RMB20,870,000, RMB10,942,000, RMB10,505,000 and RMB5,157,000 respectively (the same period in 2008: excluding provisions for maintenance/resurfacing obligations to Jihe West, Yanba Expressway and Yanpai Expressway, which amounted to RMB10,804,000, RMB4,202,000 and RMB6,315,000 respectively). Details on making and adjusting provisions for maintenance/resurfacing obligations are set out in the description of "Operating Costs" and "Changes in Accounting Estimates" below.

Toll revenue

During the Reporting Period, the Group recorded toll revenue of RMB523,375,000, representing an increase of 13.67% over the same period of 2008, of which the main works for the reconstruction of Qinglian Class 1 Highway into an expressway had been completed and Qinglian Project resumed operation at the end of 2008. Therefore, the toll revenue of Qinglian Project during the Reporting Period increased by 244.65% over the same period of 2008. The main route of Nanguang Expressway was opened to traffic on 26 January 2008. Following gradual enhancement of road networks and sales and marketing work implemented by the Company, toll revenue of Nanguang Expressway increased by 91.99% over the same period of 2008. Nevertheless, impacted by factors including the slowdown in economic growth, toll revenue of the remaining toll highways recorded a decrease of 4.13% over the same period of 2008 in general, but has showed a trend of rebound in the second quarter.

The increase or decrease of the Group's toll revenue is principally determined by changes in traffic volume and average toll revenue per vehicle. Traffic volume of the Group's principal toll highways for the Reporting Period is set out in the section of "Business Review and Analysis" above. During the Reporting Period, impacted by a declining growth rate in China's economy and a decrease in export trade demand, traffic volume of heavy lorries on various toll highways operated by the Group decreased significantly, thereby leading to considerable decrease in average toll revenue per vehicle on various road sections. Nanguang Expressway recorded a rapid traffic volume growth caused by improvement in the functions of road networks. However, as the growth of small vehicles was much larger than that of heavy lorries during the Reporting Period, the average toll revenue per vehicle was lower than that of the same period of 2008.

	Average toll revenue per vehicle*		
Principal toll highway	**The Reporting Period** (RMB)	Change as compared to the same period of 2008	Change as compared to 2008
Meiguan Expressway	**8.26**	-3.39%	-3.28%
Jihe West	**13.23**	-6.17%	-4.48%
Yanba (A&B)**	**11.33**	-8.85%	-8.04%
Yanpai Expressway	**11.47**	-9.69%	-10.11%
Nanguang Expressway***	**9.36**	-14.68%	-13.17%

* 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.

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

Operating costs

During the Reporting Period, operating costs for the Group's toll highways rose by 33.11% to RMB241,605,000 over the same period of 2008 (the same period of 2008: RMB181,501,000) and would have increased by 21.20% over the same period of 2008 after excluding the impacts of making and adjusting provisions for maintenance/resurfacing obligations. Qinglian Project recorded an increase of 101.58% in operating costs for the Reporting Period over the same period of 2008, primarily due to an increase in the operating costs such as the amortisation cost of concession intangible assets as a result of the reopening of Qinglian Class 1 Highway with a traffic volume growth. Given a longer operation period by approximately one month, the operation cost for Nanguang Expressway rose by 11.51% over the same period of 2008. The operating costs for other toll highways rose by 3.40% as compared to the same period of 2008. A detailed analysis of operating costs according to categories is as follows:

Operating costs item	**The Reporting Period** (RMB'000)	Proportion of total	The same period of 2008 (RMB'000)	Proportion of total	Change
Employee expenses	**33,081**	17.04%	25,576	15.97%	29.34%
Road maintenance expenses*	**16,944**	8.73%	21,172	13.22%	-19.97%
Depreciation and amortisation	**119,521**	61.57%	88,916	55.51%	34.42%
Other operating costs	**24,585**	12.66%	24,516	15.30%	0.28%
Total	**194,131**	100%	160,180	100%	21.20%

* The road maintenance expenses excluded the provisions for maintenance/resurfacing obligations to Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway.

The Group had made provisions for maintenance/resurfacing obligations to Jihe West, Yanba (A&B) and Yanpai Expressway in accordance with IFRIC 12 and the large-scale maintenance work plan for the Group's principal toll highways. Since 1 April, 2009, the Group made provisions for maintenance/resurfacing obligations to Jihe West, Yanba (A&B) and Yanpai Expressway in accordance with the revised maintenance/resurfacing plan and made provisions for maintenance/resurfacing obligations to Nanguang Expressway in accordance with the approved large-scale maintenance work plan. As the expansion works on Meiguan Expressway was scheduled to commence while Qinglian Project was undergoing a period of reconstruction into an expressway, no provisions for maintenance/resurfacing obligations were made to these projects during the Reporting Period. Please refer to the description in the section of "Changes in Accounting Estimates" below and notes 4(c), 4(d) and 13 to the Financial Statements for details on the changes in accounting policies and accounting estimates for provisions for maintenance/resurfacing obligations.

2.2 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 RMB213,830,000 (the same period of 2008: RMB149,205,000), representing an increase of 43.31% over the same period of 2008. Excluding the impact of the adjustment to the provisions for maintenance/resurfacing obligations to Jihe East, the Group's share of Profit of jointly controlled entities and associates would decreased by 5.80% over the same period of 2008. During the Reporting Period, continuously affected by a declining macroeconomic growth, toll revenue from the toll highways operated by the Group's invested enterprises saw a declining growth rate despite an overall growth. Meanwhile, impacted by the increases in operating costs, the investment income of the Company saw a slight decrease as a whole. A detailed analysis of share of profit/loss of jointly controlled entities and associates is as follows:

Principal toll highway	Percentage of interests held	Toll revenue		Operating costs of toll highways		Profit/loss attributable to the Group	
		The Period (RMB'000)	Change	The Period (RMB'000)	Change	The Period (RMB'000)	Change (RMB'000)
Jointly controlled entities:							
Jihe East	55%	**211,565**	-4.67%	***48,652**	*17.43%	***69,344**	*-9,493
Wuhuang Expressway	55%	**194,986**	5.68%	**89,666**	6.12%	**43,508**	1,539
Changsha Ring Road	51%	**11,280**	7.77%	**10,517**	1.20%	**1,425**	362
Associates:							
Shuiguan Expressway	40%	**175,698**	-2.02%	**38,672**	4.94%	**35,001**	-6,957
Yangmao Expressway	25%	**180,184**	1.70%	**66,256**	9.95%	**13,748**	326
Jiangzhong Project	25%	**120,244**	-0.98%	**65,596**	4.77%	**-162**	1,182
Nanjing Third Bridge	25%	**118,798**	-1.31%	**47,073**	-11.28%	**-2,504**	-574
Guangwu Project	30%	**53,448**	6.90%	**23,081**	2.40%	**614**	1,325
GZ W2 Expressway	25%	**67,311**	31.47%	**36,684**	22.92%	**-9,673**	1,060
Shuiguan Extension	40%	**32,552**	3.50%	**14,356**	5.77%	**2,343**	1,692
Total		**1,166,067**	1.59%	**440,553**	6.14%	****153,645**	-9,537

* Operating costs and share of profit attributable to the Group for Jihe East, the figures in the Reporting Period and the same period of last year exclude the provisions for maintenance/resurfacing obligations made and adjusted, and the corresponding figures affected. As expense for the planned expansion work on Shuiguan Expressway and 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 amounts are immaterial, no provisions for maintenance/resurfacing obligations to such highways were made.

** Profit from Consulting Company of RMB73,000 (the same period of 2008: RMB7,000) was not included in the total profit/lose attributable to the Group for the Reporting Period.

2.3 Profit from Other Highway-related Businesses

Profit from construction services under concession arrangements

During the Reporting Period, the Group recognised revenue and costs from construction services under services concession arrangements for Yanpai Expressway, Nanguang Expressway, Qinglian Project, Yanba C, Outer Ring Expressway and the expansion of Meiguan Expressway within the construction period, based on their completion percentages in accordance with the relevant requirements of IFRIC 12. The Group recognised profit from construction services based on the budgets of the projects and reasonable estimates of profitability of the construction services. During the Reporting Period, due to surges in construction material prices caused increases in construction costs of various projects, the Company did not recognise profit (the same period of 2008: RMB9,632,000) from the construction services for the aforementioned projects. Detailed revenue from construction services is as follows:

	The Period (RMB'000)			The same period of 2008 (RMB'000)			Percentage of service completed	
Self-construction expressway	**Revenue**	**Cost**	**Profit before tax**	Revenue	Cost	Profit before tax	The Period	Cumulative
Yanpai Expressway	**—**	**—**	**—**	14,811	14,500	311	—	100%
Nanguang Expressway	**60,320**	**60,320**	**—**	90,030	87,068	2,962	1.05%	86.44%
Yanba C	**1,047**	**1,047**	**—**	125,265	123,415	1,850	5.03%	93.56%
Qinglian Project	**337,696**	**337,696**	**—**	1,033,088	1,028,579	4,509	9.43%	76.90%
Outer Ring Expressway	**3,500**	**3,500**	**—**	—	—	—	—	—
Expansion of Meiguan Expressway	**7,744**	**7,744**	**—**	—	—	—	1.46%	2.14%
Total	**410,307**	**410,307**	**—**	1,263,194	1,253,562	9,632		

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, which is same as the same period of 2008. 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 and the resumed section of Hengping Project had not been completed and thus the Company's original estimations for these projects remained unchanged and the Company did not recognise or predict any relevant gains during the Reporting Period. As the aggregated completion progress of Nanping (Phase II), Shenyun Project and Hengping Link Section was less than 50%, the 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 RMB2,458,000, RMB904,000 and RMB825,000, respectively. In addition, Longhua Extension of Longda Expressway was scheduled to start during the year. The aggregate preliminary management costs incurred for the Reporting Period amounted to RMB783,000, and the Company recognised revenue and costs based on actually incurred management costs. The details are set out in note 23(h) to the Financial Statements.

Profit from entrusted operation management services

During the Reporting Period, pursuant to the terms of the entrusted operation management agreement, the Company recognised revenue of RMB7,500,000 from entrusted operation management services for Baotong Company and the equity interests in Longda Company held by Baotong Company and a relevant profit of RMB7,109,000 after deducting relevant costs. The details are set out in note 23(h) to the Financial Statements.

3. Administrative Expenses and Finance Costs

The Group's management costs for the Reporting Period increased by 52.98% to RMB26,604,000 (the same period of 2008: RMB17,391,000) YOY, which was mainly attributable to the increase in depreciation expenses for new office buildings and specific consultancy expenses such as those related to equity acquisition. The Group's finance costs for the Reporting Period increased by 13.80% to RMB133,482,000 (the same period of 2008: RMB117,293,000) or increased by 14.38% net of the increase in the relevant interest expenses caused by provisions for maintenance/resurfacing obligations made and adjusted as compared to the same period of 2008. During the Reporting Period, the Group's finance costs for the Reporting Period generally increased due to a rise in the expensed borrowing interests of Nanguang Expressway and Yanba C as well as a decrease in exchange gains, although rate of the bank borrowings declined YOY. A detailed analysis of finance costs is as follows:

Item	**The Period** (RMB'000)	The same period of 2008 (RMB'000)	Change
Interest expenses*	**240,581**	193,860	24.10%
Excluded: interest capitalised	**(119,448)**	(80,290)	48.77%
Exchange gains and others	**(567)**	(8,163)	-93.05%
Finance costs	**120,566**	105,407	14.38%

* Interest expenses exclude the discounted interests of RMB12,916,000 related to the provisions for maintenance/resurfacing obligations made for the Reporting Period (the same period of 2008 (restated): RMB11,886,000).

4. Income Tax

During the Reporting Period, the Group's income tax expenses amounted to RMB19,220,000 (the same period of 2008: RMB27,071,000), representing a decrease of 29% as compared to the same period of 2008. Excluding the impacts of a decrease in the deferred income tax due to the provisions for maintenance/resurfacing obligations made and adjusted, the Group's income tax expenses would decrease by 2.98% as compared to the same period of 2008. The income tax rate applicable to the Company for the Reporting Period is 20% (the same period of 2008: 18%). The details are set out in note 18 to the Financial Statements.

Pursuant to a notice received by the Company from Shenzhen tax authorities in February 2009, based on the results of special examination on the relevant local tax bureau in Shenzhen in 2008 conducted by the Shenzhen Finance Supervision Commissioner's Office of the Ministry of Finance, the Group shall pay further enterprise income tax of approximately RMB60,472,000 incurred from local financial subsidy income obtained in previous years. The amount attributable to the Group is RMB57,986,000. According to a written consultation document submitted to the tax bureau and the communications with the tax authorities, the Company recognised income tax liabilities of RMB39,236,000 in 2008, recognised the relevant deferred income tax assets of RMB25,313,000 based on the implied temporary difference of the further tax payment, and made upward adjustment to income tax expenses of RMB13,923,000 in 2008 accordingly. Since the amount of payment of further income tax had not been determined by the end of the Reporting Period, the Directors of the Company maintained the original judgments and estimates of the above-mentioned income tax liabilities for the Reporting Period. For details of payment of further enterprise income tax by the Group, please refer to the relevant statements in the financial statements of the Company for the year 2008 and note 21(b) to the Financial Statements for the Reporting Period.

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 volume in respective periods to the total projected traffic volume during the toll operating period. The Group conducted regular reviews on the projected traffic volumes and made corresponding adjustments to ensure reliability and accuracy of the amortisation amount. Details of this accounting policy and estimates are set out in note 4(b) 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 are 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 share of equity interests was RMB95,798,000. 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 flow generated from various toll highway projects and thus had no impact on the valuation of various projects. Data for reference calculated for various toll highways for the Reporting Period are as follows:

		Amortisation amount of operating rights (RMB million)			Amortisation difference attributable to the Company based on its share of equity interests (RMB million)	
		Units-of-usage method				
Toll highway	Percentage of interests held	The Period	The same period of 2008	Straight-line method**	The Period	The same period of 2008
The Company and subsidiaries:*						
Meiguan Expressway	100%	**15**	15	18	**-3**	-3
Jihe West	100%	**14**	15	14	**0**	0
Yanba (A&B)	100%	**11**	9	20	**-9**	-11
Yanpai Expressway	100%	**11**	14	23	**-12**	-9
Nanguang Expressway	100%	**8**	5	43	**-35**	-38
Jointly controlled entities and associates:						
Jihe East	55%	**17**	18	16	**1**	1
Shuiguan Expressway	40%	**20**	20	20	**0**	0
Wuhuang Expressway	55%	**37**	34	44	**-4**	-6
Changsha Ring Road	51%	**6**	6	9	**-2**	-2
Yangmao Expressway	25%	**34**	34	45	**-3**	-3
Jiangzhong Project	25%	**41**	41	64	**-6**	-6
Nanjing Third Bridge	25%	**27**	28	55	**-7**	-7
Guangwu Project	30%	**14**	13	29	**-4**	-5
GZ W2 Expressway	25%	**14**	11	55	**-10**	-11
Shuiguan Extension	40%	**8**	8	12	**-2**	-2
Total					**-96**	-102

* Qinglian Project was undergoing a period of reconstruction into an expressway in the Reporting Period and the differences due to this project were not included.

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

(II) 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 2009, the Group's total assets amounted to RMB19,702,142,000, representing an increase of 7.88% as compared to the end of 2008 (as at 31 December 2008: RMB 18,263,578,000). The increase was primarily owing to increased investments in the remaining construction works of the reconstruction of Qinglian Class 1 Highway into an expressway and the construction of Nanguang Expressway and Yanba C, as well as increased payment for Coastal Expressway (Shenzhen Section) for the government. The completed section of Qinglian Project adopted expressway toll rates since 1 July 2009, and related works were treated as operating highway assets at the end of Reporting Period. With the completion and opening to traffic of the above-mentioned projects, the new operating assets accounted for nearly 50% of the total assets of the Company, and become important sources of profit growth for the Group in the future.

As at 30 June 2009, the Group's total equity amounted to RMB7,806,153,000, representing an increase of 0.7% over the end of 2008 (as at 31 December 2008: RMB7,752,141,000). This was mainly attributable to the increase in the net profit for the Reporting Period and the deduction of dividend distributed for 2008.

As at 30 June 2009, outstanding bills payable, bonds payable and bank loans of the Group amounted to RMB8,473,222,000, representing an increase of RMB436,524,000 over the end of 2008 (as at 31 December 2008: RMB8,036,698,000), of which Qinglian Project had used borrowings of RMB4.462 billion.

During the Reporting Period, the Group made adjustments to the provisions for maintenance/resurfacing obligations on principal toll highways based on the review of the highway maintenance/resurfacing plan and discount rate, which led to certain increase in assets and shareholders' equity of the Group, but had no material effect on the scale of total assets. Please refer to the description in the section of "Changes in Accounting Estimates" below for details. Principal items in the balance sheet is as follows:

Item	As at 30 June 2009 (RMB million)	As at 31 December 2008 (RMB million)	Change
Total assets	**19,702**	18,264	7.88%
Trade and other receivables*	**1,106**	324	241.70%
Property, plant and equipment	**1,035**	697	48.44%
Construction in progress	**39**	268	-85.32%
Intangible assets under concession	**14,096**	13,777	2.31%
Investments in jointly controlled entities and associates	**2,606**	2,478	5.20%
Equity and Liabilities	**19,702**	18,264	7.87%
Equity attributable to equity holders of the Company ("Shareholder's equity")	**7,099**	7,047	0.70%
Minority interest	**707**	705	0.32%
Other payables and accrued expenses*	**2,715**	1,736	56.44%
Borrowings**	**8,378**	8,023	4.43%
Provisions for maintenance/resurfacing obligations	**365**	304	19.86%
Other liabilities	**438**	449	-2.42%

* As at 30 June 2009, the other payables included a loan of RMB1,190 million (as at 31 December 2008: RMB300 million) from Shenzhen Municipal Government through SIHCL for the construction of the Coastal Expressway (Shenzhen Section), and the other receivables included payments of RMB847 million (as at 31 December 2008: RMB121 million) paid by the Company for government for Coastal Expressway (Shenzhen Section). The details are set out in notes 14(c) and 9(b) to the Financial Statements.

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

2. **Capital Structure and Debt Repayment Capability**

	As at 30 June 2009	As at 31 December 2008
Debt-to-asset ratio (Total liabilities/Total assets)	**60.38%**	57.55%
Net borrowings-to-equity ratio ((Total amount of Borrowings - cash and cash equivalents) / Total equity)	**98.67%**	96.75%

	Jan~Jun 2009	Jan~Dec 2008
Interest covered multiple (profit before interests and tax / interest expenses)	**1.84**	1.82
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation / interest expenses)	**2.34**	2.27

As at the end of the Reporting Period, the Group's various financial leverage ratios marginally increased over the beginning of the year, mainly due to additional borrowings for investments in the projects under construction. As at 30 June 2009, net current liabilities of the Group amounted to RMB1,860,497,000. Given the Group's stable and robust operating cash flows, expected profit growth after the operation of new projects and appropriate financing arrangements made to meet the needs of debt repayment and capital expenditure, the Directors of the Company are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

3. **Foreign-Currency Denominated Assets and Liabilities**

All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB7,378,000 and RMB89,916,000 worth of foreign currency-denominated liabilities in US$ and HK$, respectively, while RMB2,229,000 worth of foreign currency-denominated assets were in HK$. Foreign currency-denominated items were net liabilities after netting off. It is expected that the trend of exchange rate fluctuations of RMB under the current market conditions will have no substantial impact on the Group's results.

In June 2008, the Company applied to the 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 due upon maturity with the bank, with a view to locking the risks related to the fluctuation in exchange rate. The agreement had expired in June 2009 and the Company overall recorded profit through the period of the agreement.

4. **Contingencies**

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

5. **Pledge of Assets**

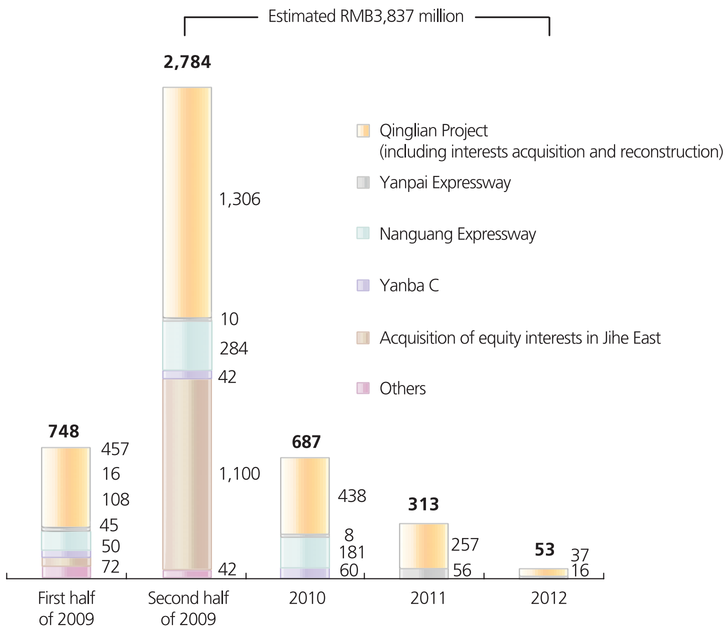
For details of the Group's pledge of assets during the Reporting Period, please refer to relevant content in the section of "Other matters" below.

(III) 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 RMB748 million. As at 30 June 2009, 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, and equity investment in acquisition of equity interests in Jihe East. It is expected that the Group's total capital expenditures will amount to approximately RMB3.837 billion by the end of 2012.

Capital Expenditure Plan (RMB million)



Apart from the aforementioned capital expenditures of the Group, in case the authorities of the Company finally approve the investment proposal on the expansion of Meiguan Expressway, the Group's planned total capital expenditures will increase considerably.

The Company plans to satisfy such capital needs with its own capital reserves and through borrowings. According to the Directors' estimates, the Group's financial resources and financing capability are sufficient for satisfying the needs of various capital expenditures.

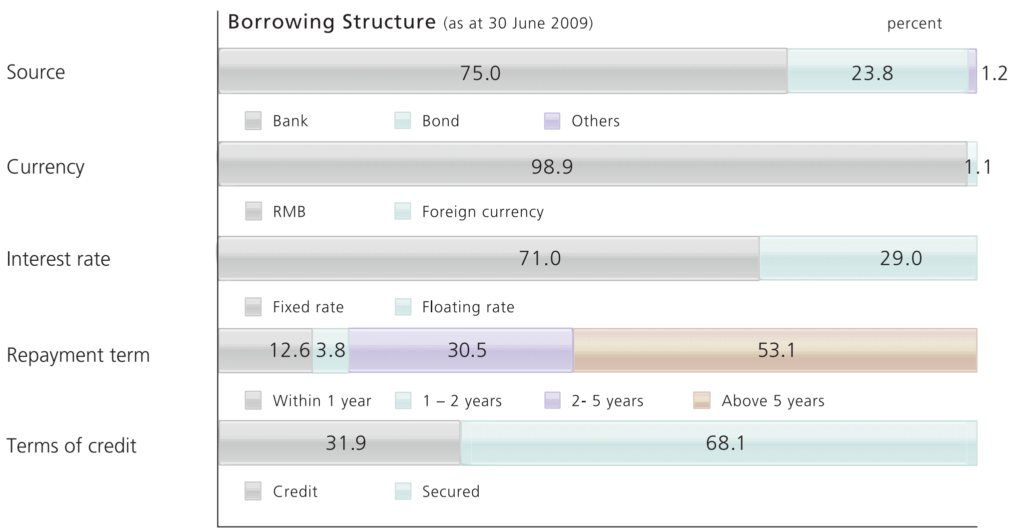
2. Operating Cash Flow

The toll revenue of the Group's principal toll highway operations is collected in cash, thereby giving a steady operating cash flow. As at 30 June 2009, the Group had RMB771,269,000 worth of cash and cash equivalents (as at 31 December 2008: RMB536,293,000). During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totalled RMB701,191,000 (the same period of 2008: RMB489,513,000), representing an increase of 43.24% over the same period of 2008. After deducting the net amount of receivables and payables of RMB163,658,000 for Coastal Expressway (Shenzhen Section), the Group's net cash inflow from operating activities and cash return on investments would increase by 9.81% over the same period of 2008, which was mainly due to the increases in traffic volume and toll revenue from new projects of the Group.

3. **Financial Strategies and Financing Arrangements**

In the first half of 2009, the PRC government continued to implement a moderately accommodative monetary policy, resulting in stable market interest rate environment and sufficient banking facilities. Nonetheless, given that the Company's capital expenditure has been peaking in recent years and the borrowing scale and gearing ratio have risen to quite high levels, as well as that gains from new projects and growth in cash flow require a certain maturity period, the Company continues its current financial strategies of "maintaining a reasonable and solid capital structure and ensuring a safe and abundant liquidity". On this basis, the Company will appropriately reduce financing costs, thereby increasing return on equity attributable to equity holders and preventing financial risks. During the Reporting Period, the Company was planning to issue considerable amount of financial instruments such as RMB-denominated bonds for the purpose of financing in addition to bank borrowings, with a view to improving the Company's debt structure. Currently, the related preparatory work is in progress.

During the Reporting Period, with stable debt structure and backed by its steady and sufficient cash flows and good reputation, the Company 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 bonds. 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 Bank of China. The Company's composite borrowing costs amounted to 5.7% during the Reporting Period which is in line with the previous year.



As at 30 June 2009, the Group had obtained a total of RMB13.2 billion of banking facilities, including RMB6.6 billion of credit facilities specifically for projects under construction and RMB6.6 billion of general credit facilities. At the end of the Reporting Period, unutilised banking facilities available amounted to RMB6.8 billion, of which RMB1.9 billion was credit facilities specifically for projects under construction and RMB4.9 billion was general credit facilities.

(IV) Changes in Accounting Estimates

The Group has mechanisms to review the road maintenance plan formulated and the discount rate used to make provisions for maintenance/resurfacing obligations in order to maintain the reasonable and suitable accounting estimates relating to the provisions for maintenance/resurfacing obligations. The changes in accounting estimates are dealt with by the method of prospective application in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

In the second quarter of 2009, the Company reviewed the road maintenance plan previously formulated based on the estimated maintenance cost and expected implementation time under the service concession for the principal total highways managed by the Group. Meanwhile, in response to the downward trend of market interest rate, the Company lowered the discount rate used to make provisions for maintenance/resurfacing obligations from 10% to 6.62%. Since 1 April 2009, the Group made the provisions for maintenance/resurfacing obligations based on the adjusted maintenance plan and discount rate.

It is expected that the above changes in accounting estimates would lead to an increase of approximately RMB19,546,000 in shareholders' equity as at 31 December 2009, including increase of approximately RMB47,681,000 in shareholders' equity as at 30 June 2009, as well as an increase of approximately RMB19,546,000 in profit for the year 2009, including RMB47,681,000 attributable to the profit from January to June 2009, without overall material impacts on the total assets, financial conditions and profit of the Group for the Reporting Period and this year.

Please refer to notes 4(d) to the Financial Statements for the details of the changes in accounting estimates relating to the Group's provisions for maintenance/resurfacing obligations.

III. Outlook and Strategies

As compared with the information disclosed in the 2008 Annual Report, at the present stage the Company is closely monitoring the possible effects on the Company of the following changes or developments:

- The State Council approved the Shenzhen Overall Comprehensive Reform Program, which identifies a new position for the cooperation between Shenzhen and Hong Kong – the joint establishment of a global financial centre, logistics centre, trade centre, innovation centre and centre of international cultural and creative industries. Such development will boost the regional economic and cultural exchange and development in Shenzhen, adjust the industrial structure of Shenzhen, and increase the trade volume between Hong Kong and Shenzhen, which will have positive effects on the future performance of the highway projects of the Company in Shenzhen.

- Since January 2009, the State has introduced the Auto Industry Revitalization Plan, which lowers the vehicle purchase tax for the purchase of low discharge passenger vehicles. The reduction in vehicle purchase costs promotes vehicle sales growth, and will in turn increase the population of expressway users.

- The relevant departments in Guangdong Province are working out a detailed proposal to waive the government debt-repaying Class II highway toll in the province by the end of 2012. The Company will monitor closely the implementation of the relevant policy and observe the impact of the Class II highway networks on the traffic volume in the region for which such policy was implemented, in order to formulate corresponding measures based on actual circumstances. In addition, as the differences in traffic environment, safety factor and unit oil consumption between Class II highways and expressways are relatively significant, the diversion effects on expressways are limited in the long term.

- During the Reporting Period, the domestic fuel price has been increased repeatedly, which will increase the costs of transportation enterprises and restrain demand for travel. The Company will strengthen its analysis and research on traffic flow composition and price elasticity of demand, closely follow up the effects of such factors on the existing operation projects of the Company, and formulate marketing strategies or traffic flow direction measures based on actual circumstances.

Under the effect of a series of policies promulgated by the government to boost the domestic demand and stimulate the economy, the PRC economy lodged an overall recovery trend. However, weak export and flat consumption level reflect insufficient momentum for continuous economic growth and the uncertainties of long-term macroeconomic development. As to changes in the external environment, the Company will continue to assess the effects of such changes on the operation and development of the Company and adopt effective and timely measures. In respect of internal management, the management will also conduct meticulous and continuous review of the asset quality of the Company, and the suitability of financial resources and management resources for development. The management will continuously optimize the asset structure, enhance the comprehensive management capacity and risk-resisting ability of the Company and promote the stable development of the Company.

Other Matters

1. Dividend Distribution

(1) Dividend distribution scheme for the interim of 2009

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2009 (2008: Nil), nor does it recommend any conversion of capital reserve into share capital.

(2) Dividend distribution scheme for the year 2008 and its implementation

Pursuant to the approval at the 2008 Annual General Meeting, the Company paid a final dividend of RMB0.12 (tax included) per share for the year 2008 to all shareholders on the basis of the total share capital comprising 2,180,700,000 shares as at the year end of 2008, totaling RMB261,684,000. Such dividend distributions were completed by 24 July 2009.

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

(1) The term of office of the members of the fourth session of the Board and the Supervisory Committee of the Company expired on 31 December 2008. As appointed or elected at the general meeting and the staff representatives' meeting of the Company, the directors of the fifth session of the Board include Mr. Yang Hai, Mr. Wu Ya De, Mr. Li Jing Qi, Mr. Zhao Jun Rong, Mr. Tse Yat Hong, Mr. Lin Xiang Ke, Ms. Zhang Yang and Mr. Chiu Chi Cheong, Clifton, the independent directors of the fifth session of the Board include Mr. Lam Wai Hon, Ambrose, Mr. Ting Fook Cheung, Fred, Mr. Wang Hai Tao and Mr. Zhang Li Min, the shareholders' representative supervisors of the fifth session of the Supervisory Committee include Mr. Jiang Lu Ming and Mr. Yang Qin Hua, and the staff representative supervisor of the fifth session of the Supervisory Committee is Mr. Fang Jie. The term of office of the members of the fifth session of the Board and the Supervisory Committee commenced on 1 January 2009 and will end on 31 December 2011. Mr. Yang Hai and Mr. Jiang Lu Ming have been elected as the Chairman of the Board at the directors' meeting and the Chairman of the Supervisory Committee at the supervisors' meeting of the Company both held on 7 January 2009, respectively.

(2) At the supervisors' meeting held on 18 May 2009, the Supervisory Committee approved the resignation of Mr. Jiang Lu Ming, and resolved that Mr. Jiang's resignation as the Chairman of the Supervisory Committee shall be effective since 18 May 2009, while his resignation as a supervisor shall be effective upon the general meeting of the Company for electing the new supervisor is convened. The Supervisory Committee also resolved to elect Mr. Yang Qin Hua as the tentative convener of the Supervisory Committee, who shall perform the duties of the Chairman of the Supervisory Committee before the number of members of the Supervisory Committee meets the statutory requirement and the new Chairman has been elected by the Supervisory Committee.

(3) Subsequent events

a) As approved by the extraordinary general meeting held on 10 August 2009, Mr. Zhong Shan Qun has been appointed as the shareholders' representative supervisor of the fifth session of the Supervisory Committee and Mr. Jiang Lu Ming has ceased to be a supervisor of the Company with effect from 10 August 2009. Mr. Zhong Shan Qun has been elected as the Chairman of the Supervisory Committee of the Company at the supervisors' meeting held on 10 August 2009.

b) At the directors' meeting of the Company held on 28 August 2009, the Board considered and approved the proposal on the appointment of the senior management of the Company. The Board resolved the reappointment of Mr. Wu Ya De as the President of the Company, the reappointment of Mr. Li Jian, Mr. Ge Fei, Mr. Zhou Qing Ming as Vice Presidents of the Company, the reappointment of Ms. Gong Tao Tao as the Financial Controller of the Company, the reappointment of Mr. Wu Xian as the Chief Engineer of the Company, the reappointment of Ms. Wu Qian as the Secretary of the Board and Company Secretary of the Company, and the appointment of Mr. Liao Xiang Wen as a Vice President of the Company. The term of office of each of the senior management abovementioned will commence on 1 September 2009 and end on 31 August 2012.

3. Disclosure of Interests

As at 30 June 2009, the interests or short positions of the Directors, Supervisors or senior management in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" were as follows:

Long positions in ordinary shares of Shenzhen International:

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

Interests in share option of Shenzhen International:

Name	Share option unexercised as at 1 January 2009	Number of share option granted during the Period	Number of share option exercised during the Period	Share option unexercised as at 30 June 2009	Nature of Interests	Capacity
Yang Hai	10,000,000	nil	nil	10,000,000	personal	Beneficial owner
Li Jing Qi	27,210,000	nil	nil	27,210,000	personal	Beneficial owner
Tse Yat Hong	9,500,000	nil	nil	9,500,000	personal	Beneficial owner

Notes: The above share option were all granted on 19 January 2005 and could be exercised during the exercise period from 19 January 2005 to 11 January 2010 with the exercise price HK$0.282 per share.

Saved as disclosed above, as at 30 June 2009, 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 the SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers".

4. Profile of Shareholders

(1) As at 30 June 2009, the Company had 45,698 shareholders in total, including 300 holders of H Shares and 45,398 holders of domestic shares.

(2) As at 30 June 2009, 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
深圳市投資管理公司 (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 or 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
Hallgain Management Limited	90,070,000 (Note 9)	12.05%	4.13%
Kingboard Chemical Holdings Limited	90,070,000 (Note 9)	12.05%	4.13%
Jamplan (BVI) Limited	60,074,000 (Note 9)	8.04%	2.75%
Kingboard Investments Limited	60,074,000 (Note 9)	8.04%	2.75%
JPMorgan Chase & Co.	44,119,217 (Note 10)	5.90%	2.02%
JPMorgan Chase Bank, N.A.	43,306,347 (Note 10)	5.79%	1.99%
Capital Research and Management Company	42,916,000 (Note 11)	5.74%	1.97%
The Real Return Group Limited	37,738,500 (Note 12)	5.05%	1.73%
Veritas Asset Management (UK) Limited	40,028,000	5.35%	1.84%

Note 1: Shares listed on SSE.

Note 2: Shenzhen Investment Holding Corporation is an investment holding institution subordinate to the Shenzhen Municipal Government, and is under the supervision of Shenzhen State-owned Assets Supervision and Administration Commission.

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

Note 4: Limited company incorporated under the laws of the PRC.

Note 5: Interests of controlled corporations owned through Shenzhen International. As at 30 June 2009, Shenzhen Investment Holding Corporation held 40.92% 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.

Note 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, a wholly-owned subsidiary, as beneficial owner. 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.

Note 7: Long positions held directly as beneficial owner.

Note 8: Share listed on the main board of HKEx.

Note 9: These 90,070,000 H Shares were interests of controlled corporations of Hallgain Management Limited, including 60,074,000 shares of interests held directly by Kingboard Investments Limited, an associated corporation, and interests of controlled corporations held by Jamplan (BVI) Limited and Kingboard Chemical Holdings Limited, both associated corporations, 28,280,000 shares of long position held directly by Kingboard Chemical Holdings Limited, an associated corporation, as beneficial owner, and 1,716,000 shares of interests held directly by Kingboard Laminates Limited, an associated corporation, and interests of controlled corporations held by Jamplan (BVI) Limited and Kingboard Chemical Holdings Limited, both associated corporations.

Note 10: These 44,119,217 H Shares were held by the associates of JP Morgan Chase & Co., including 43,306,347 shares of lending pool held directly by JPMorgan Chase Bank, N.A., an associated corporation, as custodian, and 812,870 shares of long position held directly by J.P.Morgan Whitefriars Inc., an associated corporation, as beneficial owner.

Note 11: These 42,916,000 H Shares were long position held directly by Capital Research and Management Company as investment manager.

Note 12: These 37,738,500 H Shares were long position held indirectly by The Real Return Group Limited as investment manager, including 37,076,000 shares of long position held directly by Veritas Asset Management (UK) Limited 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 2009.

(3) During the reporting period, the total number of shares of the Company remains unchanged. On 2 March 2009, all of the former restricted circulating shares of the Company were released restriction to circulate. Changes in the restricted circulating shares are as follows:

Name of shareholder	Number of restricted circulating shares as at the beginning of the Period	Number of shares released restriction to circulate during the Period	Number of restricted circulating shares increased during the Period	Number of restricted circulating shares as at the end of the Period	Reason for restriction to circulate	Date of releasing restriction to circulate
XTC Company	654,780,000	654,780,000	0	0	Undertakings made during the process of Share Segregation Reform that within 36 months from the date of granting listing status, these shares shall not be traded on the stock exchange	2 March 2009
SGH Company	411,459,887	411,459,887	0	0		
Huajian Centre	87,211,323	87,211,323	0	0		
GDRB Company	61,948,790	61,948,790	0	0		
TOTAL	**1,215,400,000**	**1,215,400,000**	**0**	**0**		

(4) As at 30 June 2009, 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	Type of shares
HKSCC Nominees Limited (Note)	674,443,098	H Share
XTC Company	654,780,000	A Share
SGH Company	411,459,887	A Share
Huajian Centre	87,211,323	A Share
GDRB Company	61,948,790	A Share
Kingboard Investments Limited	30,982,000	H Share
Au Siu Kwok	11,000,000	H Share
Ip Kow	11,000,000	H Share
Kingboard Chemical Holdings Limited	6,936,000	H Share
CCB – Penghua Value Advantage Securities Investment Fund	6,001,272	A Share

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

(5) On an ex-dividend basis of A Shares, the exercise price of the warrants of the Company has been adjusted from RMB13.48 to RMB13.23 since 11 June 2009, and the proportion of exercise rights of the warrants remains unchanged.

(6) In June 2009, 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 2008 and relevant industries. As ruled by 中誠信國際信用評級有限責任公司 (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 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 shareholders during the process of Share Segregation Reform:

Name of shareholders	Special undertakings	Fulfillment
XTC Company	1. Within 36 months from the date 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 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 undertakings during the Reporting Period.
GDRB Company	3. They shall pay all relevant expenses arising from the Share Segregation Reform in proportion to their shareholdings.	

Note: On 2 March 2009, all the restricted circulating shares of the Company formed in the process of Share Segregation Reform were released restriction to circulate. As at the date of this report, all the special undertakings made by aforesaid shareholders during the process of Share Segregation Reform have been fulfilled.

(3) Shenzhen International and SGJ Shenzhen proposed to acquire 100% equity interest in SGH Company and made undertakings in《詳式權益變動報告書》("Detailed Report on the Change of Equity Interests") published on 18 October 2007 in the securities market of 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. 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 SGJ Shenzhen on 18 October 2007 or Annual Report 2007 of the Company. As at the end of the Reporting Period, the Company did not notice violation of such undertaking by Shenzhen International and SGJ Shenzhen.

6. Purchase, Sale or Redemption of Securities

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

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)
47.3% toll collection rights of Nanguang Expressway (Note 4)	Pledge	China Agricultural Bank Shenzhen Branch	Counter-guarantee for the unconditional and irrevocable guarantee with joint liability in respect of the redemption of the Bonds With Warrants issued by the Company with an amount of RMB1.5 billion upon maturity	Until repayment of Bonds With Warrants (principal and interests)

Note 1: Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company. As at the end of the Reporting Period, the balance of such loan guaranteed was HK$102 million.

Note 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 collection rights of Qinglian Expressway and Qinglian Class 2 Road after completion of the reconstruction of Qinglian Class 1 Highway into an expressway. As at the end of the Reporting Period, the balance of such loans used by Qinglian Company is RMB3,662 million.

Note 3: As approved at the 2006 annual general meeting of the Company, 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.

Note 4: As approved at the 2007 annual general meeting of the Company, the Company entered into an agreement with China Agricultural Bank Shenzhen Branch on 11 July 2008. The Company provided a pledge of its 47.3% toll collection rights of Nanguang Expressway in favor of China Agricultural Bank, 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. As stipulated by the agreement, the pledging procedure for the aforesaid toll collection rights was completed in February 2009.

Note 5: 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 loan of a HK$133 million. In June 2009, the principal and interests of the aforesaid loan had been repaid by the Company and this pledge had been released.

Save as the aforesaid mortgage and pledge of assets as at the end of the Reporting Period, the Company entered into an agreement with Industrial and Commercial Bank of China Shenzhen Branch on 29 May 2009. The Company pledged its 40% interests in Qinlong Company in favor of the bank as security of a loan of an aggregate amount of RMB1.3 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 entrusted management fee is equivalent to a fixed percentage of the toll revenues. The aforesaid matters were disclosed in the announcement and circular of the Company in relation to the acquisition of interests in Wuhuang Expressway by the Company.

For the first half of 2009, investment income of Wuhuang Expressway attributable to the Group amounted to RMB43,508,000, representing 13.88% 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 RMB49,234,000, of which RMB27,079,000 was attributable to the Company as to the interests held. The aforesaid management contract has no material impact on the financial status and operating results of the Group.

9. Connected Transactions

(1) Investments and acquisitions

On 1 June 2009, the Company, Intersafe and Road King entered into an interest transfer agreement. The Company has conditionally agreed to acquire from Intersafe and Intersafe has conditionally agreed to transfer to the Company, by adopting 31 March 2009 as the reference date for the transfer of interest, all the interests in Jihe East Company owned by Intersafe, including the 45% equity interest in Jihe East Company and the relevant shareholder's loan. Road King has agreed to enter into the interest transfer agreement as guarantor to procure and guarantee Intersafe's performance of certain obligations. The consideration for this transaction is RMB1,068,800,000, and the Company agrees to reimburse Intersafe the income tax amount actually payable by Intersafe in connection with this transaction. As at the date of the agreement, the Company and Intersafe held 55% and 45% equity interest of Jihe East Company, respectively. Intersafe is a wholly-owned subsidiary of Road King. Pursuant to the Listing Rules of SSE, this transaction constitutes a discloseable transaction but doesn't trigger shareholders' approval requirement, and this transaction doesn't constitute a connected transaction of the Company. Pursuant to the Listing Rules of HKEx, both Intersafe and Road King are connected persons of the Company and this transaction constitutes a major and connected transaction of the Company. Details related is available in the announcement of the Company dated 2 June 2009 and the circular of the Company dated 23 June 2009. Jihe East Company has good operation records. Upon completion of this transaction, Jihe East Company will change from a jointly controlled entity to a wholly-owned subsidiary of the Company and its financial statements will be consolidated into those of the Company. Accordingly, the acquisition of further equity interest in Jihe East Company will enhance the decision making efficiency of the Company in respect of Jihe East Company, promote the unified management of toll highway projects in Shenzhen region by the Company and leverage management strength of the Company, expand the assets scale and profits base and improve cash earnings of the Company. This transaction will increase the market share of the Company in the Shenzhen region and reinforce the core strength of the Company in the areas of investment, construction and operation management of toll highways and roads, which is consistent with the development strategy of the Company. As at the date of this report, the procedure of shareholders' approval related to the interest transfer agreement has been completed, whereas procedures such as other relevant approval, filing and registration are underway, and this transaction has not been completed.

(2) Connected transactions in usual course

a) 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 term of the 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 for the year (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. Yibin Company is a wholly-owned subsidiary of Shenzhen International. As at the date of the agreement, XTC Company and Advance Great Limited, both of which are wholly-owned subsidiaries of Shenzhen International, held in aggregate approximately 31.153% share capital of the Company. Pursuant to the Listing Rules, Yibin Company is a connected person of the Company and the transaction constitutes a continuing connected transaction of the Company. Details related is available in the announcement of the Company dated 8 January 2008. The entrusted management fees under this transaction 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 this transaction, the Company will timely seize the opportunities in development of operation management of toll highways business and leverage the ten years' 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. During the Reporting Period, this connected transaction had no effect on the independence of the Company and the entrusted management agreement was normally performed. The revenue recognized during the Reporting Period accounted for100% of the amount of the Company's revenue from entrusted operation management.

b) On 20 May 2009, the Company entered into an entrusted construction agreement with Yibin Company and Baotong Company. Pursuant to the entrusted construction agreement, Baotong Company entrusted the Company to construct the project of Longhua Extension of Longda Expressway. The Company, as the entrusted constructor, will be responsible for the management of the work drawings, land requisition and demolition, construction management during the preparative period, construction period and defects responsibility period and related settlement and payment etc.. Baotong Company, as the entrusting party, will be responsible for the funding of construction costs. The total entrusted construction management fee includes an entrusted construction management fee, among which the basic entrusted construction management fee is RMB5,000,000, and an incentive payment on saving of construction costs (if any), and will be paid to the Company by Baotong Company in cash by installments as agreed. The Company is an indirect 50.021%-owned subsidiary of Shenzhen International. Yibin Company and Baotong Company are both wholly-owned subsidiaries of Shenzhen International. Pursuant to the Listing Rules, Yibin Company and Baotong Company are connected persons of the Company and this transaction constitutes a connected transaction of the Company. Details related is available in the announcement of the Company dated 21 May 2009. The amount and calculation methods of total entrusted construction management fee under this transaction were agreed after arm's length negotiation among the parties. Such management fee is determined by the parties after taking into account of the terms of the entrusted construction agreement, the scale of the entrusted construction and past experience of the Company. Entrusted construction management of roads is an ordinary and usual course of business of the Company. The Company can leverage this transaction to further develop the business of entrusted construction management of roads, and generate reasonable income and return by exporting professional skills and experience accumulated in the construction management of roads. During the Reporting Period, this connected transaction had no effect on the independence of the Company and the entrusted management agreement was normally performed. The revenue recognized during the Reporting Period accounted for 15.76% of the amount of the Company's revenue from entrusted construction management.

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

Unit: RMB'000

	Fund provided to the connected parties		Fund provided to the Company by the connected parties	
Connected party	**Amount accrued**	**Balance**	**Amount accrued**	**Balance**
Nanjing Company	—	—	—	46,500
SIHCL (Note)	—	—	890,000	1,190,000
Total	**—**	**—**	**890,000**	**1,236,500**

Note: Other payables for SIHCL is the fund provided by SIHCL to the Company. Such fund was provided to the Company by means of interest free, to guarantee timely payment for relevant expenses incurred by Coastal Expressway (Shenzhen Section) before the related entrusted management agreement is signed.

Besides, the loan in a sum of US$1,079,863.35 from the Spanish Government on-lent by China Construction Bank was secured by, a guarantee given by XTC Company, a substantial shareholder of the Company.

10. Material Litigation and Arbitration

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

11. Employees, Remuneration and Training

As at 30 June 2009, the Company and its wholly-owned subsidiaries had 1,502 employees, of whom 398 were management and professional staffs while 1,104 were toll collection staff.

The employee's remuneration and benefits of the Company comprise monthly salary, annual performance bonus and statutory and company benefits which are based on the principle of "salary is based on the individual position and changes with the position" and are determined according to the market value of the position and the overall performance of staff. Pursuant to statutory requirements, the Company has participated in an employee retirement scheme which is organised by the local government authorities, and has applied various protection plans such as basic medical insurance package, industrial injury insurance, unemployment insurance and child-bearing insurance for its employees. The Company values staff training. During the Reporting Period, the Company had organized training courses such as an excellent performance management, speech and presentation, risk management, planning and management of projects, training on marketing analysis and assets management for the toll station level, institutional publicity to toll employees, and so forth, with a total of 1,181 participants.

12. Corporate Governance

(1) Compliance with the Code on Corporate Governance Practices

During the Reporting Period, the Company has fully adopted and complied with the code provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 of the Listing Rules of HKEx. The Company is committed to maintaining a high standard of corporate governance. The current corporate governance practices of the Company have gone beyond the requirements of the aforesaid code provisions in certain aspects. Details related is available in the Annual Report 2008 of the Company.

(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 2009 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 2009 prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting", in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and a report dated 28 August 2009 was issued by them.

(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. 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.

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. Zhao Jun Rong (Non-executive Director), Mr. Tse Yat Hong (Non-executive Director), Mr. Lin Xiang Ke (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Lam Wai Hon, Ambrose (Independent Director), Mr. Ting Fook Cheung, Fred (Independent Director), Mr. Wang Hai Tao (Independent Director) and Mr. Zhang Li Min (Independent Director).

By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 28 August 2009

Report on Review of Interim Financial Information

PRICEWATERHOUSECOOPERS

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TO THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY COMPANY LIMITED
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 39 to 64, which comprises the condensed consolidated balance sheet of Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the 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, 28 August 2009

Condensed Consolidated Interim Balance Sheet

As at 30 June 2009

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,034,561**	696,976
Investment property	6	**17,844**	18,132
Construction in progress	6	**39,284**	267,562
Concession intangible assets	6	**14,095,649**	13,777,469
Prepaid leases	6	**13,981**	15,912
Investments in associates	7	**1,303,474**	1,264,681
Investments in jointly controlled entities	8	**1,303,013**	1,212,980
Deferred income tax assets	12	**3,485**	—
		17,811,291	17,253,712
Current assets			
Inventories		**3,559**	3,075
Trade and other receivables	9	**1,105,843**	323,626
Restricted cash	10	**10,180**	140,580
Cash and cash equivalents		**771,269**	536,293
Derivatives		**—**	6,292
		1,890,851	1,009,866
Total assets		**19,702,142**	18,263,578
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**2,180,700**	2,180,700
Other reserves		**3,594,861**	3,594,861
Retained earnings			
- Proposed final dividend		**—**	261,684
- Others		**1,323,522**	1,010,113
		7,099,083	7,047,358
Minority interest		**707,070**	704,783
Total equity		**7,806,153**	7,752,141

Condensed Consolidated Interim Balance Sheet

As at 30 June 2009

	Note	Unaudited 30 June 2009 RMB'000	Audited 31 December 2008 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	**7,406,763**	6,903,730
Deferred income tax liabilities	12	**373,355**	390,279
Provision for maintenance/resurfacing obligations	13	**364,523**	304,133
		8,144,641	7,598,142
Current liabilities			
Other payables and accrued expenses	14	**2,715,228**	1,735,603
Derivatives		**1,204**	—
Current income tax liabilities		**63,561**	58,716
Borrowings	11	**971,355**	1,118,976
		3,751,348	2,913,295
Total liabilities		**11,895,989**	10,511,437
Total equity and liabilities		**19,702,142**	18,263,578
Net current liabilities		**(1,860,497)**	(1,903,429)
Total assets less current liabilities		**15,950,794**	15,350,283

Yang Hai

Director

Wu Ya De

Director

The notes on pages 44 to 64 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2009

	Note	Unaudited Six months ended 30 June 2009 RMB'000	 2008 RMB'000
Revenue	5	**966,196**	1,757,758
Business tax and surcharges	15	**(19,938)**	(16,753)
Cost of services	15	**(666,663)**	(1,449,594)
Gross profit		**279,595**	291,411
Other (loss)/gains - net	16	**(2,144)**	594
Administrative expenses	15	**(26,604)**	(17,391)
Operating profit		**250,847**	274,614
Finance income	17	**3,721**	1,396
Finance costs	17	**(133,482)**	(117,293)
Share of post-tax profit of jointly controlled entities		**174,390**	149,844
Share of post-tax profit/(loss) of associates		**39,440**	(639)
Profit before income tax		**334,916**	307,922
Income tax expenses	18	**(19,220)**	(27,071)
Profit for the period		**315,696**	280,851
Total comprehensive income for the period		**315,696**	280,851
Profit and total comprehensive income attributable to:			
– Equity holders of the Company		**313,409**	284,291
– Minority interest		**2,287**	(3,440)
		315,696	280,851
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
– Basic	19	**0.144**	0.130
– Diluted	19	**0.144**	0.130
Dividends	20	**—**	—

The notes on pages 44 to 64 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 2009

	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 2008	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
Balance at 1 January 2009	**2,180,700**	**3,594,861**	**1,271,797**	**7,047,358**	**704,783**	**7,752,141**
Profit for the period	**—**	**—**	**313,409**	**313,409**	**2,287**	**315,696**
Dividends relating to 2008 (Note 20)	**—**	**—**	**(261,684)**	**(261,684)**	**—**	**(261,684)**
Balance at 30 June 2009	**2,180,700**	**3,594,861**	**1,323,522**	**7,099,083**	**707,070**	**7,806,153**

The notes on pages 44 to 64 form an integral part of this condensed interim financial information.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2009

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Cash flows from operating activities - net	**571,188**	300,301
Cash flows from investing activities - net	**(417,595)**	(1,286,100)
Cash flows from financing activities - net	**81,460**	839,269
Net increase /(decrease) in cash and cash equivalents	**235,053**	(146,530)
Cash and cash equivalents at beginning of period	**536,293**	466,990
Exchange (losses) /gains	**(77)**	2,616
Cash and cash equivalents at end of period	**771,269**	323,076

The notes on pages 44 to 64 form an integral part of this condensed interim financial information.

1 General information

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

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

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

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 28 August 2009.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 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 2008, which have been prepared in accordance with HKFRS.

The Group reported net current liabilities of approximately RMB1.86 billion as at 30 June 2009. The directors of the Company made an assessment and concluded that there is no going concern issue based on the facts that the Group has been generating positive and increasing operating cash flows and it has not experienced any difficulties in renewing its banking facilities and there is no evidence indicating that the banks will not renew the facilities. In addition, the Group had unutilised banking facilities of approximately RMB6.8 billion at 30 June 2009 in order to meet its obligations and commitments. The directors considered that the Group has no going concern issue. Therefore, the interim financial information has been prepared by the directors of the Company on a going concern basis.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in 2008 annual financial statements.

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

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present one statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions.

  The change has not resulted in any change in the number of reportable segments as previously presented.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009 to comply with the revised disclosure requirements.

(b) The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group,

- HKAS 23 (amendment), 'Borrowing costs'.
- HKFRS 2 (amendment), 'Share-based payment'.
- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) 13, 'Customer loyalty programmes'.
- HK(IFRIC) 15, 'Agreements for the construction of real estate'.
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

3 Accounting policies (continued)

(c) The following amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27,'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', 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, joint ventures and associates of the Group. The Group will apply HKFRS 3 (revised) to all business combinations from 1 January 2010.

- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it does not have any hedged items.

- HK(IFRIC) 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

HKICPA's improvements to HKFRS published in May 2009:

- Amendment to HKFRS 2 'Share-based payments', effective for periods beginning on or after 1 July 2009. This clarification confirms that HKFRS 3 (revised) does not change the scope of HKFRS 2. This is not currently relevant for the Group.

- Amendment to HKFRS 5 'Non-current Assets held for sale and discontinued operations', effective for periods beginning on or after 1 January 2010. This is not currently relevant for the Group.

- Amendment to HKFRS 8 'Operating segments', effective for periods beginning on or after 1 January 2010. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group will apply HKFRS 8 (amendment) from 1 January 2010.

- Amendment to HKAS 1 'Presentation of financial statements', effective for periods beginning on or after 1 January 2010. Current / non-current classification of the liability component of convertible instruments is not affected by the holder's option which will result in the settlement by the issuance of equity instruments. The Group will apply HKAS 1 (amendment) from 1 January 2010.

- Amendment to HKAS 7 'Statement of cash flows', effective for periods beginning on or after 1 January 2010. Only expenditures that result in a recognised asset are eligible for classification as investing activities. The Group will apply HKAS 7 (amendment) from 1 January 2010.

- Amendment to HKAS 17 'Leases', effective for periods beginning on or after 1 January 2010. This amendment is not relevant to the Group.

3 Accounting policies (continued)

(c) The following amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted (continued).

- Amendment to HKAS 36 'Impairment of assets', effective for periods beginning on or after 1 January 2010. This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8. The Group will apply HKAS 36 (amendment) from 1 January 2010.

- Amendment to HKAS 38 'Intangible assets', effective for periods beginning on or after 1 July 2009. This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. The Group will apply HKAS 38 (amendment) from 1 January 2010.

- Amendment to HKAS 39 'Financial instruments: recognition and measurement', effective for periods beginning on or after 1 January 2010. The Group will apply HKAS 39 (amendment) from 1 January 2010.

- Amendment to HK(IFRIC) 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1 July 2009. This amendment aligns the scope of HK(IFRIC) 9 to the scope of HKFRS 3(revised): the exclusion of embedded derivatives in contracts acquired in a business combination, a common control combination or the formation of a joint venture. The Group will apply HK(IFRIC) 9 (amendment) from 1 January 2010.

- Amendment to HK(IFRIC) 16 'Hedges of a net investment in a foreign operation', effective for periods beginning on or after 1 July 2009. This amendment removes the restriction on the entity that can hold hedging instruments in a net investment hedge. The hedging instruments can be held by the foreign operation that itself is being hedged. This is not currently relevant for the Group as it does not have such hedge.

4 Critical accounting estimates and judgments

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

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

(a) Construction revenue recognition relating to concession contracts

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

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

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

The construction revenue for the period recognised by the Group under the percentage of completion method for the service concessions amounted to approximately RMB410,307,000 (2008 interim: RMB1,263,194,000). Due to the significant rise in construction and related costs during 2009, the gross profit derived from the construction activities was estimated to be insignificant and it had not been recognised in the current period (2008 interim: RMB9,632,000). The directors of the Company consider that these are their current best estimates on the magnitude of construction revenue and related profits. Were the magnitudes of the final construction costs and the management fee applied as a percentage of the construction costs to be differed from management's current estimates, the Group would account for the change prospectively.

(b) Amortisation of concession intangible assets

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

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

4 Critical accounting estimates and judgments (continued)

(b) Amortisation of concession intangible assets (continued)

The directors performed a periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies and make an appropriate adjustment if there is a material difference. The Group had appointed an independent professional traffic consultant to perform independent professional traffic studies for the main toll roads in 2006, and adjusted the amortisation according to the revised total projected traffic volume. The directors had performed an assessment and concluded that there was no significant change in the directors' estimate of the total projected traffic volume during the period. Thus the directors considered the estimate of the total projected traffic volume is the best estimate.

(c) Provisions for maintenance/resurfacing obligations

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

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

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

In the second quarter of 2009, the Group has reviewed and adjusted amounts and timing of expenditures expected to incur for the major maintenance and resurfacing to be undertaken. The Group also adjusted the discount rate adopted in calculating provision for maintenance/resurfacing obligations. The detailed information of the reason and the influence of this change is described in note 4(d).

Provision for resurfacing obligations amounted to RMB364,523,000 had been provided by the Group as at 30 June 2009.

(d) Changes in critical accounting estimate and assumptions

In the second quarter of 2009, the Group has reviewed and adjusted amounts and timing of expenditures expected to incur for the major maintenance and resurfacing to be undertaken throughout the allowed operating periods of each toll roads operated by the Group. Meanwhile, as affected by the downward trend of the market interest, the Group has adjusted the discount rate adopted in calculating provision for maintenance/resurfacing obligations from 10% to 6.62% in order to reflect the time value of the provision on a more reasonable basis. The provision for maintenance/resurfacing obligations has been adjusted prospectively based on the updated maintenance/resurfacing plans and updated discount rate since 1 April 2009. This change in accounting estimate resulted in increase of net profit for the six months ended 30 June 2009 amounting to RMB47,681,000.

5 Segment information

As at 30 June 2009, the Group reassessed its operations to be organized in two main reportable segments:

— Toll roads operations;
— Construction under service concessions

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

Business segment	Toll roads operations RMB'000	Construction under service concessions RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
Six months ended 30 June 2009					
Revenue (from external customers)	**523,375**	**410,307**	**32,514**	**—**	**966,196**
Profit before interest ,tax, depreciation and amortization	**384,361**	**—**	**10,728**	**201,171**	**596,260**
Depreciation and amortisation	**119,521**	**—**	**3,581**	**4,193**	**127,295**
Finance income	**—**	**—**	**—**	**3,721**	**3,721**
Finance costs	**(99,548)**	**—**	**—**	**(33,934)**	**(133,482)**
Share of post-tax profit of jointly controlled entities	**174,390**	**—**	**—**	**—**	**174,390**
Share of post-tax profit of associates	**39,367**	**—**	**73**	**—**	**39,440**
Income tax expenses	**(29,032)**	**—**	**—**	**9,812**	**(19,220)**
Additions to non-current assets other than deferred tax assets	**127,551**	**410,307**	**902**	**14,965**	**553,725**
Six months ended 30 June 2008					
Revenue (from external customers)	460,424	1,263,194	34,140	—	1,757,758
Profit before interest ,tax, depreciation and amortization	356,327	—	10,561	159,412	526,300
Depreciation and amortisation	88,916	—	1,715	2,291	92,922
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)
Income tax expenses	(36,125)	—	—	9,054	(27,071)
Additions to non-current assets other than deferred tax assets	301,784	1,263,194	2,310	9,870	1,577,158
As at 30 June 2009					
Assets	**16,036,578**	**468,221**	**120,029**	**3,077,314**	**19,702,142**
Liabilities	**1,503,027**	**1,070,277**	**428,257**	**8,894,428**	**11,895,989**
As at 31 December 2008					
Assets	10,671,147	4,083,400	143,344	3,365,687	18,263,578
Liabilities	798,991	1,036,801	41,979	8,633,666	10,511,437

5 Segment information (continued)

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

At 30 June 2009, the total of non-current assets other than deferred tax assets (there are no financial instruments, employment benefit assets and rights arising under insurance contracts) located in the PRC is RMB17,131,690,000 (31 December 2008: RMB16,621,104,000), and the total of these non-current assets located in other region (i.e. Hong Kong) is RMB676,116,000 (31 December 2008: RMB632,608,000).

For the six months ended 30 June 2009, revenues of approximately RMB337,696,000 (for the six months ended 30 June 2008: RMB1,003,088,000) are derived from a single external customer. These revenues are attributable to construction under service concession.

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

	Property, plant and equipment RMB'000	Investment property RMB'000	Construction in progress RMB'000	Concession intangible assets RMB'000	Prepaid leases RMB'000
Six months ended 30 June 2009					
Opening net book amount at 1 January 2009	**696,976**	**18,132**	**267,562**	**13,777,469**	**15,912**
Additions	**3,756**	**—**	**139,662**	**410,307**	**—**
Transfers	**367,305**	**—**	**(367,305)**	**—**	**—**
Disposals	**(527)**	**—**	**(635)**	**—**	**—**
Depreciation and amortisation	**(32,949)**	**(288)**	**—**	**(92,127)**	**(1,931)**
Closing net book amount at 30 June 2009	**1,034,561**	**17,844**	**39,284**	**14,095,649**	**13,981**
Six months ended 30 June 2008					
Opening net book amount at 1 January 2008	344,800	—	349,410	10,741,681	—
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	—	278,456	11,942,270	13,142

7 Investments in associates

	30 June 2009 RMB'000	31 December 2008 RMB'000
Beginning of the period/year	**1,264,681**	1,141,828
Increase in investments in associates	**45,000**	37,500
Share of results	**39,440**	(17,127)
Dividends declared and appropriation made by associates	**(45,647)**	(21,750)
Transfer from investment in a jointly controlled entity (Note 8)	**—**	124,230
End of the period/year	**1,303,474**	1,264,681

Investments in associates at 30 June 2009 included goodwill of RMB76,936,000 (31 December 2008: RMB76,936,000).

8 Investments in jointly controlled entities

	30 June 2009 RMB'000	31 December 2008 RMB'000
Beginning of the period/year	**1,212,980**	1,423,810
Share of results	**174,390**	291,500
Transfer to investment in associate (Note 7)	**—**	(124,230)
Dividends declared and appropriation made by jointly controlled entities	**(84,357)**	(378,100)
End of the period/year	**1,303,013**	1,212,980

9 Trade and other receivables

	Note	30 June 2009 RMB'000	31 December 2008 RMB'000
Trade receivables	(a)	**170,079**	166,883
Other receivables	(b)	**877,463**	150,084
Prepayments		**58,301**	4,252
Interest receivables		**—**	2,407
		1,105,843	323,626

9 Trade and other receivables (continued)

(a) Trade receivables mainly included construction management service income due from the Shenzhen Transportation Bureau amounting to RMB138,460,000 (31 December 2008: RMB137,585,000).

The aging analysis of trade receivables was as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Within 1 year	**38,454**	33,144
1 to 4 years	**131,625**	133,739
	170,079	166,883

(b) Other receivables at 30 June 2009 mainly included RMB847,369,000 paid for the construction of Shenzhen Section of Yanjiang Highway ("Yanjiang Project") on behalf of Shenzhen Local Government (31 December 2008: RMB120,928,000) (Note 14(c)).

(c) Due to the fact that the Group is mainly engaged in toll road operations, its income is mainly received in cash and it usually does not maintain any accounts receivable balances. Accordingly, the Group does not have any specified credit period for its customers. Accounts receivables at 30 June 2009 mainly included the amounts due from the Local Government, which exposed to limited credit risk.

10 Restricted cash

Restricted cash represented project funds retained for a construction management contract of RMB10,180,000 (31 December 2008: included bank fixed deposit denominated in RMB with a maturity of one year of RMB116,272,000 and project funds retained for construction management contract of RMB 24,308,000) (Note 14(b)).

11 Borrowings

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Non-current		
- Bank and other borrowings	**5,388,659**	4,914,774
- Convertible bonds	**1,226,846**	1,198,032
- Corporate bonds	**791,258**	790,924
	7,406,763	6,903,730
Current	**971,355**	1,118,976
	8,378,118	8,022,706

11 Borrowings (continued)

Movement in borrowings is analysed as follows:

	RMB'000
Six months ended 30 June 2009	
Opening balance as at 1 January 2009	**8,022,706**
Proceeds from borrowings	**1,212,679**
Repayments of borrowings	**(886,077)**
Exchange differences	**(4)**
Interest expense of convertible bonds	**28,814**
Closing balance as at 30 June 2009	**8,378,118**
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

The Group had the following undrawn banking facilities:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Floating rate		
- Expiring within one year	**1,955,000**	2,591,000
- Expiring beyond one year	**4,592,000**	3,759,000
	6,547,000	6,350,000
Fixed rate		
- Expiring beyond one year	**260,000**	260,000
	6,807,000	6,610,000

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 2009	31 December 2008
	RMB'000	RMB'000
Deferred income tax assets		
- to be recovered after more than 12 months	**114,697**	99,749
- to be recovered within 12 months	**1,557**	1,597
	116,254	101,346
Deferred income tax liabilities		
- to be settled after more than 12 months	**474,050**	480,369
- to be settled within 12 months	**12,074**	11,256
	486,124	491,625
Deferred income tax assets (net)	**3,485**	—
Deferred income tax liabilities (net)	**373,355**	390,279

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Deferred income tax assets	**3,485**	—
Deferred income tax liabilities	**373,355**	390,279
Net deferred income tax liabilities	**369,870**	390,279

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Beginning of the period	**390,279**	441,741
Recognised in the income statement	**(20,409)**	(10,859)
End of the period	**369,870**	430,882

12 Deferred income tax (continued)

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

	Deferred income tax assets		
	Provision for maintenance/ resurfacing obligations RMB'000	Taxable local financial subsidies RMB'000	Total RMB'000
At 1 January 2009	**76,033**	**25,313**	**101,346**
Recognised in income statement	**15,098**	**(190)**	**14,908**
At 30 June 2009	**91,131**	**25,123**	**116,254**
At 1 January 2008	59,430	—	59,430
Recognised in income statement	8,301	—	8,301
At 30 June 2008	67,731	—	67,731

	Deferred income tax liabilities		
	Difference of accounting base and tax base of		
	Concession intangible assets RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 January 2009	**427,352**	**64,273**	**491,625**
Recognised in income statement	**(272)**	**(5,229)**	**(5,501)**
At 30 June 2009	**427,080**	**59,044**	**486,124**
At 1 January 2008	427,976	73,195	501,171
Recognised in income statement	1,903	(4,461)	(2,558)
At 30 June 2008	429,879	68,734	498,613

13 Provision for maintenance/resurfacing obligations

	30 June 2009 RMB'000	31 December 2008 RMB'000
Opening net book amount	**304,133**	237,720
Charged to the income statement:		
- Additions	**47,474**	42,641
- Increase due to passage of time (Note 17)	**12,916**	23,772
Closing net book amount	**364,523**	304,133

14 Other payables and accrued expenses

	Note	30 June 2009 RMB'000	31 December 2008 RMB'000
Payables for construction projects and quality deposits	(a)	**929,818**	977,127
Guaranteed deposits for construction projects contracts	(a)	**196,494**	203,060
Notes payable	(a)	**95,104**	13,992
Project funds retained for construction management contracts	(b)	**10,180**	24,308
Loan from local government for the Yanjiang Project	(c)	**1,190,000**	300,000
Advance from an associate	(d)	**46,500**	46,500
Interest payable		**66,768**	42,711
Salary payable		**15,247**	39,189
Dividend payable		**81,157**	—
Others		**83,960**	88,716
		2,715,228	1,735,603

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

	30 June 2009 RMB'000	31 December 2008 RMB'000
Within 1 year	**2,337,200**	1,560,410
Over 1 year	**378,028**	175,193
	2,715,228	1,735,603

(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 amounting to approximately RMB929,818,000 (31 December 2008: RMB977,127,000); deposits received from the contractors as guarantees for the bidding process and their performance commitment for the construction of projects amounting to RMB196,494,000 (31 December 2008: RMB203,060,000); and bills payable of RMB95,104,000 (31 December 2008: RMB13,992,000), respectively.

(b) This represents projects fund paid in advance by the Shenzhen Longgang Highway Bureau to the Company for the management of the project of main route of the Hengping Class 1 Highway Project under a construction management contract entered by the government authority and the Company.

(c) This represents a loan from Shenzhen Investment Holding Company Limited ("Shenzhen Investment Holding Company"), concerning the Yanjiang Project managed by the Company on behalf of Shenzhen Local Government. Yanjiang Project is invested by Shenzhen Local Government and the Company provides project management services for construction, operation and maintenance of the Yanjiang Project for Shenzhen Local Government. The Company received the loan of RMB1,190,000,000 granted from Shenzhen Investment Holding Company, on behalf of the government authority (31 December 2008: RMB300,000,000) (Note 9(b)).

(d) It represents the advances from Nanjing Yangzi River Third Bridge Company Limited, an associate of the Group.

(e) The Group was not given any specified credit period by its suppliers.

15 Expenses by nature

	Note	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Construction costs under service concessions	(a)	**410,307**	1,253,562
Business tax and surcharges		**19,938**	16,753
Depreciation and amortisation		**127,295**	92,922
Employee benefit expenses		**45,013**	36,655
Road maintenance expenses		**16,944**	21,172
Provision for maintenance/resurfacing obligations		**47,474**	21,321
Other expenses		**46,234**	41,353
Total business tax and surcharges, cost of services and administrative expenses		**713,205**	1,483,738

(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.

16 Other (loss)/gains - net

	Six months ended 30 June 2009 RMB'000	2008 RMB'000
(Loss)/gain on derivative instrument investments	**(2,089)**	1,344
Others	**(55)**	(750)
	(2,144)	594

17 Finance income and finance costs

	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Finance income		
Interest income from bank deposits	**3,721**	1,396
Finance costs		
Interest on bank and other borrowings and bonds	**181,932**	138,338
Interest on convertible bonds and corporate bonds	**58,649**	55,522
Less: interest expenses capitalised in construction project	**(119,448)**	(80,290)
	121,133	113,570
Other interest expense (Note 13)	**12,916**	11,886
Other borrowing costs	**284**	1,605
Net foreign exchange gains	**(851)**	(9,768)
	133,482	117,293

Borrowing costs of RMB119,448,000 (2008 interim: RMB80,290,000) arising on financing specifically arranged for the construction of toll roads and related facilities were capitalised during the year and had been included in additions to concession intangible assets. Capitalisation rates ranged from 5.346% to 7.047% (2008 interim: 5.5% to 7.047%) per annum were used, representing the borrowing costs of the loans used to finance the projects.

18 Income tax expenses

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	**39,629**	37,930
Deferred income tax		
– Origination and reversal of temporary differences	**(20,409)**	(10,859)
	19,220	27,071

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

The PRC enterprise income tax charged to the current period income statement has been calculated based on assessable profits of the Company and its subsidiaries located in the PRC of the period at rates of tax applicable to the respective companies of 20% (2008: 18%).

The applicable tax rate to Mei Wah Industrial (Hong Kong) Limited ("Mei Wah"), a subsidiary of the Company incorporated in Hong Kong, is 16.5% (2008: 16.5%). 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	
	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**313,409**	284,291
Number of ordinary shares in issue (thousands)	**2,180,700**	2,180,700
Basic earnings per share (RMB per share)	**0.144**	0.130

The Company had no potential dilutive shares in both 2008 and 2009 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 was higher than the prevailing share price of the Company as at 30 June 2009 and therefore, they were not included in the calculation of diluted earnings per share for the period.

20 Dividends

A 2008 final dividend of RMB0.12 (2007 final: RMB0.16) per ordinary share, totaling RMB261,684,000 (2007 final: RMB348,912,000) was approved by the shareholders at the Annual General Meeting of the Company, RMB180,527,000 of which was paid in June 2009 (six months ended 30 June 2008: RMB334,958,000), the remaining dividend is paid in July 2009.

21 Contingent liabilities

(a) Projects construction management contracts

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

As described in note 23(f), the Company has entered into a project construction management contract. For this project, the Company had arranged a bank to issue irrevocable performance guarantees on its behalf to Shenzhen Baotong Expressway Construction Company Limited ("Baotong Company") amounting to RMB500,000.

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

(b) Contingent liabilities relating to enterprise income tax

As explained in more details in the 2008 annual financial statements, according to the demand by the Shenzhen Local Tax Bureau (the "Local Tax Bureau"), the Group had made a provision for enterprise income tax at 31 December 2008 in the amount of RMB39,236,000. As of the date of approval of this financial information, no formal notice of reassessment/waiver had been issued by the Local Tax Bureau and other relevant authorities. Thus no change has been made to the provision for the enterprise income tax liabilities and no provision has been made for the potential penalty.

22 Commitments

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

	30 June 2009 RMB'000	31 December 2008 RMB'000
Capital commitments - construction of toll roads		
– contracted but not provided for	**332,995**	218,892
– authorised but not contracted for	**1,586,116**	2,218,195
	1,919,111	2,437,087
Investment commitments		
– contracted but not provided for	**—**	45,000
	1,919,111	2,482,087

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

Shenzhen International Holdings Limited ("Shenzhen International") used to indirectly hold 31.153% interests in the Company. On 30 December 2008, when Shenzhen Internatioal acquired 18.868% equity interest in the Company held by Shen Guang Hui Highway Development Company, Shenzhen International began to hold, in aggregate, 50.021% of indirect interests in the Company and it became the ultimate holding company of the Company. Shenzhen International is de facto controlled by Shenzhen Investment Holding Company, which is supervised and managed by the Shenzhen Municipal State-owned Assets Supervision and Administration Commission, which is a state-owned authority.

Apart from the related party transactions and balances already disclosed in Notes 9(a), 9(b), 14(c) 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) The borrowings of USD1,080,000 are guaranteed by Xin Tong Chan Development (Shenzhen) Company Limited, a shareholder of the Company.

(b) Bank deposits and interest income

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Bank deposits balance		
State-owned banks	**189,153**	270,841
Interest income from bank deposits		
State-owned banks	**2,009**	1,433

23 Related party transactions (continued)

(c) Borrowings and interest expenses

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Loans from state-owned banks		
Beginning of the period	**4,730,197**	2,494,755
New borrowings	**626,240**	1,332,472
Repayments	**(437,377)**	(29,887)
Interest expense	**152,791**	93,932
Interest paid	**(151,068)**	(87,828)
End of the period	**4,920,783**	3,803,444

(d) Payment during the period

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Hubei Magerk Expressway Management Company Limited ("Magerk Company")	**—**	(21,300)

The principal activities of Magerk Company are operating and managing Wuhuang Expressway. Magerk Company is a wholly owned subsidiary of Jade Emperor Limited ("JEL") which is a jointly controlled entity of the Company and the Company holds a 55% equity interest in JEL.

(e) Capital expenditures incurred and balances in relation to construction projects

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Capital expenditures incurred for concession projects and construction in progress by State-owned contractors	**364,048**	1,074,462

	30 June 2009	30 June 2008
	RMB'000	RMB'000
Payables for construction projects and guarantee deposits to State-owned contractors	**225,872**	193,231

23 Related party transactions (continued)

(f) Payment of project management service fee

The Group entered into project management service contracts with Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company"), another associate of the Group. The total value of the such management service is approximately RMB87,840,000, which mainly relates to the management service provided to Qinglian Class I Highway reconstruction project. During the six months ended 30 June 2009, the Group paid a management fee of approximately RMB6,111,000 (2008 interim: RMB7,162,000) to Consulting Company. The cumulative management fee paid by the Group to Consulting Company amounted to approximately RMB55,354,000 up to 30 June 2009.

(g) 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 As a result, the Group and Airport-Heao Eastern collect toll income for each other. During the period, the aggregated toll income collected by the Group on behalf of Airport-Heao Eastern was RMB62,898,000 (2008 interim: RMB67,639,000) while the aggregated toll income collected by Airport-Heao Eastern on behalf of the Group was RMB56,896,000 (2008 interim: RMB62,368,000). All toll income collected was paid back to the counterparties within three days after collection without charging any handling fees.

(h) Management entrustment

On 7 January 2008, the Company entered into an operation 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 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 2009 amounted to RMB7,500,000 (2008 interim: RMB7,500,000), which was recognised on a pro rata basis on the minimum agreed annual fee.

In May 2009, the Company entered into a construction manangement agreement with Yibin Company and Baotong Company. Pursuant to the agreement, Yibin Company entrusts the Company to construct the Longda Expressway Longhua Expansion Section ("Longhua Section"). The term of the construction management entrustment agreement is twenty four months since the signature of the agreement. According to the agreement the Company as the assignee is responsible for the construction and management of the Longhua Section. Baotong Company as the entrusting party is responsible for financing and payment of the project. The construction management service income includes the basic entrusted management fee and a proportion of the amount of cost savings (The "Savings") as defined in the service agreements (if any). The basic entrusted management fee is RMB5,000,000. The Savings are determined by comparing the total actual construction costs with the budgeted total construction costs of the projects. During this period, the management expense incurred by the Company is about RMB783,000.

23 Related party transactions (continued)

(i) Key management compensation

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Salaries, bonuses and other short-term employee benefits	**2,845**	1,913

24 Other matters

On 1 June 2009, the Company entered into an agreement with Intersafe Investments Limited (the "Intersafe")(another shareholder of Airport-Heao Eastern). Pursuant to the agreement, the Company has agreed to acquire a 45% equity interest in Airport-Heao Eastern from Intersafe and the equity holder's loan owed by the Airport-Heao Eastern to Intersafe at a cash consideration of RMB1,068,800,000. In addition to this consideration, the Company agreed to reimburse Intersafe the income tax amount payable by Intersafe in connection with the acquisition. Upon completion of the transaction, the Airport-Heao Eastern will become a wholly-owned subsidiary of the Company. As at the date of this financial information, the transaction has not been completed.

Reconciliation of interim financial information

The Group has prepared a separate set of unaudited interim financial statements for the six months ended 30 June 2009 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 2009 RMB'000	Equity attributable to equity holders of the Company as at 30 June 2009 RMB'000
As per PRC statutory financial statements	**313,409**	**7,056,618**
Impact of HKFRS adjustments:		
Adjustments arising from adoption of IFRIC 12		
– Profit recognition for construction services and amortisation of concession intangible assets	—	42,465
	—	42,465
As restated after HKFRS adjustments	**313,409**	**7,099,083**

Definitions

1. Names of Highway and Road Project

Changsha Ring Road	Changsha National Highway Ring Road (Northwestern Section), located in Hunan Province
Coastal Expressway (Shenzhen Section)	The Shenzhen Section of Guangshen Coastal Expressway (Huangpu, Guangzhou – Nanshan, Shenzhen)
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); after suspension in 2006, the two contracted sections resumed in February 2008 is called Hengping Resumed Section for short; and the link between Hengping Project and National Highway 205 is called Hengping Link Section for short
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 Expressway	The expressway from Qingyuan to Lianzhou in Guangdong Province, which is an expressway reconstructed from the former Guangdong Qinglian Class 1 Highway
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)
Shenyun Project	The Shenyun-North Ring Interchange renovation project
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 of Jihe Expressway

2. Enterprise 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 holds 100% interests in Magerk Company
Jihe East Company	深圳機荷高公路東段有限公司 (Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited), a Sino-foreign joint-venture enterprise incorporated in Shenzhen City, which owns Jihe East
Magerk Company	湖北馬鄂高速公路經營有限公司 (Hubei Magerk Expressway Management Private Limited), 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	湖北馬鄂高速公路經營有限公司 (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
CAS	The Accounting Standards for Business Enterprises (2006) of the PRC
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
HK$	Hong Kong dollars, the lawful currency of the Hong Kong Special Administration Region of the PRC
HKEx	The Stock Exchange of Hong Kong Limited
HKFRS	Hong Kong Financial Reporting Standards
Huajian Centre	華建交通經濟開發中心 (Huajian Transportation and Economic Development Centre), a shareholder of the Company
IFRIC 12	HK(IFRIC) - Int 12 "Service Concession Arrangements" issued by the Hong Kong Institute of Certified Public Accountants
Independent Director(s)	The independent non-executive Director(s) of the Company

Intersafe	Intersafe Investments Limited, a wholly-owned subsidiary of Road King
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 months ended 30 June 2009
RMB	Renminbi, the lawful currency of the PRC
Road King	Road King Infrastructure Limited, whose shares are listed on the main board of HKEx
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
SGJ Shenzhen	深國際控股（深圳）有限公司 (Shenzhen International Holdings (SZ) Limited), formerly known as 怡萬實業發展(深圳)有限公司 (Yiwan Industry Development (Shenzhen) Company Limited), a wholly-owned subsidiary of Shenzhen International
Shenzhen International	Shenzhen International Holdings Limited, whose shares are listed on the main board of HKEx, the controlling shareholder of XTC Company and SGH Company
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited)
SSE	The Shanghai Stock Exchange
Supervisor(s)	The supervisor(s) of the Company
Supervisory Committee	The Supervisory Committee of the Company

XTC Company	新通產實業開發(深圳)有限公司(Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳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

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 and Contact Address of the Company	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code: 518026)
Place of Business in Hong Kong	Suites 2201-2203, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong Tel:(852) 2543 0633 Fax:(852) 2543 9996
Telephone	(86) 755-8285 3300
Fax	(86) 755-8285 3400
Investor Hotline	(86) 755-8285 3330
Website	http://www.sz-expressway.com
E-mail	secretary@sz-expressway.com
Company Secretary	WU Qian
Listing Exchanges	H Share: The Stock Exchange of Hong Kong Limited Security Code:00548 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
Interim Report Available at	Hong Kong: Suites 2201-2203, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
	PRC: Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen

Corporate Information

Designated Publication Website	http://www.hkex.com.hk http://www.sse.com.cn http://www.sz-expressway.com
International Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Statutory Auditor	PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. 11/F, PricewaterhouseCoopers Centre, 202 Hubin Road, Shanghai
Hong Kong Legal Adviser	Loong & Yeung Suites 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 of H Shares	Rikes Hill & Knowlton Limited Room 1312, Wing On Centre, 111 Connaught Road Central, Hong Kong
Investor Relations Consultant of A Shares	Everbloom Investment Consultant Company Limted Room 512-515, 5th Floor, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Principal Banks	Industrial and Commercial Bank of China China Merchants Bank China Development Bank