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Shenzhen International Holdings Limited

深圳國際控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 00152)

(the “Company”)

OVERSEAS REGULATORY ANNOUNCEMENT

This announcement is issued pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The document attached hereto is the Results Announcement for the six months ended 30 June 2012 released by Shenzhen Expressway Company Limited, a subsidiary of the Company.

Hong Kong, 17 August 2012

As at the date of this announcement, the board of directors of the Company consists of Messrs. Guo Yuan, Li Jing Qi, Liu Jun and Yang Hai as executive directors, Mr. Wang Dao Hai and Professor Wong Yuk Shan, BBS, JP as non-executive directors and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive directors.

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深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00548)

2012 Interim Results Announcement

§1 Important Notice

- 1.1 The Board, the Supervisory Committee and the Directors, the Supervisors, the senior management of the Company confirm that there are no false representations or misleading statements contained in or material omissions from this announcement, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content thereof.
- 1.2 Ms. Zhang Yang, a Director, was unable to attend the sixth meeting of the sixth session of Board in which the Interim Report 2012 and its summary were approved in person due to official business, and had appointed Mr. Yang Hai, a Director, to attend and vote on her behalf.
- 1.3 The financial statements for 2012 Interim of the Company have not been audited.
- 1.4 Mr. Yang Hai, Chairman, Mr. Wu Ya De, President, Ms. Gong Tao Tao, Financial Controller, and Mr. Sun Bin, General Manager of Finance Department, confirm the truthfulness and completeness of the financial statements contained in the Interim Report 2012.
- 1.5 Unless otherwise stated, the amounts stated in this announcement are in RMB. The total of breakdown and the total may not equal in mantissa due to rounding.

§2 Interim Results and Dividends

In accordance with CAS, during the Reporting Period, the Group recorded a revenue of RMB1,561 million, representing an increase of 12.84% YOY. Net profit attributable to owners of the Company during the Reporting Period amounted to RMB419 million, whereas earnings per share was RMB0.192, representing an increase of 18.81% YOY.

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2012 (2011 Interim: Nil), nor does it recommend any conversion of capital reserve into share capital.

§3 Financial Highlights

3.1 Principal Financial Data and Indicators

Unit: RMB

	As at the end of the Period	As at the end of 2011	Change as compared to the end of 2011
Total assets	24,256,923,522.44	24,608,792,701.94	-1.43%
Owners' equity attributable to owners of the Company	9,271,948,589.46	9,204,417,052.53	0.73%
Net assets per share attributable to owners of the Company	4.25	4.22	0.73%
	The Period	2011 Interim (Restated) ^{Note}	Change as compared to 2011 Interim
Operating profit	570,767,678.87	471,699,054.44	21.00%
Total profit	570,766,336.45	471,604,242.99	21.03%
Net profit attributable to owners of the Company	418,820,805.87	352,521,341.74	18.81%
Net profit attributable to owners of the Company - excluding non-recurring items	406,814,735.03	338,726,914.51	20.10%
Earnings per share - basic	0.192	0.162	18.81%
Earnings per share excluding non-recurring items - basic	0.187	0.155	20.10%
Earnings per share - diluted	0.192	0.162	18.81%
Return on equity - weighted average (%)	4.48%	4.02%	Increase 0.46 pct.pt
Net cash flows from operating activities	808,172,430.14	777,208,856.19	3.98%
Net cash flows from operating activities per share	0.37	0.36	3.98%

Note: As the financial statements of JEL Company have been consolidated into those of the Group since 1 July 2011, which represents the business combinations involving entities under common control, the Group made corresponding restatement to the financial statements for the previous accounting years according to the relevant requirements of the accounting standards.

3.2 The unaudited financial statements and notes for the six months ended 30 June 2012 of the Group prepared in accordance with CAS are set out in the appendix to this results announcement.

§4 Report of the Directors

4.1 Business Review

The Group's main revenues derive from investment, construction and operation management of toll highway projects. During recent years, the Group has also steadily developed the entrusted management business and prudently attempted to enter into new industries, to further drive the earning growth and achieve sustainable development. The performance of the principal business of the Group during the Reporting Period is summarised as follows:

I. Toll Highway Business

The overall performance of the toll highway business was affected by factors such as the macro and regional economic growth, the robustness of business activities and industry policies. At the same time, the operational performance of each highway project during the same period varied in line with their different functions and locations, years of operation and neighboring road networks. The detailed performance of the toll highway projects operated and invested by the Group during the Reporting Period is as follows:

Toll highway	Percentage of interests held by the Group	Percentage of revenue consolidated	Average daily mixed traffic volume (number of vehicles in thousand)			Average daily toll revenue (RMB' 000)		
			The Period	2011 Interim	YOY	The Period	2011 Interim	YOY
Shenzhen region:								
Meiguan Expressway	100%	100%	120	120	-0.1%	913	949	-3.7%
Jihe East	100%	100%	128	113	13.5%	1,344	1,391	-3.3%
Jihe West	100%	100%	101	97	3.8%	1,168	1,210	-3.5%
Yanba Expressway ^{Note}	100%	100%	27	26	3.2%	371	358	3.5%
Yanpai Expressway	100%	100%	39	37	3.3%	498	411	21.4%
Nanguang Expressway	100%	100%	55	55	0.1%	575	579	-0.7%
Shuiguan Expressway	40%	-	129	120	7.3%	1,119	1,101	1.6%
Shuiguan Extension	40%	-	27	35	-21.4%	159	212	-24.9%
Other regions in Guangdong province:								
Qinglian Expressway ^{Note}	76.37%	100%	24	21	13.3%	1,564	1,257	24.5%
Yangmao Expressway ^{Note}	25%	-	28	24	14.1%	1,369	1,212	13.0%
Guangwu Project ^{Note}	30%	-	27	24	12.5%	740	646	14.6%
Jiangzhong Project	25%	-	92	86	7.2%	958	951	0.8%
GZ W2 Expressway	25%	-	34	33	5.1%	707	723	-2.2%
Other provinces in the PRC:								
Wuhuang Expressway ^{Note}	55%	100%	40	38	5.2%	1,155	1,129	2.3%
Changsha Ring Road	51%	-	13	9.6	32.1%	109	81	34.6%
Nanjing Third Bridge ^{Note}	25%	-	26	24	8.0%	894	829	7.8%

Note: Projects for which toll-by-weight policy have been implemented.

Economic environment and its impact —

During the first half of 2012, the global economy continued to be gloomy. Although the domestic economy is still in an appreciation trend, the growth is slowing down. During the first half of the year, the GDP of the PRC recorded a YOY growth of 7.8% with a YOY growth of 8.0% recorded in total imports and exports, representing drops of 1.8% and 17.8% respectively. The GDP of Guangdong province recorded a YOY growth of 7.4% with a YOY growth of 5.0% recorded in total imports and exports, representing drops of 2.7% and 21.0% respectively. Such factor resulted in a general shrinkage in the natural growth of toll highway projects. In the meantime, the significant decline of foreign trade growth also caused a slowdown in the growth of traffic volume of the Group's projects which connect ports, such as Yanba Expressway and Yanpai Expressway. Source of data: Governmental statistics information website, the website of the customs

Policy environment and its impact —

The toll-by-weight policy was further implemented in western and eastern Guangdong in September and October 2011, and such implementation has positive effect on the toll revenues of Yangmao Expressway and Guangwu Project.

Since December 2010, "Green Passage Toll Free Policy" has been implemented in all highway projects of the Group. As a result of the implementation of this policy, the toll revenues from 8 toll highway projects that were consolidated into accounts of the Group decreased by approximately RMB30,000,000 for 2012 Interim, representing 2.2% of the Group's toll revenues for such period. The decrease in the total toll revenues from other 8 toll highway projects that were not consolidated into the accounts of the Group accounted for approximately 5.1% of those projects' toll revenues for such period.

Pursuant to the notice and subsequent arrangements from relevant government authorities of Guangdong province, the toll fees of the expressways in the province, starting from 1 June 2012, had been standardised based on the unified toll rate, coefficient, calculation of the ramp of the interchange and rounding principles ("Standardisation Scheme"). Starting from 3 August 2012, in case that the toll fees increased as a result of the implementation of the Standardisation Scheme in sections invested by state-owned enterprises (including state-controlled enterprises), such toll fees had been resumed to the level before adjustment. For details thereof, please refer to the announcements of the Company dated 31 May 2012 and 17 August 2012 respectively. During the Reporting Period, the implementation of such policy resulted in a decrease of approximately RMB22,000,000 to the Group's revenue. Based on the statistics for the month of June, the implementation of the Standardisation Scheme had certain negative effect on the operational performance of Jihe Expressway, Meiguan Expressway, Yanpai Expressway, Jiangzhong Project, Guangwu Project, GZ W2 Expressway and Shuiguan Extension, while the impact on other projects was limited.

Status of and impact from road network —

The improvement of road networks, maintenance and repair works on neighboring roads, the construction of the projects and the implementation of urban traffic organisation plans by the government would also bring positive or negative effects on the distribution of traffic volume within the road networks.

With the completion of these projects such as the construction or reconstruction of municipal roads and interchanges in succession, and the opening and operation of phase II of Shenzhen Metro, the transportation network in Shenzhen region has been under continuous improvement. In addition, the Shenzhen government waived the tolls on certain local roads in Shenzhen. All these resulted in the changes in traffic distribution and composition in road network in this region, which had positive or negative effects on the operational performance of the projects operated and invested by the Group in Shenzhen region. Among these, changes in road network drove the operational performance of Yanpai

Expressway while Meiguan Expressway, Shuiguan Expressway, Shuiguan Extension and Nanguang Expressway were adversely affected.

Yifeng Expressway (Fengtouling, Guangdong – Yizhang, Hunan) which connects the northern end of Qinglian Expressway, opened to traffic in late September 2011, which improved the connection of Qinglian Expressway with the surrounding road networks, and thus had positive effect on the operational performance of Qinglian Expressway. On the other hand, reinforcement works were carried out on bridges in Qingyuan – Guangzhou Expressway, and heavy lorries were still prohibited from access during the Reporting Period, limiting the growth of freight traffic flow on Qinglian Expressway to certain extent. As at the date of this announcement, the Group was not aware of any news regarding the termination of such restricted access measures.

During the Reporting Period, the average daily toll revenue of Wuhuang Expressway recorded a YOY increase of 2.3%, reversing the gliding situation in revenue during 2011. Despite the persistent negative effect from the opening to traffic of Mawu Expressway and traffic control measures implemented in Wuhan, the commencement of operation of the vehicle identification stations on Wuhuang Expressway in late June 2011 and the opening to traffic of the connecting Daguang Expressway South Section in Hubei (Huangshi – Tongshan) in May 2012 have driven the increase of toll revenue of Wuhuang Expressway.

Business Development and Improvement —

The reconstruction and expansion works of North Section of Meiguan Expressway are currently in progress. As at the end of the Reporting Period, the culvert, channel, as well as pile foundation and pier column of the expansion of the bridges had been completed, and approximately 97% of the earthwork of road understructure, approximately 96% of abutment works, and some slope greening around formed base had been completed. The project is scheduled to be completed in the first half of 2013.

During the first half of 2012, the Company continued to carry out related preparation works for the maintenance works of Jihe East as scheduled, including project design, tendering, and the formulation and application for approval of the traffic organisation plans. The works are scheduled to be commenced in the second half of 2012 and completed within the year. During the construction period, the half width of the highway will be closed by section.

It is expected that the expansion on North Section of Meiguan Expressway and the maintenance works of Jihe East will have negative impacts to certain extent on the operational performance of relevant highways during the construction period. The Company will endeavor to minimise the possible adverse effects of such construction works on the traffic capacity of those highways through optimising the construction plan and implementing rational traffic organisation plans.

II. Entrusted Management and Other Businesses

Other than the toll highway business, leveraging on relevant management experience and resources, the Company has also launched or engaged in related businesses such as entrusted management, advertising and construction consulting, and prudently attempting to enter into new industries. During 2012 Interim, the entrusted management business of the Company realised the revenue of approximately RMB120 million and the advertising and other businesses realised the revenue of approximately RMB58 million, accounting for 7.7% and 3.7% of the Group's revenue respectively.

Provision of road construction management service is the major business of the Group in addition to the toll highway business currently. During the Reporting Period, the projects for which the Group carried out and provided its construction management service mainly included Coastal Project, Nanping (Phase II) and Guilong Project.

During the Reporting Period, the progress and cost of Coastal Project were basically in line with expectation. As at the end of the Reporting Period, an aggregate investment of RMB7.3 billion was completed, representing approximately 70% of the total approved budget. The project is scheduled to be completed in the second half of 2013. As Coastal Project mainly comprises of bridges built over the sea, it is technically demanding and requires high quality. The Company has put endeavors in

achieving performance targets such as safety, quality, schedule and cost through various ways such as enhancing the management system, strengthening management measures and optimising management means. In addition, the Group has proactively coordinated with various relevant government authorities so as to handle such material and difficult issues encountered in land requisition, demolition and relocation as well as construction in a practical manner.

Part of contracted section of Section A of Nanping (Phase II) connecting Nanguang Expressway was completed and opened to traffic on 1 August 2012. Most of the construction works of Section B of Nanping (Phase II) are temporarily not ready to be commenced as affected by the delay in the land requisition, demolition and relocation during preparation stage, and the adjustment in government's planning and the progress of reclamation works. As a result, the overall progress of the construction works of the project will be delayed. However, pursuant to the agreement, such delay would not incur performance obligations of the Company under the entrusted construction agreement. The Company will strengthen the coordination to obtain support from various parties and clearly define their respective responsibilities so as to facilitate the achievement of various management targets of entrusted construction management.

During the Reporting Period, various works for Guilong Project proceeded steadily as scheduled. The design of the working drawing, approval of the budget and tendering for Road Construction Project were completed. An aggregate amount of RMB256 million was received from the entrusting party for reimbursement and payment of land requisition, demolition and relocation as well as road construction funds in accordance with the terms of the agreement. Moreover, in order to effectively reduce the risk of funds recovery in Guilong Project, Guishen Company acquired the land use rights of a land with an area of approximately 883 Mu within the development area of Guilong Project with a consideration of RMB309 million through open tenders. The Company also plans to realise the market value of the land through market transactions, cooperation or self-development. It is beneficial for the Company to achieve the expected or better gain from Guilong Project and helpful to the Company in widening and enriching the direction and experience regarding business development. Currently, the Group is actively carrying out the study on relevant markets and prudently exploring the modes for realisation of land value.

4.2 Financial Analysis

During the first half of 2012, the Group recorded net profit attributable to owners of the Company ("Net Profit") of RMB418,821,000 (2011 Interim: RMB352,521,000), representing a YOY increase of 18.81%. The Group has made adjustments to provisions for maintenance/resurfacing obligations of major highways ("Provisions for Maintenance/resurfacing") based on the review results of the plan and the implementation measures for maintenance/resurfacing of highways since 1 July 2011, and made Provisions for Maintenance/resurfacing based on prospective application. Excluding the effect of Provisions for Maintenance/resurfacing, the Net Profit of the Group amounted to RMB431,561,000 during the Reporting Period (2011 Interim: RMB437,534,000), representing a slight YOY decrease of 1.37%. During the Reporting Period, as affected by such factors as slowdown in the growth of macro-economy, implementation of Standardisation Scheme in Guangdong Province and changes in the traffic distribution in the road network, toll revenue derived from most of the toll highways operated and invested by the Group recorded either a slower YOY growth or a decrease. Meanwhile, the rigid cost including the cost of depreciation and amortisation and the financial expenses increased, which lowered the YOY operating results of the Group slightly excluding the effect of Provisions for Maintenance/resurfacing for the Reporting Period. For the effect of Provisions for Maintenance/resurfacing, please refer to point 6 of "Analysis of Operating Results" below for details.

The financial statements of JEL Company have been consolidated into those of the Company since 1 July 2011. As it represents the business combination involving enterprises under common control, the Group made corresponding restatement to the financial statements for the previous accounting years according to the relevant requirements of the CAS. Therefore, the figures for 2011 Interim contained in this announcement are restated figures. For details, please refer to note 4(3) to 2011 annual Financial Statements.

I. Analysis of Operating Results

1. Revenue

During the Reporting Period, the Group recorded revenue of RMB1,560,628,000, representing a YOY growth of 12.84%, of which toll revenue is the main source of revenue of the Group which recorded a YOY increase of 4.65% to RMB1,382,456,000. Management services income recorded a significant increase, which was mainly attributable to the recognition of relevant income of RMB95,535,000 generated from entrusted construction management services based on the government's audit results of the total construction costs of Nanping (Phase I). A detailed analysis on revenue is as follows:

Operating revenue item	The Period (RMB'000)	Percentage of total	Restated 2011 Interim (RMB'000)	Percentage of total	Change
Toll revenue	1,382,456	88.58%	1,321,046	95.51%	4.65%
Management services income ^{Note}	120,227	7.70%	26,736	1.93%	349.69%
Other income (including income from advertising service)	57,945	3.72%	35,316	2.56%	64.08%
Total	1,560,628	100.00%	1,383,098	100.00%	12.84%

Note: Management services income included income from entrusted construction management services of RMB111,227,000 and income from entrusted operation management services of RMB9,000,000.

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

During the Reporting Period, the Group's profit before interests, tax and general and administrative expenses amounted to RMB908,314,000 (2011 Interim (restated): RMB750,563,000), representing a YOY increase of 21.00%. Excluding the effect of Provisions for Maintenance/resurfacing, profit before interests, tax and general and administrative expenses of the Group during the Reporting Period recorded a YOY increase of 8.92%. Profit contributed by principal business is as follows:

Profit before Interests, Tax and general and administrative Expenses	The Period (RMB million)	Restated 2011 Interim (RMB million)
Profit from toll highways operated by the Group (Excluding the impact of Provisions for Maintenance/resurfacing)	756	725
Share of profit of joint ventures and associates	68	83
Profit from other highway-related businesses	84	26
Total	908	834

(1) Profit from toll highways operated by the Group

◆ Profit

Profit from toll highways operated by the Group for the Reporting Period amounted to RMB755,445,000 (2011 Interim (restated): RMB642,345,000), representing a YOY growth of 17.61%. Excluding the effect of Provisions for Maintenance/resurfacing, such profit recorded a YOY increase of 4.09%, which was mainly attributable to the increase of profit before interest and tax from Qinglian Project and Yanpai Expressway. A detailed analysis on profit is as follows:

Toll Highway	Percentage of interests held	Toll revenue		Cost of services ^{Note}		Profit before interests, tax and general and administrative expenses ^{Note}	
		The Period (RMB'000)	Change	The Period (RMB'000)	Change	The Period (RMB'000)	Change
Meiguan Expressway	100%	166,211	-3.22%	42,529	-8.02%	118,121	-1.50%
Jihe East	100%	244,680	-2.82%	103,156	1.99%	133,421	-6.23%
Jihe West	100%	212,521	-2.97%	37,348	-7.23%	168,107	-2.08%
Yanba Expressway	100%	67,526	4.07%	38,290	-1.98%	27,440	15.65%
Yanpai Expressway	100%	90,697	22.03%	35,669	10.24%	59,098	48.91%
Nanguang Expressway	100%	104,644	-0.14%	50,161	9.59%	51,645	-7.13%
Qinglian Project	76.37%	285,956	24.29%	175,366	22.20%	100,701	28.52%
Wuhuang Expressway	55%	210,221	2.84%	106,204	3.41%	96,912	2.58%
Total		1,382,456	4.65%	588,723	6.84%	755,445	4.09%

Note: Cost of services and profit before interests, tax and general and administrative expenses for the Reporting Period and 2011 Interim excluded Provisions for Maintenance/resurfacing of Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway. For details on Provisions for Maintenance/resurfacing, please refer to “Cost of services” and “Provisions for Maintenance/resurfacing” below.

◆ Toll revenue

For the Reporting Period, the Group recorded toll revenue of RMB1,382,456,000, representing a YOY increase of 4.65%, which was mainly attributable to the increase of revenue from Qinglian Expressway and Yanpai Expressway. Qinglian Expressway commenced its full operation on 25 January 2011. With the synergy effects in road network brought by the operation of Yifeng Expressway in late September 2011, this project recorded a YOY increase of 24.29% in toll revenue during the Reporting Period. Benefited from the improvement of surrounding municipal roads and the relevant marketing measures, Yanpai Expressway recorded a YOY increase of 22.03% in toll revenue during the Reporting Period. As affected by factors such as slowdown in the growth of macro-economy, changes in the traffic distribution in the road network and implementation of Standardisation Scheme in Guangdong province since 1 June 2012, most projects recorded a slower YOY growth or a decrease to certain extent in toll revenue.

◆ Cost of services

Cost of services for the Group’s toll highways recorded a YOY decrease of 7.20% to RMB588,723,000 (2011 Interim (restated): RMB634,409,000) for the Reporting Period. Excluding the effect of Provisions for Maintenance/resurfacing, such cost grew by 6.84% YOY, resulting mainly from the corresponding increase in the cost of depreciation and amortisation of the toll highways as a result of growth of traffic volume. During the Reporting Period, the maintenance works for the road surface were carried out as scheduled on some of highways in Shenzhen region with the Provisions for Maintenance/resurfacing fund, lowering the expensed maintenance cost. An analysis on cost of services is as follows:

Cost of services item	The Period (RMB'000)	Percentage of total	Restated 2011 Interim (RMB'000)	Percentage of total	Change
Employee expenses	70,221	11.93%	67,543	12.26%	3.97%
Road maintenance expenses	54,098	9.19%	57,809	10.49%	-6.42%
Depreciation and amortisation	368,878	62.66%	332,793	60.39%	10.84%
Other business costs	95,526	16.22%	92,879	16.86%	2.85%
Sub-total	588,723	100.00%	551,024	100.00%	6.84%
Provisions for Maintenance/ resurfacing	—	—	83,385	—	N/A
Total	588,723	—	634,409	—	-7.20%

(2) The investment income from joint ventures and associates

The Group's investment income from joint ventures and associates for the Reporting Period amounted to RMB68,449,000 (2011 Interim (restated): RMB82,859,000), representing a YOY decrease of 17.39%, which mainly resulted from the slower growth or a decrease in toll revenue of certain invested enterprises caused by traffic volume diverted by the surrounding roads and the implementation of Standardisation Scheme in Guangdong province as well as the increase in the cost of Shuiguan Expressway caused by the increase in the amortisation per unit upon the completion of the expansion since July 2011 and the corresponding increase in the expensed borrowing costs. A detailed analysis on investment income from joint ventures and associates is as follows:

Toll highway	Percentage of interests held	Toll revenue		Cost of services of toll highway		Investment income of the Group ^{Note}	
		The Period (RMB'000)	Change	The Period (RMB'000)	Change	The Period (RMB'000)	Change (RMB'000)
Joint Ventures:							
Changsha Ring Road	51%	19,758	35.61%	19,477	5.40%	2,194	2,750
Associates:							
Shuiguan Expressway	40%	203,624	2.21%	70,885	47.06%	25,261	-13,655
Shuiguan Extension	40%	29,022	-24.50%	19,497	3.73%	(1,471)	-3,382
Yangmao Expressway	25%	249,249	14.06%	89,621	20.25%	20,980	496
Guangwu Project	30%	134,682	15.27%	50,206	17.39%	13,037	2,536
Jiangzhong Project	25%	174,423	1.38%	105,579	4.01%	2,846	-1,080
GZ W2 Expressway	25%	128,852	-1.06%	56,365	7.18%	1,413	-3,008
Nanjing Third Bridge	25%	163,630	8.41%	61,837	-8.82%	2,828	601
Total		1,103,240	6.00%	473,467	11.49%	67,088	-14,742

Note: Investment income from Consulting Company of RMB1,360,000 (2011 Interim: RMB1,028,000) was not included in the figure of investment income of the Group for the Reporting Period.

(3) Profit from other highway-related businesses

◆ Profit from entrusted construction management services

During the Reporting Period, the Company recognised profit from the entrusted construction management services of RMB58,569,000 based on the government's audit results of the total construction costs of Nanping (Phase I). The Company also recognised profit from the entrusted construction management services of RMB1,855,000 based on the percentage of completion for Coastal Project. The related service results of Nanping (Phase II), Longhua Extension, Longda Municipal Section and Guilong Project could not be predicted reliably, while the Directors are of the view that future reimbursements of management expenses incurred are probable, therefore the Company recognised revenue and costs for the Reporting Period based on actual management expenses of RMB5,665,000 incurred.

◆ Profit from entrusted operation management services

During the Reporting Period, pursuant to the terms of the agreement, the Company recognised revenue from entrusted operation management services for Longda Project of RMB9,000,000 and a relevant profit of RMB8,495,000 after deducting relevant tax.

3. General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period amounted to RMB25,460,000 (2011 Interim (restated): RMB32,126,000), representing a YOY decrease of 20.75%. Such decrease was mainly attributable to the provision for the housing allowances for employees for prior years as required by Shenzhen Municipal Government during 2011 Interim.

4. Financial Expenses

The Group's financial expenses for the Reporting Period amounted to RMB312,087,000 (2011 Interim (restated): RMB246,833,000). During the Reporting Period, as a result of the YOY increase in the average borrowings and the capital cost of the Group, interest expenses of the Group during the Period rose by 27.17% YOY. A detailed analysis on financial expenses is as follows:

Financial expenses item	The Period (RMB'000)	Restated 2011 Interim (RMB'000)	Change
Interest expenses	313,230	246,314	27.17%
Add : Interest capitalised	(4,320)	(2,399)	80.08%
Interest income	(18,799)	(6,041)	211.19%
Exchange gain/loss and others	4,989	(21,005)	N/A
Financial expenses excluding time value of Provisions for Maintenance/resurfacing	295,100	216,869	36.07%
Add: Time value of Provisions for Maintenance/resurfacing	16,987	29,964	-43.31%
Financial expenses	312,087	246,833	26.44%

5. Income Tax Expenses

During the Reporting Period, the Group's income tax expenses amounted to RMB130,832,000 (2011 Interim (restated): RMB92,283,000), representing a YOY increase of 41.77%. As a result of the combined effect of the rise in tax rate for the Period (2012:25%, 2011:24%), the receipt of tax rebate by Magerk Company for prior years during 2011 Interim and the increase in taxable income during the Reporting Period, the income tax expenses recorded a YOY increase of 11.99% for the Reporting Period excluding the effect of Provisions for Maintenance/resurfacing.

6. Provisions for Maintenance/Resurfacing

The effect of the Group's making and adjusting Provisions for Maintenance/resurfacing on the main items of the consolidated income statement for the Reporting Period and 2011 Interim is set out below:

Item	Effect of Provisions for Maintenance/resurfacing (RMB'000)	
	The Period	2011 Interim
Cost of services	-	83,385
Of which: Jihe West	-	34,726
Yanpai Expressway	-	16,829
Yanba Expressway	-	20,104
Nanguang Expressway	-	11,726
Profit before interests, tax and general and administrative expense	-	(83,385)
Financial expenses	16,987	29,964
Income tax expenses	(4,247)	(28,337)
Net profit	(12,740)	(85,012)

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

The Group's concession intangible assets are amortised based on the units-of-usage method. That is, the amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular reviews on the projected traffic volumes and makes corresponding adjustments to ensure reliability and accuracy of the amortised amount.

During the preliminary stages of toll highways' operation and before reaching their designed saturated traffic volumes, the amortised amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. During the Reporting Period, the amortisation difference under the two methods of amortisation attributable to the Company based on its equity interests was RMB134,000,000, of which the amortisation difference of RMB83,000,000 was attributable to Qinglian Expressway which commenced full operation as an expressway on 25 January 2011 and was still in the early stage of its operation. 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.

II. Analysis of Financial Position

1. Assets, Equity and Liabilities

The Group's financial position remains solid, with its assets comprising mainly cash, concession intangible assets as well as investments in joint ventures and associates in high-grade toll highways. As at 30 June 2012, the Group's total assets amounted to RMB24,256,924,000 (31 December 2011: RMB24,608,793,000), representing a decrease of 1.43% over the end of 2011, of which concession intangible assets of toll highways as well as investments in joint ventures, associates and other equity in aggregate accounted for 84.35% of the total assets.

As at 30 June 2012, the Group's total equity amounted to RMB10,543,033,000 (31 December 2011: RMB10,497,388,000), representing an increase of 0.43% over the end of 2011. This was mainly attributable to the increased net profit for the Reporting Period and the deduction of dividend distributed for 2011.

As at 30 June 2012, outstanding bonds payable and bank borrowings of the Group amounted to RMB10,580,696,000 (31 December 2011: RMB10,879,433,000, 30 June 2011 (restated): RMB9,576,987,000), representing a decrease of 2.75% over the end of 2011 and an increase of 10.48% over 30 June 2011, of which Qinglian Project utilised the borrowings of RMB5.446 billion.

2. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, in order to maintain its good credit ratings and solid financial position. The debt-to-asset ratio of the Group basically remained steady as compared to that at the end of 2011. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, the Directors are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

	30 June 2012	31 December 2011
Debt-to-asset ratio (Total liabilities/Total assets)	56.54%	57.34%
Net borrowings-to-equity ratio (Total borrowings – cash and cash equivalents)/Total equity)	82.83%	82.99%
	The Period	Restated 2011 Interim
Interest covered multiple (Profit before interests and tax/interest expenses)	2.72	2.70
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/interest expenses)	3.89	3.94

3. Liquidity and Cash Management

During the Reporting Period, as the PRC government lowered the deposit reserve rate and interest rates for deposit and lending, the external financing environment is more relaxed over 2011. The Company optimised its debt structure, strengthened its control on cash flows of major projects and main subsidiaries, appropriately increased its cash on hand and maintained sufficient banking facilities so as to prevent the liquidity risk. Meanwhile, the Group maximised its capital gains by arranging a number of fixed deposits of appropriate deposit periods. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks, with no deposit in non-bank institutions or any amount applied to securities investments.

	30 June 2012 (RMB million)	31 December 2011 (RMB million)	Change
(Net current liabilities) / Net current assets	(456)	155	N/A
Cash and cash equivalents	1,848	2,167	-14.77%
Banking facilities available	5,620	6,008	-6.46%

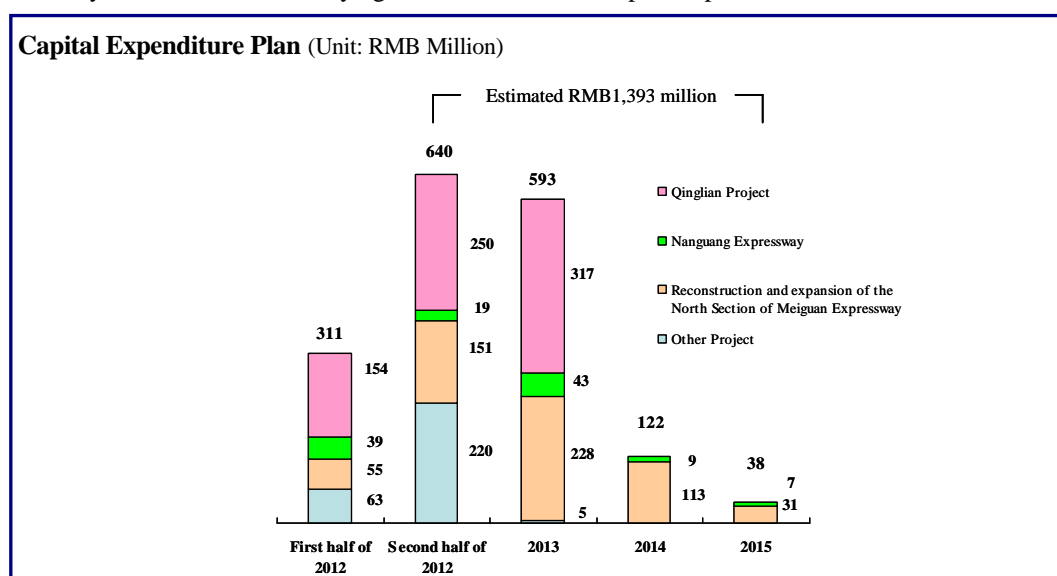
4. Foreign-currency Denominated Assets and Liabilities

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 RMB680,696,000 worth of foreign currency-denominated monetary liabilities in HK\$, while RMB1,226,000 and RMB83,000 worth of foreign currency-denominated monetary assets were in HK\$ and other foreign currencies, respectively. Foreign currency-denominated items were net liabilities after netting off. The Company has arranged relevant financial instruments to hedge the risk of foreign exchange fluctuation of foreign currency denominated-liabilities. The Company has arranged "Non-Deliverable Gross Currency Swap" for a loan of HK\$420 million with a maturity period of five years to lock up its interest rate and exchange rate. The Company also arranged "Non-Deliverable Forward" for a loan of HK\$227 million with a maturity period of three years to lock up the exchange rate. As at the end of the Reporting Period, the outstanding principal of such five-year loan was HK\$378 million.

III. Capital and Financing

1. Capital Expenditure

During the Reporting Period, the Group's capital expenditures comprised mainly the reconstruction of Qinglian Class 1 Highway into an expressway, the reconstruction and expansion of Meiguan Expressway and the remaining construction and investments of Nanguang Expressway, totalling approximately RMB311 million. As at 30 June 2012, the Group's capital expenditure plan comprised mainly construction and investments in the reconstruction of Qinglian Class 1 Highway into an expressway, remaining construction, investments and settlements of projects such as Nanguang Expressway and the reconstruction and expansion works of Meiguan Expressway. It is expected that the Group's total capital expenditures will amount to approximately RMB1.393 billion by the end of 2015. The Group plans to satisfy such capital needs with its own capital and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability currently are sufficient for satisfying the needs of various capital expenditures.



2. Operating Cash Flow

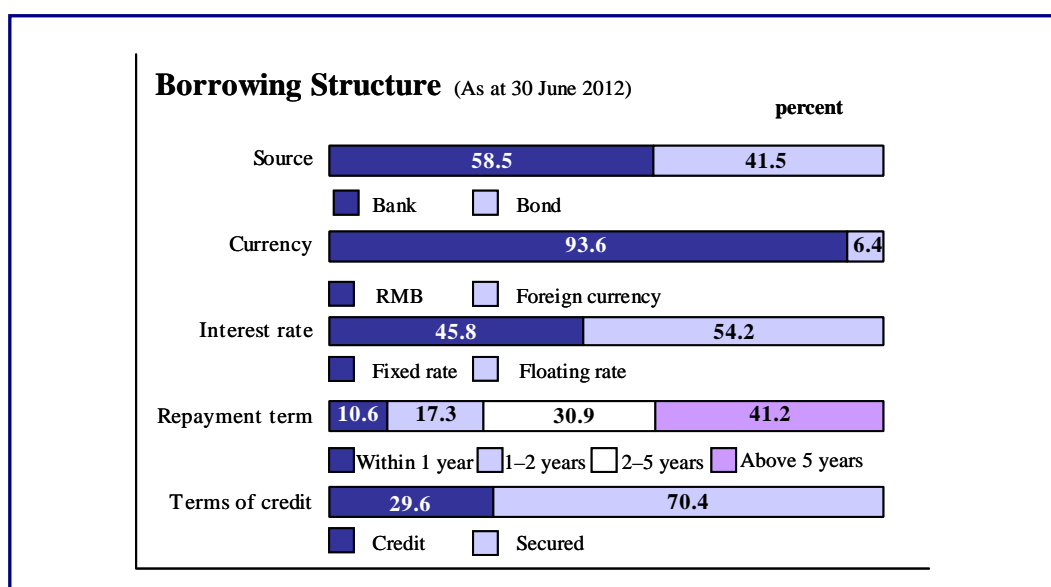
The toll revenue of the Group's principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totaled RMB848,258,000 (2011 Interim (restated): RMB844,550,000), basically on par YOY.

3. Financial Strategies and Financing Arrangements

During the second half of 2011, in order to mitigate the financing pressure caused by external macro-economic control and the tightening monetary policies, the Company issued medium to long-term bonds for replacing short-term borrowings, strengthening our liquidity to satisfy the capital needs of the Group and enlarging the reserve of financial resources. Accordingly, the Group's average borrowings and capital costs during the Reporting Period increased as compared to those of last year. During the Reporting Period, the external financing environment gradually loosened with the deposit reserve rate and interest rate of lending in RMB being reduced. The Group continued to pay close attention to the changes of relevant policies and market trend, and strived to realise its targets of securing funding, enhancing financial position and lowering financial costs by flexible management, planning and arrangement of the Group's internal financial budget plan, and timely optimising the existing debt structure and future financing strategies of the Group.

The Group's composite borrowing costs for the Reporting Period amounted to 5.71% (2011: 4.96%), which was 0.75 percentage point higher than that in 2011 and lower than the market borrowing rate. During the Reporting Period, the Group did not have any overdue principal and interests of bank loans.

As at the end of the Reporting Period, the Group's borrowings comprised mainly medium to long-term bank loans and bonds. The specific borrowing structure of the Group is shown as follows:



During the Reporting Period, the Company continued to maintain the highest rating of AAA in credit rating for borrowing enterprises. The follow-up debt credit ratings of the issued enterprise bonds, corporate bonds and medium-term notes were maintained at their original ratings of AAA or AA+. As at 30 June 2012, the Group had obtained a total of RMB13.45 billion of banking facilities, including RMB7.8 billion of credit facilities specifically for projects under construction and RMB5.65 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities available amounted to RMB5.62 billion, of which RMB1.08 billion was credit facilities specifically for projects

under construction and RMB4.54 billion was general banking credit facilities.

In August 2011, the Company has completed the issue of corporate bonds in amount of RMB1.5 billion to the public. As undertaken in the prospectus, approximately RMB800 million from the fund raising would be utilised for replenishing the working capital of the Company and/or its subsidiaries and approximately RMB700 million would be utilised for repayment of the existing debts of the Company. As at the end of the Reporting Period, the proceeds were fully utilised, of which RMB800 million was utilised for replenishing the working capital and RMB700 million was utilised for repayment of the existing bank borrowings of the Company. As the Group has stable and ample operating cash flow and sufficient banking facilities, the Directors are of view that the Group's financial resources and financing capability are sufficient for satisfying the needs of payment of the principal and interests of bonds when fall due in the future.

4.3 Outlook and Plans

I. Analysis on Operating Environment

In the second half of 2012, China will continue to face the pressure of economic slowdown. However, it is expected that under the central government's macro-control, China is still able to maintain its momentum on economic growth throughout the year, which may help the overall performance of toll highway industry remain stable.

In recent years, the external operating environment of the toll highway industry has been undergoing major transitions and changes. The national policy on the industry was further tightened and in the meantime negative public view on toll highways has intensified. The Standardisation Scheme and its subsequent arrangement implemented in Guangdong province since 1 June 2012 will have relatively substantial negative effect on our business performance in the future. In July 2012, the State Council approved the implementation plan for toll free passage for light vehicles on major holidays. For details thereof, please refer to the announcements of the Company dated 31 May 2012 and 17 August 2012 respectively. It is expected that the implementation of the abovementioned policies will synthetically affect the Group's overall toll revenue to the extent of approximately 8% to 9% in 2012 and have direct impact on our profit and operating management mode. Moreover, pursuant to a notice issued by Jiangsu Provincial Government in July 2012, the operation period of Nanjing Third Bridge was re-approved to be 25 years, which was previously approved to be 30 years. Although from the viewpoint of the overall domestic road network planning and road scale, significant changes in the overall policy on toll highways in near term are unlikely, upcoming individual policies or administrative measures will put pressure and challenges on the Group's operations and management. The Company will closely monitor the directions of the policies, maintain active communication with government authorities and formulate feasible response measures so as to minimise policy risks. Meanwhile, the Company will adjust operating strategy in time and make efforts to safeguard the interests of both the Company and its shareholders according to development needs and in line with the internal and external environment.

With the growth of the regional economy and the increasing demand in traffic, there is pressure that the government may repurchase certain projects of the Company. Recently, Shenzhen Municipal Government had a number of communications and negotiations with the Company for the repurchase of the South Section of or the whole of Meiguan Expressway. Due to the wide coverage and the complication of the approval procedures, no detailed plan has been formulated.

Moreover, since the Group's owned Qinglian Class 2 Road bore most of the traffic flow during the period of reconstruction into an expressway of Qinglian project, its road surfaces were badly worn out, and relatively large-scale of maintenance works have been carried out up to this date. On the other hand, in recent years, the government planned to gradually cancel the toll of class 2 roads. If the toll of Qinglian Class 2 Road is finally cancelled, the Group may face risks of asset loss or impairment. As the detailed implementation arrangement and scheme for the cancellation of the toll of operating class 2 roads in Guangdong province has not determined, the Company will negotiate with the government in a timely manner for the formulation of a reasonable and feasible plan so as to reduce any negative

effect.

In the first half of 2012, the inflation pressure in China was relieved to certain extent and the government appropriately adjusted the tightening monetary policies through such measures as reduction of deposit reserve rate and the benchmark interest rate for deposit and lending. The external environment improved compared with that of last year but the government still strengthened its control on the utilisation of funds. Under this environment, the Company will continue to adopt an effective cost management measures, and actively control and reduce the operation and construction cost. With a relatively high gearing ratio, the Group will continue to adopt prudent financial strategies in future in order to realise the balance between safety and liquidity of funds, and the control on financial cost. It is expected that the Group's financial cost for 2012 will increase to a certain extent as compared with that for 2011.

II. Focal Point of Work in the Second Half of the Year

The focal points of work of the Group in the second half of 2012 include:

- ◆ Continuing to improve service quality and ensuring road traffic efficiency and traffic capacity, taking various marketing and management measures and strengthening road network publicity and traffic flow divergence to explore the market potential, continuing the establishment of the highway management system, further modifying our research on maintenance technology program and finishing high quality maintenance works of Jihe East and preventive road surface maintenance works of Yanba Expressway.
- ◆ Strengthening the supervision and management of the construction projects and entrusted construction projects to ensure the various performance targets such as safety, schedule, quality, cost and environmental protection of our projects under construction. In respect of entrusted construction projects, we will continue to maintain close communication and active coordination with government authorities, accelerate project payment settlement and achieve timely recovery of entrusted construction revenue.
- ◆ Continuing the studies and negotiations in respect of the toll collection method adjustment program of Meiguan Expressway, putting more efforts on the research and expansion of new industries and businesses and driving the progress of the projects in a prudent manner.
- ◆ Paying close attention to the changes of monetary policies and environment, preparing financial plans and making arrangement, strengthening the forecast and routine management of cash flow, improving the timeliness and accuracy of financial plans, and further optimising debt structure and controlling the cost of capital reasonably on the condition of maintenance of the Group's financial safety.
- ◆ Continuing to improve the Group's internal control and risk management mechanisms, carrying out the optimisation of the organisation and improving the organisation and management system so as to meet the actual needs of the Group's development on an ongoing basis.

In the second half of 2012, there will be no material changes in the Group's overall work targets as compared with those for the beginning of 2012. The management of the Company will continue to pay attention to the changes in external environment, focus on such focal points as operation, maintenance, construction, financing and exploration of new industries, and actively push ahead on various work plans in order, and strive to improve the Group's operating results and management.

§5 Review of Interim Results

The Audit Committee of the Company has reviewed and endorsed the 2012 Interim Results Announcement and Interim Report and the relevant financial information has not been audited. The 2012 interim financial information and the comparative figures for the same period of 2011 are prepared in accordance with CAS.

§6 Changes in Share Capital and Shareholders

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

Unit: share

Total number of shareholders		The Company had 35,661 shareholders in total, including 35,368 holders of domestic shares and 293 holders of H Shares.		
The top ten shareholders				
Name of shareholder	Percentage	Number of shares held as at the end of the Period	Change during the Period	Type of shares
HKSCC Nominees Limited ^{Note}	32.53%	709,511,098	+2,106,000	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	30.03%	654,780,000	—	A Share
Shenzhen Shen Guang Hui Highway Development Company	18.87%	411,459,887	—	A Share
China Merchants Hua Jian Highway Investment Co., Ltd	4.00%	87,211,323	—	A Share
Guangdong Roads and Bridges Construction Development Company Limited	2.84%	61,948,790	—	A Share
Au Siu Kwok	0.50%	11,000,000	—	H Share
Ip Kow	0.42%	9,100,000	-2,200,000	H Share
ICBC - Huaan Mid/Small-Cap Fund	0.36%	7,742,300	+3,596,863	A Share
Wong Kin Ping + Li Tao	0.23%	5,000,000	—	H Share
CCB – ChinaAMC Dividend Fund	0.18%	3,951,080	+3,951,080	A Share

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

§7 Other Matters

7.1 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 joint ventures.

7.2 Compliance with the Code on Corporate Governance Practices and Corporate Governance Code

The Company is committed to maintaining a high standard of corporate governance. During the Reporting Period, the listed company on HKEx should comply with the code provisions of the “Code on Corporate Governance Practices” formerly set out in Appendix 14 of the Listing Rules of HKEx and the “Corporate Governance Code” set out in new edition of Appendix 14 of the Listing Rules of HKEx which took effect on 1 April 2012. In the corresponding period the Company has fully adopted the code provisions and most of the recommended best practices of the abovementioned codes.

§8 Definitions

Meiguan Expressway The expressway from Meilin to Guanlan in Shenzhen City, comprising the *North Section of Meiguan Expressway* (Qinghu to Liguang) and the *South Section of Meiguan Expressway* (Meilin to Qinghu)

Jihe Expressway The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising *Jihe East* (Qinghu to He'ao) and *Jihe West* (Airport to Qinghu)

<i>Yanba Expressway</i>	The expressway from Yantian to Bagang in Shenzhen City, comprising <i>Yanba A</i> (Yantian to Xichong), <i>Yanba B</i> (Xichong to Kuichong) and <i>Yanba C</i> (Kuichong to Bagang)
<i>Yanpai Expressway</i>	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway
<i>Nanguang Expressway</i>	The expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue
<i>Shuiguan Expressway</i>	The expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage
<i>Shuiguan Extension</i>	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)
<i>Coastal Expressway (Shenzhen Section)</i>	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) of the Coastal Expressway from Guangzhou to Shenzhen (“ <i>Coastal Expressway</i> ”)
<i>Longda Expressway</i>	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan
<i>Qinglian Project</i>	<i>Qinglian Expressway</i> , <i>Qinglian Class 1 Highway</i> , <i>Qinglian Class 2 Road</i> and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be, among which, the Lianzhou to Fengbu Section of Qinglian Project refers to <i>Liannan Section</i>
<i>Yangmao Expressway</i>	The expressway from Yangjiang to Maoming
<i>Guangwu Project</i>	The section from Ma’an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi (“ <i>Guangwu Expressway</i> ”)
<i>Jiangzhong Project</i>	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan
<i>GZ W2 Expressway</i>	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway
<i>Wuhuang Expressway</i>	The expressway from Wuhan to Huangshi
<i>Changsha Ring Road</i>	Changsha Ring Expressway (Northwestern Section)
<i>Nanjing Third Bridge</i>	Nanjing Yangtze River Third Bridge
<i>Longda Project</i>	The entrusted management of 89.93% equity interests in Longda Company by the Company, including the daily operation management of Longda Expressway
<i>Nanping Project</i>	The management of the construction project of Shenzhen Nanping Freeway (also referred to as Nanping Avenue) undertaken by the Company, among which, the first phase of Nanping Freeway refers to <i>Nanping (Phase I)</i> and the second phase of Nanping Freeway refers to <i>Nanping (Phase II)</i> , comprising section A and section B
<i>Longhua Extension</i>	The management of the construction project of Longhua Extension to Longda Expressway undertaken by the Company
<i>Longda Municipal Section</i>	The management of the construction project of municipal facilities of Dalang Section of Longda Expressway undertaken by the Company
<i>Coastal Project</i>	The entrusted management of 深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited) undertaken by the Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period
<i>Guilong Project</i>	The project of phase I of Guilong Road in Longli, Guizhou Province by “build - transfer” mode (“ <i>Road Construction Project</i> ”) and the project of primary development of relevant land (“ <i>Development Project</i> ”) undertaken by the Group

<i>Consulting Company</i>	深圳高速工程顧問有限公司 (Shenzhen Expressway Engineering Consulting Company Limited)
<i>JEL Company</i>	Jade Emperor Limited
<i>Magerk Company</i>	湖北馬鄂高速公路經營有限公司 (Hubei Magerk Expressway Management Private Limited)
<i>Guishen Company</i>	貴州貴深投資發展有限公司(Guizhou Guishen Investment Development Company Limited)
<i>The Company, Company</i>	Shenzhen Expressway Company Limited
<i>The Group, Group</i>	The Company and its consolidated subsidiaries
<i>Reporting Period, Period,2012 Interim</i>	For the six months ended 30 June 2012
<i>2011 Interim</i>	For the six months ended 30 June 2011
<i>YOY</i>	Year-on-year change rate as compared to 2011 Interim
<i>A Shares</i>	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
<i>H Shares</i>	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
<i>SSE</i>	The Shanghai Stock Exchange
<i>HKEx</i>	The Stock Exchange of Hong Kong Limited
<i>Listing Rules</i>	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)
<i>CAS</i>	The Accounting Standards for Business Enterprises (2006) of the PRC
<i>PRC</i>	The People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
<i>RMB</i>	Renminbi, the lawful currency of the PRC
<i>HK\$</i>	Hong Kong dollars, the lawful currency of the Hong Kong Special Administration Region of the PRC
<i>Board</i>	The board of Directors of the Company
<i>Director(s)</i>	The director(s) of the Company
<i>Supervisory Committee</i>	The supervisory committee of the Company
<i>Supervisor(s)</i>	The supervisor(s) of the Company

By Order of the Board

Yang Hai
Chairman

Shenzhen, the PRC, 17 August 2012

As at the date of this announcement, 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. Hu Wei (Non-executive Director), Mr. Tse Yat Hong (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Wang Hai Tao (Independent non-executive Director), Mr. Zhang Li Min (Independent non-executive Director), Mr. Au Sing Kun (Independent non-executive Director) and Mr. Lin Chu Chang (Independent non-executive Director).

This Results Announcement, which has been published on the website of HKEx at <http://www.hkex.com.hk>, only gives a summary of the information and particulars contained in the full Interim Report of the Company. A detailed Interim Report containing all the information to accompany interim report required by Appendix 16 to the Listing Rules of HKEx will be subsequently published on the website of HKEx at <http://www.hkex.com.hk> in due course.

Appendix:

SHENZHEN EXPRESSWAY COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

Shenzhen Expressway Company Limited

Consolidated Balance Sheet

As at 30 June 2012

(All amounts in RMB unless otherwise stated)

Assets	Note	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Current assets			
Cash at bank and on hand	5(1)	1,851,981,716.53	2,175,670,176.39
Accounts receivable	5(2)	298,596,682.17	315,745,448.31
Advances to suppliers	5(4)	324,572,218.16	15,930,561.01
Interest receivable		3,663,296.68	1,054,222.22
Other receivables	5(3)	28,219,497.19	194,749,864.07
Inventories	5(5)	2,382,549.30	3,643,274.66
Total current assets		2,509,415,960.03	2,706,793,546.66
Non-current assets			
Long-term equity investments	5(6)	1,644,978,269.53	1,616,114,885.51
Investment properties	5(7)	16,117,075.00	16,404,925.00
Fixed assets	5(8)	1,157,819,443.95	1,215,347,067.45
Construction in progress	5(9)	40,785,415.66	28,349,097.79
Intangible assets	5(10)	18,814,515,348.24	18,962,584,720.93
Long-term prepaid expenses		2,591,871.59	3,049,260.65
Deferred tax assets	5(11)	70,700,138.44	60,149,197.95
Total non-current assets		21,747,507,562.41	21,901,999,155.28
Total assets		24,256,923,522.44	24,608,792,701.94

Shenzhen Expressway Company Limited

Consolidated Balance Sheet (continued)

As at 30 June 2012

(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	Note	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Current liabilities			
Short-term borrowings	5(12)	16,304,400.00	137,819,000.00
Accounts payable	5(13)	772,614,351.36	906,979,801.44
Advances from customers	5(14)	19,493,996.00	24,086,880.00
Employee benefits payable	5(15)	28,837,514.19	73,765,642.43
Taxes payable	5(16)	146,530,984.91	199,149,842.71
Interest payable	5(17)	156,262,043.66	96,738,066.52
Dividends payable	5(18)	107,640,030.19	7,829,353.57
Other payables	5(19)	312,712,261.05	292,636,940.62
Current portion of non-current liabilities	5(21)	1,404,628,466.10	812,396,755.52
Total current liabilities		<u>2,965,024,047.46</u>	<u>2,551,402,282.81</u>
Non-current liabilities			
Long-term borrowings	5(22)	5,769,846,600.00	5,898,630,708.00
Bonds payable	5(23)	3,693,025,252.11	4,355,649,716.83
Provisions	5(20)	368,439,902.44	356,109,917.53
Deferred tax liabilities	5(11)	905,533,580.40	938,248,278.82
Hedging instruments	5(24)	12,021,533.04	11,364,107.77
Total non-current liabilities		<u>10,748,866,867.99</u>	<u>11,560,002,728.95</u>
Total liabilities		<u>13,713,890,915.45</u>	<u>14,111,405,011.76</u>
Owners' equity			
Share capital	5(25)	2,180,770,326.00	2,180,770,326.00
Capital surplus	5(26)	3,182,179,894.64	3,184,545,911.42
Surplus reserve	5(27)	1,534,894,948.48	1,534,894,948.48
Undistributed profits	5(28)	2,374,103,420.34	2,304,205,866.63
Total equity attributable to owners of the Company		<u>9,271,948,589.46</u>	<u>9,204,417,052.53</u>
Minority interests	5(29)	1,271,084,017.53	1,292,970,637.65
Total owners' equity		<u>10,543,032,606.99</u>	<u>10,497,387,690.18</u>
Total liabilities and owners' equity		<u>24,256,923,522.44</u>	<u>24,608,792,701.94</u>

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Balance Sheet

As at 30 June 2012

(All amounts in RMB unless otherwise stated)

Assets	Note	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Current assets			
Cash at bank and on hand		1,377,703,994.24	1,419,918,726.44
Accounts receivable	12(1)	251,286,009.75	261,825,282.91
Advances to suppliers		2,046,403.91	5,277,612.43
Interest receivable		3,663,296.68	1,054,222.22
Other receivables	12(2)	490,567,515.07	234,432,358.68
Inventories		1,228,567.86	1,396,799.80
Total current assets		2,126,495,787.51	1,923,905,002.48
Non-current assets			
Long-term receivables	12(3)	840,333,337.00	1,286,001,469.25
Long-term equity investments	12(4)	6,644,214,855.81	6,519,524,825.09
Investment properties		16,117,075.00	16,404,925.00
Fixed assets		623,981,537.14	655,712,088.89
Construction in progress		5,177,926.04	1,392,509.32
Intangible assets		5,066,839,584.17	5,060,277,975.29
Long-term prepaid expenses		2,591,871.59	3,049,260.65
Deferred tax assets		68,928,328.61	60,149,197.95
Total non-current assets		13,268,184,515.36	13,602,512,251.44
Total assets		15,394,680,302.87	15,526,417,253.92

Shenzhen Expressway Company Limited

Balance Sheet (continued)

As at 30 June 2012

(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Current liabilities		
Short-term borrowings	-	155,000,000.00
Accounts payable	127,331,899.05	113,209,630.98
Advances from customers	5,250,000.00	750,000.00
Employee benefits payable	17,147,039.24	49,767,762.00
Taxes payable	75,071,863.80	115,317,600.31
Interest payable	148,760,567.70	90,967,202.86
Dividends payable	107,640,030.19	-
Other payables	358,041,039.34	197,942,202.12
Current portion of non-current liabilities	935,908,635.15	379,586,432.03
Total current liabilities	1,775,151,074.47	1,102,540,830.30
Non-current liabilities		
Long-term borrowings	1,406,626,400.00	1,622,019,900.00
Bonds payable	3,699,762,468.18	4,363,096,009.72
Provisions	368,439,902.44	356,109,917.53
Total non-current liabilities	5,474,828,770.62	6,341,225,827.25
Total liabilities	7,249,979,845.09	7,443,766,657.55
Owners' equity		
Share capital	2,180,770,326.00	2,180,770,326.00
Capital surplus	2,315,587,934.74	2,315,587,934.74
Surplus reserve	1,534,894,948.48	1,534,894,948.48
Undistributed profits	2,113,447,248.56	2,051,397,387.15
Total owners' equity	8,144,700,457.78	8,082,650,596.37
Total liabilities and owners' equity	15,394,680,302.87	15,526,417,253.92

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Consolidated Income Statement

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

	Note	For the six months ended 30 June 2012 (Unaudited)	For the six months ended 30 June 2011 (Unaudited, restated)
Revenue	5(30)	1,560,628,257.43	1,383,098,031.39
Less: Cost of services	5(30)	(664,623,953.11)	(664,242,970.40)
Business tax and surcharges	5(31)	(56,137,730.57)	(51,056,057.33)
General and administrative expenses	5(32)	(25,460,333.60)	(32,125,755.03)
Financial expenses – net	5(33)	(312,087,121.93)	(246,833,026.78)
Add: Investment income	5(34)	68,448,560.65	82,858,832.59
Including: share of profit of associates and joint ventures		68,448,560.65	82,858,832.59
Operating profit		570,767,678.87	471,699,054.44
Add: Non-operating income	5(35)	198,654.45	235,188.18
Including: Gains on disposal of non- current assets		43,550.00	8,920.00
Less: Non-operating expenses	5(35)	(199,996.87)	(329,999.63)
Including: Losses on disposal of non- current assets		(139,409.40)	(238,707.00)
Total profit		570,766,336.45	471,604,242.99
Less: Income tax expenses	5(36)	(130,832,202.72)	(92,282,704.20)
Net profit		439,934,133.73	379,321,538.79
Including: Net profit of the acquired entity in a business combination involving enterprises under common control before the combination		-	96,088,811.49
Net profit attributable to owners of the Company		418,820,805.87	352,521,341.74
Minority interests		21,113,327.86	26,800,197.05
Earnings per share			
Basic earnings per share	5(37)	0.192	0.162
Diluted earnings per share	5(37)	0.192	0.162
Other comprehensive income	5(38)	(2,366,016.78)	6,181,998.71
Total comprehensive income		437,568,116.95	385,503,537.50
Attributable to owners of the Company		416,454,789.09	358,703,340.45
Minority interests		21,113,327.86	26,800,197.05

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Income Statement

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

	Note	For the six months ended 30 June 2012 (Unaudited)	For the six months ended 30 June 2011 (Unaudited)
Revenue	12(5)	604,540,070.30	492,296,012.28
Less: Cost of services		(207,977,250.89)	(252,252,688.04)
Business tax and surcharges		(20,923,901.83)	(19,869,233.25)
General and administrative expenses		(22,778,711.60)	(32,115,384.08)
Financial expenses – net		(141,578,357.55)	(93,628,042.87)
Add: Investment income	12(6)	252,929,146.99	274,962,635.83
Including: share of profit of associates and joint ventures		<u>68,448,560.65</u>	<u>82,858,832.59</u>
Operating profit		464,210,995.42	369,393,299.87
Add: Non-operating income		29,554.44	91,995.18
Including: Gains on disposal of non- current assets		<u>24,450.00</u>	<u>1,900.00</u>
Less: Non-operating expenses		(120,724.75)	(75,851.76)
Including: Losses on disposal of non- current assets		<u>(101,224.75)</u>	<u>(28,373.26)</u>
Total profit		464,119,825.11	369,409,443.29
Less: Income tax expenses		<u>(53,146,711.54)</u>	<u>(21,558,609.80)</u>
Net profit		410,973,113.57	347,850,833.49
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		410,973,113.57	347,850,833.49

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Consolidated Cash Flow Statement For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

	Note	For the six months ended 30 June 2012 (Unaudited)	For the six months ended 30 June 2011 (Unaudited, restated)
Cash flows from operating activities			
Cash received from rendering services		1,519,956,051.91	1,394,757,222.44
Refund of taxes and surcharges		-	17,398,563.48
Cash received relating to other operating activities	5(39)(a)	346,260,115.31	17,025,078.19
Sub-total of cash inflows		1,866,216,167.22	1,429,180,864.11
Cash paid for goods and services		(246,529,932.65)	(203,677,688.53)
Cash paid to and on behalf of employees		(125,920,910.63)	(102,636,784.33)
Payments of taxes and surcharges		(264,501,006.97)	(256,870,618.58)
Cash paid relating to other operating activities	5(39)(b)	(421,091,886.83)	(88,786,916.48)
Sub-total of cash outflows		(1,058,043,737.08)	(651,972,007.92)
Net cash flows from operating activities	5(40)(a)	808,172,430.14	777,208,856.19
Cash flows from investing activities			
Cash received from disposal of investments		14,462,711.63	9,425,170.99
Cash received from returns on investments		25,622,465.00	57,916,086.09
Net cash received from disposal of fixed assets		64,071.30	7,410.00
Cash received relating to other investing activities		16,723,819.03	3,791,521.98
Sub-total of cash inflows		56,873,066.96	71,140,189.06
Cash paid to acquire fixed assets and intangible assets		(306,282,355.59)	(491,561,672.21)
Net cash paid to acquire subsidiaries		-	(4,900,000.00)
Cash paid relating to other investing activities		(8,203,865.19)	(4,814,735.95)
Sub-total of cash outflows		(314,486,220.78)	(501,276,408.16)
Net cash flows from investing activities		(257,613,153.82)	(430,136,219.10)
Cash flows from financing activities			
Cash received from capital contributions		52,735,990.13	63,400,992.64
Including: Cash received from capital contributions by minority shareholders of subsidiaries		52,735,990.13	63,400,992.64
Cash received from borrowings		140,260,192.00	474,294,760.00
Sub-total of cash inflows		192,996,182.13	537,695,752.64
Cash repayments of borrowings		(478,594,500.00)	(369,084,625.43)
Cash payments for interest expenses and distribution of dividends or profits		(580,566,251.99)	(623,347,547.19)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(122,690,291.68)	(172,125,000.00)
Cash payments relating to other financing activities		(3,932,968.09)	(4,223,391.10)
Sub-total of cash outflows		(1,063,093,720.08)	(996,655,563.72)
Net cash flows from financing activities		(870,097,537.95)	(458,959,811.08)
Effect of foreign exchange rate changes on cash		(717,141.48)	(2,405,223.48)
Net decrease in cash	5(40)(b)	(320,255,403.11)	(114,292,397.47)
Add: Cash at beginning of period		2,167,953,309.07	577,312,394.11
Cash at end of period	5(40)(c)	1,847,697,905.96	463,019,996.64

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Cash Flow Statement

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

	For the six months ended 30 June 2012 (Unaudited)	For the six months ended 30 June 2011 (Unaudited)
Cash flows from operating activities		
Cash received from rendering services	580,339,535.82	496,065,688.17
Cash received relating to other operating activities	205,572,731.48	106,804,078.67
Sub-total of cash inflows	785,912,267.30	602,869,766.84
Cash paid for goods and services	(47,484,465.43)	(44,087,989.06)
Cash paid to and on behalf of employees	(70,711,504.03)	(61,248,113.81)
Payments of taxes and surcharges	(123,460,929.65)	(82,325,019.82)
Cash paid relating to other operating activities	(35,093,601.28)	(138,675,418.72)
Sub-total of cash outflows	(276,750,500.39)	(326,336,541.41)
Net cash flows from operating activities	509,161,766.91	276,533,225.43
Cash flows from investing activities		
Cash received from disposal of investments	108,636,064.94	118,186,695.51
Cash received from returns on investments	210,103,051.33	250,019,889.35
Net cash received from disposal of fixed assets	-	1,900.00
Cash received relating to other investing activities	227,398,293.51	64,146,009.61
Sub-total of cash inflows	546,137,409.78	432,354,494.47
Cash paid to acquire fixed assets and intangible assets	(75,176,813.90)	(163,491,065.26)
Net cash paid to acquire subsidiaries	(190,000,000.00)	(154,718,326.38)
Cash paid relating to other investing activities	(36,489.08)	-
Sub-total of cash outflows	(265,213,302.98)	(318,209,391.64)
Net cash flows from investing activities	280,924,106.80	114,145,102.83
Cash flows from financing activities		
Cash received from borrowings	5,000,000.00	328,600,000.00
Sub-total of cash inflows	5,000,000.00	328,600,000.00
Cash repayments of borrowings	(512,000,000.00)	(541,452,006.58)
Cash payments for interest expenses and distribution of dividends or profits	(317,940,568.63)	(320,332,216.76)
Cash payments relating to other financing activities	(3,891,742.36)	(2,703,464.81)
Sub-total of cash outflows	(833,832,310.99)	(864,487,688.15)
Net cash flows from financing activities	(828,832,310.99)	(535,887,688.15)
Effect of foreign exchange rate changes on cash	(35,238.17)	163,805.36
Net decrease in cash	(38,781,675.45)	(145,045,554.53)
Add: Cash at beginning of period	1,412,201,859.12	271,860,517.58
Cash at end of period	1,373,420,183.67	126,814,963.05

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Consolidated Statement of Changes in Owners' Equity

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

Item	Attributable to owners of the Company				Minority interests	Total owners'
	Share capital	Capital surplus	Surplus reserve	Undistributed profits		
Opening balance on 1 January 2011 (Audited)	2,180,770,326.00	3,155,178,649.17	1,446,432,645.22	1,866,445,317.49	686,274,322.31	9,335,101,260.19
Business combination under common control	-	-	-	-	638,821,659.04	638,821,659.04
Opening balance on 1 January 2011 (Restated)	2,180,770,326.00	3,155,178,649.17	1,446,432,645.22	1,866,445,317.49	1,325,095,981.35	9,973,922,919.23
Movements for the six months ended 30 June 2011						
Net profit	-	-	-	352,521,341.74	26,800,197.05	379,321,538.79
Other comprehensive income	-	6,181,998.71	-	-	-	6,181,998.71
Capital contribution	-	-	-	-	63,401,135.84	63,401,135.84
Profit distribution						
Profit distribution to equity owners	-	-	-	(348,923,252.16)	(199,079,353.56)	(548,002,605.72)
Ending balance on 30 June 2011 (Unaudited)	<u>2,180,770,326.00</u>	<u>3,161,360,647.88</u>	<u>1,446,432,645.22</u>	<u>1,870,043,407.07</u>	<u>1,216,217,960.68</u>	<u>9,874,824,986.85</u>
Opening balance on 1 January 2012	2,180,770,326.00	3,184,545,911.42	1,534,894,948.48	2,304,205,866.63	1,292,970,637.65	10,497,387,690.18
Movements for the six months ended 30 June 2012						
Net profit	-	-	-	418,820,805.87	21,113,327.86	439,934,133.73
Other comprehensive income	-	(2,366,016.78)	-	-	-	(2,366,016.78)
Capital contribution	-	-	-	-	52,735,990.13	52,735,990.13
Profit distribution						
Profit distribution to equity owners	-	-	-	(348,923,252.16)	(95,735,938.11)	(444,659,190.27)
Ending balance on 30 June 2012 (Unaudited)	<u>2,180,770,326.00</u>	<u>3,182,179,894.64</u>	<u>1,534,894,948.48</u>	<u>2,374,103,420.34</u>	<u>1,271,084,017.53</u>	<u>10,543,032,606.99</u>

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Statement of Changes in Owners' Equity
For the six months ended 30 June 2012
 (All amounts in RMB unless otherwise stated)

Item	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total owners' equity
Opening balance on 1 January 2011	2,180,770,326.00	2,315,587,934.74	1,446,432,645.22	1,604,159,910.01	7,546,950,815.97
Movements for the six months ended 30 June 2011					
Net profit	-	-	-	347,850,833.49	347,850,833.49
Profit distribution					
Profit distribution to equity owners	-	-	-	(348,923,252.16)	(348,923,252.16)
Ending balance on 30 June 2011 (unaudited)	<u>2,180,770,326.00</u>	<u>2,315,587,934.74</u>	<u>1,446,432,645.22</u>	<u>1,603,087,491.34</u>	<u>7,545,878,397.30</u>
Opening balance on 1 January 2012	2,180,770,326.00	2,315,587,934.74	1,534,894,948.48	2,051,397,387.15	8,082,650,596.37
Movements for the six months ended 30 June 2012					
Net profit	-	-	-	410,973,113.57	410,973,113.57
Profit distribution					
Profit distribution to equity owners	-	-	-	(348,923,252.16)	(348,923,252.16)
Ending balance on 30 June 2012 (unaudited)	<u>2,180,770,326.00</u>	<u>2,315,587,934.74</u>	<u>1,534,894,948.48</u>	<u>2,113,447,248.56</u>	<u>8,144,700,457.78</u>

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai

Chief Financial Officer: Gong Taotao

Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

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 and head office of the Company is 2-4/F, JiangSu Building, Yitian Road, Futian District, Shenzhen, the PRC.

Shenzhen International Holdings Limited ('Shenzhen International') is the parent company of the Company and Shenzhen Investment Holdings Company Limited ('SIHCL') is the ultimate controlling company of the Company.

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.

These interim financial statements have been approved for issue by the Company's Board of Directors on 17 August 2012.

These interim financial statements have not been audited.

2 Summary of significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as "Chinese Accounting Standards").

As at 30 June 2012, the Group reported net current liabilities of RMB455,608,087.43. 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 operating cash flows, the Group maintains good relationship with banks and it has not experienced any difficulties in renewing its banking facilities. In addition, the Group had unutilised banking facilities of approximately RMB5.62 billion as at 30 June 2012 with no reservation kept by the related banks, which can meet its obligations and capital commitments. Therefore, the interim financial information has been prepared by the directors of the Company on a going concern basis.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements for the six months ended 30 June 2012 are in compliance with the Chinese Accounting Standards, and truly and completely present the state of affairs as of 30 June 2012 and the operating results, cash flows and other information for the six months ended 30 June 2012 of the Group and the Company.

(3) Accounting year

The accounting year starts on 1 January and ends on 31 December. The accounting period of these financial statements starts on 1 January 2012 and ends on 30 June 2012.

(4) Functional currency

The functional currency of the Company is Renminbi (RMB).

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, come under common control of the ultimate controlling party. The portion of the net profit realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profit and losses for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements within equity and net profit respectively.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, call deposits with banks and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. Financial assets held by the Group are financial assets at fair value through profit or loss and receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(ii) Recognition and measurement of financial assets

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables are measured at amortised cost using the effective interest method.

Gain or loss arising from change in the fair value of financial assets at fair value through profit or loss is recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group determines the amount of impairment loss.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

(iv) Derecognition of financial assets

A financial assets is derecognised when one of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

(b) Financial liabilities

(i) Classification of financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group are mainly other financial liabilities, including payables, borrowings and bonds payable.

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For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(b) Financial liabilities (continued)

(ii) Recognition and measurement

Payables, including accounts payable, other payables and notes payable, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and bonds payable are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis and Option pricing model. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on entity-specific inputs.

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Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(d) Cash flow hedge

Cash flow hedge refers to a hedging of the risk to changes in cash flow. Such changes in cash flow are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

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

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

The Group documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items (e.g., whether the actual offsetting result of the hedge falls in the range from 80% to 125%). The Group applies ratio analysis method to evaluate the ongoing effectiveness of the cash flow hedge.

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

Amounts accumulated in equity are reclassified to the profit and loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Shenzhen Expressway Company Limited

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For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(10) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

(a) Receivables that are individually significant and subject to separate provision

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established.

For accounts receivable, the criteria for 'individually significant' is that the amount exceeds RMB5,000,000.00; for other receivables, the criteria for 'individually significant' is that the amount exceeds RMB1,000,000.00.

Bad debt provision for receivables that are individually significant is established at the difference between the carrying amount and the present value of the estimated cash flows.

(b) Receivables that are subject to provision by groups

For all other receivables that are not individually significant or for which impairment has not yet been identified, the Group performs a collective assessment by including the receivables into groups with similar credit risk characteristics and collectively assesses them for impairment. The impairment losses are determined based on the historical actual loss and taking into consideration of the current circumstances.

Basis of grouping:

Group 1	Receivables from government and related parties
Group 2	Receivables from other third parties

Methods of collective assessment with provisioning percentage as below:

Group 1	Other method
Group 2	Ageing analysis method

The provision ratios used under the ageing analysis method for the above groupings are as follows:

	Provisioning percentage applied for accounts receivable	Provisioning percentage applied for other receivables
Within 3 year	-	-
Over 3 years	100%	100%

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(10) Receivables (continued)

- (b) Receivables that are subject to provision by groups (continued)

Ratios used in other method amongst aforesaid groups are as follows:

Name of the group	Explanation
Group 1	No provision for receivables from governments and related parties unless there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.

- (c) Receivables that are not individually significant but subject to separate provision

The basis for separate provision is that there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.

The provision for bad debts is determined based on the difference of the carrying amount and present value of estimated future cash flows.

(11) Inventories

- (a) Classification

Inventories include toll tickets, low value consumables, maintenance and repair parts and materials in stock, and are measured at the lower of cost and net realisable value.

- (b) Costing of inventories

Cost is determined using the weighted average method.

- (c) Basis for the determination of net realisable value and provisions for declines in the value of inventories

Provisions for declines in the value of inventories are determined at the excess of the carrying value of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale and related taxes.

- (d) The Group adopts the perpetual inventory system.

- (e) Amortisation methods of low value consumables

Low value consumables are expensed when issued.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates, as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method. Other long-term equity investments, where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and the methods of investment income recognition

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(12) Long-term equity investments (continued)

(b) Subsequent measurement and the methods of investment income recognition (continued)

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. If the accounting policies and the accounting periods are inconsistent between the Company and investees, the financial statements of investees are adjusted in accordance with the accounting policies and accounting period of the Company. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(c) Basis for determination of the existence of control, jointly control or significant influence over the investee

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights over the investee is considered, such as convertible debts and warrants currently exercisable.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries, joint ventures and associates is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)). For other long-term equity investments which are not quoted in an active market and whose fair value cannot be reliably measured, the excess of its carrying amount over the present value of future cash flows discounted at the prevailing market yield rate for similar financial assets is recognised as impairment loss and cannot be reversed once recognised.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(13) Investment properties

Investment properties, principally comprising buildings that are held for the purpose of lease, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of the investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual amortisation rates of the investment properties are as follows:

	Estimated useful lives	Estimated residual value rate	Annual amortisation rate
Car parking spaces	30 years	-	3.33%

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of the transfer.

The estimated useful life, net residual value of the investment property and the amortisation method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of investment properties is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, traffic equipment, motor vehicles, and office and other equipment.

Fixed assets are recognised when it is probable that related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the date of acquisition. The cost and accumulated depreciation of fixed assets injected by state shareholders to the Company on 1 January 1997 were recognised according to the valuation results performed by the valuer which were certified by the State-owned Assets Supervision and Administration Bureau in accordance with Guo Zi Ping (1996) No.911.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings			
- Office building	20-30 years	5%	3.17%-4.75%
- Temporary house	10 years	5%	9.50%
- Structure	15 years	5%	6.33%
Traffic equipment	8-10 years	5%	9.50%-11.87%
Motor vehicles	5-6 years	5%	15.83%-19.00%
Office and other equipment	5 years	5%	19.00%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each year-end.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(14) Fixed assets (continued)

(c) Impairment of fixed assets

The carrying amount of fixed assets is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

(16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

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2 Summary of significant accounting policies and accounting estimates (continued)

(16) Borrowing costs (continued)

For the general borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings used, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which estimated future cash flows during the period of expected duration or shorter period applied discounted to the initial amount of the borrowings.

(17) Intangible assets

Intangible assets include concession intangible assets, billboard use right and software and are measured at cost.

(a) Concession intangible assets

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. Concession intangible assets are measured at actual cost, which comprises construction related costs and borrowing costs that are eligible for capitalisation and incurred before the toll roads are ready for their intended use. The concession intangible assets are first stated at actual project costs or budget costs and then adjusted when project completion audit are finalised.

The concession intangible assets relating to the toll roads injected by the state-owned shareholders on 1 January 1997 were stated at valuation, which were performed by the asset valuation firms and certified by the State-owned Assets Supervision and Administration Bureau in accordance with Guo Zi Ping (1996) No.911. The land-use right relating to Shenzhen Airport-Heao Expressway (Western Section) injected to the Company by the promoter of the Company during the restructuring period was stated at revaluation admitted by State-owned Assets Supervision and Administration Bureau on 30 June 1996. The land-use right relating to Meiguan Expressway owned by Shenzhen Meiguan Expressway Company Limited ('Meiguan Company'), the subsidiary, was injected by Xin Tong Chan Development (Shenzhen) Company Limited ('Xin Tong Chan Company'), one of the promoters of the Company, at value specified in related investment agreement.

When toll roads are ready for their intended use, amortisation of concession intangible assets is calculated to write off their costs on a units-of-usage basis ('unit usage'), whereby amortisation is provided based on the proportion of actual traffic volume of a particular period over the total projected traffic volume throughout the operation periods.

The Company assesses of the total projected traffic volume annually. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies when material difference exists or every 3 to 5 years and then prospectively adjust the amortisation unit according to the revised total projected traffic volume, to ensure that the relative concession intangible assets would be fully amortised in the operation periods.

Shenzhen Expressway Company Limited

Notes to financial statements

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(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(17) Intangible assets (continued)

(a) Concession intangible assets (continued)

Respective operating period and amortisation unit of the toll roads are set out as follows:

Item	Operating period	The unit usage (RMB)
Yanba Expressway	April 2001 to December 2031	3.60
Yanpai Expressway	May 2006 to March 2027	1.49
Meiguan Expressway	May 1995 to March 2027	1.48
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	1.22
Nanguang Expressway	January 2008 to January 2033	3.20
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	4.54
Wuhuang Expressway	September 1997 to September 2022	6.52
Qinglian Expressway	July 2009 to July 2034	31.71
National Highway No. 107 (Qinglian Section)	September 1995 to September 2028	35.36

Subsequent expenditures incurred for concession intangible assets are included in the cost of the concession intangible assets when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Other intangible assets

Billboard use rights are amortised on the straight-line basis over their approved useful lives of 5 years. Purchased software is amortised on the straight-line basis over their contracted useful lives of 5 years.

(c) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year-end.

(d) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

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Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(18) Long-term prepaid expenses

Long-term prepaid expenses include the prepaid expenditures that have been made but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(19) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the goodwill allocated, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of other assets.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

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Notes to financial statements

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2 Summary of significant accounting policies and accounting estimates (continued)

(20) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Employees of the Group participate in the defined contribution pension plan set up and administered by government authorities. Based on salaries of the employees, basic pensions are provided for monthly according to stipulated proportions (10% to 11%) and not exceeding the stipulated upper limit, which is paid to local labour and social security institutions.

Where the Group terminates the employment relationship with employees before the end of the employment contract or offers compensation for encouraging employees to accept voluntary redundancy, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees is recognised, with a corresponding charge to profit or loss when the Group has made a formal plan for termination of the employment relationship or an offer for voluntary redundancy which will be implemented immediately and cannot be withdrawn by the Group unilaterally.

Except for the compensation to employees for termination of the employment relationship, the employee benefits for the service are recognised in the accounting period in which employees have rendered service, and as costs of assets or expenses whichever the employee service is attributable to.

(21) Dividends distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved in the shareholders' meeting.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(22) Provisions

As part of its obligations under the respective service concessions, the Group assumes responsibility for the maintenance and resurfacing of the toll roads it operates. Provisions for maintenance and resurfacing are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(23) Convertible bonds

The convertible bonds are split into liability and equity component at initial recognition. The liability component is determined as the discounted amount of future cash flows, and the equity component is determined as proceeds less liability component. The transaction costs incurred on the issue of the convertible bonds are allocated between the liability component and equity component based on the proportion of their amounts at initial recognition. The liability amount of the convertible bonds is measured at amortised cost using the effective interest method.

(24) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

- (a) The Group's toll revenue from operation of the toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group.

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Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(24) Revenue recognition (continued)

- (b) For construction management services income, when the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method and the stage of completion is measured by making reference to the project construction costs and related management expenses incurred to date as a percentage to the total estimated construction costs and management expenses. When the outcome of the construction management services cannot be estimated reliably, construction management services income is recognised at the same amount of project management expenses incurred only to the extent that such expenses are probable to be recovered.
- (c) For the service concessions contracts entered with the government departments, according to which the Group participates the developing, financing, operating and maintenance of toll road constructions, the Group recognised revenue and cost of services with the percentage of completion method during the construction period if the Group conduct the construction work on its own. The stage of completion is measured by reference to the construction costs of the related infrastructures incurred up to the settlement date as a percentage of total estimated costs for each contract. No construction services income would be recognised if the Group sub-contracts the work out to other parties.
- (d) Advertising revenue is recognised on a straight-line basis over the contract period.
- (e) Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.
- (f) Income from an operating lease is recognised on a straight-line basis over the period of the lease.

(25) Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including refund of taxes and financial subsidies, etc.

A government grant is recognised when the conditions attached to it is fulfilled and the grant can be received. The monetary grant from the government is measured at amount received or receivable. The non-monetary grant from the government is measured at its fair value.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period.

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For the six months ended 30 June 2012

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2 Summary of significant accounting policies and accounting estimates (continued)

(26) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- The deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

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(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(27) Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(28) Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

(a) Amortisation of concession intangible assets

As stated at Note 2(17)(a), amortisation of concession intangible assets is provided under the traffic volume amortisation method. Appropriate adjustments to the carrying amounts of concession intangible assets will be made should there be a material difference between total projected traffic volume and the actual results.

The directors performed a periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies and make an appropriate adjustment if there is a material difference. The Group had appointed independent professional traffic consultants to perform independent professional traffic studies to its main toll roads in 2006 and 2010, and prospectively adjusted the amortisation unit according to the revised total projected traffic volume.

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(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(28) Critical accounting estimates and judgments (continued)

(b) Provisions for maintenance/resurfacing obligations

As stated at Note 2(22), 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 upgrading services, are to be recognised and measured as a provision.

The expenditures expected to incur in order to settle the obligations are determined based on the frequency of major maintenance and resurfacing activities throughout the operating periods of 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 involve estimates. Such estimates are 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 market rate which can reflect the time value of money and the risks specific to this obligation.

If the expected expenditures, resurfacing plan and discount rate were different from management's current estimates, the provision for maintenance/resurfacing will be changed prospectively.

(c) Impairment of concession intangible assets

According to the accounting policy stated in Note 2(19), concession intangible assets are tested by the Group for impairment if there is any indication that the assets may be impaired at the balance sheet date. In current period, Qinglian Expressway continued to report losses as it was still at its early stage of operation period. The Company assessed and considered that since the recoverable amount of concession intangible assets exceeded its carrying value, there was no need to make any impairment provision. The assessment relied on the projected traffic volume of Qinglian Expressway. Should there be a material difference between the projected traffic volume and the actual results, a change of accounting estimate would have been made.

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Notes to financial statements

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(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (continued)

(28) Critical accounting estimates and judgments (continued)

(d) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises deferred tax assets based on estimates that it is probable to generate enough taxable incomes in the foreseeable future that the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable incomes of the company who has tax loss. Where the final outcome of timing and amount is different from that initially estimated, such differences will impact the current income taxes and deferred tax assets in the period in which such determination is made.

3 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax base	Tax rate
Corporate income tax ('CIT')	Taxable income	(i)
Business tax	Revenue from expressway toll road business	3%
Business tax	Advertising income and revenue from other non-expressway toll road business	5%
Business tax	Taxable revenue from construction projects and management services	3%
City maintenance and construction tax	Amount of business tax paid	7%
Educational surcharge	Amount of business tax paid	3%
Local educational surcharge	Amount of business tax paid	2%
Construction fee for culture undertakings(ii)	Amount of revenue	3%

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3 Taxation (continued)

(i) CIT

The applicable CIT rate of the Company and its subsidiaries are analysed as follows:

	Applicable rate
The Company	25%
Shenzhen Expressway Advertising Company Limited ('Advertising Company')	25%
Meiguan Company	25%
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ('Airport-Heao Eastern Company')	25%
Guangdong Qinglian Highway Development Company Limited ('Qinglian Company')	12.5%
Mei Wah Industrial (Hong Kong) Limited ('Mei Wah Company')	25%
Maxprofit Gain Limited ('Maxprofit Company')	25%
Shenzhen Outer Ring Expressway Investment Company Limited ('Outer Ring Company')	25%
Jade Emperor Limited ('JEL Company')	25%
Hubei Magerk Expressway Management Private Limited ('Magerk Company')	25%
Shenzhen Expressway Investment Company Limited ('Expressway Investment Company')	25%
Guizhou Guishen Investment and Development Company Limited ('Guishen Company')	25%

The previous applicable CIT rate for the Company and Advertising Company, Meiguan Company, Airport-Heao Eastern Company and Magerk Company (all are the subsidiaries of the Company) was 15%. According to the CIT Law and relevant regulations, the CIT rate applicable to the Company, Advertising Company, Meiguan Company, Airport-Heao Eastern Company and Magerk Company will be gradually increased to 25% over a five-year period from 2008 to 2012, and accordingly the applicable CIT rate is 25% in current period.

According to the CIT Law and relevant regulations, the CIT rate applicable to Qinglian Company, the subsidiary of the Company, will be gradually increased to 25% over a five-year period from 2008 to 2012. According to the Reply Letter of Guoshuifa [1997] No.072, Qinglian Company is exempt from CIT for two years commencing from its first year of profitable operation after offsetting prior years' tax losses, followed by a 50% reduction for the next three years. According to Guoshuifa [2007] No.39 issued by State Council, Qinglian Company started to enjoy this preferential policy in 2008 and accordingly its applicable CIT rate of current period is 12.5%.

According to Guoshuihan [2010] No.651, 'Reply letter from State Administration of Taxation concerning about the recognition as resident enterprises of related overseas enterprises of Shenzhen Expressway Company Limited', issued by State Administration of Taxation on 30 December 2010, Mei Wah Company, Maxprofit Company and JEL Company were recognised as resident enterprises of China and would be subject to the relevant taxation administration with effective date from 2008.

- (ii) Advertising Company is obligated to pay construction fee for culture undertakings which is calculated at 3% on its revenue.

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4 Business combinations and the consolidated financial statements

Background of subsidiaries

(a) Subsidiaries acquired through incorporation are analysed as follows:

	Type	Place of registration	Nature of business and principal activities	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
Outer Ring Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	RMB100,000,000	Construction, operation and management of the Shenzhen section of Shenzhen Outer Ring Expressway	Limited liability company	Wu Ya De	55543683-6
Expressway Investment Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Investment	RMB400,000,000	Industrial investment and project construction	Limited liability company	Ge Fei	440304-180904
Guishen Company	Indirect holding*	Longli County, Guizhou Province, PRC	Infrastructure construction	RMB500,000,000	Investment, construction and management of road and urban and rural infrastructure	Limited liability company	Ge Fei	522730-001615

(Continued)

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting right	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Outer Ring Company	100,000,000.00	-	100%	100%	Yes	-	Not applicable
Expressway Investment Company	400,000,000.00	-	100%	100%	Yes	-	Not applicable
Guishen Company	140,000,000.00	-	70%	70%	Yes	59,408,381.87	424,200.12

* Expressway Investment Company holds 70% equity interests of Guishen Company.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

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4 Business combinations and the consolidated financial statements (continued)

Background of subsidiaries (continued)

(b) Subsidiaries acquired through business combinations involving enterprises under common control are analysed as follows:

	Type	Place of registration	Nature of business and principal activities	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
JEL Company	indirect holding	The Cayman Islands	Investment holding	USD30,000,000	Investment holding	Foreign enterprise	Not applicable	Not applicable
Magerk Company	Indirect holding*	Hubei Province, PRC	Toll road operation	UDS28,000,000	Toll management of the expressway from Wuhan to Huangshi	Limited liability company	Li Jian	615407405

(Continued)

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
JEL Company	591,445,957.49	-	55%	55%	Yes	457,845,313.37	-
Magerk Company	231,883,200.00	-	55%	55%	Yes	-	Not applicable

* JEL Company holds 100% equity interests of Magerk Company.

In 2011, Mei Wah Company, a fully owned subsidiary of the Company, reached a supplementary shareholders' agreement with Flywheel Investment Limited, another shareholder of JEL Company. According to that, Mei Wah Company obtained the control over JEL Company and Magerk Company, JEL's wholly owned subsidiary, and the Company recorded investment in JEL Company from investment in a joint venture using the equity method to investment in a subsidiary using the cost method and included it into the Group's consolidation scope. Since JEL Company and Mei Wah Company were controlled by Shenzhen International, the Company's parent company, both before and after the combination and the control is not temporary, the combination was a business combination involving entities under common control. As required by Accounting Standards for Business Enterprises, the subsidiary obtained from business combination involving entities under common control should be deemed as a consolidated subsidiary in the Group's scope from the date both JEL Company and the Group were controlled by Shenzhen International. The Group restated the comparative consolidated income statements, cash flow statement and statement of changes in owners' equity.

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4 Business combinations and the consolidated financial statements (continued)

Background of subsidiaries (continued)

(c) Subsidiaries acquired through business combinations involving enterprises not under common control

	Type	Place of registration	Nature of business and principal activities	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
Qinglian Company	Direct and indirect holding	Qingyuan City, Guangdong Province, PRC	Operation and management of highways	RMB3,105,959,997.64	Development, operation and management of Qinglian Expressway and National Highway No.107 (Qinglian Section)	Limited liability company	Wu Ya De	61806320-6
Advertising Company	Direct and indirect holding	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB30,000,000	Design, prepare and agent advertising and the related consultancy	Limited liability company	Luo Cheng Bao	19224838-4
Meiguan Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	RMB332,400,000	Toll management of the expressway from Meilin to Guanlan	Limited liability company	Zhou Qing Ming	61887636-2
Mei Wah Company	Direct holding	Hong Kong	Investment holding	HKD795,381,300	Investment holding	Foreign enterprise	Not applicable	Not applicable
Maxprofit Company	Indirect holding	British Virgin Islands	Investment holding	USD1	Investment holding	Foreign enterprise	Not applicable	Not applicable
Airport-Heao Eastern Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	RMB440,000,000	Toll management of the eastern expressway from Shenzhen airport to Heao	Limited liability company	Zhou Qing Ming	61892043-1

(Continued)

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Qinglian Company	2,799,690,825.95	-	76.37%	76.37%	Yes	753,830,322.29	11,909,754.87
Advertising Company	3,500,000.01	-	100%	100%	Yes	-	Not applicable
Meiguan Company	646,442,223.16	-	100%	100%	Yes	-	Not applicable
Mei Wah Company	831,769,303.26	-	100%	100%	Yes	-	Not applicable
Maxprofit Company	869,289,337.68	-	100%	100%	Yes	-	Not applicable
Airport-Heao Eastern Company	1,104,500,059.85	-	100%	100%	Yes	-	Not applicable

Shenzhen Expressway Company Limited

Notes to financial statements

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5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30 June 2012			31 December 2011		
	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Cash on hand						
RMB			11,759,175.64			3,845,413.16
USD	11,321.00	6.3249	71,604.19	11,321.00	6.3009	71,332.49
Other foreign currencies			60,153.82			20,456.85
Subtotal			<u>11,890,933.65</u>			<u>3,937,202.50</u>
Bank deposits						
RMB			1,838,912,882.37			2,138,830,722.01
HKD	1,417,545.05	0.8152	1,155,582.72	40,557,566.03	0.8107	32,880,018.78
USD	3,528.56	6.3249	22,317.79	3,528.56	6.3009	22,233.10
Subtotal			<u>1,840,090,782.88</u>			<u>2,171,732,973.89</u>
Total			<u>1,851,981,716.53</u>			<u>2,175,670,176.39</u>

The Company is engaged to manage highway construction projects. As at 30 June 2012, project funds retained for construction management were RMB4,283,810.57 (31 December 2011: RMB7,716,867.32). The above project funds retained for construction management were disclosed as restricted bank balances in cash flow statement (Note 5(40)(c)).

(2) Accounts receivable

	30 June 2012	31 December 2011
Accounts receivable	298,630,182.17	315,778,948.31
Less: provision for bad debts	(33,500.00)	(33,500.00)
	<u>298,596,682.17</u>	<u>315,745,448.31</u>

(a) The ageing of accounts receivable is analysed as follows:

	30 June 2012	31 December 2011
Within 1 year	209,416,476.28	129,219,411.84
1 to 2 years	51,422,503.78	61,327,067.98
2 to 3 years	2,077,457.00	12,485.00
Over 3 years	35,713,745.11	125,219,983.49
	<u>298,630,182.17</u>	<u>315,778,948.31</u>

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(2) Accounts receivable (continued)

(b) Accounts receivable is analysed by categories as follows:

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				% of total			
	Amount	balance	Amount	Ratio	Amount	balance	Amount	Ratio
Individually significant and provision separately made	-	-	-	-	-	-	-	-
Provision made collectively								
-Group 1	216,018,938.42	72.34%	-	-	279,139,841.26	88.40%	-	-
-Group 2	82,611,243.75	27.66%	33,500.00	0.04%	36,639,107.05	11.60%	33,500.00	0.09%
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	<u>298,630,182.17</u>	<u>100.00%</u>	<u>33,500.00</u>	<u>0.01%</u>	<u>315,778,948.31</u>	<u>100.00%</u>	<u>33,500.00</u>	<u>0.01%</u>

(c) Group 2 is accounts receivable of which provision was made collectively using ageing analysis method and is analysed as follows:

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				% of total			
	Amount	balance	Amount	Ratio	Amount	balance	Amount	Ratio
Within 1 year	82,027,743.75	99.29%	-	-	36,593,122.05	99.88%	-	-
1 to 2 years	550,000.00	0.67%	-	-	-	-	-	-
2 to 3 years	-	-	-	-	12,485.00	0.03%	-	-
Over 3 years	33,500.00	0.04%	33,500.00	100.00%	33,500.00	0.09%	33,500.00	100.00%
	<u>82,611,243.75</u>	<u>100.00%</u>	<u>33,500.00</u>	<u>0.04%</u>	<u>36,639,107.05</u>	<u>100.00%</u>	<u>33,500.00</u>	<u>0.09%</u>

(d) As at 30 June 2012 and 31 December 2011, all accounts receivable were denominated in RMB.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(3) Other receivables

	30 June 2012	31 December 2011
Advances	25,026,774.12	175,754,609.79
Others	3,192,723.07	18,995,254.28
	<u>28,219,497.19</u>	<u>194,749,864.07</u>
Less: provision for bad debts	-	-
	<u>28,219,497.19</u>	<u>194,749,864.07</u>

(a) The ageing of other receivables is analysed as follows:

	30 June 2012	31 December 2011
Within 1 year	19,335,322.33	193,472,935.11
1 to 2 years	7,656,812.84	1,023,144.19
2 to 3 years	1,227,362.02	253,784.77
	<u>28,219,497.19</u>	<u>194,749,864.07</u>

(b) Other receivables are analysed by categories as follows:

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	-	-	-	-	-	-	-	-
Provision made collectively								
-Group 1	12,628,102.83	44.75%	-	-	175,679,961.81	90.21%	-	-
-Group 2	15,591,394.36	55.25%	-	-	19,069,902.26	9.79%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	<u>28,219,497.19</u>	100.00%	<u>-</u>	<u>-</u>	<u>194,749,864.07</u>	100.00%	<u>-</u>	<u>-</u>

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Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(3) Other receivables (continued)

- (c) Group 2 is other receivables of which provision was made collectively using ageing analysis method and is analysed as follows:

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total		Amount	Ratio	% of total		Amount	Ratio
	Amount	balance			Amount	balance		
Within 1 year	13,109,445.27	84.08%	-	-	18,446,532.07	96.73%	-	-
1 to 2 years	1,637,773.19	10.50%	-	-	369,585.42	1.94%	-	-
2 to 3 years	844,175.90	5.42%	-	-	253,784.77	1.33%	-	-
	<u>15,591,394.36</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>	<u>19,069,902.26</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>

- (d) As at 30 June 2012 and 31 December 2011, all other receivables were denominated in RMB.

(4) Advances to suppliers

	30 June 2012	31 December 2011
Advances for acquisition of land use right	309,010,800.00	-
Others	<u>15,561,418.16</u>	<u>15,930,561.01</u>
	<u>324,572,218.16</u>	<u>15,930,561.01</u>

- (a) The amount represents a prepayment made by Guishen Company, a subsidiary of the Company, for land use right of a piece of land located in Longli Country, Guizhou Province with area of approximately 833 mu. Guishen Company is in the process of applying the land use right certificate. The Company plans to realise the land use right through open market or develop the land itself or through cooperation with others.

- (b) The ageing of advances to suppliers is analysed below:

	30 June 2012		31 December 2011	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	324,253,211.49	99.90%	15,364,061.01	96.44%
Over 1 year	<u>319,006.67</u>	<u>0.10%</u>	<u>566,500.00</u>	<u>3.56%</u>
	<u>324,572,218.16</u>	<u>100.00%</u>	<u>15,930,561.01</u>	<u>100.00%</u>

As at 30 June 2012, advances to suppliers with aging over 1 year mainly represent advances made for the maintenance fee for traffic equipment which were not fully settled since the contracts have not been completed.

Shenzhen Expressway Company Limited

Notes to financial statements

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5 Notes to the consolidated financial statements (continued)

(4) Advances to suppliers (continued)

(c) As at 30 June 2012 and 31 December 2011, all advances to suppliers were denominated in RMB.

(5) Inventories

	30 June 2012	31 December 2011
Toll tickets	1,799,490.90	2,748,416.26
Maintenance and repair parts	490,526.80	492,326.80
Low value consumables	92,531.60	402,531.60
	<u>2,382,549.30</u>	<u>3,643,274.66</u>

As at 30 June 2012, no provision for declines in the value of inventories has been made by the Group (31 December 2011: nil).

(6) Long-term equity investments

	30 June 2012	31 December 2011
Joint ventures, unlisted (a)	185,325,414.44	183,131,418.94
Associates, unlisted (b)	1,429,482,855.09	1,402,813,466.57
Other long-term equity investments, unlisted (c)	30,170,000.00	30,170,000.00
	<u>1,644,978,269.53</u>	<u>1,616,114,885.51</u>

No substantial restriction existed which prohibited the recovery of long-term equity investments of the Group.

As at 30 June 2012, no provision for impairment of long-term equity investments was required (31 December 2011: nil).

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Notes to financial statements

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5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(a) Investment in joint ventures

	Accounting method	Ending balance of investment cost	31 December 2011	Current period movement		Equity interest held	Voting rights held	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in current period
				Share of net profit	30 June 2012					
Changsha Shenchang Expressway Company Limited ('Shenchang Company')										
Equity method		341,336,190.32	178,231,418.94	2,193,995.50	180,425,414.44	51%	(i)	(i)	-	-
Guizhou Guilong Urban Economic Region Investment and Development Company Limited ('Guilong Company')										
Equity method		4,900,000.00	4,900,000.00	-	4,900,000.00	49%	(i)	(i)	-	-
			<u>183,131,418.94</u>	<u>2,193,995.50</u>	<u>185,325,414.44</u>				<u>-</u>	<u>-</u>

- (i) According to the related joint venture contracts and articles of incorporation, the principal financial and operating decisions of the joint ventures shall be made based on the common consent of both investment parties. As a result, these joint ventures are deemed as the Company's joint ventures and are accounted for using equity method.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(b) Investment in associates

	Accounting method	Ending balance of investment cost	31 December 2011	Current period movement			30 June 2012	Equity interest held	Voting rights held	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in current period
				Share of net profit/(loss)	Cash dividend declared	Investment cost recovered						
Shenzhen Qinglong Expressway Company Limited ('Qinglong Company')	Equity method	151,075,345.09	193,393,584.89	25,260,581.33	(7,585,176.61)	-	211,068,989.61	40%	40%	Not applicable	-	-
Consulting Company	Equity method	2,134,142.45	13,153,802.16	1,360,205.76	-	-	14,514,007.92	24%	24%	Not applicable	-	-
Shenzhen Huayu Expressway Investment Company Limited ('Huayu Company')	Equity method	59,851,927.88	56,439,515.26	(1,470,907.60)	-	-	54,968,607.66	40%	40%	Not applicable	-	-
Guangdong Jiangzhong Expressway Company Limited ('Jiangzhong Company')	Equity method	291,930,000.00	272,398,676.37	2,846,439.81	-	-	275,245,116.18	25%	25%	Not applicable	-	-
Nanjing Yangtze River Third Bridge Company Limited ('Nanjing Third Bridge Company')	Equity method	263,044,681.47	247,055,319.70	2,827,569.68	-	-	249,882,889.38	25%	25%	Not applicable	-	-
Guangdong Yangmao Expressway Company Limited ('Yangmao Company')	Equity method	249,340,567.72	237,342,739.06	20,980,393.00	(5,000,000.00)	-	253,323,132.06	25%	25%	Not applicable	-	-
Guangzhou Western Second Ring Expressway Company Limited ('GZ W2 Company')	Equity method	250,000,000.00	217,288,219.77	1,412,994.78	-	-	218,701,214.55	25%	25%	Not applicable	-	-
Yunfu Guangyun Expressway Company Limited ('Guangyun Company')	Equity method	152,208,301.87	<u>165,741,609.36</u>	<u>13,037,288.39</u>	<u>(13,037,288.39)</u>	<u>(13,962,711.63)</u>	<u>151,778,897.73</u>	30%	30%	Not applicable	-	-
			<u>1,402,813,466.57</u>	<u>66,254,565.15</u>	<u>(25,622,465.00)</u>	<u>(13,962,711.63)</u>	<u>1,429,482,855.09</u>				-	-

The Company's 40% equity investment in Qinglong Company is pledged as security for long-term borrowings amounting to RMB665,000,000.00 (Note 5(22)(a)).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(c) Other long-term equity investment

	Accounting method	Ending balance		Current period movement	30 June 2012	Equity interest held*	Voting rights held*	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in current period	Cash dividends declared in current period
		of investment cost	31 December 2011								
Guangdong Unitoll Services Incorporation ('Unitoll Company')	Cost method	30,170,000.00	30,170,000.00	-	30,170,000.00	18.02%	18.02%	Not applicable	-	-	-

* According to the third extraordinary shareholders' meeting of Unitoll Company in 2009, the registered capital of Unitoll Company was increased from RMB10,000,000 to RMB200,000,000. As at 30 June 2012, the capital injection was in progress and the equity interest held by the Company in Unitoll Company was 18.02%. The equity percentage held by the Company would decrease to 15% upon the completion of capital injection.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(d) Joint ventures and associates

			30 June 2012			For the six months ended 30 June 2012	
	Equity interest held	Voting rights held	Total assets	Total liabilities	Net assets	Revenue	Net profit/(loss)
Joint ventures —							
Shenchang Company	51%	51%	370,773,137.62	16,997,815.19	353,775,322.43	20,451,168.40	4,301,951.96
Guilong Company	49%	49%	10,000,000.00	-	10,000,000.00	-	-
			380,773,137.62	16,997,815.19	363,775,322.43	20,451,168.40	4,301,951.96
Associates —							
Qinglong Company	40%	40%	1,947,234,732.51	1,423,652,285.13	523,582,447.38	205,211,121.79	63,151,453.33
Consulting Company	24%	24%	112,117,513.11	51,642,480.11	60,475,033.00	96,219,306.39	5,667,524.00
Huayu Company	40%	40%	507,124,713.99	369,703,194.84	137,421,519.15	29,195,103.61	(3,677,269.00)
Jiangzhong Company	25%	25%	2,589,630,300.05	1,609,249,835.33	980,380,464.72	186,483,167.13	11,385,759.24
Nanjing Third Bridge Company	25%	25%	3,355,525,340.09	2,355,993,782.57	999,531,557.52	163,630,282.16	11,310,278.72
Yangmao Company	25%	25%	1,851,294,541.77	1,018,662,013.53	832,632,528.24	253,006,868.76	83,921,572.00
GZ W2 Company	25%	25%	2,621,372,315.28	1,746,567,457.08	874,804,858.20	130,784,485.84	5,651,979.12
Guangyun Company	30%	30%	1,244,749,660.78	738,820,001.68	505,929,659.10	136,480,590.07	43,457,627.90
			14,229,049,117.58	9,314,291,050.27	4,914,758,067.31	1,201,010,925.75	220,868,925.31

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(7) Investment properties

	Car parking spaces
Cost	
31 December 2011 and 30 June 2012	<u>18,180,000.00</u>
Accumulated amortisation	
31 December 2011	(1,775,075.00)
Current period additions	<u>(287,850.00)</u>
30 June 2012	<u>(2,062,925.00)</u>
Net book value	
30 June 2012	<u>16,117,075.00</u>
31 December 2011	<u>16,404,925.00</u>

As at 30 June 2012, no provision for impairment loss of investment properties was required (31 December 2011: nil).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(8) Fixed assets

	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
Cost					
31 December 2011	612,001,335.90	1,060,175,383.26	29,933,843.08	54,136,141.08	1,756,246,703.32
Transfers from construction in progress in current period (Note 5(9))	615,408.00	-	-	-	615,408.00
Other additions in current period	369,230.00	2,753,473.84	739,047.00	708,293.92	4,570,044.76
Current period reductions	-	-	(1,042,598.90)	(300,425.00)	(1,343,023.90)
30 June 2012	<u>612,985,973.90</u>	<u>1,062,928,857.10</u>	<u>29,630,291.18</u>	<u>54,544,010.00</u>	<u>1,760,089,132.18</u>
Accumulated depreciation					
31 December 2011	117,610,022.81	372,948,931.90	16,872,598.96	33,468,082.20	540,899,635.87
Current period additions	10,946,046.36	46,067,811.41	2,040,490.67	3,539,839.72	62,594,188.16
Current period reductions	-	-	(953,721.97)	(270,413.83)	(1,224,135.80)
30 June 2012	<u>128,556,069.17</u>	<u>419,016,743.31</u>	<u>17,959,367.66</u>	<u>36,737,508.09</u>	<u>602,269,688.23</u>
Net book value					
30 June 2012	<u>484,429,904.73</u>	<u>643,912,113.79</u>	<u>11,670,923.52</u>	<u>17,806,501.91</u>	<u>1,157,819,443.95</u>
31 December 2011	<u>494,391,313.09</u>	<u>687,226,451.36</u>	<u>13,061,244.12</u>	<u>20,668,058.88</u>	<u>1,215,347,067.45</u>

As at 30 June 2012, the Group has buildings with net book value of RMB347,207,223.13 (cost: RMB463,211,448.83) lack certificates of ownership (31 December 2011: net book value of RMB354,993,137.23, cost of RMB463,211,448.83). As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

For the six months ended 30 June 2012, depreciation amounting to RMB59,524,915.46 (the same period in 2011: RMB49,614,089.31) and RMB3,069,272.70 (the same period in 2011: RMB2,763,951.73) has been charged into costs of services and general and administrative expenses, respectively.

As at 30 June 2012, no provision for impairment of fixed assets is required (31 December 2011: nil).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(9) Construction in progress

Name	Budget amount	31 December 2011	Current period additions	Transfer to fixed assets	30 June 2012	Source of funds	% contribution in budget of current period	Progress of construction
Expansion project of Qinglian Expressway's toll road station	86 million	24,764,993.79	7,476,441.15	-	32,241,434.94	Self-owned funds	9%	In progress
Billboard and light box projects	10 million	1,573,103.83	541,834.17	(615,408.00)	1,499,530.00	Self-owned funds	5%	In progress
Others	*	2,011,000.17	5,033,450.55	-	7,044,450.72	Self-owned funds	*	In progress
Total		<u>28,349,097.79</u>	<u>13,051,725.87</u>	<u>(615,408.00)</u>	<u>40,785,415.66</u>			

* The budgets of these projects were not disclosed as the amounts are not material.

As at 30 June 2012, no provision for impairment of construction in progress was required (31 December 2011: nil).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(10) Intangible assets

	Cost	31 December 2011	Current period additions	Current period amortisation	30 June 2012	Accumulated amortisation
Concession intangible assets	21,662,774,509.45	18,909,589,514.43	147,976,668.15	(311,215,679.92)	18,746,350,502.66	(2,916,424,006.79)
- Shenzhen Airport-Heao Expressway (Western Section)	843,668,552.23	556,160,125.81	-	(19,683,732.28)	536,476,393.53	(307,192,158.70)
- Yanba Expressway	1,321,937,644.13	1,189,507,053.82	-	(15,427,867.68)	1,174,079,186.14	(147,858,457.99)
- Yanpai Expressway	910,532,308.18	746,777,791.61	-	(19,915,905.78)	726,861,885.83	(183,670,422.35)
- Nanguang Expressway*	2,756,600,800.00	2,566,366,997.68	81,210,000.00	(19,482,236.71)	2,628,094,760.97	(128,506,039.03)
- Meiguan Expressway	1,299,201,507.33	847,221,615.63	54,100,708.84	(22,276,156.49)	879,046,167.98	(420,155,339.35)
- Qinglian Expressway *	9,351,618,385.66	8,895,414,288.59	11,430,000.01	(81,244,510.40)	8,825,599,778.20	(526,018,607.46)
- National Highway No. 107 (Qinglian Section)	512,997,570.61	270,330,620.05	-	(7,430,762.16)	262,899,857.89	(250,097,712.72)
- Outer Ring Expressway	48,049,917.12	46,813,957.82	1,235,959.30	-	48,049,917.12	-
- Wuhuang Expressway	1,523,192,561.64	1,051,524,939.65	-	(48,285,147.28)	1,003,239,792.37	(519,952,769.27)
- Shenzhen Airport-Heao Expressway (Eastern Section)	3,094,975,262.55	2,739,472,123.77	-	(77,469,361.14)	2,662,002,762.63	(432,972,499.92)
Software	2,477,020.00	1,659,339.55	622,200.00	(205,849.05)	2,075,690.50	(401,329.50)
Billboard land use rights	102,545,138.71	51,335,866.95	26,520,000.00	(11,766,711.87)	66,089,155.08	(36,455,983.63)
Total	21,767,796,668.16	18,962,584,720.93	175,118,868.15	(323,188,240.84)	18,814,515,348.24	(2,953,281,319.92)

* The pledge information relating to the concession intangible asset of Nanguang Expressway is set out in Note 5(23)(a); the pledge information relating to the concession intangible assets of Qinglian Expressway and National Highway No. 107 (Qinglian Section) is set out in Note 5(22)(a).

For the period ended 30 June 2012, the amortisation of intangible assets which also recorded in income statement was RMB323,188,240.84 (the same period in 2011: RMB290,315,249.41).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(11) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets without taking into consideration the offsetting of balances

	30 June 2012		31 December 2011	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provisions for maintenance and resurfacing of the toll roads (i)	167,574,029.27	670,296,117.08	170,059,433.96	680,237,735.84
Compensation provided by concession grantors (ii)	23,453,178.91	92,998,070.79	23,759,742.38	94,224,324.67
Deductible tax losses (iii)	56,949,095.90	227,796,383.60	44,000,882.53	176,003,530.12
Payroll accrued but not paid	1,475,634.30	6,707,428.64	1,475,634.30	6,707,428.64
Other	1,771,809.83	7,087,239.32	1,858,442.18	7,433,768.72
	<u>251,223,748.21</u>	<u>1,004,885,239.43</u>	<u>241,154,135.35</u>	<u>964,606,787.99</u>

- (i) A deferred tax asset was recognised based on the temporary difference generated between the tax base and accounting base of provisions for maintenance/resurfacing obligations of toll roads.
- (ii) A deferred tax asset was recognised based on the temporary difference generated between the tax base and book value of compensation provided by concession grantors in prior years.
- (iii) Qinglian Company estimated its profit against which the deductible tax losses incurred in current period and prior years can be utilised in the future. Accordingly, a deferred tax asset on deductible tax losses was recognised.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(11) Deferred tax assets and deferred tax liabilities (continued)

(b) Deferred tax liabilities without taking into consideration the offsetting of balances

	30 June 2012		31 December 2011	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
The amortisation of concession intangible assets (i)	60,989,085.35	243,956,341.40	62,305,460.74	249,221,842.96
Business combinations involving enterprises not under common control (ii)				
- Qinglian Company	351,581,044.96	1,426,064,440.20	353,231,952.66	1,483,893,987.45
- Airport-Heao Eastern Company	465,527,094.32	1,862,108,377.30	479,075,606.97	1,916,302,427.89
- JEL Company	187,926,472.05	752,194,478.60	196,931,202.36	788,213,399.88
Convertible bonds (iii)	20,033,493.49	91,266,004.27	27,708,993.49	121,968,004.27
	<u>1,086,057,190.17</u>	<u>4,375,589,641.77</u>	<u>1,119,253,216.22</u>	<u>4,559,599,662.45</u>

(i) The deferred tax liability was recognised based on the temporary difference generated between the tax base (straight line basis) and accounting base (traffic volume basis) of the amortisation of toll road concession intangible assets.

(ii) In 2007, the Company acquired an additional 20.09% equity interest of Qinglian Company and converted it to a subsidiary of the Company. A deferred tax liability was recognised on temporary difference between the fair values of related identifiable assets and liabilities acquired and their book values.

On 30 September 2009, the Company acquired an additional 45% equity interest of Airport-Heao Eastern Company and converted it to a wholly owned subsidiary of the Company. A deferred tax liability was recognised on temporary difference between the fair values of related identifiable assets and liabilities acquired and their book values.

As at 1 July 2011, the Group obtained the control over JEL Company and included it into the consolidation scope. A deferred tax liability was recognised on temporary difference between JEL Company's fair values of related identifiable assets and liabilities acquired by Mei Wah Company in August 2005 and their book values.

(iii) A deferred tax liability was recognised on temporary difference between the issued amount of the convertible bonds and bonds' liability component initially recognised on the inception date.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(11) Deferred tax assets and deferred tax liabilities (continued)

(c) Deductible tax losses that are not recognised as deferred tax assets are analysed as follows:

	30 June 2012	31 December 2011
Deductible tax losses	<u>218,952,059.03</u>	<u>211,330,603.95</u>

(d) Deductible tax losses that are not recognised as deferred tax assets will be due in the following years:

	30 June 2012	31 December 2011
Year 2012	12,153,566.25	12,153,566.25
Year 2013	26,718,082.61	26,718,082.61
Year 2014	30,139,513.95	30,139,513.95
Year 2015	126,651,015.07	126,651,015.07
Year 2016	15,668,426.07	15,668,426.07
Year 2017	7,621,455.08	-
	<u>218,952,059.03</u>	<u>211,330,603.95</u>

(e) Offsetting of balances of deferred tax assets and liabilities

	30 June 2012	31 December 2011
Deferred tax assets	<u>(180,523,609.77)</u>	<u>(181,004,937.40)</u>
Deferred tax liabilities	<u>180,523,609.77</u>	<u>181,004,937.40</u>

The net values of deferred assets and liabilities taking into consideration the offsetting of balances are set out as follows:

	30 June 2012		31 December 2011	
	Net values of deferred tax assets/liabilities	Temporary differences after offsetting	Net values of deferred tax assets/liabilities	Temporary differences after offsetting
Deferred tax assets	<u>70,700,138.44</u>	<u>271,658,770.04</u>	<u>60,149,197.95</u>	<u>229,455,008.08</u>
Deferred tax liabilities	<u>905,533,580.40</u>	<u>3,642,363,172.38</u>	<u>938,248,278.82</u>	<u>3,365,537,866.38</u>

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(12) Short-term borrowings

	30 June 2012	31 December 2011
Pledged	<u>16,304,400.00</u>	<u>137,819,000.00</u>

(a) As at 30 June 2012, the Group's short-term pledged borrowings are analysed as follows:

	Amount	Interest rate per annum
Industrial and Commercial Bank of China (Asia)	<u>16,304,400.00</u>	HIBOR+320BPS

The borrowing granted by Industrial and Commercial Bank of China (Asia) amounting to HKD20,000,000.00 (equivalent to RMB16,304,400.00) (31 December 2011: HKD170,000,000.00 (equivalent to RMB137,819,000.00)) was secured by 55% equity interest of JEL Company held by Mei Wah Company.

(b) As at 30 June 2012, there were no short-term borrowings past due but have not been repaid (31 December 2011: nil).

(c) As at 30 June 2012, the weighted average interest rate of short-term borrowings was 3.53% per annum (31 December 2011: 3.66 %).

(13) Accounts payable

	30 June 2012	31 December 2011
Payables for construction projects and quality deposits	<u>772,614,351.36</u>	<u>906,979,801.44</u>

The ageing of accounts payable based on their recording dates is analysed as follows:

	30 June 2012	31 December 2011
Within 1 year (including 1 year)	131,599,565.60	192,960,628.36
Over 1 year	<u>641,014,785.76</u>	<u>714,019,173.08</u>
	<u>772,614,351.36</u>	<u>906,979,801.44</u>

As at 30 June 2012, accounts payable with ageing over 1 year mainly represent payables in relation to construction projects, quality deposits and purchase of materials. The payables have not been settled since the final audit for projects are not completed.

As at 30 June 2012 and 31 December 2011, all accounts payable were denominated in RMB.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(14) Advances from customers

	30 June 2012	31 December 2011
Advances from advertising customers	14,123,996.00	23,128,879.00
Others	5,370,000.00	958,001.00
	<u>19,493,996.00</u>	<u>24,086,880.00</u>

As at 30 June 2012 and 31 December 2011, all advances from customers were denominated in RMB.

(15) Employee benefits payable

	31 December 2011	Current period additions	Current period reductions	30 June 2012
Wages and salaries, bonuses, allowances and subsidies	69,039,677.38	59,957,426.76	(104,973,324.10)	24,023,780.04
Staff welfare	-	4,949,101.40	(4,949,101.40)	-
Social security contributions	124,585.87	11,046,764.11	(11,171,349.98)	-
Including: Medical insurance	31,736.22	3,701,235.40	(3,732,971.62)	-
Basic pensions	75,756.50	6,263,629.13	(6,339,385.63)	-
Unemployment insurance	8,883.70	227,768.33	(236,652.03)	-
Work injury insurance	4,092.94	569,420.83	(573,513.77)	-
Maternity insurance	4,116.51	284,710.42	(288,826.93)	-
Housing funds	119,924.10	6,881,214.71	(7,001,138.81)	-
Labor union funds and employee education funds	3,603,954.48	1,443,579.33	(2,054,551.95)	2,992,981.86
Others	877,500.60	2,370,969.85	(1,427,718.16)	1,820,752.29
	<u>73,765,642.43</u>	<u>86,649,056.16</u>	<u>(131,577,184.40)</u>	<u>28,837,514.19</u>

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5 Notes to the consolidated financial statements (continued)

(16) Taxes payable

	30 June 2012	31 December 2011
Corporate income tax payable	136,965,392.92	178,307,324.88
Business tax payable	7,029,750.66	15,837,595.13
Educational surcharge payable	272,665.21	921,119.60
City maintenance and construction tax payable	617,818.47	1,234,367.59
Others	1,645,357.65	2,849,435.51
	<u>146,530,984.91</u>	<u>199,149,842.71</u>

(17) Interest payable

	30 June 2012	31 December 2011
Interest of corporate bonds	124,292,241.11	57,292,239.11
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	11,328,837.42	10,769,672.91
Interest of convertible bonds	10,910,959.00	3,410,959.00
Interest of medium-term notes	9,726,876.70	24,542,136.98
Interest of short-term borrowings	3,129.43	723,058.52
	<u>156,262,043.66</u>	<u>96,738,066.52</u>

(18) Dividends payable

	30 June 2012	31 December 2011
Dividends payable to shareholders of H shares	107,640,030.19	-
Dividends payable to Flywheel Investments Limited, one of minority shareholders	-	7,829,353.57
	<u>107,640,030.19</u>	<u>7,829,353.57</u>

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(19) Other payables

		30 June 2012	31 December 2011
Guaranteed deposits for construction projects			
contracts or pitches	(a)	95,174,957.41	101,821,090.17
Funds retained from Longli Country Government	(b)	67,556,316.00	-
Advance from associates		62,044,681.47	52,004,681.47
Payable related to routine maintenance for roads		33,419,922.22	64,823,786.75
Advance from CCCC-SHB Fifth Engineering Co., Ltd.		19,551,402.00	-
Project funds retained for construction management contracts	(c)	4,283,810.57	7,716,867.32
Mechanical and electrical costs payable		1,794,468.17	2,259,672.96
Others		28,886,703.21	64,010,841.95
		<u>312,712,261.05</u>	<u>292,636,940.62</u>

- (a) Guaranteed deposits for construction projects and pitches are deposits received from the contractors as guarantees for pitches and performance commitment relating to construction projects of Qinglian Expressway, Nanguang Expressway, the extension of Meiguan Expressway and Nanping Freeway (Phase II) Project ('Nanping (Phase II) Project').
- (b) According to the agreement in relation to the construction project of phase I of Guilong Road by 'Build-Transfer' mode ('Longli BT Project') and the joint development agreement of the project of primary development of land signed by Guishen Company with Longli Country Government, Guishen Company received a related project refund from Longli Country Government amounted to RMB256,037,520.00 in June 2012. As at 30 June 2012, an accumulated advance to the above projects amounting to RMB188,481,204.00 has been paid by Guishen Company. Net balance of the refund and the advance amounting to RMB67,556,316.00 are disclosed at other payables.
- (c) The Company was entrusted by Highway Bureau of Longgang District and Municipal Bureau for Urban Administration of Baoan District for the management of the construction of Hengping Project and Shelter-screen Project of Airport-Heao Expressway (Dalang Section), respectively. Both of the projects are funded by Shenzhen Government. The related project payments are made by the Company through special deposit accounts opened for these projects in accordance with relevant provision in the construction management contracts.

As at 30 June 2012, project funds retained in the special deposit accounts amounting to RMB4,283,810.57 (31 December 2011: RMB7,716,867.32). They were classified as restricted bank balance in cash flow statements.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(19) Other payables (continued)

(d) As at 30 June 2012, other payables aged over 1 year are analysed as follows:

	30 June 2012	31 December 2011	Reason for unsettlement	Paid as to the reporting date
Advance from associates	39,544,681.47	39,544,681.47	Distribution in advance	-
Guaranteed deposits for construction projects or pitches	59,701,402.93	50,954,174.38	Completion audit not completed	-
Others	25,425,757.40	10,550,153.76	Completion audit not completed	6,800.00
	<u>124,671,841.80</u>	<u>101,049,009.61</u>		<u>6,800.00</u>

(e) As at 30 June 2012 and 31 December 2011, all other payables were denominated in RMB.

(20) Provisions

	31 December 2011	Current period movement	30 June 2012
Provisions for maintenance/resurfacing obligations	680,237,735.70	(9,941,618.82)	670,296,116.88
Less: current portion	<u>(324,127,818.17)</u>	<u>22,271,603.73</u>	<u>(301,856,214.44)</u>
	<u>356,109,917.53</u>	<u>12,329,984.91</u>	<u>368,439,902.44</u>

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(21) Current portion of non-current liabilities

	30 June 2012	31 December 2011
Current portion of long-term borrowings		
Including: Unsecured (a)	202,169,600.00	336,053,600.00
Pledged (b)	200,880,000.00	151,280,000.00
	<u>403,049,600.00</u>	<u>487,333,600.00</u>
Current portion of medium-term notes (Note 5(23))	<u>698,469,815.41</u>	<u>-</u>
Current portion of provisions (Note 5(20))	<u>301,856,214.44</u>	<u>324,127,818.17</u>
Current portion of hedging instruments (Note 5(24))	<u>1,252,836.25</u>	<u>935,337.35</u>
	<u>1,404,628,466.10</u>	<u>812,396,755.52</u>

(a) Details of current portion of long-term unsecured borrowings are set out as follows:

	Beginning date	Termination date	Interest rate	Currency	30 June 2012	
					Amount in foreign currencies	Amount in RMB
Shenzhen Anlian Branch of China Merchants Bank	2010.9.17	2012.9.17	3.56%	HKD	227,000,000.00	185,050,400.00
Shenzhen Shangbu Branch of China Construction Bank	2010.9.17	2012.9.17	HIBOR+150BPS	HKD	21,000,000.00	17,119,200.00
						<u>202,169,600.00</u>

(b) Current portion of long-term pledged borrowings are syndicated borrowings for Qinglian Expressway project amounting to RMB200,880,00.00 (Note 5(22)(a)).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(22) Long-term borrowings

	30 June 2012	31 December 2011
Pledged (a)	5,028,220,200.00	4,941,610,808.00
Unsecured (b)	741,626,400.00	957,019,900.00
	<u>5,769,846,600.00</u>	<u>5,898,630,708.00</u>

(a) As at 30 June 2012, details of long-term secured borrowings are set out as follows:

	Interest rate	Currency	30 June 2012		Pledge details
			Amount in foreign currencies	Amount in RMB	
Syndicated borrowings for Qinglian Expressway project	6.12%	RMB		4,192,024,000.00	Operating rights of National Highway No. 107 (Qinglian Section) and Qinglian Expressway
Industrial and Commercial Bank of China	5.508%	RMB		665,000,000.00	40% equity interest of Qinglong Company held by the Company
Industrial and Commercial Bank of China (Asia)	HIBOR+260BPS	HKD	210,000,000.00	<u>171,196,200.00</u>	55% equity interest of JEL Company held by Mei Wah Company
				<u>5,028,220,200.00</u>	

(b) The unsecured long-term borrowings comprise 450,600,000.00 and HKD357,000,000.00 (equivalent to RMB291,026,400.00) (31 December 2011: RMB667,600,000.00 and HKD357,000,000.00 (equivalent to RMB289,419,900.00)). Interest rates of the unsecured long-term borrowings for the six months ended 30 June 2012 ranged from 1.79% to 6.65% per annum (the same period in 2011: from 1.79% to 6.40%).

(c) The five largest long-term borrowings:

	Starting date	Ending date	Currency	Interest rate	30 June 2012		31 December 2011	
					Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Syndicated borrowings (part A)	2006.9.30	2024.6.20	RMB	6.12%		2,099,900,000.00		2,004,420,000.00
Syndicated borrowings (part B)	2006.9.30	2024.6.20	RMB	6.12%		1,534,000,000.00		1,534,000,000.00
Industrial and Commercial Bank of China	2006.3.15	2021.3.12	RMB	5.508%		665,000,000.00		665,000,000.00
Syndicated borrowings (part C)	2011.1.6	2027.1.6	RMB	6.12%		558,124,000.00		567,943,808.00
Industrial and Commercial Bank of China	2009.9.17	2014.9.17	HKD	HIBOR+150BPS	357,000,000.00	<u>291,026,400.00</u>	357,000,000.00	<u>289,419,900.00</u>
						<u>5,148,050,400.00</u>		<u>5,060,783,708.00</u>

As at 30 June 2012, the weighted average interest rate of long-term borrowings was 5.79% per annum (31 December 2011: 5.84%).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable

	31 December 2011	Current period transaction costs	Amortisation in current period	30 June 2012
Convertible bonds	1,379,704,762.18	-	33,370,206.00	1,413,074,968.18
Corporate bonds	2,276,421,207.11	-	3,529,076.82	2,279,950,283.93
Medium-term notes	699,523,747.54	(2,126,564.00)	1,072,631.87	698,469,815.41
	<u>4,355,649,716.83</u>	<u>(2,126,564.00)</u>	<u>37,971,914.69</u>	<u>4,391,495,067.52</u>
Including: current portion of medium-term notes	-			(698,469,815.41)
	<u>4,355,649,716.83</u>			<u>3,693,025,252.11</u>

Related information is as follows:

	Par value	Date of issuance	Maturity	Issued amount	Coupon rate
Convertible bonds (a)	1,500,000,000.00	9 October 2007	6 years	1,500,000,000.00	1%
Corporate bonds (b)	800,000,000.00	31 July 2007	15 years	800,000,000.00	5.5%
Corporate bonds (b)	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	6.0%
Medium-term notes (c)	400,000,000.00	15 March 2010	3 years	400,000,000.00	4.97%
Medium-term notes (c)	300,000,000.00	26 March 2010	3 years	300,000,000.00	4.97%

The interests accrued in the balance are analysed as follows:

	31 December 2011	Current period accrued	Current period paid	30 June 2012
Convertible bonds	3,410,959.00	7,500,000.00	-	10,910,959.00
Corporate bonds	57,292,239.11	67,000,002.00	-	124,292,241.11
Medium-term notes	24,542,136.98	16,474,739.72	(31,290,000.00)	9,726,876.70
	<u>85,245,335.09</u>	<u>90,974,741.72</u>	<u>(31,290,000.00)</u>	<u>144,930,076.81</u>

(a) Convertible bonds

The interests of the convertible bonds are repayable once a year (on 9 October each year), and the principal is repayable upon maturity on 9 October 2013, together with the final installment of interest.

The convertible bonds is guaranteed by the Shenzhen Branch of Agricultural Bank of China, which is in turn secured by the 47.3% of operating right of Nanguang Expressway (Note 5(10)). The pledge will expire on the date of 9 April 2014.

The fair value of liability component of convertible bonds is determined based on market interest rate of comparable bonds without warrants at issuance date, i.e 5.5%. The issued amount of the convertible bonds after deduction of fair value of liability component, which represents fair value of the conversion option, was included in capital surplus.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable (continued)

(a) Convertible bonds (continued)

As at 30 June 2012, net book value of liability component of the convertible bonds is set out as follows:

Principal of convertible bonds	1,500,000,000.00
Equity component recognised at issuance date	(337,198,296.00)
Less: transaction costs attributable to liability component	<u>(32,018,323.14)</u>
Fair value of liability component at issuance date	1,130,783,380.86
Accumulated amortisation from issuance date to 30 June 2012	<u>282,291,587.32</u>
Net book value as at 30 June 2012	<u>1,413,074,968.18</u>

As at 30 June 2012, the fair value of convertible bonds approximated RMB1,376,116,289.30 which was calculated using cash flows discounted method based on a market interest rate of comparable non-convertible bond at 4.85% per annum

(b) Corporate bonds

The Company issued long-term corporate bonds with principal amount of RMB800,000,000 bearing a term of 15 years and interest of 5.5% per annum on 31 July 2007 in accordance with the approval of Fa Gai Cai Jin [2007] No.1791 issued by National Development & Reform Commission. Interest is repayable annually and the principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan Company. As at 30 June 2012, the fair value of corporate bonds approximated RMB780,944,101.52 which was calculated using cash flows discounted method based on market interest rate of comparable corporate bond at 5.74% per annum.

Upon the approval of Zheng Jian Xu Ke [2011] No.1131 issued by China Securities Regulatory Commission, the Company completed the issuance of long-term corporate bonds with principal amount of RMB1,500,000,000 on 2 August 2011. The bonds bear interest of 6.0% per annum, with the interest repayable annually and the principal repayable in full upon maturity on 27 July 2016. The term of the bonds is five-year. At the end of the third year, the Company has an option to increase the coupon interest of the bonds and the bondholders have put options to sell the bonds back to the Company. As at 30 June 2012, the fair value of the bonds approximated to RMB1,450,833,775.52 which was calculated using discounted cash flow method and market interest rate of comparable corporate bond at 6.68% per annum.

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Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable (continued)

(c) Medium-term notes

In March 2010, the Company issued medium-term notes with principal amount of RMB700 million. The notes bear a term of three years and interest rate of 3.72% per annum for the first year, 4.47% per annum from the second year and 4.97% per annum from the third year. As at 30 June 2012, the medium-term notes are reclassified to current portion of non-current liabilities (Note 5 (21)).

The fair values of medium-term notes approximated to their carrying amounts as the comparable market rate is close to the coupon rate and the effect of discounting is not significant.

(24) Hedging instruments

		30 June 2012	31 December 2011
Cash flow hedges :			
CNY/HKD cross currency interest rate swap	(a)	12,021,533.04	11,364,107.77
Forward foreign exchange contracts	(b)	<u>1,252,836.25</u>	<u>935,337.35</u>
		13,274,369.29	12,299,445.12
Less: Current portion of forward foreign exchange contracts (Note 5(21))		<u>(1,252,836.25)</u>	<u>(935,337.35)</u>
		<u>12,021,533.04</u>	<u>11,364,107.77</u>

(a) CNY/HKD cross currency and interest rate swap

The Company uses a CNY/HKD cross currency interest rate swap contract to hedge its interest rate risk and exchange rate risk of one of its variable-rate foreign currency loans with a notional principal amount of HKD420,000,000 (31 December 2011: HKD420,000,000). The payment term for this loan is: HKD21,000,000 is repayable each year in September from 2010 to 2013, HKD336,000,000 is repayable in September 2014. The notional principal amount of the outstanding CNY/HKD cross currency interest rate swap contract as at 30 June 2012 was HKD378,000,000 (31 December 2011: HKD378,000,000). Through this arrangement, the Company is able to pay an annually fixed interest at 1.8% per annum and to repay the loan's principal at a fixed HKD/RMB exchange rate agreed in the contract while the original annual floating interest expense (3-month HIBOR+150BPS) and the floating principal payments (at HKD/RMB exchange spot rate) attached to the loan is offset by the CNY/HKD cross currency interest rate swap. Such a swap is settled on a quarterly basis from June 2010 to September 2014.

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Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(24) Hedging instruments (continued)

(b) Forward foreign exchange contracts

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

(25) Share capital

	31 December 2011	Current period additions	Current period reductions	30 June 2012
Par value RMB1 per share				
Shares not subject to trading restrictions -				
RMB ordinary shares	1,433,270,326.00	-	-	1,433,270,326.00
Oversea listed foreign shares	747,500,000.00	-	-	747,500,000.00
Total share capital	<u>2,180,770,326.00</u>	<u>-</u>	<u>-</u>	<u>2,180,770,326.00</u>
	31 December 2010	Current year additions	Current year reductions	31 December 2011
Par value RMB1 per share				
Shares not subject to trading restrictions -				
RMB ordinary shares	1,433,270,326.00	-	-	1,433,270,326.00
Oversea listed foreign shares	747,500,000.00	-	-	747,500,000.00
Total share capital	<u>2,180,770,326.00</u>	<u>-</u>	<u>-</u>	<u>2,180,770,326.00</u>

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Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(26) Capital surplus

	31 December 2011	Current period additions	Current period reductions	30 June 2012
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Other capital surplus—				
Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
Cash flow hedges-after tax	16,590,228.99	974,924.17	(3,340,940.95)	14,224,212.21
Equity investment reserve	406,180.00	-	-	406,180.00
Others	65,760.27	-	-	65,760.27
	<u>3,184,545,911.42</u>	<u>974,924.17</u>	<u>(3,340,940.95)</u>	<u>3,182,179,894.64</u>

	31 December 2010	Current year additions	Current year reductions	31 December 2011
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Other capital surplus-				
Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
Cash flow hedges-after tax	(12,777,033.26)	(13,396,637.20)	42,763,899.45	16,590,228.99
Equity investment reserve	406,180.00	-	-	406,180.00
Others	65,760.27	-	-	65,760.27
	<u>3,155,178,649.17</u>	<u>(13,396,637.20)</u>	<u>42,763,899.45</u>	<u>3,184,545,911.42</u>

(27) Surplus reserve

	31 December 2011	Current period additions	30 June 2012
Statutory surplus reserve	1,081,503,618.42	-	1,081,503,618.42
Discretionary surplus reserve	<u>453,391,330.06</u>	<u>-</u>	<u>453,391,330.06</u>
	<u>1,534,894,948.48</u>	<u>-</u>	<u>1,534,894,948.48</u>

	31 December 2010	Current year additions	31 December 2011
Statutory surplus reserve	993,041,315.16	88,462,303.26	1,081,503,618.42
Discretionary surplus reserve	<u>453,391,330.06</u>	<u>-</u>	<u>453,391,330.06</u>
	<u>1,446,432,645.22</u>	<u>88,462,303.26</u>	<u>1,534,894,948.48</u>

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(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(27) Surplus reserve (continued)

In accordance with Chinese Companies Law, the Company's Articles of Association and the resolution of Board of Directors, companies should appropriate 10% of net profit for the year to the statutory surplus reserve, and companies can cease appropriation when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities.

The Company appropriate discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company does not appropriate any surplus reserve in current period (the same period in 2011: nil).

(28) Undistributed profits

	30 June 2012	31 December 2011
Undistributed profits at the beginning of the period/year	2,304,205,866.63	1,866,445,317.49
Add: Net profit attributable to equity holders of the Company in current period/year	418,820,805.87	875,146,104.56
Less: Appropriation for statutory surplus reserve	-	(88,462,303.26)
Appropriation for discretionary surplus reserve	-	-
Dividends	<u>(348,923,252.16)</u>	<u>(348,923,252.16)</u>
Undistributed profits at the end of the period/year	<u>2,374,103,420.34</u>	<u>2,304,205,866.63</u>

As at 30 June 2012, included in the undistributed profits, RMB239,215,257.81 represents subsidiaries' surplus reserve attributable to the Company (31 December 2011: RMB239,215,257.81).

In accordance with the resolution passed in the Annual General meeting on 28 May 2012, the Company proposed a cash dividend to all shareholders amounting to RMB348,923,252.16, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.16 per share. The cash dividend represents 39.87% of the net profit for the year ended 31 December 2011. As at 30 June 2012, cash dividend amounting to RMB107,640,030.19 has not been paid.

The Board did not recommend any payment of interim dividend for the six months ended 30 June 2012 (the same period in 2011: nil), nor did it recommend any conversion of capital reserve into share capital

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(29) Minority interests

Minority interests attributable to the minority shareholders of subsidiaries

	30 June 2012	31 December 2011
Minority interest of Qinglian Company - Guangdong Cement Company Limited	753,830,322.29	713,004,087.03
Minority interest of JEL Company - Flywheel Investments Limited	457,845,313.37	520,133,968.62
Minority interest of Guishen Company - CCCC-SHB Fifth Engineering Co., Ltd.	59,408,381.87	59,832,582.00
	<u>1,271,084,017.53</u>	<u>1,292,970,637.65</u>

(30) Revenue and cost of services

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Revenue from main business (a)	1,382,455,520.16	1,321,046,004.11
Revenue from other businesses (b)	178,172,737.27	62,052,027.28
	<u>1,560,628,257.43</u>	<u>1,383,098,031.39</u>
Cost from main business (a)	588,723,432.57	634,408,945.46
Cost from other businesses (b)	75,900,520.54	29,834,024.94
	<u>664,623,953.11</u>	<u>664,242,970.40</u>

(a) Revenue and cost of services from main business

	<u>For the six months ended 30 June 2012</u>		<u>For the six months ended 30 June 2011</u>	
	Revenue of main business	Cost of main business	Revenue of main business	Cost of main business
Revenue from toll road	<u>1,382,455,520.16</u>	<u>588,723,432.57</u>	<u>1,321,046,004.11</u>	<u>634,408,945.46</u>

The Group's revenue from toll road is generated from Guangdong Province and Hubei Province.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(30) Revenue and cost of services (continued)

(b) Revenue and cost of services from other businesses

	For the six months ended 30 June 2012		For the six months ended 30 June 2011	
	Revenue from other businesses	Cost of other businesses	Revenue from other businesses	Cost of other businesses
Management services				
revenue (i)	120,227,553.03	45,421,826.16	26,735,811.85	10,207,087.53
Advertising services revenue	47,525,358.00	26,713,289.73	33,120,750.00	18,414,909.08
Other revenue	10,419,826.24	3,765,404.65	2,195,465.43	1,212,028.33
	<u>178,172,737.27</u>	<u>75,900,520.54</u>	<u>62,052,027.28</u>	<u>29,834,024.94</u>

(i) Management services revenue

The Company was engaged by the local government authorities to manage the construction of several toll road construction projects, namely the Nanping (Phase I) Project, Nanping (Phase II) Project, Hengping Project, the Wutong Mountain Avenue (Supplementary Road) and Airport-Heao Expressway Yantian Subsidiary Road Checkpoint Station Project ('Wutong Mountain Project'), the renovation project of the Shenyun-North Ring Interchange ('Shenyun Project'), the Longhua expanding section of Longda Expressway ('Longhua Extension')(Note 7(5)(a)(ii)), Coastal Project, the construction project of municipal facilities of Dalang Section of Longda Expressway ('Longda Municipal Section') and Longli BT Project. In return, the Company is entitled to receive management services income. Nanping (Phase I) Project, Hengping Project, Shenyun Project and Wutong Mountain Project have been completed in prior years. In current period, the Group mainly managed the construction of Nanping (Phase II) Project, Longhua Extension, Coastal Project, Longda Municipal Section and Longli BT Project. The management services income is determined based on the cost savings achieved in managing these construction management projects according to the provisions of the relevant contracts. For Nanping (Phase II) Project, Longhua Extension and Longda Municipal Section, the Company is solely granted all the cost savings in construction in case the savings does not exceed by 2.5% of the total budgeted contract costs; while the Company would share 20% of any savings exceeding 2.5% of the total budgeted contract costs. For Coastal Project, the management service revenue is 1.5% of the construction budget while the Company would share 20% of any savings of the total budgeted contract costs. For Longli BT Project, the Company would grant return on capital costs and return on investments. Return on capital costs is calculated by 8% of funds advanced to the project related to the construction management services by the Company while return on investments is calculated by 5% of funds advanced to the project related to the construction management services plus return on capital costs.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(30) Revenue and cost of services (continued)

(b) Revenue and cost of services from other operation (continued)

(i) Management services revenue (continued)

According to the related management services contracts, the Company undertakes to bear cost overruns for the above projects. For Longda Municipal Section Project and Nanping (Phase II) Project, the Company is obliged to bear all the cost overruns incurred in construction as compared to the original budget. For Coastal Project, the Company is obliged to bear 20% of the cost overruns incurred in construction as compared to the original budget. Nevertheless, the outflow of resources arising from expected cost overruns of these projects is considered remote by the Company, after taking into account the actual progress and the status of these projects.

On 29 December 2011, the Company entered into an operation and management entrustment agreement with Baotong Company, a wholly-owned subsidiary of Shenzhen International. Pursuant to the agreement, Baotong Company entrusts the Company to manage the 89.93% equity interests held in Shenzhen Longda Expressway Company Limited ('Longda Company'). However, Baotong Company retains the legal ownership in Longda Company and its entitlement to risks and rewards/obligations of Longda Company. In return for the services rendered, the Company is entitled to an annual management entrustment fee of RMB18,000,000.00. The management entrustment fee for current period amounted to RMB9,000,000.00 (the same period in 2011: RMB11,282,162.62).

In current period, the Company recognised construction management service revenue of Nanping (Phase I) Project at RMB95,535,090.35 in accordance with the audit results on budgetary costs (the same period in 2011: nil). The Company recognised construction management service revenue of the Coastal Project at RMB10,027,384.16 according to the percentage of completion of the project (the same period in 2011: recognised construction management services income based on actual project management taxes and expenses incurred amounting to RMB9,009,370.53). For Nanping (Phase II) Project, Longhua Expanding Project, Longda Municipal Section Project and Longli BT Project, as the outcome of the construction management services could not be reliably estimated though the costs incurred were expected to be fully recovered, the Group recognised construction management services income based on actual project management taxes and expenses incurred amounting to RMB5,665,078.52 (the same period in 2011: RMB4,456,697.00).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(31) Business tax and surcharges

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Business tax	48,318,684.62	44,716,477.32
City maintenance and construction tax	2,937,974.37	3,143,126.70
Educational surcharge	2,020,162.51	2,094,195.33
Construction fee for culture undertakings	1,417,360.74	459,987.87
Others	1,443,548.33	642,270.11
	<u>56,137,730.57</u>	<u>51,056,057.33</u>

(32) General and administrative expenses

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Salary and wages	12,873,462.73	17,325,369.34
Depreciation	3,069,272.70	2,763,951.73
Expenses paid to stock exchange	2,267,771.44	1,456,500.00
Audit fees	391,800.00	1,859,443.36
Office management expenses	810,888.37	281,856.00
Others	6,047,138.36	8,438,634.60
	<u>25,460,333.60</u>	<u>32,125,755.03</u>

(33) Financial expenses - net

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Interest expense	308,909,835.70	243,914,976.37
Including: Interest expenses from borrowings	184,283,179.29	172,066,346.26
Interest expenses from bonds payable	128,946,656.41	74,247,380.42
Interest capitalisation	(4,320,000.00)	(2,398,750.31)
Time value of provision for maintenance/resurfacing obligations	16,986,709.73	29,964,342.72
Less: interest income	(18,799,303.34)	(6,040,980.37)
Exchange losses/(gains)	3,105,430.18	(21,794,500.99)
Others	1,884,449.66	789,189.05
	<u>312,087,121.93</u>	<u>246,833,026.78</u>

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(34) Investment income

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Income/(loss) from long-term equity investments in joint ventures under equity method	2,193,995.50	(556,527.94)
Income from long-term equity investments in associates under equity method	<u>66,254,565.15</u>	<u>83,415,360.53</u>
	<u>68,448,560.65</u>	<u>82,858,832.59</u>

There is no significant restriction on the remittance of investment income.

For the six months ended 30 June 2012 and for the six months ended 30 June 2011, all of the Group's investment income was generated from non-listed investments.

(35) Non-operating income and non-operating expenses

(a) Non-operating income

	For the six months ended 30 June 2012	For the six months ended 30 June 2011	Amount recorded as non-recurring profit or loss for the six months ended 30 June 2012
Gain on disposal of fixed assets	43,550.00	8,920.00	43,550.00
Others	<u>155,104.45</u>	<u>226,268.18</u>	<u>155,104.45</u>
	<u>198,654.45</u>	<u>235,188.18</u>	<u>198,654.45</u>

(b) Non-operating expenses

	For the six months ended 30 June 2012	For the six months ended 30 June 2011	Amount recorded as non-recurring profit or loss for the six months ended 30 June 2012
Loss on disposal of fixed assets	139,409.40	238,707.00	139,409.40
Donation	17,300.00	50,000.00	17,300.00
Others	<u>43,287.47</u>	<u>41,292.63</u>	<u>43,287.47</u>
	<u>199,996.87</u>	<u>329,999.63</u>	<u>199,996.87</u>

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(36) Income tax expenses

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Current income tax calculated according to tax law and related regulations	174,097,841.63	151,394,100.26
Deferred income tax	(43,265,638.91)	(59,111,396.06)
	<u>130,832,202.72</u>	<u>92,282,704.20</u>

The reconciliation from income tax calculated based on the applicable tax rates and profit before tax presented in the consolidated financial statements to the income tax expense is listed below:

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Profit before tax	<u>570,766,336.45</u>	<u>471,604,242.99</u>
Income tax expenses calculated at applicable tax rate of 25% (the same period in 2011: 24%)	142,691,584.11	113,185,018.32
Effect of different tax rate applied for deferred tax calculation	1,650,907.69	(1,157,707.28)
Income not subject to tax	(18,733,990.35)	(38,463,217.30)
Unrecognised tax losses	1,905,363.77	15,731,054.99
Others	3,318,337.50	2,987,555.47
Income tax expenses	<u>130,832,202.72</u>	<u>92,282,704.20</u>

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(37) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Consolidated net profit attributable to ordinary shareholders of the Company	418,820,805.87	352,521,341.74
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	<u>0.192</u>	<u>0.162</u>
Including: Basic earnings per share from continuing operations	<u>0.192</u>	<u>0.162</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the year ended 30 June 2012, diluted earnings per share was equal to basic earnings per share.

(38) Other comprehensive income

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
(Loss)/gain from cash flow hedges	(2,366,016.78)	6,181,998.71
Tax effect	<u>-</u>	<u>-</u>
(Loss)/gain from cash flow hedges – after tax	<u>(2,366,016.78)</u>	<u>6,181,998.71</u>

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(39) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Refund by Longli Country Government in relation to the Longli BT Project and development of land	256,037,520.00	-
Cash received from CCCC-SHB Fifth Engineering Co., Ltd.	67,480,000.00	-
Cash received from GZ W2 Company	10,000,000.00	-
Cash received from quality deposits for Hengping Project	-	9,425,400.00
Cash received from other operating activities	<u>12,742,595.31</u>	<u>7,599,678.19</u>
	<u>346,260,115.31</u>	<u>17,025,078.19</u>

(b) Cash paid relating to other operating activities

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Cash advanced for land leasing	309,010,800.00	-
Repayment to CCCC-SHB Fifth Engineering Co., Ltd.	48,000,000.00	-
Cash advanced to Longli BT Project and development of land	19,799,552.60	-
Repayments of quality deposits for Nanping (Phase II) Project	6,171,913.00	53,108,104.02
Management expenses paid for Coastal Project	3,316,675.98	2,412,184.35
Cash advanced to the migration project of Meilin toll station	1,000,000.00	-
Expenses paid to stock exchange	2,267,771.44	315,238.67
Audit, valuation, lawyers and advisory fees paid	675,826.53	5,473,085.04
Other operating expenses paid	<u>30,849,347.28</u>	<u>27,478,304.40</u>
	<u>421,091,886.83</u>	<u>88,786,916.48</u>

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

5 Notes to the consolidated financial statements (continued)

(40) Supplementary information to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Net profit	439,934,133.73	379,321,538.79
Add: Amortisation of investment properties	287,850.00	287,850.00
Depreciation of fixed assets	62,594,188.16	52,378,041.04
Amortisation of intangible assets	323,188,240.84	290,315,249.41
Amortisation of long-term prepaid expenses	457,389.06	457,389.06
Losses on disposal of fixed assets	95,859.40	229,787.00
Financial expenses	312,087,121.93	246,833,026.78
Investment income	(68,448,560.65)	(82,858,832.59)
Net movement in deferred tax assets and liabilities	(43,265,638.91)	(59,111,396.06)
Decrease/(increase) in inventories	1,260,725.36	(1,323,425.30)
(Increase)/decrease in operating receivables	(124,962,524.14)	220,520,536.92
Decrease in operating payables	(95,056,354.64)	(353,226,377.54)
Provisions charged into cost of services	-	83,385,468.68
Net cash flows from operating activities	<u>808,172,430.14</u>	<u>777,208,856.19</u>

(b) Net change in cash

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Cash at the end of the period	1,847,697,905.96	463,019,996.64
Less: cash at the beginning of the period	<u>(2,167,953,309.07)</u>	<u>(577,312,394.11)</u>
Net decrease in cash	<u>(320,255,403.11)</u>	<u>(114,292,397.47)</u>

(c) Cash and cash equivalents

	30 June 2012	30 June 2011
Cash at bank and on hand (Note 5(1))	1,851,981,716.53	751,862,978.27
Less: Restricted bank balances (Note 5(1))	(4,283,810.57)	(13,842,981.63)
Pledged fixed deposits	-	(275,000,000.00)
Cash at the end of the period/year	<u>1,847,697,905.96</u>	<u>463,019,996.64</u>

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6 Segment information

The reportable segments of the Group are the business units that provide different products or service, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies. Therefore, the Group separately manages the production and operation of the reportable segment and evaluates its operating results in order to make decisions about resources to be allocated to the segment and to assess its performance.

The Group has only one reportable segment, i.e. toll road segment, which takes charge of operation and management of toll roads in mainland China.

Other businesses principally comprise provision of advertising services, construction management services and other services. The Group has no inter-segment transfers. These businesses do not compose separate reportable segments.

(1) Segment information as at and for the six months ended 30 June 2012 is as follows:

Segment	Toll road	Other	Unallocated	Total
Revenue from external customers	1,382,455,520.16	178,172,737.27	-	1,560,628,257.43
Interest income	7,243,197.59	756,605.23	10,799,500.52	18,799,303.34
Interest expenses	308,909,835.70	-	-	308,909,835.70
Share of profit of associates and joint ventures	67,088,354.89	1,360,205.76	-	68,448,560.65
Depreciation and amortisation	368,801,451.02	13,289,240.46	4,436,976.58	386,527,668.06
Total profit	506,300,894.30	87,669,142.05	(23,203,699.90)	570,766,336.45
Income tax expense	109,151,523.59	21,680,679.13	-	130,832,202.72
Net profit	397,149,370.71	65,988,462.92	(23,203,699.90)	439,934,133.73
Total assets	23,159,106,141.97	901,057,178.53	196,760,201.94	24,256,923,522.44
Total liabilities	13,407,790,342.65	69,539,563.05	236,561,009.75	13,713,890,915.45
Long-term equity investments in associates and joint ventures	1,600,294,261.61	14,514,007.92	-	1,614,808,269.53
Additions to non-current assets other than long-term equity investments	(194,786,097.94)	15,755,934.70	(4,324,813.65)	(183,354,976.89)

Shenzhen Expressway Company Limited

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For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

6 Segment information (continued)

(2) Segment information as at and for the six months ended 30 June 2011 is as follows:

Segment	Toll road	Other	Unallocated	Total
Revenue from external customers	1,321,046,004.11	62,052,027.28	-	1,383,098,031.39
Interest income	1,907,879.45	63,725.18	4,069,375.74	6,040,980.37
Interest expenses	243,914,976.37	-	-	243,914,976.37
Share of profit of associates and joint ventures	81,830,636.91	1,028,195.68	-	82,858,832.59
Depreciation and amortisation	333,005,193.33	6,305,575.93	4,127,760.25	343,438,529.51
Total profit	477,281,984.50	26,448,013.52	(32,125,755.03)	471,604,242.99
Income tax expense	86,096,105.06	6,186,599.14	-	92,282,704.20
Net profit	391,185,879.44	20,261,414.38	(32,125,755.03)	379,321,538.79
Total assets	22,712,956,149.26	289,350,616.16	195,172,529.27	23,197,479,294.69
Total liabilities	13,149,773,663.13	80,356,382.27	92,524,262.44	13,322,654,307.84
Long-term equity investments in associates and joint ventures	1,593,944,988.43	11,360,495.11	-	1,605,305,483.54
Additions to non-current assets other than long-term equity investments	186,737,126.63	58,120,580.29	(2,513,704.00)	242,344,002.92

The Group's revenue from external customers and the total non-current assets other than financial assets and deferred tax assets are all derived within PRC.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

7 Related parties and related party transactions

(1) Information of the parent of the Company:

(a) General information of the parent company:

	Type	Place of registration	Legal representative	Code of organisation	Nature of business
Shenzhen International	Foreign enterprise	Bermuda	Not applicable	Not applicable	Investment holding

(b) Registered capital and changes in registered capital of the parent company:

	31 December 2011	Current period additions	Current period reductions	30 June 2012
Shenzhen International	<u>HKD2,000,000,000.00</u>	<u>-</u>	<u>-</u>	<u>HKD2,000,000,000.00</u>

(c) The proportions of equity interests and voting rights in the Company held by the parent company:

	30 June 2012		31 December 2011	
	% interest held	% voting rights	% interest held	% voting rights
Shenzhen International	<u>50.89%</u>	<u>50.89%</u>	<u>50.89%</u>	<u>50.89%</u>

(2) Information of subsidiaries

The information for the subsidiaries is set out in Note 4(1).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

7 Related parties and related party transactions (continued)

(3) Information of joint ventures and associates

	Type	Place of registration	Legal representative	Nature of business	Registered capital (RMB)	% equity interest	% voting right	Code of organisation
Joint ventures-								
Shenchang Company	Limited liability company	Changsha City, Hunan Province	Luo Cheng Bao	(i)	200,000,000	51%	51%	71216935-7
Guilong Company	Limited liability company	Longli Country, Guizhou Province	Yang Ming	(iii)	10,000,000	49%	49%	57332917-x
Associates-								
Qinglong Company	Limited liability company	Shenzhen City, Guangdong Province	Wu Xian	(i)	324,000,000	40%	40%	19230570-5
Consulting Company	Limited liability company	Shenzhen City, Guangdong Province	Cai Cheng Guo	(ii)	18,750,000	24%	24%	74124302-6
Huayu Company	Limited liability company	Shenzhen City, Guangdong Province	Wu Xian	(i)	150,000,000	40%	40%	73417205-5
Jiangzhog Company	Limited liability company	Guangzhou City, Guangdong Province	Lu Ya Xing	(i)	1,045,000,000	25%	25%	74296235-6
Nanjing Third Bridge Company	Limited liability company	Nanjing City, Jiangsu Province	Feng Bao Chun	(i)	1,080,000,000	25%	25%	74537269-3
Yangmao Company	Limited liability company	Guangzhou City, Guangdong Province	Luo Ying Sheng	(i)	200,000,000	25%	25%	74170833-x
GZ W2 Company	Limited liability company	Guangzhou City, Guangdong Province	Xu Jie Hong	(i)	1,000,000,000	25%	25%	76400825-6
Guangyun Company	Limited liability company	Yunfu City, Guangdong Province	Gu Shui Ling	(i)	10,000,000	30%	30%	74448922-4

(i) Expressway construction and operation.

(ii) Construction advisory and consultancy.

(iii) Investment and management of road construction, land development and the project management.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

7 Related parties and related party transactions (continued)

(4) Information of other related parties

	Relationship with the Group	Code of organisation
Flywheel Investment Limited	Under same control of Shenzhen International	Not applicable
Xin Tong Chan Company	Shareholder of the Company	19224376-X
Baotong Company	Under same control of Shenzhen International	72618130-6
Coastal Company	Ultimately controlled by SIHCL	68201030-1
Unitoll Company	One of its directors is the Company's key management personnel	74084676-5

(5) Related party transactions

(a) Rendering or receiving of services

(i) Receiving of services

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	For the six months ended 30 June 2012		For the six months ended 30 June 2011	
			Amount	Percentage in the total amount of similar transactions	Amount	Percentage in the total amount of similar transactions
Consulting Company	Receiving project management services	Negotiated price	4,043,235.40	21.17%	17,395,117.41	31.01%
Unitoll Company	Receiving integrated toll system settlement services	Determined by price bureau	8,468,299.38	100.00%	10,299,483.85	100.00%

The Group signed management services contracts with Consulting Company. Total management services expenses amounted to RMB163,681,007.59, majority of which are bid in prior years to provide management services to Qinglian Company for its expressway project. Up to 30 June 2012, the Group paid accumulated management services expenses to Consulting Company amounting to RMB130,649,580.95 (31 December 2011: RMB126,606,345.55).

Unitoll Company is appointed by the People's Government of Guangdong Province to take charge of the management of integrated toll system in Guangdong province. The Company and its subsidiaries have signed a series of agreements with Unitoll Company and entrusted it to provide tolls settlement services for Meiguan Expressway, Airport-Heao Expressway, Yanba Expressway, Yanpai Expressway, Nanguang Expressway and Qinglian Expressway operated by the Group. The service periods end on the expiry dates of operation periods of individual toll roads. The related service charges are determined by commodity price bureau of Guangdong Province.

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Rendering or receiving of services (continued)

(ii) Rendering of services

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	For the six months ended 30 June 2012		For the six months ended 30 June 2011	
			Amount	Percentage in the total amount of similar transactions	Amount	Percentage in the total amount of similar transactions
	Entrusted construction management services	Negotiated price	-	-	331,700.80	2.15%
Baotong Company						
	Entrusted construction management services	Negotiated price	10,027,384.16	9.15%	10,193,397.53	65.96%
Coastal Company						

On 20 May 2009, Baotong Company signed a management service contract with the Company and entrusted the Company to manage the construction of Longhua Extension. Pursuant to the contract, as the entrusted party, the Company is responsible for the management service to the construction of Longhua Extension; as the entrusting party, Baotong Company is responsible for the financing and payment of the construction funds. Management service revenues comprise management service compensation and premiums from investment controls (if any). The basic management service compensation amounts to RMB5,000,000. The premiums from investment controls are calculated on the basis of project budget and project completion settlement cost. All savings are defined as premiums in case the saving project completion settlement cost does not exceed 2.5% of the total project budget, while the Company would also share 20% of any savings exceeding 2.5% of the project budget.

On 6 November 2009, SIHCL signed an 'operation and management entrustment agreement' with the Company and entrusted the Company to operate and manage its wholly owned subsidiary, Coastal Company. During the entrustment period, the Company operates and manages Coastal Company in accordance with the agreement to complete the construction and operation of the Coastal Project. Pursuant to the agreement, the management service revenue is calculated by 1.5% of the construction budget, which was also stated in the 'entrusted construction management agreement' signed by Coastal Company and the Company on 9 September 2011. During the period, the Company has recognised construction management services fee amounting to RMB10,027,384.16 (the same period in 2011: RMB10,193,397.53).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(b) Related party trusteeship

Entrusting party	Type of entrustment	Entrusted party	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Entrusted revenue recognised for the six months ended 30 June 2012	Entrusted revenue recognised for the six months ended 30 June 2011
Baotong Company	Equity trusteeship	the Company	1 January 2012	31 December 2013	Negotiated price	<u>9,000,000.00</u>	<u>11,282,162.62</u>

(c) Financing

Advances from -	Amount	Starting date	Ending date
GZ W2 Company	<u>10,000,000.00</u>	4 May 2012	No fixed repayment date, but repayable on demand

The Company did not incur any interest expense from the advances.

(d) Remuneration of key management personnel

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Remuneration of key management personnel	<u>3,294,000.00</u>	<u>3,636,000.00</u>

Shenzhen Expressway Company Limited

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For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

7 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties

		30 June 2012	31 December 2011
Accounts receivables	Coastal Company	52,908,348.73	42,880,964.26
	Baotong Company	9,000,000.00	3,231,848.78
		<u>61,908,348.73</u>	<u>46,112,813.04</u>
Advances to suppliers	Consulting Company	<u>42,500.00</u>	<u>949,523.20</u>
Other payables	Nanjing Third Bridge Company	39,544,681.47	39,544,681.47
	GZ W2 Company	22,500,000.00	12,500,000.00
	Unitoll Company	1,378,647.44	1,388,420.97
	Baotong Company	1,003,160.85	1,003,160.85
		<u>64,426,489.76</u>	<u>54,436,263.29</u>
Dividends payable	Flywheel Investments Limited	<u>-</u>	<u>7,829,353.57</u>

(7) Commitments in relation to related parties

Except for the investment commitments relating to the associate, Qinglong Company, as stated in Note 9(2)(a), other commitments in relation to related parties contracted for but not yet recognised on the balance sheet by the Group as at the balance sheet date are as follows:

(a) Receiving of services

	30 June 2012	31 December 2011
Consulting Company	<u>33,031,426.64</u>	<u>4,600,958.03</u>

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8 Contingencies

- (1) In 2007, the Company has entered into two project construction management contracts with the Shenzhen Communications Bureau who represent the Shenzhen government. Related contracts for Nanping (Phase II) Project and the renovation project of the Shenyun-North Ring Interchange in Shenzhen, the Company had arranged with banks to issue irrevocable performance guarantees to the Shenzhen Communications Bureau amounting to RMB50,000,000.00 and RMB1,000,000.00 respectively.

In 2011, the Company signed a construction management service contract with Shenzhen Traffic Public Facilities Construction Center who represents the Shenzhen government, entrusted to manage the construction of Longda Municipal Project. The Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000.00.

- (2) In 2008, according to the demand by the Shenzhen Local Tax Bureau (the 'Local Tax Bureau') and the communication with related government departments, the Group had made a provision for enterprise income tax as at 31 December 2008 in the amount of RMB39,236,062.97. As of the date of approval of this financial information, there is no progress in current period and the amount of tax liabilities still could not be ascertained with reasonably certainty. Thus no change has been made to the provision for the enterprise income tax liabilities and no provision has been made for the potential penalty. The provision of RMB39,236,062.97 has not yet paid.
- (3) Upon the government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. In 2011, Qinglian Fengyun Eco-tourism Development Company Limited, BP Petrochina Qingyuan Sales Company Limited and Petrochina Guangdong Sales Company Limited sued against Qinglian Company in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Qinglian Company was judged to win in the first trial. In 2011, these three companies appealed to the High Court of Guangdong Province. As at the date of approval of the financial statements, the litigation is still in progress. Considering the nature of project and construction status of upgrading project, the directors of the Company considered that the outcome of the litigation would not lead to any significant impact on the Company's operating results.

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9 Commitments

(1) Capital commitments

Capital expenditures contracted for but not yet recognised on the balance sheet are as follows:

	30 June 2012	31 December 2011
Expressway construction projects	<u>390,400,688.42</u>	<u>357,834,597.53</u>

It mainly represents capital commitments to the extension of Meiguan Expressway.

(2) Investment commitments

- (a) In accordance with the resolution passed in Board of Directors' meeting on 18 September 2009, the Company committed to inject capital of RMB132 million in cash to an associate, Qinglong Company, which will be used on the expansion project of Shuiguan Expressway. Up to 30 June 2012, the Company had injected RMB89.6 million. The investment commitment was RMB42.4 million.
- (b) In accordance with the agreement entered into with CCCC-SHB Fifth Engineering Co., Ltd. in 2011 about the investment to the subsidiary, Guishen Company, the Company committed to inject capital of RMB350 million to Guishen Company. Up to 30 June 2012, the Company has injected RMB140 million, while the remaining RMB210 million would be injected gradually within two years from the incorporation of Guishen Company.

(3) Performance status of commitments for the previous period

The Group had fully executed capital commitments outstanding as at 31 December 2011. In current period, in accordance with the resolution of Board of Directors' meeting, the Group injected capital of RMB218 million to Qinglian Company, which comprised RMB147 million transferred from shareholder's loan and cash injection of RMB71 million.

Shenzhen Expressway Company Limited

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(All amounts in RMB unless otherwise stated)

10 Events after the balance sheet date

In July 2012, the State Council approved the implementation plan for toll free passage for light vehicles on major holidays. On 3 August 2012, the government made a further adjustment to the toll fees of some expressways. Assuming this implementation plan and adjustment to the toll fees were imposed for the same period of year 2011, the Group's net profit attributable to owners of the Company for the whole year 2011, calculated based on the actual traffic volume of the affected expressways operated by the Group in 2011 assuming that there were no positive or adverse impacts to the traffic volume, would have been reduced by not more than 7%.

11 Financial instruments and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to HK dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to mitigate the foreign exchange risk. The Group has entered into forward exchange contract and CNY/HKD cross currency interest rate swap contract to minimize foreign exchange risk.

As at 30 June 2012 and 31 December 2011, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	30 June 2012		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	1,226,452.00	83,206.52	1,309,658.52
Financial liabilities denominated in foreign currency -			
Short-term borrowings	16,304,000.00	-	16,304,000.00
Current portion of non-current liabilities	202,169,600.00	-	202,169,600.00
Long-term borrowings	462,222,600.00	-	462,222,600.00
	680,696,200.00	-	680,696,200.00

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(All amounts in RMB unless otherwise stated)

11 Financial instruments and risk (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

	31 December 2011		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	32,898,022.17	96,019.05	32,994,041.22
Financial liabilities denominated in foreign currency -			
Short-term borrowings	137,819,000.00	-	137,819,000.00
Current portion of non-current liabilities	201,053,600.00	-	201,053,600.00
Long-term borrowings	459,666,900.00	-	459,666,900.00
	798,539,500.00	-	798,539,500.00

Regardless of the borrowing amounting to HKD227 million and HKD378 million of which the foreign exchange risks have been hedged by the forward exchange contract and the cross currency interest rate swap (Note 5(24)), as at 30 June 2012, if the currency had strengthened/weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the period would have been approximately RMB18,637,614.19 (31 December 2011: RMB28,266,199.92) higher/lower for various financial assets and liabilities denominated in HKD.

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2012, the Group's long-term interest bearing borrowings and bonds payable with floating rates amounting to RMB5,104,846,600.00 (31 December 2011: RMB5,833,154,455.54).

Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's finance department at its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The Group has entered into a CNY/HKD cross currency interest rate swap contract to minimize interest rate risk.

Regardless of the borrowing amounting to HKD378 million, of which the interest rate risk has been hedged by the cross currency interest rate swap (Note 5(24)), as at 30 June 2012, if interest rates on the floating rate borrowings and bonds payable had risen/fallen 50 basis points while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB10,764,143.91 (for the same period in 2011: approximately RMB16,681,010.32).

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For the six months ended 30 June 2012

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11 Financial instruments and risk (continued)

(2) Credit risk

The Group expects that there is no significant credit risk. The maximal credit risk mainly arises from cash at bank and on hand and other receivables.

The table below shows the bank deposits of the major counterparties of the Group as at the balance sheet date:

	30 June 2012	31 December 2011
State-owned banks	638,061,033.67	875,265,279.96
Other banks	<u>1,202,029,749.21</u>	<u>1,296,467,693.93</u>
	<u>1,840,090,782.88</u>	<u>2,171,732,973.89</u>

It is expected that there is no significant credit risk associated with the bank deposits as the state-owned banks have the support of the government and others are the listed banks or commercial banks at medium/large size. The directors do not expect any losses from non-performance by these counterparties.

As a result of the business nature of the Group, the Group has no significant concentration of credit risk arising from its customers, except for management services revenue due from government authorities in Shenzhen and due from government authorities in Guizhou Long Li Country relating to Longli BT Project, which amounted to approximately RMB207 million in aggregate (31 December 2011: except for management services revenue due from government authorities in Shenzhen and due from government authorities in Guizhou Long Li Country relating to Longli BT Project amounted to approximately RMB409 million).

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities so as to meet the short-term and long-term liquidity requirements.

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11 Financial instruments and risk (continued)

(3) Liquidity risk (continued)

The financial assets and liabilities of the Group as at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2012				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets denominated in foreign currency -					
Cash at bank and on hand	1,851,981,716.53	-	-	-	1,851,981,716.53
Receivables (Note 1)	330,479,476.04	-	-	-	330,479,476.04
	<u>2,182,461,192.57</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,182,461,192.57</u>
Financial liabilities denominated in foreign currency -					
Short-term borrowings	16,818,191.78	-	-	-	16,818,191.78
Current portion of non-current liabilities (Note 3)					
Payables (Note 2)	968,691,674.69	-	-	-	968,691,674.69
Long-term borrowings	1,192,966,642.60	-	-	-	1,192,966,642.60
Bonds payables	331,853,322.50	734,950,288.26	2,556,795,191.66	4,291,334,908.59	7,914,933,711.01
Hedging instruments	149,000,000.00	1,649,000,000.00	1,902,000,000.00	1,064,000,000.00	4,764,000,000.00
	<u>1,912,177.26</u>	<u>1,879,553.71</u>	<u>21,672,966.86</u>	<u>-</u>	<u>25,464,697.83</u>
	<u>2,661,242,008.83</u>	<u>2,385,829,841.97</u>	<u>4,480,468,158.52</u>	<u>5,355,334,908.59</u>	<u>14,882,874,917.91</u>
	31 December 2011				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial assets denominated in foreign currency -					
Cash at bank and on hand	2,175,670,176.39	-	-	-	2,175,670,176.39
Receivables (Note 1)	511,549,534.60	-	-	-	511,549,534.60
	<u>2,687,219,710.99</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,687,219,710.99</u>
Financial liabilities denominated in foreign currency -					
Short-term borrowings	138,738,370.95	-	-	-	138,738,370.95
Current portion of non-current liabilities (Note 3)					
Payables (Note 2)	506,078,535.12	-	-	-	506,078,535.12
Long-term borrowings	1,207,446,095.63	-	-	-	1,207,446,095.63
Bonds payables	337,323,525.08	888,941,465.22	2,550,025,684.22	4,439,998,647.50	8,216,289,322.02
Hedging instruments	180,290,000.00	2,380,290,000.00	1,902,000,000.00	1,064,000,000.00	5,526,580,000.00
	<u>1,444,157.94</u>	<u>1,444,157.94</u>	<u>23,157,803.51</u>	<u>-</u>	<u>26,046,119.39</u>
	<u>2,371,320,684.72</u>	<u>3,270,675,623.16</u>	<u>4,475,183,487.73</u>	<u>5,503,998,647.50</u>	<u>15,621,178,443.11</u>

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11 Financial instruments and risk (continued)

(3) Liquidity risk (continued)

Note 1: Receivables comprise accounts receivable, other receivables and interest receivable.

Note 2: Payables comprise accounts payable, dividends payable and other payables.

Note 3: Excluding current portion of provisions for maintenance/resurfacing obligations.

Since the Group has steady and sufficient cash flow from operation and sufficient banking facilities, and based on the fact that the Group has proper financing arrangement to fulfill the needs of payment of debts and capital expenditures, the directors consider that the Group does not have significant liquidity risk.

(4) Fair value

(a) Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly represent receivables, short-term borrowings, payables, long-term borrowings and bonds payable.

Except for financial assets and liabilities listed below, the carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	30 June 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Long-term borrowings	5,769,846,600.00	5,568,400,561.97	765,000,000.00	728,440,632.70
Bonds payable	3,693,025,252.11	3,607,894,166.34	3,656,125,969.29	3,594,544,669.26
	<u>9,462,871,852.11</u>	<u>9,176,294,728.31</u>	<u>4,421,125,969.29</u>	<u>4,322,985,301.96</u>

The fair value of long-term borrowings with fixed interest rates and bonds payable with fixed interest rates not quoted in an active market is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

(b) Financial instruments measured at fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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11 Financial instruments and risk (continued)

(4) Fair value (continued)

(b) Financial instruments measured at fair value (continued)

As at 30 June 2012, the financial assets measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets	-	-	-	-
Financial liabilities -				
Current portion of hedging instruments	-	1,252,836.25	-	1,252,836.25
Hedging instruments	-	12,021,533.04	-	12,021,533.04
	-	13,274,369.29	-	13,274,369.29

As at 31 December 2011, the financial assets measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets	-	-	-	-
Financial liabilities -				
Current portion of hedging instruments	-	935,337.35	-	935,337.35
Hedging instruments	-	11,364,107.77	-	11,364,107.77
	-	12,299,445.12	-	12,299,445.12

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. Inputs to valuation techniques include prepayment rates, rates of estimated credit losses, and interest rates or discount rates.

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12 Notes to the Company's financial statements

(1) Accounts receivable

	30 June 2012	31 December 2011
Accounts receivable	251,286,009.75	261,825,282.91
Less: provision for bad debts	-	-
	<u>251,286,009.75</u>	<u>261,825,282.91</u>

(a) The ageing of accounts receivable is analysed as follows:

	30 June 2012	31 December 2011
Within 1 year	162,655,803.86	75,299,246.44
1 to 2 years	50,872,503.78	61,327,067.98
2 to 3 years	2,077,457.00	12,485.00
Over 3 years	35,680,245.11	125,186,483.49
	<u>251,286,009.75</u>	<u>261,825,282.91</u>

(b) Accounts receivable is analysed by categories as follows:

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	-	-	-	-	-	-	-	-
Provision made collectively								
- Group 1	216,018,938.42	85.97%	-	-	248,326,314.16	94.84%	-	-
- Group 2	35,267,071.33	14.03%	-	-	13,498,968.75	5.16%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	<u>251,286,009.75</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>	<u>261,825,282.91</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>

Shenzhen Expressway Company Limited

Notes to financial statements

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(All amounts in RMB unless otherwise stated)

12 Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

- (c) Group 2 is accounts receivable of which provision was made collectively using ageing analysis method and is analysed as follows:

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	35,267,071.33	100.00%	-	-	13,486,483.75	99.91%	-	-
1 year to 2 year	-	-	-	-	12,485.00	0.09%	-	-
	<u>35,267,071.33</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>	<u>13,498,968.75</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>

- (d) As at 30 June 2012 and 31 December 2011, all accounts receivable were denominated in RMB.

(2) Other receivables

	30 June 2012	31 December 2011
Advances	482,039,279.22	228,108,299.60
Others	<u>8,528,235.85</u>	<u>6,324,059.08</u>
	490,567,515.07	234,432,358.68
Less: provision for bad debts	<u>-</u>	<u>-</u>
	<u>490,567,515.07</u>	<u>234,432,358.68</u>

- (a) The ageing of other receivables is analysed as follows:

	30 June 2012	31 December 2011
Within 1 year	486,095,211.58	231,506,980.42
1 to 2 years	2,876,708.55	2,831,728.14
2 to 3 years	1,049,250.02	93,650.12
Over 3 years	<u>546,344.92</u>	<u>-</u>
	<u>490,567,515.07</u>	<u>234,432,358.68</u>

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12 Notes to the Company's financial statements (continued)

(2) Other receivables (continued)

(b) Other receivables are analysed by categories as follows:

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	-	-	-	-	-	-	-	-
Provision made collectively								
- Group 1	482,039,279.22	98.26%	-	-	228,108,299.60	97.30%	-	-
- Group 2	8,528,235.85	1.74%	-	-	6,324,059.08	2.70%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	<u>490,567,515.07</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>	<u>234,432,358.68</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>

(c) Group 2 is other receivables of which provision was made collectively using ageing analysis method and is analysed as follows:

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	5,263,836.05	61.72%	-	-	5,901,013.47	93.31%	-	-
1 to 2 years	2,841,354.19	33.32%	-	-	329,395.49	5.21%	-	-
2 to 3 years	423,045.61	4.96%	-	-	93,650.12	1.48%	-	-
	<u>8,528,235.85</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>	<u>6,324,059.08</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>

(d) As at 30 June 2012, all other receivables were denominated in RMB (31 December 2011: the same).

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Notes to financial statements

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12 Notes to the Company's financial statements (continued)

(3) Long-term receivables

	30 June 2012	31 December 2011
Loans to Qinglian Company	<u>840,333,337.00</u>	<u>1,286,001,469.25</u>

(4) Long-term equity investments

	30 June 2012	31 December 2011
Subsidiaries - Unlisted (a)	4,999,236,586.28	4,903,409,939.58
Joint ventures - Unlisted (b)	185,325,414.44	183,131,418.94
Associates - Unlisted (b)	1,429,482,855.09	1,402,813,466.57
Other long-term equity investment (b)	<u>30,170,000.00</u>	<u>30,170,000.00</u>
	6,644,214,855.81	6,519,524,825.09
Less: Provision for impairment of long-term equity investments	<u>-</u>	<u>-</u>
	<u>6,644,214,855.81</u>	<u>6,519,524,825.09</u>

As at 30 June 2012, no provision for impairment of long-term equity investments was required (31 December 2011: nil).

Shenzhen Expressway Company Limited

Notes to financial statements

For the six months ended 30 June 2012

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12 Notes to the Company's financial statements (continued)

(4) Long-term equity investments (continued)

(a) Subsidiaries

	Ending balance of investment costs	31 December 2011	Current period additions	Investment cost recovered	30 June 2012	Cash dividend declared	Equity interest held	Voting rights held	Impairment
Airport-Heao Eastern Company	1,104,500,059.85	1,145,145,597.78	-	(40,645,537.93)	1,104,500,059.85	96,829,412.05	100%	100%	-
Meiguan Company	646,442,223.16	651,394,912.16	-	(4,952,690.00)	646,442,223.16	87,651,174.30	100%	100%	-
Advertising Company	3,325,000.01	3,325,000.01	-	-	3,325,000.01	-	95%	95%	-
Mei Wah Company	831,769,303.26	831,769,303.26	-	-	831,769,303.26	-	100%	100%	-
Qinglian Company	1,933,200,000.00	1,981,775,126.37	-	(48,575,126.37)	1,933,200,000.00	-	51.37%	51.37%	-
Outer Ring Company	100,000,000.00	100,000,000.00	-	-	100,000,000.00	-	100%	100%	-
Expressway Investment Company	380,000,000.00	190,000,000.00	190,000,000.00	-	380,000,000.00	-	95%	95%	-
	<u>4,999,236,586.28</u>	<u>4,903,409,939.58</u>	<u>190,000,000.00</u>	<u>(94,173,353.30)</u>	<u>4,999,236,586.28</u>	<u>184,480,586.35</u>			<u>-</u>

The Company uses cost method to account for investments in the above subsidiaries.

As stated in Note 5(23)(b), the full amount of principal and interest of the Company's corporate bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan Company.

(b) For detailed information of associates and other long-term equity investments, please refer to Note 5(6)(a), Note 5(6)(b) and Note 5(6)(c).

Shenzhen Expressway Company Limited

Notes to financial statements

For the year ended 31 December 2011

(All amounts in RMB unless otherwise stated)

12 Notes to the Company's financial statements (continued)

(5) Revenue and cost of services

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Revenue from main business (a)	475,388,777.98	463,016,070.92
Revenue from other business (b)	129,151,292.32	29,279,941.36
	<u>604,540,070.30</u>	<u>492,296,012.28</u>
Cost from main business (a)	161,467,753.68	240,833,572.28
Cost from other business (b)	46,509,497.21	11,419,115.76
	<u>207,977,250.89</u>	<u>252,252,688.04</u>

(a) Revenue and cost of services from main operation

	For the six months ended 30 June 2012		For the six months ended 30 June 2011	
	Revenue from main business	Cost from main business	Revenue from main business	Cost from main business
Revenue from toll road	<u>475,388,777.98</u>	<u>161,467,753.68</u>	<u>463,016,070.92</u>	<u>240,833,572.28</u>

The Company's revenue from toll road is all generated from Shenzhen region.

(b) Revenue and cost of services from other businesses

	For the six months ended 30 June 2012		For the six months ended 30 June 2011	
	Revenue from other businesses	Cost from other businesses	Revenue from other businesses	Cost from other businesses
Management services revenue	118,628,470.32	45,421,826.16	26,735,811.85	10,207,087.53
Other revenue	<u>10,522,822.00</u>	<u>1,087,671.05</u>	<u>2,544,129.51</u>	<u>1,212,028.23</u>
	<u>129,151,292.32</u>	<u>46,509,497.21</u>	<u>29,279,941.36</u>	<u>11,419,115.76</u>

(6) Investment income

	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Income from long-term equity investments under cost method	184,480,586.34	192,103,803.24
Income from long-term equity investments under equity method	68,448,560.65	82,858,832.59
	<u>252,929,146.99</u>	<u>274,962,635.83</u>

Shenzhen Expressway Company Limited

Supplementary information

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

Supplementary Information

- 1 Detailed list of non-recurring profit or loss items**
- 2 Return on net assets and earnings per share**
- 3 Explanations of significant fluctuations and related reasons on major items of the financial statements of the Group**

Shenzhen Expressway Company Limited

Supplementary information

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

1 Detailed list of non-recurring profit or loss items

	For the six months ended 30 June 2012	For the six months ended 30 June 2011	Note
Profits from entrusted management services	8,495,100.00	10,660,515.46	Profits from entrusted management services provided to Longda Company in current period.
The amortisation of compensation provided by concession grantor	6,313,343.57	6,092,477.95	The amortisation of compensation to Yanpai Expressway and Yanba Expressway provided by concession grantors recognised in current period according to traffic volume method which disclosed as a deduction of the amortisation of the related concession intangible assets.
Other profit or loss items that meet the definition of non-recurring profit or loss	(1,342.42)	(94,811.45)	The net amount of other non-recurring profit and loss.
	14,807,101.15	16,658,181.96	
Impact of income tax (for the six months ended 30 June 2012: 25%, for the six months ended 30 June 2011: 24%)	(2,754,215.47)	(2,855,795.72)	Tax impact of the non-recurring profit and loss.
Impact of minority interests (after tax)	(46,814.84)	(7,959.01)	
	12,006,070.84	13,794,427.23	

Basis for preparation of detailed list of non-recurring profit or loss items

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profit or loss [2008] ('Explanatory announcement No.1') from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary business, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of financial statements making proper judgments on the performance and profitability of an enterprise.

2 Return on net assets and earnings per share

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	For the six months ended 30 June 2012	For the six months ended 30 June 2011	For the six months ended 30 June 2012	For the six months ended 30 June 2011	For the six months ended 30 June 2012	For the six months ended 30 June 2011
Net profit attributable to ordinary owners of the Company	4.48%	4.02%	0.192	0.162	0.192	0.162
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	4.35%	3.86%	0.187	0.155	0.187	0.155

Shenzhen Expressway Company Limited

Supplementary information

For the six months ended 30 June 2012

(All amounts in RMB unless otherwise stated)

3 Explanations of significant fluctuations and related reasons on major items of the financial statements

The significant items with fluctuations over 30% (including 30%) are analysed as below:

		30 June 2012	31 December 2011	Increase/ (decrease)(%)
Advances to suppliers	1	324,572,218.16	15,930,561.01	1,937.42%
Other receivables	2	28,219,497.19	194,749,864.07	(85.51%)
Construction in progress	3	40,785,415.66	28,349,097.79	43.87%
Short-term borrowings	4	16,304,400.00	137,819,000.00	(88.17%)
Employee benefits payable	5	28,837,514.19	73,765,642.43	(60.91%)
Interests payable	6	156,262,043.66	96,738,066.52	61.53%
Dividends payable	7	107,640,030.19	7,829,353.57	1,274.83%
Current portion of non-current liabilities	8	1,404,628,466.10	812,396,755.52	72.90%

		For the six months ended 30 June 2012	For the six months ended 30 June 2011	Increase/ (decrease)(%)
Income tax expenses	9	130,832,202.72	92,282,704.20	41.77%
Net cash flows from investing activities	10	(257,613,153.82)	(430,136,219.10)	(40.11%)
Net cash flows from financing activities	11	(870,097,537.95)	(458,959,811.08)	89.58%

- In current period, Guishen Company obtained land use right of a piece of land located in Longli Country, Guizhou Province with area of approximately 883 mu. Guishen Company made a prepayment for land use right of approximately RMB309 million and is in the process of applying the land use right certificate.
- In current period, the Group received a refund by Longli Country Government in relation to the Longli BT Project and development of land.
- Investment to the expansion project of Qinglian Expressway's toll road station increased in current period.
- Matured short-term borrowings were repaid in current period.
- Employee's 2011 bonuses were paid in current period.
- Interest expenses from the RMB2.3 billion corporate bonds and from the RMB1.5 billion convertible bonds were accrued in current period, which would be paid in the second half of every year.
- Current amount represents dividends payable to overseas listed foreign shareholders.
- Current portion of medium-term notes were reclassified in current period.
- Profit before taxation increased in current period and the applicable CIT rate of companies that entitled to preferential treatments before increased from 24% to 25% in current period.
- Capital expenditures decreased in current period.
- Bank borrowings decreased and the repayment of borrowings increased in current period.