

SHENZHEN EXPRESSWAY COMPANY LIMITED

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

INTERIM
REPORT
2001

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CORPORATE INFORMATION

The Registered Chinese and English names of the Company

深圳高速公路股份有限公司
Shenzhen Expressway Company Limited

Authorized Representatives

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Company Secretary

Zhang Rong Xing
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Company's Website

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Newspapers for Information Disclosure

Hong Kong Economic Times
The Asian Wall Street Journal (English version)

Website for Publication of 2001 Interim Report

<http://www.hkex.com.hk>

Listing Exchange

H Shares: The Stock Exchange of Hong Kong Limited
Stock Code: 0548

Principal Place of Business in Hong Kong

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Wing On Centre
111 Connaught Road Central,
Central, Hong Kong
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Share Registrar and Transfer Office in Hong Kong

HKSCC Registrars Limited
2/F, Vicwood Plaza
199 Des Voeux Central
Hong Kong

FINANCIAL HIGHLIGHTS

Prepared in accordance with the Hong Kong Accounting Standards (Unaudited)

Results Highlights

	For the six months ended 30 June		Change (%)
	2001 RMB'000	2000 RMB'000	
Turnover	219,700	208,585	5.33
Profit before taxation	205,160	174,257	17.73
Profit attributable to shareholders	203,596	173,107	17.61
Earnings per share (RMB)	0.1010	0.0859	17.58

Assets Highlights

	At 30 June, 2001	At 31 December, 2000
	RMB'000	RMB'000
Total assets	6,021,433	5,687,823
Total liabilities	1,479,909	1,148,325
Debt-to-asset ratio	24.58%	20.19%
Total net assets	4,541,524	4,539,498
Net assets per share (RMB)	2.25	2.25

Operation Highlights

For the six months ended 30 June, 2001

	Turnover	Profit attributable to shareholders
	RMB'000	RMB'000
NH107	35,709	19,261
NH205	67,105	47,530
Meiguan Expressway	68,515	53,952
Jihe West	45,857	36,201
Yanba A	2,514	(1,585)
Jointly controlled entities:		
Jihe East		29,840
Changsha Ring Road		(208)
Total	219,700	184,991
Investment income from bonds		10,624
Net interest in costs		(5,860)
Gains from project management		13,500
Other income		341
Total	219,700	203,596

SHARE CAPITAL STRUCTURE AND SHAREHOLDERS

Share Capital Structure

Shares	At 1 January, 2001	Movements	At 30 June, 2001
1. Unlisted shares			
State-owned shares	745,780,000	-91,000,000	654,780,000
State-owned legal person shares	522,420,000	+91,000,000	613,420,000
Total of unlisted shares	1,268,200,000		1,268,200,000
2. Listed shares			
H shares	747,500,000	—	747,500,000
Total of listed shares	747,500,000	—	747,500,000
Total	2,015,700,000		2,015,700,000

Pursuant to the relevant approval by the Ministry of Finance, the Ministry of Communications and the State Asset Bureau of the PRC, Shenzhen Freeway Development Company Limited (“Shenzhen Freeway”) entered into an agreement with Huajian Transportation and Economic Development Centre (“Huajian”) on 2 November, 2000, under which the 91,000,000 state-owned shares held by Shenzhen Freeway on behalf of the Ministry of Communications were changed into state-owned legal person shares and were transferred to Huajian which manages and holds such shares. The above transfer formalities were completed on 18 May, 2001.

Shareholding Structure (As at 30 June, 2001)

Shareholders	Nature of Shares	Class	No. of Shares held	Percentage (%)
Shenzhen Freeway Development Company Limited	Domestic capital shares	State-owned shares	654,780,000	32.49
Shenzhen Shenguanghui Highway Development Company	Domestic capital shares	State-owned legal person shares	457,780,000	22.71
Huajian Transportation and Economic Development Centre	Domestic capital shares	State-owned legal person shares	91,000,000	4.51
Guangdong Roads and Bridges Development Company	Domestic capital shares	State-owned legal person shares	64,640,000	3.21
Foreign Public Shareholders	Foreign shares	Foreign H shares	747,500,000	37.08
Total			2,015,700,000	100.00

During the six months ended 30 June, 2001, an aggregate of 183,690,000 shares of the Company held by Shenzhen Freeway Development Company Limited were pledged to banks by Shenzhen Freeway Development Company Limited to secure banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Board of Directors of Shenzhen Expressway Company Limited (the “Company”) are pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June, 2001 (the “Period”), prepared in accordance with the accounting principles in Hong Kong. During the Period, the Group has achieved a turnover of RMB219.7 million from toll road operations, with an increase of 5.33% as compared with the corresponding period of 2000. Profit attributable to shareholders amounted to RMB203.6 million, representing a growth of 17.61% over the same period of 2000. Earnings per share for the Period are RMB0.101, representing an increase of 17.58% over the same period of 2000.

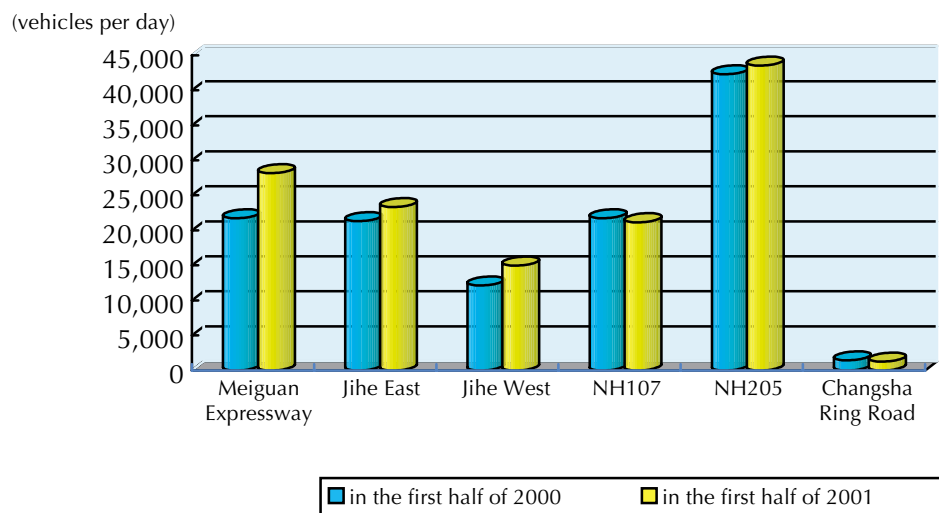
Business summary

The Company is mainly engaged in the development, operation and management of toll highways and expressways in the PRC. Currently, it owns five expressways and two national highways, namely Shenzhen Meiguan Expressway (“Meiguan Expressway”), Shenzhen Airport-Heao Expressway (Eastern Section) (“Jihe East”), Shenzhen Airport-Heao Expressway (“Western Section”) (“Jihe West”), Section A of Yanba Expressway (“Yanba A”), Changsha Ring Road (Northwestern Section) (“Changsha Ring Road”), National Highway 107 (Shenzhen Section) (“NH107”) and National Highway 205 (Shenzhen Section) (“NH205”). The operating results of the above toll roads during the Period are set out as follows:

Toll roads	Average daily mixed traffic volume		Change (%)	Toll revenue RMB'000		Change (%)
	The first half of 2001	The first half of 2000		The first half of 2001	The first half of 2000	
Meiguan Expressway	28,177	21,707	29.81	72,270	53,290	35.62
Jihe East	23,331	21,296	9.56	71,780	64,540	11.22
Jihe West	14,975	12,128	23.47	48,370	40,260	20.14
Changsha Ring Road	1,239	1,426	-13.11	3,060	3,510	-12.82
Yanba A	2,546	—	N/A	2,650	—	N/A
NH107	21,151	21,729	-2.66	37,670	42,170	-10.67
NH205	43,511	42,290	2.89	70,790	79,430	-10.88



The traffic volume of each toll road for the six months ended 30 June (2001 VS 2000)



Note: Yanba A commenced operation in April, 2001. The traffic volume of Yanba A is not included in the above chart.

Business Analysis

In the first half of 2001, the Gross Domestic Product (“GDP”) of the PRC grew by 7.9%. Shenzhen’s economic development continues to outperform other cities in the PRC, with a GDP growth of 12.5%. Domestic demands were further expanded. Though affected by the slowed global economic growth and the slowdown of Guangdong’s imports and exports, the operation of toll roads of the Group has provided steadily increasing cash flow for the Group during the Period, which has laid a solid foundation for the fulfillment of the targets and future development of the Group.

The traffic volume and toll revenue of expressways continue to grow

The Group focuses on the development, construction and operation of expressways. During the Period, the expressways operated by the Group grew at a fast pace, which have become the main sources of the Group’s growth. Meiguan Expressway and Jihe Expressway have become the main drivers of the Company’s continuous profit growth, and they will continue to play important roles in the Company’s future development.

Since the completion of Guanshen Expressway in October 2000, which connects with Meiguan Expressway, the traffic volume and toll revenue of Meiguan Expressway has entered a new stage of growth. The opening of Huawei Toll Plaza in April, 2001 and the effective control of traffic distraction at Minle Interchange were attributable to the continuous growth of toll revenue of Meiguan Expressway in the first half of 2001. The collapse of a bridge within the nearby road network caused by typhoons and heavy rains in June this year has led much traffic to Meiguan Expressway, which contributed to the even higher toll revenue growth of Meiguan Expressway. Though the toll revenue growth of Jihe East had slowed after a high growth of 35% in 2000, it still recorded a growth of 11.2% in the first half of 2001. Jihe West witnessed remarkable growth in traffic volume, with its toll revenue increasing by 20.1%.

The passage conditions of national highways improved, and toll revenue of national highways restored

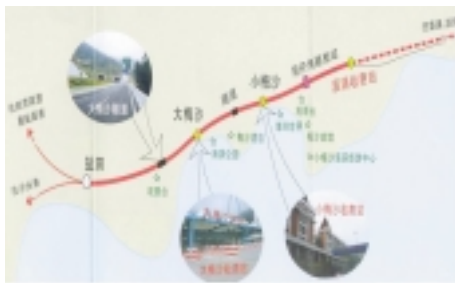
During the Period, the Company improved the passage conditions and reduced toll payment time through the installation of non-stop toll collection systems in two national highways. The toll revenue of the two national highways was maintained at steady level through strengthening the control of traffic distraction at certain sections of the highways. The decline of toll revenue of NH205 has slowed, and it is expected that there will be a slight decrease in the annual toll revenue of NH205 in 2001 as compared with 2000. The average daily toll revenue of NH107 has restored to the same level as that of the same period of 2000. NH107 is expected to record a slight increase in the annual toll revenue in 2001 as compared with that of 2000.



Unsatisfactory performance of Changsha Ring Road and the newly opened Yanba Expressway (Section A)

Owing to the non-completion of the surrounding road network and the unopening of two toll plazas, the traffic volume and toll revenue of Changsha Ring Road are still at a low level.

Section A of Yanba Expressway commenced toll collection on 16 April, 2001, and the whole section of Yanba A was opened on 1 June, 2001. Because it is the first operational section of Yanba Expressway, and that large vehicles constitute a minor proportion in the total traffic volume due to its short length and the non-completion of road network, the toll revenue of Section A of Yanba Expressway is at a low level. Average daily toll revenue for the first half of 2001 is RMB34,500, and the toll revenue for the Period amounted to RMB2,650,000. It is expected that average daily toll revenue of Section A of Yanba Expressway will increase in the second half of 2001.



PLANNING AND PROSPECTS

China's imminent accession to the World Trade Organization will further boost the economic development of China. Trade activities will become more and more active, and imports and exports will grow at an even higher rate. That will in turn pose a pressing demand for highway transportation. Since January 2001, Shenzhen's vehicles has increased by 15%, and its private cars has increased by thousands on monthly basis. Shenzhen has approximately 500,000 vehicles, out of which 350,000 vehicles, 150,000 vehicles and 30,000 vehicles are registered vehicles, non-local vehicles and cross-boarder vehicles, respectively. Shenzhen tops other cities in vehicle ownership in the PRC. The above has provided a steady demand for the toll road operation of the Company. The Company will further strengthen its management and consolidate its foundation for the future growth of its revenue.

To further enhance corporate governance, and to establish the development strategy of the Company

The Board of Directors have approved *The Regulation of the Board of Directors, The Regulation of the General Manager and Views on How to Promote the Competitiveness of the Company*. They are reviewing the Company's development strategy, in order to promptly establish the Company's medium and long-term development strategies and to ensure its continuous development in the long run.

To promote operating capacity through active marketing, tight control of costs and promotion of non-stop toll collection systems

The Company will continue to adhere to its strict cost control policy and adopt various marketing measures to attract traffic and control distraction, so as to increase its toll revenue. It will develop and install non-stop toll collection systems on expressways so to simplify toll collection procedures and to enhance their operating capacity .

To expand operation of expressways in Shenzhen

By capitalizing various opportunities and making full use of the first right of refusal to develop expressways in Shenzhen pursuant to the Concession Agreement entered into between the Company and Shenzhen Municipal Government and given Shenzhen's unique economic environment as a special economic zone and its adjacency to Hong Kong, the Company will further expand its core business of expressway operation in Shenzhen.

To actively develop other business

While perfecting and expanding its toll road operation, the Company will select one to two fields to invest at an appropriate time, so as to reduce risks and to broaden the profit base of the Company.

To set up scientific evaluation and incentive systems at all levels

After the Company appointed a foreign consulting firm to diagnose the Company's management, it appointed a professional consulting firm to conduct the position analysis with a view to establishing a set of strict and scientific evaluation systems and perfecting relevant incentive systems.

To complete the issue and listing of A Shares in the PRC

After having obtained the preliminary approval by China Securities Regulatory Commission, the Company is expected to complete the issue of a maximum 180,000,000 Renminbi-denominated ordinary shares (A Shares) and the listing of such A Shares on the Shanghai Stock Exchange in the second half of this year.



MAJOR INVESTMENTS AND FINANCING

The major investment of the Company, Section A of Yanba Expressway commenced operation on 16 April, 2001. It is 9.65km long, running from Yantian to Xicong, with dual-three lanes and three toll plazas. The Company is settling the payments of the construction costs of the project. The total investment of the project is estimated to be approximately RMB800 million, RMB300 million out of which comes from the financial assistance of Shenzhen Municipal Government.

The major investment approved by the Board of Directors of the Company is the construction of Sections B and C of Yanba Expressway. Section B of Yanba Expressway will run from Xicong to Kuaicong, with a length of 9.19km. Section C of Yanba Expressway will start from Kuaicong to Bagang, with a length of 10.08km. Sections B and C of Yanba Expressway will be funded by the proceeds raised through the issue of Renminbi-denominated ordinary shares (A Shares) in the PRC. The Company is conducting the feasibility studies of Yantian—Paibang Expressway (“Yanpai Expressway”) and other planned expressways in Shenzhen. If the above projects are approved by relevant authorities, the Company will raise funds through bank loans, capital financing, issue of convertible bonds and financial assistance. The Company does not have any plans for capital financing or issue of convertible bonds within this year, apart from the proposed A Share issue in the PRC.



FINANCIAL RESULTS AND FINANCIAL POSITION

Operation results

During the Period, the financial position of the Group remained sound, and its business grew continuously and steadily.

	For the six months ended 30 June		Change (%)
	2001 RMB'000	2000 RMB'000	
Turnover	219,700	208,585	5.33
Other revenue	38,838	15,746	146.65
Total operation costs	64,541	59,065	9.27
Operating profits	193,997	165,266	17.38
Share of results before taxation of jointly controlled entities	29,646	29,503	0.48
Finance costs	18,483	20,512	-9.89
Profit attributable to shareholders	203,596	173,107	17.61

1. Turnover

	For the six months ended 30 June		Change (%)
	2001 RMB'000	2000 RMB'000	
Income from toll roads	231,754	215,147	7.72
Less: business tax and surcharge	12,054	6,562	83.69
Turnover	219,700	208,585	5.33

Turnover comprises turnover from wholly-owned toll roads, namely National Highway 107 (Shenzhen Section), National Highway 205 (Shenzhen Section), Jihe Expressway (Western Section), Yanba Expressway (Section A) and the 95% directly held Meiguan Expressway.

The Group recorded relatively great change in turnover as compared with the same period of 2000, mainly because RMB4,630,000 of business tax for the fourth quarter of 1999 was refunded in the first half of 2000, though business tax refund treatment was terminated with effective from 2000. Turnover for the Period grew by 10.16% after excluding incompatible factors such as the business tax refund and the unified charge fee (統繳費) for two national highways were collected in the first quarter of 2000.

2. Other revenue

Items	For the six months ended 30 June		Change (%)
	2001 RMB'000	2000 RMB'000	
Gains from project management	13,500	—	N/A
Gains from investments on bonds	10,624	1,948	445.38
Net interest income from a long-term loan	9,607	9,660	0.55
Other income	5,107	4,138	23.42
Total	38,838	15,746	146.65

The Company manages the linkage project from Yantian Ports Section along Shenzhen Eastern Highway to Yanba Expressway, which is developed and owned by Shenzhen Municipal Government. Phase I of the project was completed, and Phase II is expected to be completed in September, 2001. Realised gains from management of the project amounted to RMB13.50 million (excluding related business taxes), which increases the Company's profit for the Period.

Gains from investments on government bonds and other bonds for the Period totaled RMB10,624,000, with an increase of RMB8,676,000 over the same period of 2000. During the Period, RMB3,489,000 from the gains from bonds investment was realised, while the remaining RMB7,135,000 was unrealised.

Net interest income from a long-term loan represents the interest charged at a yearly rate of 6.21% by the Company on the long-term loan of RMB306,000,000 advanced to Changsha Ring Road Construction and Development Co., Ltd., the joint venture partner of Changsha Shenchang Expressway Company Limited ("Shenchang"). The interest receivable has been fully received, which makes up for the relatively low return from the early operation of Shenchang. The loan will be treated as advance made by the Company to Shenchang when due in 2007.

3. Finance costs

During the Period, finance costs was down by 9.89% as compared to the corresponding period of 2000, mainly due to the reduction of loan interest rates. Most of the Company's loans were granted with the preferential loan interest rates which are 10% lower than the respective prime rates.

Financial Position

1. Liquidity

	At 30 June, 2001	At 31 December, 2000
Proportion of cash and cash equivalents to current assets	97.45%	94.30%
Proportion of cash and cash equivalents to current liabilities	1.14	2.15
Current ratio	1.17	2.28
Quick ratio	1.16	2.26

Current assets mainly comprise cash and cash equivalents, with good liquidity. The current ratio and the quick ratio comfortably stand at 1.17 and 1.16 respectively. The repayment ability of the Company remains strong.

2. Financial resources

Financial resources of the Group include bank loans, share capital, retained earnings and government assistance.

As at 30 June, 2001, the Group's borrowings amounted to RMB890 million. A short-term loan of RMB150 million was repaid when due, and an aggregate of RMB50 million long-term loan was repaid before due. During the Period, the Group's short-term loans and long-term loans were increased by RMB240 million and RMB100 million, respectively. The Group's borrowings are mainly used to finance project constructions.

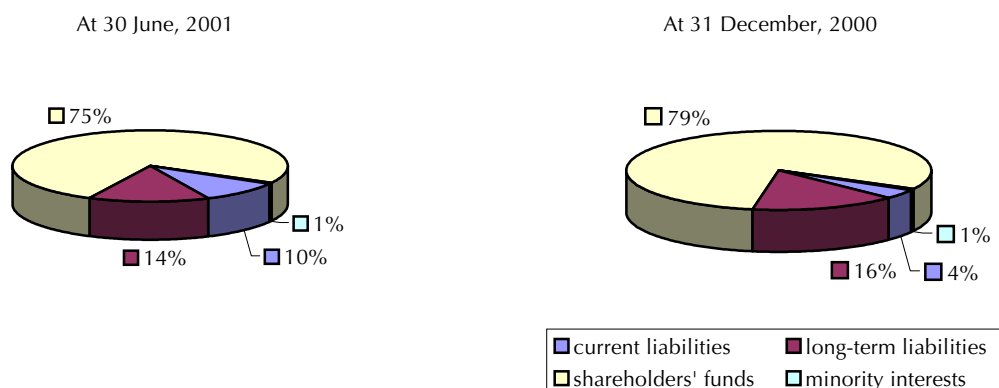
As at 30 June, 2001, the Group was granted with an aggregate of RMB2.15 billion banking facilities, of which RMB1.9 billion is secured while the rest RMB250 million is unsecured. The Group has utilized altogether RMB890 million banking facilities, with the remaining RMB1.26 billion banking facilities for standby purpose.

To ensure a reasonable return for the Company's investment in Yanba Expressway, Shenzhen Municipal Government has agreed to provide financial assistance of RMB300 million to the Company for the construction of Section A of Yanba Expressway, of which RMB290 million has been received by the Company and the other RMB10 million will be available in the second half of 2001. Shenzhen Municipal Government has also agreed to provide financial assistance of RMB150 million for the construction of Section B of Yanba Expressway which is expected to commence construction in the second half of 2001.

The Company had a total capital commitment of RMB1.139 billion for the construction of Yanba Expressway, which will be funded through the proceeds of RMB900 from the proposed A Share issue and the financial assistance of RMB150 million from Shenzhen Municipal Government as mentioned above.

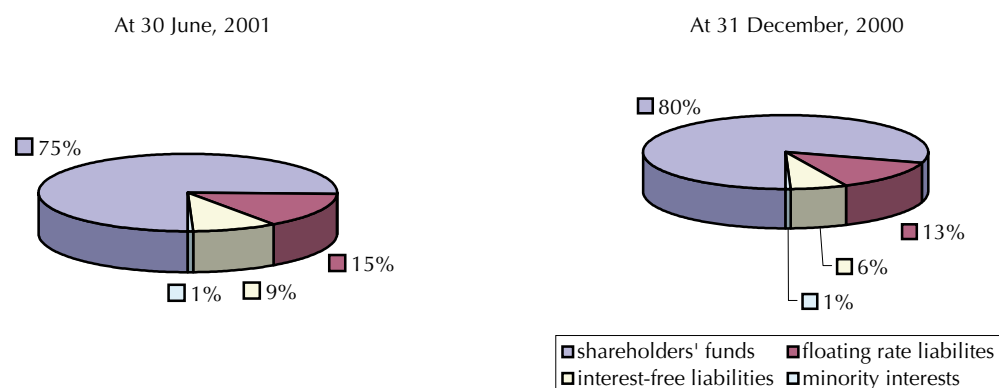
3. Capital structure

The capital structure of the Group classified in respect of liquidity is set out below:



The Company's solid capital structure is in conformity with the specific feature of toll road sector, i.e., substantial amount of investments with a long period of recovery.

The capital structure classified in respect of capital costs is set out as follows:



	At 30 June, 2001		At 31 December, 2000	
	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)
Shareholders' funds	4,541,524	75.42	4,539,498	79.81
Floating rate liabilities	890,000	14.78	750,000	13.19
Interest-free liabilities	555,110	9.22	363,123	6.38
Minority interests	34,799	0.58	35,202	0.62
Total	6,021,433	100	5,687,823	100

Floating rate liabilities are all bank loans denominated in Renminbi, with the current yearly interest rate of 5.022%~6.03% which may be adjusted as per the adjustment of the loan interest rate by the People's Bank of China. Interest-free liabilities are mainly advances from the PRC government and other repayables. The short term interest-free liabilities of the Group are mainly funds for road maintenance and project construction, which will be repaid in due.

4. *Funding and treasury policies*

The Company adopts conservative treasury policies to provide funding for the current operation and future growth of the Company. The Company has introduced strict risk management over standby cash funding. It increases gains and lowers finance costs by way of investing the idle capital in low-risk government bonds and other bonds.

Cash inflow and outflow (RMB'000)

Net cash inflow from operating activities	320,441
Net cash inflow from dividends received from jointly controlled entities and other income received	20,742
New bank loans borrowed	140,000
Government assistance for Yanba Expressway	(40,000)
Dividends paid	(201,570)
Purchase of fixed assets and payment for construction	(143,122)
Increase in cash and cash equivalents for the six months ended 30 June, 2001	176,491

Net cash inflow from operating activities increased by RMB157 million, as compared with the corresponding period in 2000. The increase was primarily attributable to the steadily increasing cash inflow from toll road operation and the interest-free advances of RMB112 million from the PRC government for the construction of the linkage project managed by the Company.

During the Period, the Group has cash and cash equivalents of RMB668 million, among them: deposits denominated in Hong Kong dollars amounted to HK\$113 million, of which HK\$105 million is kept in fixed deposits, with the interest rates varying according to their deposit terms between 3.533% to 4.125%. The capitalisation of short-term investments in bonds amounted to RMB407 million, of which RMB240 million are invested in government bonds and other bonds managed through creditable and qualified brokerages in the PRC, so as to make full use of their professional advantages and to reduce risks of investments in bonds. Once the capital is needed, it can be drawn and realised completely when due. The main purpose of investments in bonds is to provide necessary capital fundings for the Group's future investments and to maximize the return on the idle capital. The remainings are Renminbi bank deposits.

5. *Gearing ratio*

	At 30 June, 2001	At 31 December, 2000
Gearing ratio	32.59%	25.30%

Gearing ratio of the Company is calculated by the following formula: total liabilities for the Period/ shareholders' funds for the Period. With its strong capital base, relatively low debt ratio, steady gearing ratio and relatively low financial risks, the Group has ample capability for further fund raising. This will be further enhanced upon the completion of the issue of A shares which will raise RMB900 million. As the Company's investments expand, the banking borrowings will also increase accordingly. The Group will make full use of financial leverages after taking into consideration the returns on investment, financial flexibility, and financial risks, so as to achieve maximum returns for its shareholders.

FOREIGN EXCHANGE RATE RISK MANAGEMENT

The Group's foreign currency are mainly Hong Kong dollars ("HK\$"). As at 30 June, 2001, the Group has an aggregate of HK\$113 million kept in bank deposits, mainly from toll revenue from toll roads. The Hong Kong dollars are utilized to pay dividends of its H Shares. In the first half of 2001, the exchange rate for converting HK\$ to RMB remains relatively stable, ranging from 1:1.0606 to 1:1.0638. This does not have any significant impact on the Group's interim results.

PROJECT MANAGEMENT

The Company is responsible for the development, construction and maintenance of toll roads. The Company selects contractors through tendering system, so as to ensure the effective control of project costs. Currently, the Company is settling the construction costs for Section A of Yanba Expressway and the tendering of Section B of Yanba Expressway to select suitable contractors for the construction of Yanba Expressway.

The Company has accumulated extensive experience in project management, with favorable track records of project quality management, tight cost control and good reputation in toll road sector. The Company is considering the possibility of establishing a project management consultant company with a view to expanding into this area, so as to capitalise the Group's expertise in project management. It is expected that the project management business, if materialises, will become a new source of the Company's profit.



MAJOR EVENTS

2001 INTERIM PROFIT DISTRIBUTION SCHEME

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June, 2001, or the transfer to capital reserves.

THE PROFITS DISTRIBUTION OF 2000

The Company's 2000 profit distribution scheme was approved at the 2000 Annual General Meeting held on 6 March, 2001, details of which are: basing on the total shares of 2,015,700,000 issued as at 31 December, 2000, a final dividend of RMB0.10 per share (including tax) was paid to its shareholders (a final dividend of HK\$0.0942 was paid to shareholders of H Shares) (including tax), details of which were published on *Hong Kong Economic Times* (Chinese version) and *South China Morning Post* (English version). 2000 final dividends had been paid before 21 March, 2001.

MATERIAL LITIGATION AND ARBITRATION

During the Period, the Company had no material litigation or arbitration.

ACQUISITION, MERGER AND ASSETS RESTRUCTURING

During the Period, the Company had no acquisitions, mergers or assets restructuring.

MAJOR CONNECTED TRANSACTIONS

During the Period, the Company had not entered into any material connected transactions.

EMPLOYEES AND THEIR SALARIES

As at 30 June, 2001, the Group has 1,050 employees, eighty-five out of whom work at the headquarters of the Company. The salaries and welfare of employees are linked with their positions and performance.

The Share Appreciation Right Scheme of the Company was approved at the 2000 Annual General Meeting and was carried out. The total number of rights available under the Share Appreciation Right Scheme is 60,471,000. During the Period, the first batch of rights totaling 38,832,500 were granted to 42 medium and senior management staff of the Company. Two directors were granted 3~4 million units, while the rest nine directors were granted not more than 2 million units each. All the rights will have an exercise period of 5 years. A grantee is not allowed to exercise his or her options in the first year after the date of granting the options. In each of the second, third, and fourth year after the date of grant, the options exercised will not in aggregate exceed 25%, 50% and 75%, respectively, of the total options granted to him or her. The grant price and the exercise price of the options will be determined by reference to both the H Share price and the A Share price of the Company, which mainly determined by H Share price with reference to A Share price of the Company.

TRAINING

The Company put much emphasis on employee training. A training team has been established, and the training system has been established. Specific training programs are carried out according to the development of the Company. The Company started a training program of MBA core courses aiming at the medium and senior management staff in the first half of 2001. In addition, training programs for staff at all levels from different departments will continue in the second half of 2001.

CHARGES ON THE GROUP'S ASSETS AND GUARANTEES

To obtain bank loans and banking facilities, the Company has pledged the following assets to banks:

Secured assets	Expiry date
Operating rights of National Highway 107 (Shenzhen Section)	9 February, 2004
Operating rights of National Highway 205 (Shenzhen Section)	16 February, 2004
Operating rights of Meiguan Expressway	Terminated on 16 July, 2001

The Company has also issued a corporate guarantee to secure a bank loan of RMB25 million granted to its jointly controlled entity, Shenzhen Wutongling Ropeway Company Limited, that will expire on 16 December, 2003.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the Period, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules").

DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES AND RIGHTS TO ACQUIRE SECURITIES

As at 30 June, 2001, none of the directors, supervisors, chief executives or their associates have any beneficial interests in the share capital of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance and to be recorded in the register required to be maintained pursuant to the Model Code for Securities Transaction by Directors of Listed Companies of the Listing Rules.

At no time during the Period was the Company, its subsidiaries and its jointly controlled entities a party to any arrangements to enable the directors, supervisors, chief executives or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company has been granted by the Company to, nor have any such rights been exercised by, any person during the Period ended 30 June, 2001 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the condensed unaudited interim accounts for the six months ended 30 June, 2001 and has discussed the Group's internal controls and financial reporting procedures with the directors.

CONDENSED CONSOLIDATED INTERIM ACCOUNTS

Condensed Consolidated Profit and Loss Account

For the six months ended 30th June 2001

	Note	Unaudited	
		Six months ended 30th June	
		2001	2000
		RMB'000	RMB'000
Turnover	3	219,700	208,585
Other revenues	3	38,838	15,746
Depreciation and amortisation		(30,754)	(29,411)
Staff costs		(14,590)	(15,125)
Road maintenance expenses		(5,663)	(6,287)
Other operating expenses		(13,534)	(8,242)
Operating profit	4	193,997	165,266
Finance costs		(18,483)	(20,512)
Share of results before taxation of jointly controlled entities		29,646	29,503
Profit before taxation		205,160	174,257
Taxation	5	(96)	(145)
Profit after taxation		205,064	174,112
Minority interests		(1,468)	(1,005)
Profit attributable to shareholders		203,596	173,107
Transfer to reserves		—	(32,968)
Retained earnings brought forward	15	257,257	152,779
Dividends	6	(201,570)	(120,942)
Retained earnings carried forward		259,283	171,976
Earnings per share	7	RMB0.1010	RMB0.0859

No statement of recognised gains and losses is presented as profit attributable to shareholders shown above is the only component.

Condensed Consolidated Balance Sheet

As at 30th June 2001 and 31st December 2000

	Note	Unaudited 30th June 2001 RMB'000	31st December 2000 RMB'000
Fixed assets		4,153,183	3,367,868
Interests in jointly controlled entities	8	835,528	836,449
Construction in progress		41,276	663,913
Long-term loan	9	306,000	306,000
Current assets			
Inventories		5,723	5,156
Other receivables, prepayments and deposits		11,749	24,089
Other investments	10	407,135	160,208
Bank balances and cash		260,839	324,140
		685,446	513,593
Current liabilities			
Amount due to a jointly controlled entity	11	14,954	11,926
Other payables and accrued charges		212,109	63,146
Taxation payable		47	51
Short-term bank loans, secured		150,000	150,000
Short-term bank loans, unsecured		90,000	—
Current portion of long-term bank loans	12	120,000	—
		587,110	225,123
Net current assets		98,336	288,470
Total assets less current liabilities		5,434,323	5,462,700
Financed by:			
Share capital	14	2,015,700	2,015,700
Reserves		2,266,541	2,266,541
Retained earnings	15	259,283	55,687
Proposed dividend	6	—	201,570
Shareholders' funds		4,541,524	4,539,498
Minority interests		34,799	35,202
Long-term liabilities	12	858,000	888,000
		5,434,323	5,462,700

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June 2001

	Unaudited	
	Six months ended 30th June	
	2001	2000
	RMB'000	RMB'000
Net cash inflow from operating activities	<u>320,441</u>	<u>163,252</u>
Net cash outflow from returns on investments and servicing of finance	<u>(183,883)</u>	<u>(91,922)</u>
Taxation paid	<u>(100)</u>	<u>—</u>
Net cash outflow from investing activities	<u>(139,967)</u>	<u>(153,446)</u>
Net cash inflow from financing	<u>180,000</u>	<u>1,500</u>
Increase/(decrease) in cash and cash equivalents	176,491	(80,616)
Cash and cash equivalents at 1st January	484,348	482,252
Unrealised gains on other investments	<u>7,135</u>	<u>—</u>
Cash and cash equivalents at 30th June	<u>667,974</u>	<u>401,636</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	260,839	301,136
Other investments	<u>407,135</u>	<u>100,500</u>
	<u>667,974</u>	<u>401,636</u>

Notes to the Condensed Interim Accounts

1 General

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

2 Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25: "Interim financial reporting", issued by the Hong Kong Society of Accountants. This basis of accounting differs in certain material respects from that used in the preparation of the Group's statutory accounts in the PRC. The PRC statutory accounts of the Group have been prepared in accordance with accounting principles and financial regulations applicable to joint stock limited companies in the PRC. Appropriate restatements have been made to the PRC statutory accounts to conform with the accounting principles generally accepted in Hong Kong ("HK GAAP"). Differences arising from the restatements are not incorporated in the Group's accounting records.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2000 except that the Group has changed its accounting policies following its adoption of Statements of Standard Accounting Practice (SSAP) 9 (revised): "Events after the balance sheet date", issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2001:

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. Accordingly, opening retained earnings at 1st January 2000 and 2001 have increased by RMB120,942,000 and RMB201,570,000 respectively.

This adjustment has resulted in a decrease in current liabilities at 31st December 2000 by RMB201,570,000 for provision for proposed dividends that is no longer required.

3 Turnover and revenue

Revenues recognised during the period are as follows:

		Six months ended 30th June	
		2001	2000
		RMB'000	RMB'000
Turnover	(a)		
Income from toll roads		231,754	215,147
Less: taxes related to toll income	(b)	(12,054)	(6,562)
		219,700	208,585
Other revenues			
Interest income from bank deposits		3,016	2,773
Interest income from a long-term loan		9,607	9,660
Investment income from other investments		10,624	1,948
Income from construction management services		13,500	—
Other income		2,091	1,365
		38,838	15,746
Total revenues		258,538	224,331

3 Turnover and revenue (continued)

- (a) No segment information is presented as all turnover of the Group is toll income derived from the PRC.
- (b) Taxes related to toll income comprise:
- PRC Business Tax at 5% on toll income
 - City Development Tax at 1% of PRC Business Tax
 - Education Supplementary Tax at 3% of PRC Business Tax

4 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2001	2000
	RMB'000	RMB'000
Crediting		
Realised gains on disposal of other investments	3,489	1,948
Unrealised gains on other investments	7,135	—
Net exchange gain	101	—
	<u>101</u>	<u>—</u>
Charging		
Provision for staff welfare and bonus	865	930
Auditors' remuneration	530	500
Loss on disposal of fixed assets	267	19
Net exchange loss	—	145
	<u>—</u>	<u>145</u>

5 Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th June	
	2001	2000
	RMB'000	RMB'000
PRC enterprise income tax	96	35
Share of taxation attributable to a jointly controlled entity	—	110
	<u>96</u>	<u>145</u>

- (a) The Company is subject to PRC enterprise income tax at a rate of 15%, the preferential tax rate for enterprises established in the Shenzhen Special Economic Zone, as compared with the standard rate of 33%. Pursuant to the approvals granted by relevant authorities, the Company, one of its subsidiaries and a jointly controlled entity are exempted from PRC enterprise income taxes for the five years in which they record assessable profits and a 50% reduction of the enterprise income taxes for the five consecutive years thereafter. As the aforementioned companies are still within the full PRC enterprise income tax exemption period, no provision for PRC enterprise income tax has been made in the accounts in respect of these entities.

The PRC enterprise income taxes charged to the consolidated profit and loss account have been calculated on the assessable profits of the other subsidiary and jointly controlled entities for the period at the rate of taxation applicable to these companies.

- (b) No provision for Hong Kong profits tax has been made in the accounts as the Group has no income assessable to Hong Kong profits tax.
- (c) No provision for deferred taxation has been made in the accounts as the effect of timing differences is not material to the Group.

6 Dividends

	Six months ended 30th June	
	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
2000 Final dividend, paid, of RMB0.10 (1999: RMB0.06) per ordinary share (<i>note(a)</i>)	<u>201,570</u>	<u>120,942</u>

(a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 1999 and 2000 were RMB120,942,000 and RMB201,570,000 respectively. Under the Group's new accounting policy as described in Note 2, these have been written back against opening retained earnings as at 1st January 2000 and 2001 and are now charged in the period in which they were proposed.

(b) The directors do not recommend the payment of a dividend in respect of the six months ended 30th June 2001 (2000: Nil).

7 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of RMB203,596,000 (2000: RMB173,107,000) and 2,015,700,000 (2000: 2,015,700,000) ordinary shares in issue during the period.

8 Interests in jointly controlled entities

	<i>Note</i>	30th June	31st December
		2001	2000
		<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets other than goodwill		365,899	363,665
Goodwill on acquisition		<u>9,060</u>	<u>9,060</u>
		374,959	372,725
Advance to a jointly controlled entity	(a)	442,397	445,552
Loans to a jointly controlled entity	(b)	<u>18,172</u>	<u>18,172</u>
		<u>835,528</u>	<u>836,449</u>

(a) The advance was made to Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao") and is unsecured, non-interest bearing and is repayable out of the funds to be generated from its toll road project.

(b) The loans were advanced to Shenzhen Wutongling Ropeway Company Limited ("Wutongling") and are secured by the 55% equity interest in Wutongling held by its majority shareholder and various equipment and operating facilities of Wutongling. The loans are interest bearing at bank loan interest rate prevailing in the PRC market and have no fixed terms of repayment.

In addition, the Company provides guarantees to all financing and credit facilities of Wutongling. These guarantees are secured by the 55% equity interest in Wutongling held by its majority shareholder and the equipment purchased under the above credit facilities. As at 30th June 2001, these facilities were utilised by Wutongling to the extent of RMB25,000,000 (31st December 2000: RMB25,000,000).

9 Long-term loan

The long-term loan of RMB306,000,000 (31st December 2000: RMB306,000,000) was advanced to Changsha Ring Road Construction and Development Co., Ltd. ("Ring Road Co."), the joint venture partner of the Company's jointly controlled entity, Changsha Shenchang Expressing Company Limited ("Shenchang"), through a financial institution in the PRC pursuant to a joint venture agreement dated 22nd July 1998. The purpose of the loan is to assist Ring Road Co. to finance part of its advance to Shenchang for construction of the underlying road project. The loan is unsecured and bearing interest at over five-years' loan interest rate quoted by the People's Bank of China from time to time. Ring Road Co. has pledged its 49% equity interest in Shenchang to the Company to secure its payment obligations of the interest of the loan. The loan is repayable in one lump sum by setting off against the Company's commitment to contribute the same loan amount to Shenchang in 2007.

10 Other investments

Other investments mainly represent government bonds listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange of the PRC. The investment cost amounted to RMB400,000,000 (31st December 2000: RMB160,000,000) and, to the extent of RMB240,000,000 (31st December 2000: Nil) were entrusted to certain reputable securities companies with related approved licences in the PRC. As at 30th June 2001, the market value of other investments amounted to RMB407,135,000 (31st December 2000: RMB160,208,000).

11 Amount due to a jointly controlled entity

The amount mainly represents toll income collected by the Group on behalf of a jointly controlled entity net of toll income collected by the jointly controlled entity on behalf of the Group. The amount is unsecured, interest free and repayable on demand.

During the period, toll income collected by the Group on behalf of the jointly controlled entity amounted to RMB28,226,000 (2000: RMB23,952,000), and toll income collected by the jointly controlled entity on behalf of the Group amounted to RMB24,800,000 (2000: RMB20,582,000). All toll income collected is wholly repaid to each other on a monthly basis without any handling charges.

12 Long-term liabilities

	30th June 2001 RMB'000	31st December 2000 RMB'000
Bank loans, secured	650,000	600,000
Current portion of long-term bank loans	(120,000)	—
	530,000	600,000
Other long-term advances	328,000	288,000
	858,000	888,000

Other long-term advances were obtained from local government authorities as an inducement for the Company to participate in a toll road project. The advances are unsecured, non-interest bearing and have no fixed terms of repayment. In the opinion of the directors, these advances are not repayable within five years.

The analysis of long-term liabilities is as follows:

	30th June 2001 RMB'000	31st December 2000 RMB'000
Bank loans wholly repayable within five years	650,000	600,000
Other long-term advances not wholly repayable within five years	328,000	288,000
	978,000	888,000
Current portion of long-term bank loans	(120,000)	—
	858,000	888,000

13 Borrowings

At 30th June 2001, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans		Other long-term advances	
	30th June 2001 RMB'000	31st December 2000 RMB'000	30th June 2001 RMB'000	31st December 2000 RMB'000
Within one year	360,000	150,000	—	—
In the second year	—	120,000	—	—
In the third to fifth year	530,000	480,000	—	—
After the fifth year	—	—	328,000	288,000
Total	<u>890,000</u>	<u>750,000</u>	<u>328,000</u>	<u>288,000</u>

As at 30th June 2001, the Group obtained total banking facilities of RMB2,150,000,000 (31st December 2000: RMB2,700,000,000), of which the Group had utilised RMB890,000,000 (31st December 2000: RMB750,000,000). The loans utilised to the extent of RMB800,000,000 (31st December 2000: RMB750,000,000) are secured by the Company's operating rights for collecting toll income from National Highway No. 107 (Shenzhen Section) and National Highway No. 205 (Shenzhen Section). As at 30th June 2001, the banking facilities available to the Group amounted to RMB1,260,000,000 (31st December 2000: RMB1,950,000,000).

14 Share capital

	30th June 2001 RMB'000	31st December 2000 RMB'000
Registered, issued and fully paid of RMB1 each:		
PRC domestic capital shares	1,268,200	1,268,200
Hong Kong listed foreign shares ("H shares")	747,500	747,500
	<u>2,015,700</u>	<u>2,015,700</u>

Pursuant to article 3 of the Company's articles of association, the PRC domestic capital shares and H shares are all registered ordinary shares, carrying equal rights.

15 Retained earnings

	Note	Retained earnings RMB'000
Year 2000		
At 1st January 2000 as previously reported		31,837
Effect of adopting SSAP 9 (Revised)	2	120,942
At 1st January 2000 as restated		152,779
1999 Final dividend paid	6	(120,942)
Profit for the year		363,074
Transfer to reserves		(137,654)
At 31st December 2000		<u>257,257</u>
Retained earnings		55,687
2000 Final dividend proposed	6	201,570
At 31st December 2000		<u>257,257</u>
Company and subsidiaries		240,541
Jointly controlled entities		16,716
At 31st December 2000		<u>257,257</u>

15 Retained earnings *(continued)*

	<i>Note</i>	Retained earnings <i>RMB'000</i>
Six months ended 30th June 2001		
At 1st January 2001 as previously reported		55,687
Effect of adopting SSAP 9 (Revised)	2	<u>201,570</u>
At 1st January 2001 as restated		257,257
2000 Final dividend paid	6	(201,570)
Profit for the period		<u>203,596</u>
At 30th June 2001		<u><u>259,283</u></u>
Company and subsidiaries		240,057
Jointly controlled entities		<u>19,226</u>
At 30th June 2001		<u><u>259,283</u></u>

16 Contingent liabilities

	30th June 2001 <i>RMB'000</i>	31st December 2000 <i>RMB'000</i>
Guarantees given to banks in respect of bank loans granted to a jointly controlled entity <i>(Note 8(b))</i>	<u>25,000</u>	<u>25,000</u>

17 Commitments

As at 30th June 2001, the Group had the following capital commitments for construction of expressways:

	30th June 2001 <i>RMB'000</i>	31st December 2000 <i>RMB'000</i>
Contracted but not provided for	75,790	129,390
Authorised but not contracted for	<u>1,063,270</u>	<u>1,152,150</u>
	<u><u>1,139,060</u></u>	<u><u>1,281,540</u></u>

The jointly controlled entities had no capital commitment as at 30th June 2001.

18 Related party transactions

Certain long-term advances from relevant local government authorities were received by Shenzhen Freeway Development Company Limited ("Shenzhen Freeway"), the major shareholder of the Company, on behalf of the Company. Such advances are wholly repayable to the Company without any handling charges. During the period, long-term advances totalling RMB24,000,000 (2000: RMB122,000,000) were received by Shenzhen Freeway on behalf of the Company.