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)

2011 Interim Results Announcement

The Board is pleased to announce the unaudited results of the Group for the six months ended 30 June 2011, prepared in accordance with CAS, together with comparative figures for the corresponding period in 2010, as follows:

Consolidated Income Statement

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
	RMB	*RMB*
	(Unaudited)	*(Unaudited)*
1. Revenue	**1,178,677,459.95**	1,054,604,141.90
Less: Cost of services	**(561,543,381.60)**	(467,700,410.17)
Business tax and surcharges	**(43,677,005.94)**	(36,593,960.90)
General and administrative expenses	**(32,125,755.03)**	(21,629,981.22)
Financial expenses – net	**(255,871,075.85)**	(253,765,021.53)
Add: Investment income	**135,707,678.91**	132,157,645.98
Including: Share of profit of associates and joint ventures	**135,707,678.91**	132,157,645.98
2. Operating profit	**421,167,920.44**	407,072,414.06
Add: Non-operating income	**107,223.18**	7,835,550.03
Including: Gains on disposal of non-current assets	**8,920.00**	5,749,322.70
Less: Non-operating expenses	**(329,999.63)**	(674,371.23)
Including: Losses on disposal of non-current assets	**(238,707.00)**	(278,845.92)
3. Total profit	**420,945,143.99**	414,233,592.86
Less: Income tax expenses	**(84,863,570.37)**	(65,555,371.24)
4. Net profit	**336,081,573.62**	348,678,221.62
Net profit attributable to owners of the Company	**352,521,341.74**	359,498,732.89
Minority interests	**(16,439,768.12)**	(10,820,511.27)

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
	RMB	*RMB*
	(Unaudited)	*(Unaudited)*
5. Earnings per share		
Basic earnings per share	**0.162**	0.165
Diluted earnings per share	**0.162**	0.165
6. Other comprehensive income	**6,181,998.71**	(3,647,664.39)
7. Total comprehensive income	**342,263,572.33**	345,030,557.23
Attributable to owners of the Company	**358,703,340.45**	355,851,068.50
Minority interests	**(16,439,768.12)**	(10,820,511.27)

Consolidated Balance Sheet

	As at 30 June 2011	As at 31 December 2010
	RMB	*RMB*
	(Unaudited)	*(Unaudited)*
Current Assets		
Cash at bank and on hand	**690,991,272.48**	832,427,381.66
Dividends receivable	**9,569,209.91**	-
Accounts receivable	**237,346,744.84**	245,327,133.78
Advances to suppliers	**28,406,002.45**	13,865,949.18
Interest receivable	**4,661,815.07**	1,715,171.24
Other receivables	**33,662,535.59**	36,456,038.12
Inventories	**4,725,070.68**	3,401,645.38
Total current assets	**1,009,362,651.02**	1,133,193,319.36
Non-current assets		
Long-term equity investments	**2,224,117,147.67**	2,394,169,935.76
Investment properties	**16,692,775.00**	16,980,625.00
Fixed assets	**1,056,797,366.92**	1,026,607,672.44
Construction in progress	**86,372,300.12**	42,034,013.85
Intangible assets	**18,065,752,281.68**	17,896,204,675.75
Long-term prepaid expenses	**3,506,649.71**	3,964,038.77
Deferred tax assets	**136,685,014.27**	103,492,784.79
Total non-current assets	**21,589,923,535.37**	21,483,453,746.36
Total assets	**22,599,286,186.39**	22,616,647,065.72

	As at 30 June 2011	As at 31 December 2010
	RMB	*RMB*
	(Unaudited)	*(Unaudited)*
Current liabilities		
Short-term borrowings	**771,309,200.00**	1,174,259,800.00
Notes payable	-	3,024,616.00
Accounts payable	**1,023,542,544.48**	939,782,814.66
Advances from customers	**24,670,777.73**	14,171,844.00
Employee benefits payable	**40,541,815.10**	62,689,956.43
Taxes payable	**125,833,619.40**	149,211,799.65
Interests payable	**81,761,973.01**	62,367,213.28
Dividends payable	**106,911,126.91**	-
Other payables	**283,382,170.55**	386,406,073.32
Current portion of non-current liabilities	**482,003,666.41**	195,463,729.63
Total current liabilities	**2,939,956,893.59**	2,987,377,846.97
Non-current liabilities		
Long-term borrowings	**5,614,217,760.00**	5,757,383,500.00
Bonds payable	**2,838,949,128.33**	2,807,923,750.11
Provisions	**984,491,917.15**	882,434,765.75
Deferred tax liabilities	**803,039,686.35**	820,729,860.38
Hedging instrument	**26,788,084.77**	25,696,082.32
Total non-current liabilities	**10,267,486,576.60**	10,294,167,958.56
Total liabilities	**13,207,443,470.19**	13,281,545,805.53
Owners' equity		
Share capital	**2,180,770,326.00**	2,180,770,326.00
Capital surplus	**3,161,360,647.88**	3,155,178,649.17
Surplus reserve	**1,446,432,645.22**	1,446,432,645.22
Undistributed profits	**1,870,043,407.07**	1,866,445,317.49
Total equity attributable to owners of the Company	**8,658,607,026.17**	8,648,826,937.88
Minority interests	**733,235,690.03**	686,274,322.31
Total owners' equity	**9,391,842,716.20**	9,335,101,260.19
Total liabilities and owners' equity	**22,599,286,186.39**	22,616,647,065.72

The unaudited consolidated financial statements and notes for the six months ended 30 June 2011 of the Group prepared in accordance with CAS are set out in the appendix to this results announcement.

INTERIM RESULTS AND DIVIDENDS

In accordance with CAS, during the Reporting Period, the Group recorded a revenue of RMB1,179 million, representing an increase of 11.76% as compared to that of 2010 Interim. Net profit attributable to owners of the Company during the Reporting Period amounted to RMB353 million, whereas earnings per share was RMB0.162, representing a decrease of 1.94% as compared to those of 2010 Interim.

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2011 (2010 Interim: Nil), nor does it recommend any conversion of capital reserve into share capital.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Toll Highway Business Review

The principal activities of the Group are the investment, construction and operation management of toll highways. Currently, the Group is operating and investing in 16 toll highway projects in the Shenzhen region, other regions in Guangdong Province and other provinces in China. The specific performance and business development of the toll highway business of the Group during the Reporting Period is summarised as follows:

1. Operational Performance

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	2010 Interim	Change	The Period	2010 Interim	Change
Shenzhen region:								
Meiguan Expressway	100%	100%	120	109	9.4%	949	892	6.4%
Jihe East	100%	100%	113	106	6.3%	1,391	1,371	1.5%
Jihe West	100%	100%	97	84	16.0%	1,210	1,091	10.9%
(1) Yanba Expressway	100%	100%	26	20	28.4%	358	285	26.0%
Yanpai Expressway	100%	100%	37	37	-0.2%	411	407	0.9%
Nanguang Expressway	100%	100%	55	44	24.2%	579	442	31.0%
Shuiguan Expressway	40%	-	120	129	-6.9%	1,101	1,171	-6.0%
Shuiguan Extension	40%	-	35	37	-7.4%	212	231	-8.2%
Other regions in Guangdong Province:								
(2) Qinglian Expressway	76.37%	100%	21	18	19.1%	1,257	1,050	19.6%
Yangmao Expressway	25%	-	24	21	14.2%	1,212	1,158	4.7%
Guangwu Project	30%	-	24	14	73.2%	646	379	70.5%
Jiangzhong Project	25%	-	86	57	51.2%	951	806	17.9%
GZ W2 Expressway	25%	-	33	24	39.0%	723	581	24.4%
Other provinces in the PRC:								
Wuhuang Expressway	55%	-	38	37	1.9%	1,129	1,257	-10.1%
Changsha Ring Road	51%	-	9.6	8.8	9.5%	81	72	12.6%
Nanjing Third Bridge	25%	-	24	24	1.2%	829	807	2.8%

Notes:

(1) Yanba Expressway comprises Yanba A, Yanba B and Yanba C, of which Yanba C was opened for operation on 25 March 2010.

(2) Liannan Section of Qinglian Project has commenced expressway operation since 25 January 2011.

The toll highway business of the Group recorded a stable performance as the national economy has kept growing during the first half of 2011. However, as the highway projects varied among their different functions, years of operation and neighboring road networks, their operational performances varied. During the Reporting Period, for the 16 projects operated and invested by the Group, eight of them recorded two-digit YOY increase in average daily toll revenue, while three of them recorded YOY decrease in their revenues. The analysis and explanation on the related factors are as follows:

Economy environment —

In the first half of 2011, the national macro-economy recorded a steady performance in general but there was a slowdown in the economic growth. In the first half of the year, the GDP recorded a YOY growth of approximately 9.6% with a YOY growth of 25.8% recorded in total imports and exports. The steady performance of the economy stabilised the total traffic demand, and the growth of overall operational performance of toll highways was still maintained, but the momentum of economic growth slowed as compared with the recovery growth in “Post-Financial Crisis” in 2010. The YOY economic growth of GDP and total imports and exports dropped 1.5% and 17.3% respectively, resulting in a general shrinkage in the natural growth of toll highway projects. In the meantime, the decline of foreign trade growth also imposed certain pressure on the operation growth of the Group’s projects which connect ports, such as Yanba Expressway and Yanpai Expressway.

Policy environment —

Since December 2010, the toll highways of the Group to which the “Green Passage Toll Free Policy” was applicable have increased from Jihe Expressway, Wuhuang Expressway, Qinglian Expressway, Yangmao Expressway, Changsha Ring Road and Nanjing Third Bridge, to all 16 projects. The revenue and profit of the Group for the Reporting Period decreased by approximately RMB14,136,000 and RMB18,841,000 respectively (2010 Interim: RMB13,041,000 and RMB16,662,000) resulting from the implementation of such policy.

Status of road assets and impact from road network —

The completion and operation of highway sections that were previously under construction increased the toll mileage of the projects, driving a faster growth of toll revenues. Yanba C commenced operation in March 2010, and thus the operation period of the whole Yanba Expressway was longer in the Reporting Period. Liannan Section of Qinglian Project has commenced expressway operation since January 2011, increasing the total toll mileage of Qinglian Expressway from 188 kilometers to 216 kilometers. The commencement of operation of these sections together with the stimulation effect after the improvement of the road networks brought steady growth to the overall performances of Yanba Expressway and Qinglian Expressway during the Reporting Period.

In addition, 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 cause positive or negative impact on the distribution of traffic volume within the road networks.

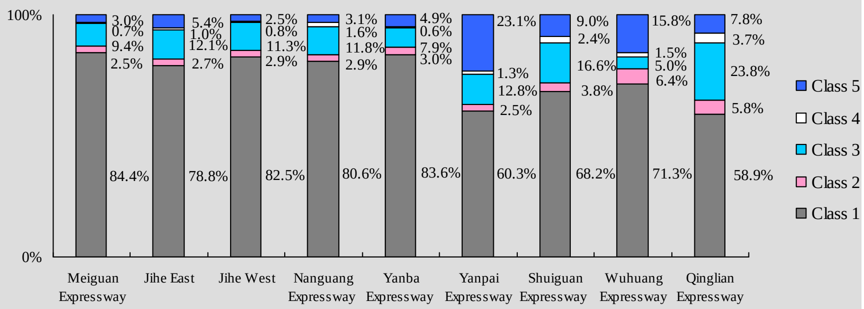
In recent two years, certain municipal roads (such as Songbai Road and Shenhui Road) in Shenzhen were under reconstruction, which had positive impact on the performance of peripheral Nanguang Expressway, Jihe Expressway, Yanpai Expressway and Shuiguan Expressway etc. Following the gradual completion of municipal works, Songbai Road and Shenhui Road have fully resumed opening to traffic at the end of 2010 and early 2011 respectively. Certain traffic volume of those expressways during the construction period returned to local roads, thereby creating an impact on the traffic volume in related expressways.

During the Reporting Period, the road surface construction works were underway for the expansion of Shuiguan Expressway, which, to certain extent, affected the traffic volume of Shuiguan Expressway and Shuiguan Extension. The expansion works were completed in late June 2011, and the expanded Shuiguan Expressway has been in full operation. In addition, with the road surface maintenance and traffic improvement work being carried out in the South Section of Meiguan Expressway and thus affected by the phased of lanes and traffic restrictions, the toll revenues of Meiguan Expressway and the connecting Jihe East recorded a YOY decrease in June. Notwithstanding the decrease, this caused insignificant effect on the operational performance of those projects throughout the entire Reporting Period. Such work was completed in early August 2011.

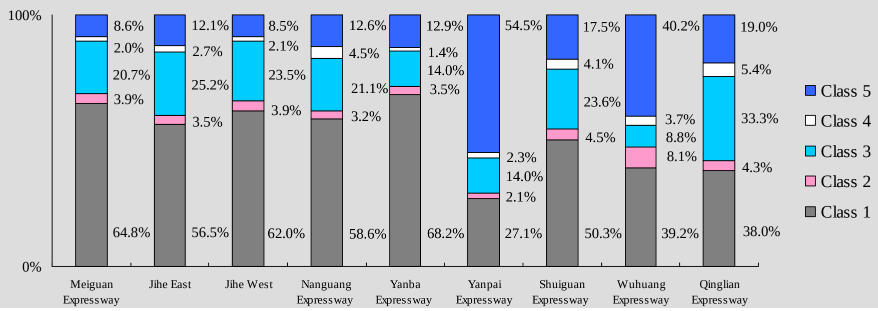
As the second phase of Guangwu Expressway (Hekou to Pingtai section) commenced operation at the end of June 2010, the entire expressway from Guangzhou to Wuzhou has been fully opened. Although there was positive effect on the operational performance of Guangwu Project, it diverted to certain extent the traffic volume, especially more obvious for large vehicles, of Yangmao Expressway. As affected by combined factors such as traffic control measures implemented in Wuhan City and changes in road network including opening of Mawu Expressway, Wuhuang Expressway suffered YOY decrease in the average daily toll revenue. Magerk Company on one hand reinforced its effort in promoting the project to highlight the line location advantage of Wuhuang Expressway, and on the other hand, it enhanced and upgraded the toll collection communication system and commenced operating the vehicle identification stations, so as to improve the management on sorting toll revenue and to cope with the new challenges brought by the changes in road networks.

Information for Reference:

Vehicle Category of Major Highways for the Period – By traffic volume



Vehicle Category of Major Highways for the Period – By toll revenue



2. Business Development and Improvement

During the Reporting Period, the Group actively pushed ahead projects under construction, endeavored to improve the traffic capacity and service quality of the projects, and explored business opportunities in the market and responded to environmental changes in pragmatic manner, so as to be well prepared for the improvement of operational performance in the future.

Qinglian Expressway — The reconstruction of Liannan Section of Qinglian Project into an expressway was completed as scheduled in the early 2011, and achieved its management objectives in quality, safety, cost and schedules. The whole 216 km Qinglian Expressway has been fully opened, which improves the traffic conditions and capacity of the project, facilitating a better operational performance of the project during the Reporting Period and laying a solid foundation for the improvement of results after further enhancement in the road networks. Moreover, since Qinglian Class 2 Road bore most of the traffic flow during the period of reconstruction into an expressway of Qinglian Project, the road surfaces were badly worn out. In order to recover its traffic capacity and ensure the traffic safety, the Group has temporarily closed Qinglian Class 2 Road and suspended its toll collection since late September 2010 for maintenance and repair works.

The shareholders of Qinglian Company have agreed to make additional capital contribution of RMB1.9 billion in proportion to their shareholdings. As at the end of the Reporting Period, an aggregate additional capital contribution of RMB1.4 billion was completed. This additional capital contribution not only further improves the capital strength of Qinglian Company, but also optimises the overall borrowing structure and lowers the finance costs of the Group. For details thereof, please refer to the announcement of the Company dated 9 April 2010.

Meiguan Expressway — As at the end of the Reporting Period, for the reconstruction and expansion of the North Section of Meiguan Expressway, approximately 90% of the land requisition, demolition and relocation works, approximately 87% of the earthwork of road understructure and approximately 80% of the pile foundation works have been completed, and the bidding for road surfaces construction is underway. It is expected that this project will be completed in early 2013. Recently, the road surface maintenance and traffic improvement work on the South Section of Meiguan Expressway had been carried out and were completed in early August 2011, with the construction costs amounting to approximately RMB100 million. These works will enhance the traffic capacity and service of the projects.

Given the development of the economy and traffic of the peripheral regions, the government is planning to move northward the toll station on the main route of Meiguan Expressway in the south, and to pay the toll fees collectively by the government for the vehicles using the section to the south of the new toll station. Currently, the Company is proactively negotiating with the relevant competent authorities on the proposal of moving the station and the overall operation arrangement of the project. The Company will timely submit relevant matters to the Board for consideration based on work progress.

Shuiguan Expressway — Qinglong Company is in charge of the expansion of Shuiguan Expressway, which was going well and successfully completed in late June 2011. The expanded Shuiguan Expressway has been in full operation, which will effectively enhance the traffic capacity and service of the project, further improve its toll revenue. The shareholders of Qinglong Company have agreed to make additional capital contribution of RMB330 million in proportion to their shareholdings for the expansion. As at the end of the Reporting Period, an aggregate additional capital contribution of RMB224 million was completed. For details of the additional capital contribution, please refer to the announcement of the Company dated 21 September 2009.

In addition to the business development as mentioned above, the installation of road lighting and monitoring facilities were carried out on Nanguang Expressway, Jihe Expressway, Yanba A, Shuiguan Expressway and Shuiguan Extension during the Reporting Period, further improving the traffic safety and comfortability of expressways of the Group in Shenzhen. LED energy saving lighting facilities were installed on most sections and the trial investment model of Energy Management Contract (EMC) was for the first time used for road lighting installation work in Shenzhen. While enhancing the competitive advantage of the project, we have been committed to realise the Company's planning and idea of environment protection. Moreover, the Company is pushing ahead the preliminary study and relevant negotiations of the Outer Ring project by step, and will make investment decisions upon determination of the investment value and full consideration of the capability of the financial resources of the Company. Currently, the Company does not have any investment or acquisition plans on the toll highways projects.

II. Financial Analysis

In the first half of 2011, the Group's operating results generally met the Company's expectation. The Group recorded net profit attributable to owners of the Company ("Net Profit") of RMB352,521,000 (2010 Interim: RMB 359,499,000), representing a YOY decrease of 1.94%. During the Reporting Period, due to the factors such as slowdown in the growth of macro-economy and changes in the diversion distribution of vehicles of the road network, toll revenue derived from the toll highways invested and operated by the Group had recorded a slower YOY growth, and cost of services increased due to the implementation of business plans and the inflationary effect, which slightly lower the YOY results of the Group for the current period.

1. Analysis of Operating Results

1.1 Revenue

During the Reporting Period, the Group recorded revenue of RMB1,178,677,000, representing a YOY growth of 11.76%, of which toll revenue is the main source of revenue of the Group, which recorded a YOY increase of 10.63% to RMB1,116,625,000. A detailed analysis on revenue is as follows:

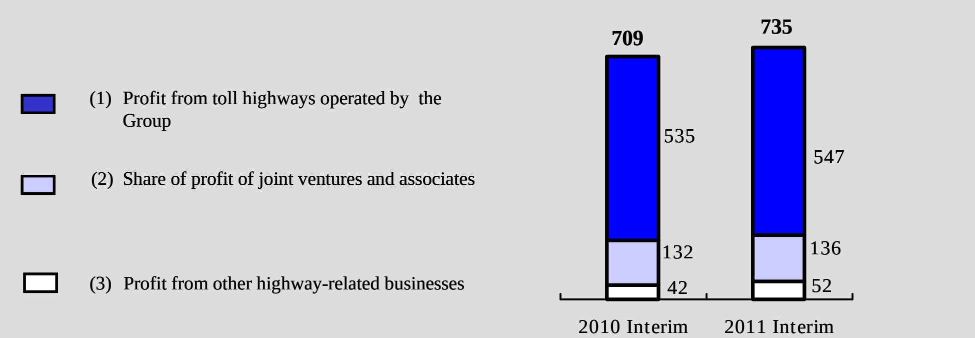
Revenue item	The Period (RMB'000)	Percentage of total	2010 Interim (RMB'000)	Percentage of total	Change
Toll revenue	1,116,625	94.74%	1,009,333	95.71%	10.63%
Management services income (Note)	26,736	2.26%	20,162	1.91%	32.61%
Other income (including income from advertising service)	35,316	3.00%	25,109	2.38%	40.65%
Total	1,178,677	100.00%	1,054,604	100.00%	11.76%

Note: Management services income included income from entrusted construction management services of RMB15,454,000 and income from entrusted operation management services of RMB11,282,000.

1.2 Profit before Interests, Tax and General and Management Expenses

During the Reporting Period, the Group's profit before interests, tax and general and management expenses amounted to RMB735,481,000 (2010 Interim: RMB709,399,000), representing a YOY increase of 3.68%. Profit contributed by principal business is as follows:

Profit before Interests, Tax and General and Management Expenses (Unit: RMB million)



1.2.1 Profit from Toll Highways Operated by the Group

◆ Profit

Profit from toll highways operated by the Group for the Reporting Period amounted to RMB547,002,000 (2010 Interim: RMB534,830,000), representing a YOY growth of 2.28%, which was principally attributable to the growth from Jihe West, Nanguang Expressway and Yanba Expressway.

Toll highway	Percentage of interests held	Toll revenues		Cost of services		Profit before interests, tax and general and management expenses	
		The Period (RMB'000)	Change	The Period (RMB'000)	Change	The Period (RMB'000)	Change
Meiguan Expressway	100%	171,740	6.40%	46,235	22.24%	120,078	0.77%
Jihe East	100%	251,789	1.48%	101,139	7.29%	142,476	-3.00%
Jihe West	100%	219,020	10.94%	74,985	6.59%	137,388	12.36%
Yanba Expressway	100%	64,887	26.01%	59,167	16.03%	3,622	N/A
Yanpai Expressway	100%	74,322	0.90%	49,185	8.97%	22,858	-13.83%
Nanguang Expressway	100%	104,787	30.97%	57,496	22.76%	43,886	42.71%
Qinglian Project	76.37%	230,080	16.66%	143,502	42.63%	76,694	-15.00%
Total		1,116,625	10.63%	531,709	19.21%	547,002	2.28%

◆ Toll revenue

For the Reporting Period, the Group recorded toll revenue of RMB1,116,625,000, representing a YOY increase of 10.63%. Among this, Liannan Section of Qinglian Project commenced operation on 25 January 2011, and Qinglian Project recorded a YOY increase of 16.66% in toll revenue as it commenced expressway operation during the Reporting Period. With the gradually enhanced road network and the implementation of the marketing measures, toll revenue from Nanguang Expressway increased by 30.97% YOY. Yanba C was opened for operation in late March 2010, and during 2010 Interim, Yanba Expressway has been in full operation for only three months. Benefited from a YOY increase of toll mileage and synergy effects brought by the commencement of operation of Huishen Coastal Expressway, Yanba Expressway recognised a YOY increase of 26.01% in toll revenue. The YOY growth in toll revenue of other toll highways amounted to 5.33%.

◆ Cost of services

Cost of services for the Group's toll highways recorded a YOY increase of 19.21% to RMB531,709,000 (2010 Interim: RMB446,015,000) for the Reporting Period, which was mainly attributable to the increase of employee expenses and road maintenance expenses. During the Reporting Period, as the Company had made provision for the housing allowances for employees as required by Shenzhen Municipal Government, and there were an increase in the number of employees and an increase in remuneration of toll collection staff in the second half of 2010, the employee expenses recorded a YOY increase. Moreover, Qinglian Class 2 Road is performing an overall repair and the daily maintenance expenses was increased upon the expiry of the liability period of defects of Qinglian Expressway, the Group's road maintenance expenses thus recorded a significant YOY increase. A detailed analysis on cost of services is as follows:

Cost of services item	The Period (RMB'000)	Percentage of total	2010 Interim (RMB'000)	Percentage of total	Change
Employee expenses	67,050	14.96%	48,329	13.14%	38.74%
Road maintenance expenses	57,809	12.89%	35,058	9.53%	64.89%
Depreciation and amortisation	284,162	63.38%	259,763	70.62%	9.39%
Other costs	39,303	8.77%	24,657	6.71%	59.40%
Sub-total	448,324	100.00%	367,807	100.00%	21.89%
Provisions for maintenance/ resurfacing obligations	83,385	–	78,208	–	6.62%
Total	531,709		446,015		19.21%

1.2.2 The Investment Income from Joint Ventures and Associates

The Group's investment income from joint ventures and associates for the Reporting Period amounted to RMB135,708,000 (2010 Interim: RMB132,158,000), representing a YOY increase of 2.69%. The macro-economy and the changes in the road network resulted in a slowdown in the growth or reduction in the traffic volume of most toll highways operated by our invested companies, which lowered the YOY growth of the Group's investment income. 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	
		The Period (RMB'000)	Change	The Period (RMB'000)	Change	The Period (RMB'000)	Change
Joint Ventures:							
Wuhuang Expressway	55%	204,421	-9.86%	102,700	-2.55%	52,849	7,486
Changsha Ring Road	51%	14,569	12.41%	18,479	45.75%	-557	-1,889
Associates:							
Shuiguan Expressway	40%	199,223	-5.99%	48,202	11.56%	38,916	-6,552
Shuiguan Extension	40%	38,439	-8.21%	18,796	11.21%	1,911	-1,892
Yangmao Expressway	25%	218,520	4.22%	74,531	4.92%	20,485	2,803
Guangwu Project	30%	116,842	70.49%	42,767	45.53%	10,501	7,118
Jiangzhong Project	25%	172,056	17.90%	101,510	28.62%	3,927	-642
GZ W2 Expressway	25%	130,233	24.50%	52,590	12.62%	4,421	-302
Nanjing Third Bridge	25%	150,939	3.32%	67,816	23.13%	2,227	-2,713
Total		1,245,242	6.58%	527,391	14.83%	(Note) 134,680	3,417

Note: Investment income from Consulting Company of RMB1,028,000 (2010 Interim: RMB895,000) was not included in the figure of investment income of the Group for the Reporting Period.

1.2.3 Profit from Other Highway-related Businesses

◆ Profit from entrusted construction management services

During the Reporting Period, the Company recognised profit from the entrusted construction services of RMB1,829,000 based on the audit results for the budget for the completed Shenyun Project. The government's audit work on the total construction costs for Nanping (Phase I) had not been completed and thus the Company's original estimate for this project remained unchanged. The related service results of Coastal Project, Nanping (Phase II) and Longhua Extension could not be predicted reliably, while the Directors of the Company 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 RMB13,466,000 incurred. The details are set out in notes 5(30)b(i) and 7(5)a(ii) to the Financial Statements.

◆ Profit from entrusted operation management services

During the Reporting Period, pursuant to the provisions of the entrusted operation management agreement, the Company recognised revenue from entrusted operation management services for Longda Project of RMB11,282,000 and a relevant profit of RMB10,661,000 after deducting relevant tax. The details are set out in note 5(30)b(i) to the Financial Statements.

1.3 General and Management Expenses

The Group's general and management expenses for the Reporting Period amounted to RMB32,126,000 (2010 Interim: RMB21,630,000), representing a YOY increase of 48.52%. Such increase was mainly attributable to the provision for the housing allowances for employees as required by Shenzhen Municipal Government and the increase of development expenses of new businesses.

1.4 Financial expenses

The Group's financial expenses for the Reporting Period amounted to RMB255,871,000 (2010 Interim: RMB253,765,000), which was basically in line with that in the corresponding period. During the Reporting Period, there was a YOY increase in currency exchange gains, which set off the effect of the increment of expensed borrowing interests of Liannan Section of Qinglian Project upon its commencement of operation. A detailed analysis on financial costs is as follows:

Financial expenses item	The Period (RMB'000)	2010 Interim (RMB'000)	Change
Interest expenses	254,845	259,497	-1.79%
Less: Interest capitalised	(2,399)	(9,209)	-73.95%
Interest income	(5,528)	(7,258)	-23.84%
Exchange gain/loss and others	(21,011)	(12,513)	67.91%
Financial expenses excluding time value of provisions for maintenance/resurfacing obligations	225,907	230,517	-2.00%
Add: Time value of provisions for maintenance/resurfacing obligations	29,964	23,248	28.89%
Financial expenses	255,871	253,765	0.83%

1.5 Income Tax

During the Reporting Period, the Group's income tax amounted to RMB84,864,000 (2010 Interim: RMB65,555,000), representing a YOY increase of 29.45%. Such increase was mainly due to the increase in operating profit, and thus the corresponding increase in taxable income and income tax rate (2011: 24%; 2010: 22%). For the details, please refer to note 5(36) to the Financial Statements.

1.6 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, i.e. based on usage amount per unit, the amortisation amount is calculated 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 conducted regular reviews on the projected traffic volumes and made corresponding adjustments to ensure reliability and accuracy of the amortisation amount. For details on this accounting policy and estimates, please refer to notes 2(17)(a) and 2(28)(a) to the Financial Statements.

During the preliminary stages of toll highways' operation and before reaching their designed saturated traffic volumes, the amortisation amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. With the growth in traffic volumes of various toll highways during the Reporting Period, the amortisation difference under the two methods of amortisation attributable to the Company based on its equity interests was RMB51,905,000 and the YOY amortisation difference is reduced. 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. Figures for reference calculated for various toll highways for the Reporting Period is as follows:

Toll highway	Percentage of interests held	Amortisation amount of operating rights (RMB million)			Amortisation difference attributable to the Company based on its share of interests (RMB million)	
		Units-of-usage method The Period	Units-of-usage method 2010 Interim	(1) Straight-line method	The Period	2010 Interim
(2) **The Company and subsidiaries:**						
Meiguan Expressway	100%	23	21	18	5	3
(3) Jihe East	100%	78	77	77	1	0
Jihe West	100%	20	18	14	6	4
Yanpai Expressway	100%	16	17	23	-7	-6
Yanba Expressway	100%	21	17	34	-13	-17
Nanguang Expressway	100%	20	15	43	-23	-28
Joint Ventures and Associates:						
Wuhuang Expressway	55%	42	44	44	-2	0
Changsha Ring Road	51%	8	7	9	-1	-1
Shuiguan Expressway	40%	22	24	20	1	1
Shuiguan Extension	40%	9	10	12	-1	-1
Yangmao Expressway	25%	36	37	45	-2	-2
Guangwu Project	30%	29	17	29	0	-4
Jiangzhong Project	25%	51	47	64	-4	-4
GZ W2 Expressway	25%	28	23	55	-7	-8
Nanjing Third Bridge	25%	35	34	55	-5	-5
Total					-52	-68

Notes:

(1) Assuming the book values of the intangible assets are amortised evenly over the allowed operating periods granted by the concession grantors.

(2) The Liannan Section of Qinglian Project has just been completed in the first quarter of 2011 and the differences due to this project were not included for the Reporting Period.

(3) The amortisation amount of concession intangible assets of Jihe East Company for the Reporting Period included the amortisation of premium (Units-of-usage method: RMB54 million, straight-line method: RMB61 million).

2. Analysis of Financial Position

2.1 Assets, Equity and Liabilities

The Group's financial position remains solid, with its assets comprising mainly concession intangible assets as well as investments in joint ventures and associates in high-grade toll highways. As at 30 June 2011, the Group's total assets amounted to RMB22,599,286,000 (31 December 2010: RMB22,616,647,000), representing a decrease of 0.08% over the end of 2010, of which concession intangible assets as well as investments in joint ventures and associates in toll highways and other equity in aggregate accounted for 89.78% of the total assets.

As at 30 June 2011, the Group's total equity amounted to RMB9,391,843,000 (31 December 2010: RMB9,335,101,000), representing an increase of 0.61% over the end of 2010. This was mainly attributable to the increased net profit for the Reporting Period and the deduction of dividend distributed for 2010.

Due to the stable and adequate cash flows of the toll highways operated and invested by the Group, as well as the further decrease in the capital expenditures during the Reporting Period, there was a slight decrease in the total borrowings of the Group as compared with that at the end of 2010. As at 30 June 2011, outstanding bills payable, bonds payable and bank borrowings of the Group amounted to RMB9,686,987,000 (31 December 2010: RMB9,915,223,000), of which Qinglian Project had used borrowings of RMB5.138 billion.

2.2 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. With the increase of the operating cash flows from highway projects for the Reporting Period, the Group recorded decreases in various financial leverage ratios. Given the Group's stable and robust operating cash flows, and expected growth in cash flow after the commencement of operation of new projects, the Directors of the Company are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

	30 June 2011	31 December 2010
Debt-to-asset ratio (Total liabilities / Total assets)	58.44%	58.72%
Net borrowings-to-equity ratio ((Total borrowings - cash and cash equivalents) / Total equity)	98.86%	100.48%
	The Period	**2010 Interim**
Interest covered multiple (Profit before interests and tax / interest expenses)	2.48	2.43
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation / interest expenses)	3.51	3.38

As at the end of the Reporting Period, net current liabilities of the Group amounted to RMB1,930,594,000. Given the fact that the Group possesses a steady and abundant operating cash flow and enjoys adequate banking facilities, and that appropriate financing arrangements have been made to satisfy the needs of debt repayment and capital expenditures, the Board of the Company is of the view that there is no significant risk of liquidity in the Group.

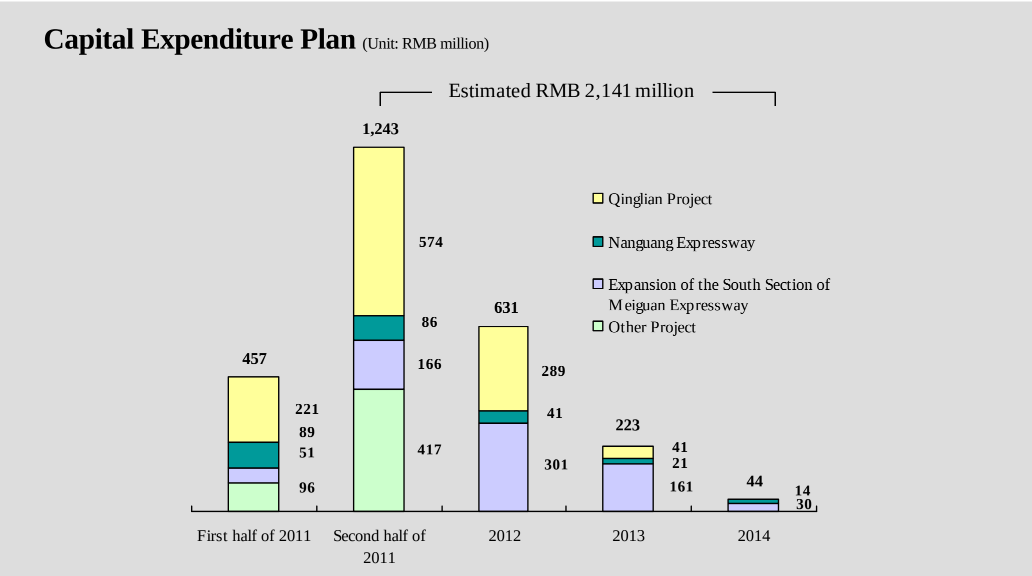
2.3 Foreign-currency Denominated Assets and Liabilities

All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB1,343,034,000 worth of foreign currency-denominated monetary liabilities in HK$, while RMB24,528,000 and RMB99,000 worth of foreign currency-denominated monetary assets were in HK$ and other foreign currencies, respectively. Foreign currency-denominated items were net liabilities after netting off. Despite the positive impact of the current upward trend of RMB exchange rate on the Group, the Company has arranged relevant financial instruments to lock up the exchange rate of foreign currency-denominated liabilities to minimise the risk of exchange rate in the future. The Company has arranged "Non-Deliverable Cross 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, and "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$399 million. For details thereof, please refer to note 5(24) to the Financial Statements.

3. Capital and Financing

3.1 Capital Expenditure

During the Reporting Period, the Group's capital expenditures comprised mainly the reconstruction of Qinglian Class 1 Highway into an expressway and the remaining construction and investments of Nanguang Expressway, totaling approximately RMB457 million. As at 30 June 2011, 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 of Meiguan Expressway. It is expected that the Group's total capital expenditures will amount to approximately RMB2.141 billion by the end of 2014. The Group plans to satisfy such capital needs with its own capital reserves and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are sufficient for satisfying the needs of various capital expenditures.



3.2 Operating Cash Flow

The toll revenue of the Group's principal toll highway operations is collected in cash, thereby giving a steady operating cash flow. During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totaled RMB957,706,000 (2010 Interim: RMB813,362,000), representing a YOY increase of 17.75%.

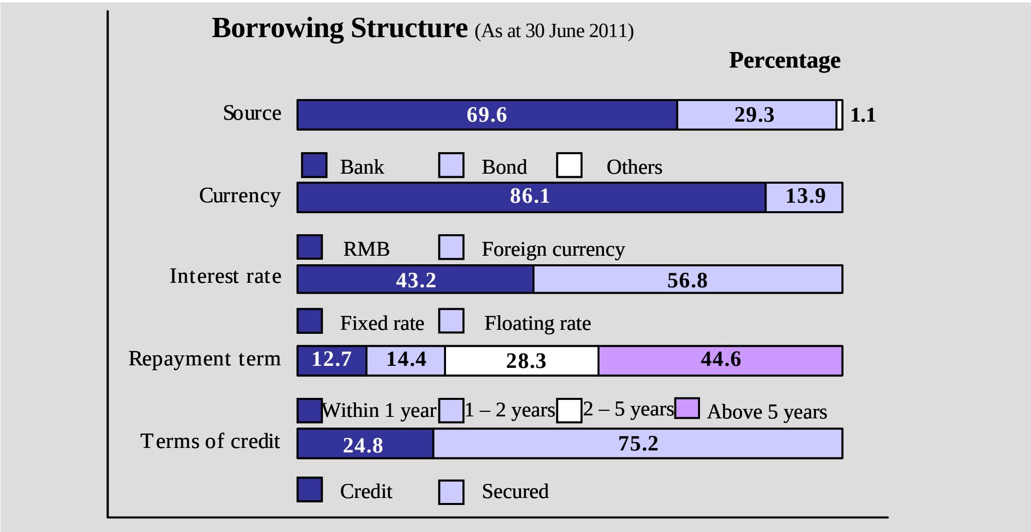
3.3 Financial Strategies and Financing Arrangements

During the Reporting Period, China had further tightened the macro-economic control that the interest rate of loans in RMB and the deposit reserve rate in financial institutions were repeatedly raised, while bank financing was more difficult with the soaring market interest rate. To strengthen the Company's capacity of subsequent financing and development and to prevent the risk of cash flow, the Group continued to optimise its debt structure by way of various measures such as appropriate lowering of the short-term debt ratio, maintaining the scale of foreign currency-denominated loans and applying for the issuance of corporate bonds.

As there is a relatively higher proportion of fixed rate debt and a lagged effect of increase in interest rate to certain extent, the Group's composite borrowing costs for the Reporting Period amounted to 4.91% (2010: composite borrowing costs of 4.77%), which is only 0.14 percentage point slightly higher than that in 2010.

During the Reporting Period, the Company continued to maintain the highest rating of AAA in credit rating for borrowing enterprises. The debt credit rating for the corporate bonds of RMB800 million issued in 2007 and the Bonds with Warrants of RMB1.5 billion issued in 2007 continued to maintain at AAA, while the debt credit rating for the medium-term notes of RMB700 million issued in 2010 maintained at AA+. As at 30 June 2011, the Group had obtained a total of RMB13.79 billion of banking facilities, of which RMB7.2 billion was credit facilities specifically for projects under construction and RMB6.59 billion was general credit facilities. As at the end of the Reporting Period, unutilised banking facilities available amounted to RMB5.48 billion, of which RMB1.03 billion was credit facilities specifically for projects under construction and RMB4.45 billion was general banking credit facilities.

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, there was no proceeds raised by the Company nor was there any proceeds raised in prior years that was utilised in the Reporting Period (as defined by CSRC).

Upon approved by CSRC, the Company has recently issued corporate bonds in amount of RMB1.5 billion to the public. Such bonds are five-year fixed-rate bonds with face interest of 6.0%, carrying an option for increase of face interest by the Company and an investors' put option to sell back the bond at the end of the third year. The proceeds would be utilised for replenishing the working capital of the Company and/or its subsidiaries and for repayment of the existing debts of the Company. The issuance of bonds was completed on 2 August 2011 and the bonds were listed on SSE on 9 August 2011. For details thereof, please refer to the announcements and documents released by the Company between 22 July 2011 and 9 August 2011. The issuance of the corporate bonds would be favourable to the Group's further optimisation of the debt structure, reduction of the risk of finance, and thus foster a stable development of the Group.

III. Outlook and Plans

1. Analysis on Operating Environment

It is expected that no material changes in the macro-economy would happen in the second half of 2011, while the stability of the operational performance of toll highways will continue in the short term. Our concerns will remain on the economic development trend, assessment on the impacts brought by changes in environment on the Company's operation and development, as well as timely adoption of feasible measures to respond.

Under the comprehensive traffic plan for the "Twelfth Five-Year Plan" introduced by Shenzhen City in 2010, the major mission and direction, being the unification of special economic zones and the establishment of a traffic network connecting the 3 cities namely, Shenzhen, Dongguan and Huizhou, were stepped up. It is expected that this will increase intra-regional communications and thus will give rise to new traffic demand and increase in traffic pressure.

Pursuant to the Notice on Implementation of Special Clean-Up Work for Toll Highways（關於開展收費公路專項清理工作的通知）jointly issued by the five ministries and commissions including National Development and Reform Commission and Ministry of Transport in June 2011, a one-year nationwide special clean-up work for toll highways was commenced on 20 June 2011. The operation of the Group's toll highway projects has been appropriately approved by competent authorities, and relevant disclosures have been continuously made to the investors in the initial listing and subsequent information disclosure documents according to the regulations. However, if the government authorities decide to make adjustments on the concession period or toll rate of the projects as required by the above notice, the operation and management of the Group will be affected to a certain extent. The Company carried out in-depth research on relevant industry policies, and is actively communicating with the competent authorities on the specific circumstances of each project in order to determine the actual impacts of the policies, formulate feasible solutions, and minimise policy risk. From industry management's perspective, the introduction of relevant policies will reinforce the standardised management of toll highway industry, and is beneficial to the long-term health development of the industry. In order to deal with any possible adjustment on the policies, the Company will keep an eye on the direction of the policies and make adjustments to the operation strategies on time according to the Company's development need and internal and external environment, and do our best to protect the interests of the Company and the shareholders.

For the first half of 2011, domestic CPI recorded an increase by 5.4%, which brought more challenges to the Group's daily operation management and construction cost control. In addition, The Central

Bank has raised the deposit reserve rate and benchmark interest rate for six times and twice respectively in the first half of 2011. Signs of tightening have been obvious in the credit policy, and the approval of bank loans and credit facilities is strictly controlled, which caused pressure on the Group's financing activities and finance costs control. In view of the tightening credit condition, the Group has to timely grasp the essence and requirements of the policies and make adjustment on its financing strategies, reasonably use various financing products, strengthen the management and planning on capital, in order to relieve capital cost pressure and reduce its risks of financing.

Changes in mode of transportation, including openings of high-speed railways, intercity railways or subways, may give rise to the changes in passengers' choices of transport means, thereby resulting in the changes in traffic volume or vehicle mix of highways. In June 2011, Shenzhen metro phase II with a total of five lines were opened and operated in succession. It is expected the Group's projects in Shenzhen region will be slightly affected, which can be reflected mainly on the reduction of traffic volume of small vehicles, buses and coaches.

The toll-by-weight system is planned to be adopted in the toll highways in western part of Guangdong Province with effect from the last quarter in 2011, which involves Yangmao Expressway and Guangwu Project invested by the Group. However, detailed measures for implementation has not yet been finalised. The implementation of toll-by-weight system may increase the toll revenue, while the cost and complexity of management may also be increased.

Yilian Expressway, which connected Qinglian Expressway and Jinggang'ao Expressway (Hunan Section) is expected to be completed and commence operation in the second half of 2011, thereby allowing Qinglian Expressway to fully develop its line location advantage as the essential route linking Guangdong Province and Hunan Province and improving its overall operational performance. The expanded Shuiguan Expressway has been in full operation, which will improve traffic capacity and traffic efficiency, and thereby lead to further growth in toll revenue and new operating cash flows.

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

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

- ◆ continually enhancing the standardisation and informatisation level of operation management and the emergency traffic soothing capacity during peak traffic hours, to assure traffic efficiency and capacity.
- ◆ enhancing communication with the owners of connecting roads, actively planning and implementation of the marketing works for Qinglian Expressway, in order to enhance its operational performance.
- ◆ facilitating various works of preventive maintenance management, completing preventive maintenance plans for the expressways in Shenzhen operated by the Group and undertaking the planning and the preparation work for implementation of the maintenance management of the Jihe Expressway.
- ◆ strengthening the supervision and management of the construction and entrusted construction projects to achieve the designated targets on safety, quality, cost and schedules.
- ◆ pushing forward the negotiations for the adjustment plan for the toll collection mode of the South Section of Meiguan Expressway; attaching greater effort to the research and exploration of new industries and prudently improving the progress of the projects.
- ◆ persistently attending to and studying the changes in the credit environment and market policies, strengthening the management of cash flow and reasonably maintaining debt structure and controlling the cost of capital.

For the second half of 2011, there will be no material changes in the Group's overall work targets as compared with those for the beginning of 2011. The management of the Company will continue to 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. The Group will continue to pay attention to the changes in external environment and give prompt responses, in order to improve the Group's operating results and management.

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.

PROFILE OF 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 Company had 37,137 shareholders in total, including 36,844 holders of domestic shares and 293 holders of H Shares. The information of the top ten holders of non-restricted circulating shares of the Company were as follows:

Name of shareholder	Number of shares held	Type of shares
HKSCC Nominees Limited (Note)	706,329,098	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A Share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A Share
Huajian Transportation and Economic Development Centre	87,211,323	A Share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A Share
Ip Kow	12,300,000	H Share
Au Siu Kwok	11,000,000	H Share
Sanya Chengda Investment Company Limited	9,013,124	A Share
Yulong Securities Investment Fund	5,400,000	A Share
Wong Kin Ping + Li Tao	5,000,000	H Share

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Company has fully adopted and complied with the code provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 of the Listing Rules of HKEx and has adopted most recommended best practices of such code. The current corporate governance practices of the Company have gone beyond the requirements of relevant regulations and rules in certain aspects.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed and endorsed the Interim Results Announcement and the Interim Report for the six months ended 30 June 2011 and the relevant financial information has not been audited. The interim financial information for the six months ended 30 June 2011 and the comparative figures for the same period of 2010 are prepared in accordance with CAS.

In light of the acceptance of CAS and China Standards on Auditing and Mainland audit firms by HKEx and in order to improve the efficiency of and reduce the cost of disclosure, for the financial year beginning on or after 1 January 2011, the Company will only prepare one set of financial statements in accordance with CAS. For details thereof, please refer to the announcement dated 25 March 2011 and the circular dated 31 March 2011 of the Company.

Definitions

I. Highway and project which were operated, invested and managed by the Company

Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City, among which, the section from Qinghu to Liguang, approximately 11km, refers to the North Section of Meiguan Expressway and the section from Meilin to Qinghu, approximately 8km, refers to the South Section of Meiguan Expressway
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising Jihe East and Jihe West
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising Yanba A, Yanba B and Yanba C
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City, also referred to as Yuping Avenue)
Coastal Expressway (Shenzhen Section)	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) of the Coastal Expressway from Guangzhou to Shenzhen
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan
Qinglian Project	Qinglian Expressway, Qinglian Class 1 Highway, Qinglian Class 2 Road and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be, located in Guangdong Province, among which, the Lianzhou to Fengbu Section of Qinglian Project refers to Liannan Section
Yangmao Expressway	The expressway from Yangjiang to Maoming, located in Guangdong Province
Guangwu Project	The section from Ma'an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi ("Guangwu Expressway"), located in Guangdong Province
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan, located in Guangdong Province
GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway, located in Guangdong Province
Wuhuang Expressway	The expressway from Wuhan to Huangshi, located in Hubei Province
Changsha Ring Road	Changsha Ring Expressway (Northwestern Section), located in Hunan Province

Nanjing Third Bridge	Nanjing Yangtze Third Bridge, located in Jiangsu Province
Longda Project	The entrusted management of 89.93% equity interest in Longda Company by the Company, including the daily operation management of Longda Expressway
Nanping Project	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 Nanping (Phase I) and the second phase of Nanping Freeway refers to Nanping (Phase II), comprising section A and section B
Shenyun Project	The management of the construction project of Shenyun-North Ring Interchange renovation in Shenzhen undertaken by the Company
Longhua Extension	The management of the construction project of Longhua Extension to Longda Expressway undertaken by the Company
Coastal Project	The entrusted management of Coastal Company undertaken by the Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period. During the Reporting Period, it specifically refers to the entrusted management of Coastal Expressway (Shenzhen Section) during the construction period

II. Enterprise Invested of the Company

Jihe East Company	深圳機荷高速公路東段有限公司(Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited), which owns Jihe East
Qinglong Company	深圳清龍高速公路有限公司(Shenzhen Qinglong Expressway Company Limited), which owns Shuiguan Expressway
Qinglian Company	廣東清連公路發展有限公司(Guangdong Qinglian Highway Development Company Limited), which owns Qinglian Project
Magerk Company	湖北馬鄂高速公路經營有限公司(Hubei Magerk Expressway Management Private Limited), which owns the operating rights of Wuhuang Expressway
Consulting Company	深圳高速工程顧問有限公司(Shenzhen Expressway Engineering Consulting Company Limited)

III. Others

the Period, the Reporting Period	For the six months ended 30 June 2011
2010 Interim	For the six months ended 30 June 2010
YOY	Year-on-year change rate as compared to 2010 Interim
Company, the Company	Shenzhen Expressway Company Limited
Group, the Group	The Company and its consolidated subsidiaries
Board	The board of Directors of the Company
Director(s)	The director(s) of the Company
A Shares	Renminbi-denominated ordinary shares of the Company with a par value of RMB1.00 each, which were issued in the PRC and subscribed in RMB and are listed on SSE
H Shares	Overseas-listed foreign shares of the Company with a par value of RMB1.00 each, which were issued in Hong Kong and subscribed in HK$ and are listed on HKEx
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange

HKEx	The Stock Exchange of Hong Kong Limited
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be)
CAS	The Accounting Standards for Business Enterprises (2006) of the PRC
Bonds with Warrants	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately
Longda Company	深圳龍大高速公路有限公司(Shenzhen Longda Expressway Company Limited), a subsidiary of Shenzhen International, which owns Longda Expressway
PRC	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
RMB	Renminbi, the lawful currency of the PRC
HK$	Hong Kong dollars, the lawful currency of the Hong Kong Special Administration Region of the PRC

By Order of the Board
Yang Hai
Chairman

Shenzhen, the PRC, 12 August 2011

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. Tse Yat Hong (Non-executive Director), Mr. Lin Xiang Ke (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Lam Wai Hon, Ambrose (Independent non-executive Director), Mr. Ting Fook Cheung, Fred (Independent non-executive Director), Mr. Wang Hai Tao (Independent non-executive Director) and Mr. Zhang Li Min (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 2011

Shenzhen Expressway Company Limited

Consolidated Balance Sheet
As at 30 June 2011
(All amounts in RMB unless otherwise stated)

Assets	Note	30 June 2011 (Unaudited)	31 December 2010 (Audited)
Current Assets			
Cash at bank and on hand	5(1)	690,991,272.48	832,427,381.66
Dividends receivable		9,569,209.91	-
Accounts receivable	5(2)	237,346,744.84	245,327,133.78
Advances to suppliers	5(4)	28,406,002.45	13,865,949.18
Interest receivable		4,661,815.07	1,715,171.24
Other receivables	5(3)	33,662,535.59	36,456,038.12
Inventories	5(5)	4,725,070.68	3,401,645.38
Total current assets		1,009,362,651.02	1,133,193,319.36
Non-current assets			
Long-term equity investments	5(6)	2,224,117,147.67	2,394,169,935.76
Investment properties	5(7)	16,692,775.00	16,980,625.00
Fixed assets	5(8)	1,056,797,366.92	1,026,607,672.44
Construction in progress	5(9)	86,372,300.12	42,034,013.85
Intangible assets	5(10)	18,065,752,281.68	17,896,204,675.75
Long-term prepaid expenses		3,506,649.71	3,964,038.77
Deferred tax assets	5(11)	136,685,014.27	103,492,784.79
Total non-current assets		21,589,923,535.37	21,483,453,746.36
Total assets		22,599,286,186.39	22,616,647,065.72

Shenzhen Expressway Company Limited

Consolidated Balance Sheet (continued)
As at 30 June 2011
(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	Note	30 June 2011 (Unaudited)	31 December 2010 (Audited)
Current liabilities			
Short-term borrowings	5(12)	771,309,200.00	1,174,259,800.00
Notes payable	5(13)	-	3,024,616.00
Accounts payable	5(14)	1,023,542,544.48	939,782,814.66
Advances from customers	5(15)	24,670,777.73	14,171,844.00
Employee benefits payable	5(16)	40,541,815.10	62,689,956.43
Taxes payable	5(17)	125,833,619.40	149,211,799.65
Interests payable	5(18)	81,761,973.01	62,367,213.28
Dividends payable		106,911,126.91	-
Other payables	5(19)	283,382,170.55	386,406,073.32
Current portion of non-current liabilities	5(21)	482,003,666.41	195,463,729.63
Total current liabilities		2,939,956,893.59	2,987,377,846.97
Non-current liabilities			
Long-term borrowings	5(22)	5,614,217,760.00	5,757,383,500.00
Bonds payable	5(23)	2,838,949,128.33	2,807,923,750.11
Provisions	5(20)	984,491,917.15	882,434,765.75
Deferred tax liabilities	5(11)	803,039,686.35	820,729,860.38
Hedging instrument	5(24)	26,788,084.77	25,696,082.32
Total non-current liabilities		10,267,486,576.60	10,294,167,958.56
Total liabilities		13,207,443,470.19	13,281,545,805.53
Owners' equity			
Share capital	5(25)	2,180,770,326.00	2,180,770,326.00
Capital surplus	5(26)	3,161,360,647.88	3,155,178,649.17
Surplus reserve	5(27)	1,446,432,645.22	1,446,432,645.22
Undistributed profits	5(28)	1,870,043,407.07	1,866,445,317.49
Total equity attributable to owners of the Company		8,658,607,026.17	8,648,826,937.88
Minority interests	5(29)	733,235,690.03	686,274,322.31
Total owners' equity		9,391,842,716.20	9,335,101,260.19
TOTAL LIABILITIES AND OWNERS' EQUITY		22,599,286,186.39	22,616,647,065.72

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 2011
(All amounts in RMB unless otherwise stated)

Assets	Note	30 June 2011 (Unaudited)	31 December 2010 (Audited)
Current Assets			
Cash at bank and on hand		415,657,944.68	568,822,519.87
Accounts receivable	12(1)	211,877,311.14	217,361,364.51
Advances to suppliers		19,518,915.05	5,817,924.39
Interest receivable		4,661,815.07	1,715,171.24
Other receivables	12(2)	119,453,956.27	54,197,326.13
Inventories		2,355,824.67	1,620,033.26
Total current assets		773,525,766.88	849,534,339.40
Non-current assets			
Long-term receivables	12(3)	1,302,750,539.48	1,332,357,225.41
Long-term equity investments	12(4)	6,597,628,473.35	6,536,154,096.00
Investment properties		16,692,775.00	16,980,625.00
Fixed assets		564,627,504.02	585,565,536.27
Construction in progress		55,440,465.41	1,746,567.52
Intangible assets		5,140,039,522.40	5,160,086,289.08
Long-term prepaid expenses		3,506,649.71	3,964,038.77
Deferred tax assets		136,685,014.27	103,492,784.79
Total non-current assets		13,817,370,943.64	13,740,347,162.84
TOTAL ASSETS		14,590,896,710.52	14,589,881,502.24

Shenzhen Expressway Company Limited

Balance Sheet (continued)
As at 30 June 2011
(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	30 June 2011 (Unaudited)	31 December 2010 (Audited)
Current liabilities		
Short-term borrowings	624,116,000.00	798,959,000.00
Notes payable	-	3,024,616.00
Accounts payable	169,277,900.84	177,072,709.99
Advances from customers	2,846,214.73	750,000.00
Employee benefits payable	29,748,258.99	46,561,798.21
Taxes payable	75,324,449.05	81,855,281.28
Interests payable	75,105,024.49	51,995,863.04
Dividends payable	106,911,126.91	-
Other payables	326,520,966.77	316,618,145.73
Current portion of non-current liabilities	365,308,805.41	172,631,343.63
Total current liabilities	1,775,158,747.19	1,649,468,757.88
Non-current liabilities		
Long-term borrowings	1,696,718,000.00	1,944,794,500.00
Bonds payable	2,847,479,498.04	2,816,038,196.64
Provisions	725,662,067.99	632,629,231.75
Total non-current liabilities	5,269,859,566.03	5,393,461,928.39
Total liabilities	7,045,018,313.22	7,042,930,686.27
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	1,446,432,645.22	1,446,432,645.22
Undistributed profits	1,603,087,491.34	1,604,159,910.01
Total owners' equity	7,545,878,397.30	7,546,950,815.97
TOTAL LIABILITIES AND OWNERS' EQUITY	14,590,896,710.52	14,589,881,502.24

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 2011
(All amounts in RMB unless otherwise stated)

	Note	For the six months ended 30 June 2011 (Unaudited)	For the six months ended 30 June 2010 (Unaudited)
Revenue	5(30)	1,178,677,459.95	1,054,604,141.90
Less: Cost of services	5(30)	(561,543,381.60)	(467,700,410.17)
Business tax and surcharges	5(31)	(43,677,005.94)	(36,593,960.90)
General and administrative expenses	5(32)	(32,125,755.03)	(21,629,981.22)
Financial expenses – net	5(33)	(255,871,075.85)	(253,765,021.53)
Add: Investment income	5(34)	135,707,678.91	132,157,645.98
Including: share of profit of associates and joint ventures		135,707,678.91	132,157,645.98
Operating profit		421,167,920.44	407,072,414.06
Add: Non-operating income	5(35)	107,223.18	7,835,550.03
Including: Gains on disposal of non-current assets		8,920.00	5,749,322.70
Less: Non-operating expenses	5(35)	(329,999.63)	(674,371.23)
Including: Losses on disposal of non-current assets		(238,707.00)	(278,845.92)
Total profit		420,945,143.99	414,233,592.86
Less: Income tax expenses	5(36)	(84,863,570.37)	(65,555,371.24)
Net profit		336,081,573.62	348,678,221.62
Net profit attributable to owners of the Company		352,521,341.74	359,498,732.89
Minority interests		(16,439,768.12)	(10,820,511.27)
Earnings per share			
Basic earnings per share	5(37)	0.162	0.165
Diluted earnings per share	5(37)	0.162	0.165
Other comprehensive income	5(38)	6,181,998.71	(3,647,664.39)
Total comprehensive income		342,263,572.33	345,030,557.23
Attributable to owners of the Company		358,703,340.45	355,851,068.50
Minority interests		(16,439,768.12)	(10,820,511.27)

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 2011
(All amounts in RMB unless otherwise stated)

	Note	For the six months ended 30 June 2011 (Unaudited)	For the six months ended 30 June 2010 (Unaudited)
Revenue	12(5)	492,296,012.28	425,503,848.97
Less: Cost of services	12(5)	(252,252,688.04)	(224,731,472.50)
Business tax and surcharges		(19,869,233.25)	(15,792,880.55)
General and administrative expenses		(32,115,384.08)	(21,512,444.69)
Financial expenses – net		(93,628,042.87)	(112,040,710.57)
Add: Investment income	12(6)	274,962,635.83	285,883,121.52
Including: share of profit of associates and joint ventures		82,858,832.59	86,794,601.22
Operating profit		369,393,299.87	337,309,462.18
Add: Non-operating income		91,995.18	7,284,915.95
Including: Gains on disposal of non-current assets		1,900.00	-
Less: Non-operating expenses		(75,851.76)	(587,209.02)
Including: Losses on disposal of non-current assets		(28,373.26)	-
Total profit		369,409,443.29	344,007,169.11
Less: Income tax expenses		(21,558,609.80)	(8,717,756.62)
Net profit		347,850,833.49	335,289,412.49
Other comprehensive income		-	-
Total comprehensive income		347,850,833.49	335,289,412.49

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 2011
(All amounts in RMB unless otherwise stated)

	Note	For the six months ended 30 June 2011 (Unaudited)	For the six months ended 30 June 2010 (Unaudited)
Cash flows from operating activities			
Cash received from rendering services		1,188,975,169.90	1,025,361,349.38
Cash received relating to other operating activities		16,371,986.31	62,740,473.96
Sub-total of cash inflows		1,205,347,156.21	1,088,101,823.34
Cash paid for goods and services		(154,261,587.94)	(83,990,805.64)
Cash paid to and on behalf of employees		(102,153,429.82)	(83,949,639.09)
Payments of taxes and surcharges		(206,129,771.39)	(135,068,927.34)
Cash paid relating to other operating activities	5(39)(a)	(86,187,573.19)	(39,727,310.80)
Sub-total of cash outflows		(548,732,362.34)	(342,736,682.87)
Net cash flows from operating activities	5(40)(a)	656,614,793.87	745,365,140.47
Cash flows from investing activities			
Cash received from disposal of investments		52,784,313.24	18,726,140.57
Cash received from returns on investments		248,306,943.62	49,270,738.52
Net cash received from disposal of fixed assets		7,410.00	26,569,132.00
Cash received relating to other investing activities		3,791,522.20	2,120,358.58
Sub-total of cash inflows		304,890,189.06	96,686,369.67
Cash paid to acquire fixed assets ,intangible assets and other long-term assets		(472,687,970.94)	(531,734,822.35)
Net cash paid to acquire subsidiaries		(4,900,000.00)	-
Cash paid relating to other investing activities		(4,814,735.95)	(21,568,106.88)
Sub-total of cash outflows		(482,402,706.89)	(553,302,929.23)
Net cash flows from investing activities		(177,512,517.83)	(456,616,559.56)
Cash flows from financing activities			
Cash received from capital contributions		63,400,992.64	-
Including: Cash received from capital contributions by minority owners of subsidiaries		63,400,992.64	-
Cash received from borrowings		914,294,760.00	861,746,009.63
Cash received from issuance of bonds		-	697,326,500.00
Sub-total of cash inflows		977,695,752.64	1,559,072,509.63
Cash repayments of borrowings		(1,139,084,625.43)	(1,517,565,206.41)
Cash payments for interest expenses and distribution of dividends or profits		(444,401,877.19)	(368,710,537.60)
Cash payments relating to other financing activities		(4,223,391.10)	(1,100,360.39)
Sub-total of cash outflows		(1,587,709,893.72)	(1,887,376,104.40)
Net cash flows from financing activities		(610,014,141.08)	(328,303,594.77)
Effect of foreign exchange rate changes on cash and cash equivalents		(2,405,223.48)	7,626.30
Net decrease in cash and cash equivalents	5(40)(b)	(133,317,088.52)	(39,547,387.56)
Add: Cash and cash equivalents at beginning of period		535,465,379.37	479,100,883.88
Cash and cash equivalents at end of period	5(40)(c)	402,148,290.85	439,553,496.32

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 2011
(All amounts in RMB unless otherwise stated)

	For the six months ended 30 June 2011 (Unaudited)	For the six months ended 30 June 2010 (Unaudited)
Cash flows from operating activities		
Cash received from rendering services	496,065,688.17	396,080,805.77
Cash received relating to other operating activities	106,804,078.67	168,689,255.42
Sub-total of cash inflows	602,869,766.84	564,770,061.19
Cash paid for goods and services	(44,087,989.06)	(36,651,879.18)
Cash paid to and on behalf of employees	(61,248,113.81)	(49,871,868.42)
Payments of taxes and surcharges	(82,325,019.82)	(43,011,503.64)
Cash paid relating to other operating activities	(138,675,418.72)	(35,882,047.06)
Sub-total of cash outflows	(326,336,541.41)	(165,417,298.30)
Net cash flows from operating activities	276,533,225.43	399,352,762.89
Cash flows from investing activities		
Cash received from disposal of investments	118,186,695.51	65,485,999.76
Cash received from returns on investments	250,019,889.35	248,359,258.82
Net cash received from disposal of fixed assets	1,900.00	26,568,682.00
Cash received relating to other investing activities	1,546,009.61	1,570,317.52
Sub-total of cash inflows	369,754,494.47	341,984,258.10
Cash paid to acquire fixed assets ,intangible assets and other long-term assets	(163,491,065.26)	(155,431,615.89)
Net cash paid to acquire subsidiaries	(154,718,326.38)	(100,000,000.00)
Cash paid relating to other investing activities	-	(500,462,396.38)
Sub-total of cash outflows	(318,209,391.64)	(755,894,012.27)
Net cash flows from investing activities	51,545,102.83	(413,909,754.17)
Cash flows from financing activities		
Cash received from borrowings	328,600,000.00	469,249,759.63
Cash received from issuance of bonds	-	697,326,500.00
Cash received relating to other financing activities	62,600,000.00	1,909,642.86
Sub-total of cash inflows	391,200,000.00	1,168,485,902.49
Cash repayments of borrowings	(541,452,006.58)	(963,811,585.53)
Cash payments for interest expenses and distribution of dividends or profits	(320,332,216.76)	(252,817,107.80)
Cash payments relating to other financing activities	(2,703,464.81)	(1,099,570.84)
Sub-total of cash outflows	(864,487,688.15)	(1,217,728,264.17)
Net cash flows from financing activities	(473,287,688.15)	(49,242,361.68)
Effect of foreign exchange rate changes on cash and cash equivalents	163,805.36	21,637.70
Net decrease in cash and cash equivalents	(145,045,554.53)	(63,777,715.26)
Add: Cash and cash equivalents at beginning of period	271,860,517.58	267,620,833.88
Cash and cash equivalents at end of period	126,814,963.05	203,843,118.62

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 2011
(All amounts in RMB unless otherwise stated)

Item	Attributable to owners of the Company				Minority interests	Total owners' equity
	Share capital	Capital surplus	Surplus reserve	Undistributed profits		
Opening balance on 1 January 2010	2,180,770,326.00	3,167,955,682.43	1,372,324,752.84	1,456,439,118.37	688,926,755.67	8,866,416,635.31
Movements for the six months ended 30 June 2010						
Net profit	-	-	-	359,498,732.89	(10,820,511.27)	348,678,221.62
Other comprehensive income	-	(3,647,664.39)	-	-	-	(3,647,664.39)
Subtotal	-	(3,647,664.39)	-	359,498,732.89	(10,820,511.27)	345,030,557.23
Profit distribution						
Dividends relating to 2009	-	-		(261,692,439.12)	-	(261,692,439.12)
Ending balance on 30 June 2010 (unaudited)	2,180,770,326.00	3,164,308,018.04	1,372,324,752.84	1,554,245,412.14	678,106,244.40	8,949,754,753.42
Opening balance on 1 January 2011	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
Movements for the six months ended 30 June 2011						
Net profit	-	-	-	352,521,341.74	(16,439,768.12)	336,081,573.62
Other comprehensive income		6,181,998.71	-	-	-	6,181,998.71
Subtotal	-	6,181,998.71	-	352,521,341.74	(16,439,768.12)	342,263,572.33
Capitals injected by owners	-	-	-	-	63,401,135.84	63,401,135.84
Profit distribution						
Distribution to owners	-	-	-	(348,923,252.16)	-	(348,923,252.16)
Ending balance on 30 June 2011 (unaudited)	2,180,770,326.00	3,161,360,647.88	1,446,432,645.22	1,870,043,407.07	733,235,690.03	9,391,842,716.20

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 2011
(All amounts in RMB unless otherwise stated)

Item	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total Owners' equity
Opening balance on 1 January 2010	2,180,770,326.00	2,315,587,934.74	1,372,324,752.84	1,198,881,317.75	7,067,564,331.33
Movements for the six months ended 30 June 2010					
Net profit	-	-	-	335,289,412.49	335,289,412.49
Profit distribution					
Dividends relating to 2009	-	-	-	(261,692,439.12)	(261,692,439.12)
Profit distribution	2,180,770,326.00	2,315,587,934.74	1,372,324,752.84	1,272,478,291.12	7,141,161,304.70
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					
Distribution to owners	-	-	-	(348,923,252.16)	(348,923,252.16)
Ending balance on 30 June 2011 (unaudited)	2,180,770,326.00	2,315,587,934.74	1,446,432,645.22	1,603,087,491.34	7,545,878,397.30

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

1 General information

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

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

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

These financial statements have been approved for issue by the Company’s Board of Directors on 12 August 2011.

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 2011, the Group reported net current liabilities of approximately RMB1,930,594,242.57. The directors of the Company made an assessment and concluded that there is no going concern issue based on the facts that the Group has been generating positive and increasing operating cash flows and it has not experienced any difficulties in renewing its banking facilities and there is no evidence indicating that the banks will not renew the facilities. In addition, the Group had unutilised banking facilities of approximately RMB5.5 billion at 30 June 2011 and the Group successfully issued corporate bonds with amount of RMB1.5 billion and maturity of 5 years on 2 August 2011, which can meet its obligations and commitments. Therefore, the interim financial information has been prepared by the directors of the Company on a going concern basis.

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

The financial statements for the six months ended 30 June 2011 are in compliance with the Chinese Accounting Standards , and truly and completely present the state of affairs as of 30 June 2011 and the operating results, cash flows and other information for the six months ended 30 June 2011 of the Group and the Company.

(3) Accounting period

The accounting year starts on 1 January and ends on 31 December. The accounting period of these financial statements starts on 1 January 2011 and ends on 30 June 2011.

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

(4) Functional currency

The functional currency is Renminbi (RMB).

(5) Business combinations

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 acquirer'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.

(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.

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

(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.

(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 and receivables. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

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

(ii) Recognition and measurement

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.

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

(9) Financial instruments (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: (a) the contractual rights to receive the cash flows from the financial asset expire; (b) 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 (c) 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.

(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.

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

(9) Financial instruments (continued)

(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.

(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. 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.

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 RMB 5,000,000.00; for other receivables, the criteria for "individually significant" is that the amount exceeds RMB 1,000,000.00.

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 parities

Methods of collective assessment with provisioning percentage as below:

Group 1	Other method *
Group 2	Ageing analysis method

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

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.

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

(10) Receivables (continued)

(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 realizable value.

(b) Costing of inventories

Cost is determined using the weighted average method.

(c) Basis for the determination of net realizable 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 realizable value. Net realizable 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.

(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.

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

(12) Long-term equity investments (continued)

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 investee 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

Long-term equity investments accounted for using the cost method are measured at the initial investment costs. 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 date of acquisition, 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 date of acquisition, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted accordingly.

(b) Subsequent measurement

For long-term equity investments accounted for using the cost method, investment income is recognised in profit or loss for the cash dividends or profit distribution declared by the investees.

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. 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 which the investment gain or losses are recognised. The loss on the intra-group transaction amongst the Group and its investees, of which the nature is asset impairment, is recognised in full, and the related unrealised loss is not eliminated.

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

(12) Long-term equity investments (continued)

(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.

(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.

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

(13) Investment properties (continued)

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 (Note2 (19)).

(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 valued 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.

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%
- Construction	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.

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

(14) Fixed assets (continued)

(c) The carrying amount of fixed assets is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note2 (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 capitalization 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 (Note2 (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 capitalization 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. Capitalization 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 capitalization 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 capitalization period.

For the general borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalization 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.

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

(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 capitalization 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 costs, which were valued 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 during the restructuring period was stated at revaluation cost admitted by State-owned Assets Supervision and Administration Bureau on 30 June 1996. The land-use right relating to Meiguan Expressway owned by the subsidiary Shenzhen Meiguan Expressway Company Limited (“Meiguan Company”) was injected by Xin Tong Chan Development (Shenzhen) Company Limited (“Xin Tong Chan 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 (“traffic volume amortisation method”), 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.

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 traffic volume Amortisation unit (RMB)
Yanba Expressway	April 2001 to December 2031	3.6
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
Qinglian Expressway	July 2009 to July 2034	31.06
Qinglian Class I Highway	September 1995 to September 2028	7.93
National Highway No. 107(Qinglian Section)	September 1995 to September 2028	35.36

Subsequent expenses relating to the toll roads, such as routine maintenance, overhaul maintenance, resurfacing and renovation are capitalised in concession intangible assets if relevant economic benefits are likely to flow into the Group and the cost can be measured reliably. All other subsequent expenses are recognised in profit or loss in the period when 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 (Note2 (19)).

(18) Long-term prepaid expenses

Long-term prepaid expenses include the prepaid expenditures that have been made but should be recgonised 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.

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

(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.

(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.

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 by the shareholders' meeting.

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 components at initial recognition. The liability component is determined as the discounted amount of future cash flows, and the equity component is determined as the amount after deducting liability amount form proceeds of the issued. 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 goods and 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, total revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group.

(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.

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

(24) Revenue recognition (continued)

(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 balance sheet 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.

(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.

(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.

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

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

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.

(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 year are addressed below.

(a) Amortisation of concession intangible assets

As stated at Note2 (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.

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 Note2 (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 at balance sheet date 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 change in provision for maintenance/resurfacing is required to be accounted for prospectively.

(c) Income tax

The Group recognises income taxes in each jurisdiction based on estimates. 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.

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 other non-expressway toll revenue	5%
Business tax	Taxable revenue amount from construction project and management services	3%
City maintenance and construction tax	The amount of business tax paid	7%
Educational surcharge	The amount of business tax paid	3%
Local educational surcharge(iii)	The amount of business tax paid	2%
Construction fee for country culture development(ii)	The amount of revenue	3%

(i) Corporate income tax

The Company and its subsidiaries including Shenzhen Expressway Advertising Company Limited, Shenzhen Meiguan Expressway Company Limited ("Meiguan Company"), Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Airport-Heao Eastern Company") are incorporated in Shenzhen and are subject to CIT rates gradually increasing to 25% over a five-year period from 2008 to 2012. The applicable rate for 2011 is 24%.

The subsidiary, Guangdong Qinglian Highway Development Company Limited ("Qinglian Company") is subject to CIT rates gradually increasing to 25% over a five-year period from 2008 to 2012. The applicable rate for 2011 is 24%. As approved by the relevant tax authority, 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 nex three years ("2-year exemption and 3-year 50% reduction"). Qinglian Company eligible to enjoy this preferential policy since 2008 and accordingly its applicable CIT rate of year 2011 is 12%.

The subsidiaries, Mei Wah Industrial (Hong Kong) Limited ("Mei Wah") and Maxprofit Gain Limited ("Maxprofit") are incorporated in Hong Kong and British Virgin Islands, respectively. According to Guoshuihan [2010] No.651 issued by State Administration of Taxation on 30 December 2010, Mei Wah and Maxprofit were recognised as resident enterprises of China and are subject to the relevant taxation administration. Mei Wah and Maxprofit are subject to standard CIT rate of 25% for the year 2011.

(ii) Shenzhen Expressway Advertising Company Limited is obligated to pay construction fee for country culture development which is calculated at 3% on the revenue.

(iii) From 1 January 2011, the Company, Shenzhen Expressway Advertising Company Limited, Meiguan Company, Airport-Heao Eastern Company and Qinglian Company are obligated to pay local educational surcharge at 2% of payment made for value added tax, business tax and consumption tax.

4 Business combinations and the consolidated financial statements

Background of subsidiaries

Subsidiaries acquired in business combinations involving entities 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	RMB2,600,000,000	Development, operation and management of Qinglian Expressway and Qinglian Class II Highway	Limited liability company	Wu Ya De	61806320-6
Shenzhen Advertising Company Limited	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	Direct holding	Hong Kong	Investment holding	HKD795,381,300	Investment holding	Foreign enterprise	Not applicable	Inapplicable
Maxprofit	Indirect holding	British Virgin Islands	Investment holding	USD1	Investment holding	Foreign enterprise	Not applicable	Inapplicable
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

4 Business combinations and the consolidated financial statements (continued)

Background of subsidiaries (continued)

Subsidiaries acquired through establishment

	Type	Place of registration	Nature of business and principal activities	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
Shenzhen Outer Ring Expressway Investment Company Limited("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

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Shareholding percentage (%)	Voting right(%)	Consolidated or not	Minority interests
Qinglian Company	2,894,937,152.92		76.37%	76.37%	Yes	733,235,690.03
Shenzhen Advertising Company Limited	3,325,000.01	-	100%	100%	Yes	-
Meiguan Company	631,976,276.16	-	100%	100%	Yes	-
Mei Wah	831,769,303.26	-	100%	100%	Yes	-
Maxprofit	747,761,154.22	-	100%	100%	Yes	-
Airport-Heao Eastern Company	1,241,816,084.00	-	100%	100%	Yes	-
Outer Ring Company	100,000,000.00	-	100%	100%	Yes	-
	6,451,584,970.57	-				733,235,690.03

5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30 June 2011			31 December 2010		
	Original amount	Exchange rate	RMB	Original amount	Exchange rate	RMB
Cash on hand						
RMB			447,038.09			687,675.22
USD	11,321.00	6.4716	73,264.98	11,321.00	6.6227	74,975.59
Other foreign currencies			11,015.18			12,429.32
Subtotal			531,318.25			775,080.13
Bank deposits						
RMB			665,916,971.46			781,221,290.95
HKD	29,485,506.66	0.8316	24,520,147.34	59,240,383.10	0.8509	50,407,641.99
USD	3,528.56	6.4716	22,835.43	3,528.56	6.6227	23,368.59
Subtotal			690,459,954.23			831,652,301.53
Total			690,991,272.48			832,427,381.66

As at 30 June 2011, fixed deposits amounting to RMB275,000,000.00 (31 December 2010: RMB275,000,000.00) (Note 5(40)(c)) is pledged as collateral for a short-term borrowing of HKD316,000,000.00 (31 December 2010: HKD316,000,000.00)(Note 5(12)(b)).

The Company is entrusted to manage highway construction projects. As at 30 June 2011, project funds retained for construction management amounting to RMB13,842,981.63 (31 December 2010: RMB21,962,002.29) are disclosed as restricted bank balances (Note 5(40)(c)).

(2) Accounts receivable

	30 June 2011	31 December 2010
Accounts receivable	237,380,244.84	245,360,633.78
Less: provision for bad debts	(33,500.00)	(33,500.00)
	237,346,744.84	245,327,133.78

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

	30 June 2011	31 December 2010
Within 1 year	88,306,546.84	109,892,819.51
1 to 2 years	20,750,378.00	1,410,276.66
2 to 3 years	509,666.00	6,954,776.11
Over 3 years	127,813,654.00	127,102,761.50
	237,380,244.84	245,360,633.78

5 Notes to the consolidated financial statements (continued)

(2) Accounts receivable (continued)

(b) Accounts receivable are analyzed by categories as follows:

	30 June 2011				31 December 2010			
	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	231,351,097.84	97.46%	-	-	242,870,238.96	98.98%	-	-
Group 2	6,029,147.00	2.54%	33,500.00	0.56%	2,490,394.82	1.02%	33,500.00	0.58%
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	237,380,244.84	100.00%	33,500.00	0.01%	245,360,633.78	100.00%	33,500.00	0.01%

(c) Accounts receivable of which provision is made collectively using ageing analysis method are analyzed as follows:

	30 June 2011				31 December 2010			
	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	5,995,647.00	99.44%	-	-	2,422,282.47	97.26%	-	-
1 to 2 years	-	-	-	-	34,612.35	1.39%	-	-
2 to 3 years	-	-	-	-	-	-	-	-
Over 3 years	33,500.00	0.56%	33,500.00	100.00%	33,500.00	1.35%	33,500.00	100.00%
	6,029,147.00	100.00%	33,500.00	0.56%	2,490,394.82	100.00%	33,500.00	1.35%

As at 30 June 2011, accounts receivables with ageing over 1 year mainly comprise receivables for revenues from entrusted construction management services recognised using the percentage of completion method according to the accounting policy stated at Note 2(24)(b). The Group considers that the amount would be fully received and no bad debt provision has been made.

For other individually significant accounts receivables, the Group has assessed their recoverability and does not notice any circumstance that the Company could not collect the full amount under original clauses.

In accordance with the factoring contract entered with Shenzhen Branch of the China Construction Bank Corporation, certain accounts receivable from Shenzhen Traffic and Transport Committee amounting to RMB137,495,693.49 is pledged as collateral for the factoring facilities.

(d) As at 30 June 2011 and 31 December 2010, all accounts receivable were denominated in RMB.

5 Notes to the consolidated financial statements (continued)

(3) Other receivables

	30 June 2011	31 December 2010
Advances	12,792,287.70	3,640,310.96
Guaranteed deposits	1,668,013.16	9,625,400.00
Others	19,202,234.73	23,190,327.16
	33,662,535.59	36,456,038.12
Less: provision for bad debts	-	-
	33,662,535.59	36,456,038.12

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

	30 June 2011	31 December 2010
Within 1 year	25,700,116.27	24,446,002.13
1 to 2 years	7,714,545.98	1,317,034.81
2 to 3 years	247,873.34	771,170.18
Over 3 years	-	9,921,831.00
	33,662,535.59	36,456,038.12

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

	30 June 2011				31 December 2010			
	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	11,488,471.07	34.13%	-	-	15,659,902.37	42.96%	-	-
Group 2	22,174,064.52	65.87%	-	-	20,796,135.75	57.04%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	33,662,535.59	100.00%	-	-	36,456,038.12	100.00%	-	-

5 Notes to the consolidated financial statements (continued)

(3) Other receivables (continued)

(c) Other receivables of which provision is made collectively using ageing analysis method are analyzed as follows:

	30 June 2011				31 December 2010			
	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	21,602,646.69	97.42%	-	-	20,479,100.94	98.48%	-	-
1 to 2 years	323,544.49	1.46%	-	-	317,034.81	1.52%	-	-
2 to 3 years	247,873.34	1.12%	-	-	-	-	-	-
Over 3 years	-	-	-	-	-	-	-	-
	22,174,064.52	100.00%	-	-	20,796,135.75	100.00%	-	-

(d) As at 30 June 2011 and 31 December 2010, all other receivables were denominated in RMB.

(4) Advances to suppliers

The ageing of advances to suppliers is analyzed below:

	30 June 2011		31 December 2010	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	26,644,718.30	93.80%	13,433,949.18	96.88%
Over 1 year	1,761,284.15	6.20%	432,000.00	3.12%
	28,406,002.45	100.00%	13,865,949.18	100.00%

As at 30 June 2011 and 31 December 2010, all advances to suppliers are denominated in RMB.

5 Notes to the consolidated financial statements (continued)

(5) Inventories

	30 June 2011	31 December 2010
Toll tickets	3,827,006.88	2,885,292.06
Low value consumables	404,459.60	12,240.40
Maintenance and repair parts	493,604.20	504,112.92
	4,725,070.68	3,401,645.38

As at 30 June 2011, no provision for declines in the value of inventories has been made by the Group (as at 31 December 2010: nil).

(6) Long-term equity investments

	30 June 2011	31 December 2010
Joint ventures, unlisted(a)	779,991,860.79	967,168,183.39
Associates, unlisted(b)	1,415,625,286.88	1,398,501,752.37
Other long-term equity investment, unlisted (c)	28,500,000.00	28,500,000.00
	2,224,117,147.67	2,394,169,935.76

As at 30 June 2011, no provision for impairment of long-term equity investments is required (as at 31 December 2010: nil).

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 2010	Current period movement: Addition	Share of net profit/(loss)	Cash dividend declared	Investment cost recovered(i)	30 June 2011	Equity interest held	Voting rights held	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in the current period
Changsha Shenchang Expressway Company Limited ("Shenchang Company")	Equity method	346,203,994.00	186,386,155.67	-	(556,527.94)	-	(1,049,431.07)	184,780,196.66	51%	51%	Inapplicable	-	-
Jade Emperor Limited ("JEL")	Equity method	622,168,905.29	780,782,027.72	-	52,848,846.32	(190,390,857.52)	(52,928,352.39)	590,311,664.13	55%	55%	Inapplicable	-	-
Guizhou Guilong Urban Economic Region Investment and Development Company Limited ("Guilong Company") (ii)	Equity method	4,900,000.00	-	4,900,000.00	-	-	-	4,900,000.00	49%	49%	Inapplicable	-	-
			967,168,183.39	4,900,000.00	52,292,318.38	(190,390,857.52)	(53,977,783.46)	779,991,860.79				-	-

(i) The amounts represent cash flow derived from daily operation of the toll roads and distributed by the joint ventures to the Company as stipulated the joint venture agreements. The amounts are deemed as recovery of investment cost of the Company.

(ii) Guilong Company was established in current period in accordance with the cooperation agreement entered by the Company and Guizhou Longli County Government. It is principally engaged in the investment and management of road construction and land development. The registered capital of Guilong Company is RMB10 million, amongst which RMB4.9 million or 49% of equity interest were held by the Company.

(iii) According to the related joint venture contracts and articles of incorporation, the principal financial and business decisions of the joint ventures shall be made based on the common consent of both investment parties. The Company has no control over these joint ventures. As a result, these joint ventures are not consolidated and are measured by the Company using equity method.

(iv) The Company's 55% equity interest in JEL is pledged as security of short-term borrowings amounting to HKD177,000,000.00 (Note 5(12)(b)) and long-term borrowings amounting to HKD210,000,000.00 (Note 5(22)(a)).

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(b) Investment in associates

				Current period movement								
	Accounting method	Ending balance of investment cost	31 December 2010	Share of net profit/(loss)	Cash dividend declared	Investment cost recovered	30 June 2011	Equity interest held	voting rights held	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in the current period
Shenzhen Qinglong Expressway Company Limited ("Qinglong Company")	Equity method	145,855,511.92	196,549,491.64	38,916,086.10	(38,916,086.10)	(8,375,739.92)	188,173,751.72	40%	40%	Inapplicable	-	-
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	Equity method	2,134,142.45	10,332,299.43	1,028,195.68	-	-	11,360,495.11	30%	30%	Inapplicable	-	-
Shenzhen Huayu Expressway Investment Company Limited ("Huayu Company")	Equity method	59,851,927.88	57,721,927.88	1,910,814.31	-	-	59,632,742.19	40%	40%	Inapplicable	-	-
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	Equity method	291,930,000.00	268,733,659.68	3,927,034.02	-	-	272,660,693.70	25%	25%	Inapplicable	-	-
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	Equity method	270,000,000.00	250,602,768.35	2,226,840.28	-	-	252,829,608.63	25%	25%	Inapplicable	-	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	Equity method	249,340,567.72	227,831,263.12	20,484,616.51	(10,000,000.00)	-	238,315,879.63	25%	25%	Inapplicable	-	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	Equity method	250,000,000.00	210,760,211.05	4,420,911.06	-	-	215,181,122.11	25%	25%	Inapplicable	-	-
Yunfu Guangyun Expressway Company Limited (Guangyun Company)	Equity method	179,180,000.00	175,970,131.22	10,500,862.57	(9,000,000.00)	-	177,470,993.79	30%	30%	Inapplicable	-	-
			1,398,501,752.37	83,415,360.53	(57,916,086.10)	(8,375,739.92)	1,415,625,286.88				-	-

(b) Investment in associates (continued)

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)).

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(c) Other long-term equity investment

	Accounting method	Ending balance of investment cost	31 December 2010	Current period movement	30 June 2011	Equity interest held*	voting rights held*	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in the current period	Cash dividends declared in the current period
Guangdong Untied Electronic collection Inc. ("United Electronic Company")	Costs method	28,500,000.00	28,500,000.00	-	28,500,000.00	17.12%	17.12%	Not applicable	-	-	-

* According to the third extraordinary shareholders' meeting of United Electronic Company in 2009, the registered capital of United Electronic Company would be increased from RMB10,000,000 to RMB200,000,000. As at 30 June 2011, the capital injection is in progress and the then equity interest held by the Company in United Electric Company is 17.12%. The equity percentage held by the Company would decrease to 14.25% upon the completion of capital injection.

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(d) Joint ventures and associates

			30 June 2011			For the six months ended 30 June 2011	
	Equity interest held	Voting rights held	Total assets	Total liabilities	Net assets	Revenue	Net profit
Joint ventures —							
Shenchang Company	51%	51%	374,543,785.64	12,229,674.54	362,314,111.10	14,790,148.47	(1,091,231.25)
JEL	55%	55%	1,309,752,582.34	236,458,647.56	1,073,293,934.78	212,951,346.44	96,088,811.49
Guilong Company	49%	49%	10,000,000.00	-	10,000,000.00	-	-
			1,694,296,367.98	248,688,322.10	1,445,608,045.88	227,741,494.91	94,997,580.24
Associates —							
Qinglong Company	40%	40%	1,984,634,082.43	1,518,289,729.78	466,344,352.65	200,051,313.75	97,290,215.25
Consulting Company	30%	30%	91,675,255.77	53,806,938.74	37,868,317.03	83,365,908.87	3,427,318.93
Huayu Company	40%	40%	528,802,088.49	379,720,233.01	149,081,855.48	38,801,207.99	4,777,035.78
Jiangzhong Company	25%	25%	2,725,439,858.26	1,755,337,083.46	970,102,774.80	183,930,911.91	15,708,136.08
Nanjing Third Bridge Company	25%	25%	3,259,165,257.30	2,247,846,822.78	1,011,318,434.52	150,078,312.99	8,907,361.12
Yangmao Company	25%	25%	1,911,809,554.62	1,139,206,036.10	772,603,518.52	230,523,413.89	81,938,466.04
GZ W2 Company	25%	25%	2,624,036,103.17	1,763,311,614.73	860,724,488.44	131,638,368.02	17,683,644.24
Guangyun Company	30%	30%	1,294,752,181.89	703,182,202.59	591,569,979.30	117,946,376.52	35,002,875.23
			14,420,314,381.93	9,560,700,661.19	4,859,613,720.74	1,136,335,813.94	264,735,052.67

5 Notes to the consolidated financial statements (continued)

(7) Investment properties

	Car parking spaces
Cost	
31 December 2010 and 30 June 2011	18,180,000.00
Accumulated Amortisation	
31 December 2010	(1,199,375.00)
Current period additions	(287,850.00)
30 June 2011	(1,487,225.00)
Net book value	
30 June 2011	16,692,775.00
31 December 2010	16,980,625.00

As at 30 June 2011, no provision for impairment loss of investment properties is required (as at 31 December 2010: nil).

(8) Fixed assets

	Buildings	Traffic equipments	Motor vehicles	Office and other euqipments	Total
Cost					
31 December 2010	574,456,294.62	786,585,844.25	25,426,844.19	50,868,265.02	1,437,337,248.08
Current period additions	33,401,104.50	43,307,996.32	3,231,737.00	962,736.50	80,903,574.32
Current period reductions	(835,803.56)	(29,280.00)	(616,180.00)	(661,881.74)	(2,143,145.30)
30 June 2011	607,021,595.56	829,864,560.57	28,042,401.19	51,169,119.78	1,516,097,677.10
Accumulated depreciation					
31 December 2010	95,355,295.18	273,721,932.05	14,854,891.25	26,797,457.16	410,729,575.64
Current period additions	10,677,567.46	34,631,779.22	1,609,572.48	3,627,244.28	50,546,163.44
Current period reductions	(809,624.46)	(24,151.78)	(585,371.00)	(556,281.66)	(1,975,428.90)
30 June 2011	105,223,238.18	308,329,559.49	15,879,092.73	29,868,419.78	459,300,310.18
Net book value					
30 June 2011	501,798,357.38	521,535,001.08	12,163,308.46	21,300,700.00	1,056,797,366.92
31 December 2010	479,100,999.44	512,863,912.20	10,571,952.94	24,070,807.86	1,026,607,672.44

As at 30 June 2011, buildings and equipments with net book value of RMB6,373,359.07 (cost: RMB145,293,752.11) are fully depreciated but still in use (31 December 2010: net book value of RMB4,582,048.57, cost of RMB108,490,421.57). As at 30 June 2011, buildings with net book value of RMB362,779,051.33 (cost: RMB463,211,448.83) lack certificates of ownership (31 December 2010: net book value of RMB358,190,402.21, cost of 451,871,158.53). Due to the unique feature of the Group's operation, toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire. Thus, the Group has no intention to acquire the related property ownership certificates.

For the six months ended 30 June 2011, depreciation amounting to RMB47,782,211.71 (the same period in 2010: RMB45,914,722.44) and RMB2,763,951.73 (the same period in 2010: RMB4,860,291.16) has been charged in costs of services and in general and administrative expenses, respectively. As at 30 June 2011, no provision for impairment of fixed assets is required (as at 31 December 2010: nil).

In current period, construction in progress amounting to RMB68,337,105.55 has been transferred into fixed assets.

5 Notes to the consolidated financial statements (continued)

(9) Construction in progress

Name	Budget	31 December 2010	Current period additions	Transfer to fixed assets	30 June 2011	Source of funds	% contribution in budget of current period	Progress of construction
Qinglian Expressway (Liannan Section)	66 million	38,250,155.33	28,139,844.67	(66,390,000.00)	-	Borrowings and self-owned funds	42%	Completed
Monitoring projects of expressway lightening	149 million	-	77,928,528.10	-	77,928,528.10	Self-owned funds	52%	In progress
Billboard and Light box projects	*	2,096,466.83	1,265,812.00	(1,728,257.00)	1,634,021.83	Self-owned funds		In progress
Others	*	1,687,391.69	5,341,207.05	(218,848.55)	6,809,750.19	Self-owned funds		In progress
Total		42,034,013.85	112,675,391.82	(68,337,105.55)	86,372,300.12			

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

As at 30 June 2011, no provision for impairment of construction in progress is required (as at 31 December 2010: nil).

5 Notes to the consolidated financial statements (continued)

(10) Intangible assets

	Cost	31 December 2010	Current period addtions	Current period amortisation	30 June 2011	Accumulated Amortisation
Concession intangible assets	19,858,516,302.89	17,887,439,709.41	355,793,502.53	(238,247,452.55)	18,004,985,759.39	(1,853,530,543.50)
- Shenzhen Airport-Heao Expressway (Western Section)	843,668,552.23	596,715,749.95	-	(19,765,049.68)	576,950,700.27	(266,717,851.96)
- Yanba Expressway	1,321,937,644.13	1,220,940,098.18	-	(15,102,066.14)	1,205,838,032.04	(116,099,612.09)
- Yanpai Expressway	910,532,308.18	784,332,703.80	-	(16,425,569.14)	767,907,134.66	(142,625,173.52)
- Nanguang Expressway*	2,676,962,455.00	2,557,703,420.48	51,295,351.00	(20,009,332.74)	2,588,989,438.74	(87,973,016.26)
- Meiguan Expressway	1,187,462,944.98	771,802,243.32	63,744,148.20	(22,923,094.62)	812,623,296.90	(374,839,648.08)
- Qinglian Class I Highway & Qinglian Expressway *	9,278,923,893.88	8,749,931,426.73	232,294,690.99	(58,717,305.92)	8,923,508,811.80	(355,415,082.08)
- Qinglian Class II Highway*	512,997,570.61	285,192,141.02	-	(7,430,758.77)	277,761,382.25	(235,236,188.36)
- Outer Ring Expressway	31,055,671.33	22,596,358.99	8,459,312.34	-	31,055,671.33	-
- Shenzhen Airport-Heao Expressway (Eastern Section)	3,094,975,262.55	2,898,225,566.94	-	(77,874,275.54)	2,820,351,291.40	(274,623,971.15)
Human resource management software	401,000.00	394,316.67	-	(40,099.98)	354,216.69	(46,783.31)
Billboard used land and right	76,025,138.71	8,370,649.67	57,270,000.00	(5,228,344.07)	60,412,305.60	(15,612,833.11)
Total	19,934,942,441.60	17,896,204,675.75	413,063,502.53	(243,515,896.60)	18,065,752,281.68	(1,869,190,159.92)

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

In current period, interest amounting to RMB2,398,750.31 has been capitalised as the concession intangible assets of Qinglian Expressway.

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 2011		31 December 2010	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provisions for maintenance and resurfacing of the toll roads (i)	254,654,240.83	1,018,616,963.32	226,316,787.99	905,267,151.75
Compensation provided by concession grantors (ii)	24,117,480.50	95,714,900.17	24,359,359.18	96,722,728.01
Payroll accrued but not paid	1,475,634.30	6,707,428.64	1,475,634.30	6,707,428.64
	280,247,355.63	1,121,039,292.13	252,151,781.47	1,008,697,308.40

(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 road.

(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 grantor in prior years.

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

	30 June 2011		31 December 2010	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
The amortisation of concession intangible assets (i)	63,774,615.77	255,098,463.08	65,106,699.47	260,426,797.88
Business combinations involving enterprises not under common control (ii)				
- Qinglian Company	354,551,360.08	1,494,449,246.81	355,768,370.07	1,504,185,326.73
- Airport-Heao Eastern Company	493,218,606.37	1,972,874,425.48	506,836,110.03	2,027,344,440.12
Convertible bonds (iii)	35,057,445.49	151,069,421.73	41,677,677.49	180,170,854.27
	946,602,027.71	3,873,491,557.10	969,388,857.06	3,972,127,419.00

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 (continued)

(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 assts.

(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 then 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.

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

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

	30 June 2011	31 December 2010
Deductible tax losses	256,714,703.94	195,662,177.88

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

	30 June 2011	31 December 2010
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	61,052,526.06	-
	256,714,703.94	195,662,177.88

5 Notes to the consolidated financial statements (continued)

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

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

	30 June 2011	31 December 2010
Deferred tax assets	143,562,341.36	148,658,996.68
Deferred tax liabilities	(143,562,341.36)	(148,658,996.68)

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

	30 June 2011		31 December 2010	
	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	136,685,014.27	535,950,286.93	103,492,784.79	414,061,321.89
Deferred tax liabilities	803,039,686.35	3,212,158,745.40	820,729,860.38	3,377,491,432.49

(12) Short-term borrowings

	30 June 2011	31 December 2010
Unsecured	311,330,400.00	810,074,600.00
Pledged	459,978,800.00	364,185,200.00
	771,309,200.00	1,174,259,800.00

(a) The Group's short-term unsecured borrowings comprise RMB150,000,000.00 and HKD194,000,000.00 (equivalent to RMB161,330,400.00) (31 December 2010: RMB645,000,000.00 and HKD194,000,000.00 (equivalent to RMB165,074,600.00)), of which RMB110,000,000.00 is entrusted loan provided by Hubei Magerk Expressway Management Company Limited ("Magerk Company"), a subsidiary of JEL (Note 7 (5)(c)) through China Merchants Bank Company Limited.

5 Notes to the consolidated financial statements (continued)

(12) Short-term borrowings (continued)

(b) As at 30 June 2011, the Group's short-term pledged borrowings are analyzed as follows:

	Amount	Interest rate per annum
Shenzhen Branch of Shanghai Pudong Development Bank	262,785,600.00	HIBOR+250BPS
Industrial and Commercial Bank of China (Asia)	147,193,200.00	HIBOR+250BPS
Shenzhen Branch of China Construction Bank Corporation	50,000,000.00	6.31%
	459,978,800.00	

The borrowing granted by Shenzhen Branch of Shanghai Pudong Development Bank amounting to HKD316,000,000.00 (equivalent to RMB262,875,600.00) (31 December 2010: HKD316,000,000.00 (equivalent to RMB268,884,200.00)) is secured by a fixed deposit of RMB275,000,000 (31 December 2010: RMB275,000,000) with a maturity of one year (Note 5(1)). The borrowing granted by Industrial and Commercial Bank of China (Asia) amounting to HKD177,000,000.00 (equivalent to RMB147,193,200.00) (31 December 2010: HKD112,000,000.00 (equivalent to RMB95,300,800.00)) was secured by 55% equity interest of JEL held by Mei Wah (Note 6(a)). The borrowing granted by Shenzhen Branch of China Construction Bank amounting to RMB50,000,000.00 (31 December 2010: Nil) is a factoring borrowing secured by certain accounts receivable (Note 5(2)(c)).

(c) There are no short-term borrowings that due but have not been repaid (31 December 2010: nil).

(d) As at 30 June 2011, the weighted average interest rate of short-term borrowings is 3.906% per annum (31 December 2010: 3.83 %).

(13) Notes payable

	30 June 2011	31 December 2010
Bank acceptance notes	-	3,024,616.00

(14) Accounts payable

	30 June 2011	31 December 2010
Payables for construction projects and quality deposits	1,023,542,544.48	939,782,814.66

As at 30 June 2011, accounts payable with ageing over 1 year amounting to RMB245,768,636.51 (31 December 2010: RMB252,662,553.35), mainly represent payables for construction projects, quality deposits and materials purchase. The payables have not been settled since the final audit for projects are not completed.

As at 30 June 2011 and 31 December 2010, all accounts payable were denominated in RMB.

5 Notes to the consolidated financial statements (continued)

(15) Advances from customers

	30 June 2011	31 December 2010
Advances from advertising customers	21,576,562.00	13,421,844.00
Others	3,094,215.73	750,000.00
	24,670,777.73	14,171,844.00

As at 30 June 2011 and 31 December 2010, all advances from customers were denominated in RMB.

(16) Employee benefits payable

	31 December 2010	Current period additions	Current period reductions	30 June 2011
Wages and salaries, bonuses, allowances and subsidies	58,299,389.31	58,625,665.80	(96,825,312.35)	20,099,742.76
Staff welfare	-	4,587,139.66	(4,587,139.66)	-
Social security contributions	779,083.83	7,596,914.47	(8,278,344.14)	97,654.16
Including: Medical insurance	198,458.91	1,935,190.16	(2,108,773.26)	24,875.81
Basic pensions	473,734.79	4,619,429.31	(5,033,783.88)	59,380.22
Unemployment insurance	55,553.23	541,704.40	(590,294.32)	6,963.31
Work injury insurance	25,594.73	249,576.45	(271,963.01)	3,208.17
Maternity insurance	25,742.17	251,014.15	(273,529.67)	3,226.65
Housing funds	-	16,617,795.00	-	16,617,795.00
Labor union funds and employee education funds	3,092,104.54	1,728,923.54	(1,723,005.65)	3,098,022.43
Others	519,378.75	3,751,340.25	(3,642,118.25)	628,600.75
	62,689,956.43	92,907,778.72	(115,055,920.05)	40,541,815.10

(17) Taxes payable

	30 June 2011	31 December 2010
Corporate income tax payable	117,408,034.92	139,263,876.05
Business tax payable	6,005,796.63	7,913,821.46
Educational surcharge payable	813,939.25	122,439.09
City maintenance and construction tax payable	428,024.18	550,026.43
Others	1,177,824.42	1,361,636.62
	125,833,619.40	149,211,799.65

5 Notes to the consolidated financial statements (continued)

(18) Interest payable

	30 June 2011	31 December 2010
Interests of long-term borrowings with periodic payments of interest and repayment of principal at maturity	9,198,927.46	9,990,957.99
Interests of short-term borrowings	12,550,204.61	10,136,290.06
Interests of corporate bonds	40,333,334.00	18,333,335.00
Interests of convertible bonds	10,910,959.00	3,410,959.00
Interests of medium-term notes	8,768,547.94	20,495,671.23
	81,761,973.01	62,367,213.28

(19) Other payables

		30 June 2011	31 December 2010
Guaranteed deposits for construction projects or pitches	(a)	98,097,211.33	203,734,962.99
Advance from an associate		46,500,000.00	46,500,000.00
Payable relating to Coastal Project	(b)	35,079,463.48	40,793,854.01
Payable for daily maintenance of roads		61,702,711.42	45,549,461.92
Project funds retained for construction management contracts	(c)	13,842,981.63	21,962,002.29
Payable related to mechanical and electrical costs		7,274,012.93	7,902,261.75
Others		20,885,789.76	19,963,530.36
		283,382,170.55	386,406,073.32

(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 and Nanping Freeway (Phase II) Project ("Nanping (Phase II) Project").

(b) On 6 November 2009, Shenzhen Investment Holdings Company Limited ('SIHCL') signed an 'operation and management entrustment agreement' with the Company and fully entrusted the Company to operate and manage its wholly owned subsidiary, Shenzhen Guangshen Coastal Expressway Investment Company limited ("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 Guangshen Coastal Expressway (Shenzhen Section) (the "Coastal Project'). The balance represented total funds received from Coastal Company less advances made for Coastal Project.

(c) The Company was entrusted by High Way Bureau of Longgang Distinct in Shenzhen and Municipal Bureau for Urban Administration of Baoan Distinct in Shenzhen for the management of the construction of Hengping Project and Shelter-screen Project of Airport- Heao Expressway (Dalang Section). These 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 2011, project funds amounting to RMB13,842,981.63 (31 December 2010: RMB21,962,002.29) are deposited in those special deposit accounts and are disclosed as restricted bank balance for the purpose of preparation of cash flow statements.

5 Notes to the consolidated financial statements (continued)

(19) Other payables (continued)

(d) As at 30 June 2011, other payables aged over 1 year with carrying amount of RMB80,222,369.08 are analyzed as follows (31 December 2010: RMB87,499,059.08):

	30 June 2011	31 December 2010	Reason for unsettlement
Advance from an associate	46,500,000.00	46,500,000.00	distribution in advance
Guaranteed deposits for construction projects or pitches	24,264,764.06	32,761,354.40	Completion audit not completed
Payable for daily maintenance of roads	1,988,049.35	596,259.55	Completion audit not completed
Others	7,469,555.67	7,591,445.13	Completion audit not completed
	80,222,369.08	87,449,059.08	

As at 30 June 2011 and 31 December 2010, all other payables are denominated in RMB.

(20) Provisions

	31 December 2010	Current period movement	30 June 2011
Provisions for maintenance/resurfacing obligations	905,267,151.75	98,717,631.81	1,003,984,783.56
Less: current portion	(22,832,386.00)	3,339,519.59	(19,492,866.41)
	882,434,765.75	102,057,151.40	984,491,917.15

5 Notes to the consolidated financial statements (continued)

(21) Current portion of non-current liabilities

	30 June 2011	31 December 2010
Current portion of long-term borrowings		
Including: Guaranteed	-	1,479,643.63
Unsecured(a)	358,970,800.00	171,151,700.00
Pledged(b)	103,540,000.00	-
	462,510,800.00	172,631,343.63
Current portion of provisions (Note 5(20))	19,492,866.41	22,832,386.00
	482,003,666.41	195,463,729.63

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

	Beginning date	Termination date	Interest rate	Currency	30 June 2011 Amount in foreign currencies	30 June 2011 Amount in RMB
Shenzhen Branch of China Merchants Bank	2009.7.17	2011.7.17	2.81%	HKD	92,000,000	76,507,200.00
Shenzhen Branch of China Construction Bank	2009.9.17	2011.9.17	HIBOR+150BPS	HKD	21,000,000	17,463,600.00
Shenzhen Branch of China Minsheng Banking	2009.6.10	2012.6.10	5.76%	RMB		100,000,000.00
Shenzhen Ping An Bank	2009.6.15	2012.5.15	5.76%	RMB		15,000,000.00
Shenzhen Ping An Bank	2009.7.29	2012.5.29	4.86%	RMB		45,000,000.00
Shenzhen Shangbu Branch of Guangdong Development Bank	2010.2.8	2012.6.11	5.10%	RMB		80,000,000.00
Shenzhen Shangbu Branch of Guangdong Development Bank	2010.3.1	2012.6.11	5.10%	RMB		25,000,000.00
						358,970,800.00

(b) Current portion of long-term unsecured borrowings are syndicated borrowings for Qinglian Expressway projects amounting to RMB103,540,000.00 (Note 5(22)(a)).

5 Notes to the consolidated financial statements (continued)

(22) Long-term borrowings

	30 June 2011	31 December 2010
Pledged (a)	4,582,499,760.00	4,477,589,000.00
Unsecured(b)	1,031,718,000.00	1,279,794,500.00
	5,614,217,760.00	5,757,383,500.00

(a) As at 30 June 2011, details of long-term secured borrowings are set out as follows:

	30 June 2011				
	Interest rate per annum	Currency	Amount in foreign currencies	Amount in RMB	Pledge details
Industrial and Commercial Bank of China (Asia)	HIBOR+260BPS	HKD	210,000,00.00	174,636,000.00	55% equity interest in JEL held by Mei Wah Company
Syndicated borrowings (part A)	6.12%	RMB		2,052,160,000.00	Operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway (upon completion of its reconstruction)
Syndicated borrowings (part B)	6.12%	RMB		1,534,000,000.00	As above
Syndicated borrowings (part C)	6.12%	RMB		156,703,760.00	As above
Industrial and Commercial Bank of China	5.508%	RMB		665,000,000.00	40% equity interest of Qinglong Company held by the Company
				4,582,499,760.00	

(b) The unsecured long-term borrowings comprise RMB528,600,000.00 and HKD605,000,000.00 (equivalent to RMB503,118,000.00) (31 December 2010: RMB765,000,000.00 and HKD605,000,000.00 (equivalent to RMB514,794,500.00)). The interest rates of the unsecured long-term borrowings for the six months ended 30 June 2011 range from 1.79% to 6.40% per annum (same period in 2010: from 1.87% to 5.13%).

(c) The long-term borrowings are repayable as follows:

	30 June 2011	31 December 2010
1 to 2 years	699,581,800.00	601,023,200.00
2 to 5 years	1,397,373,000.00	1,476,420,300.00
Over 5 years	3,517,262,960.00	3,679,940,000.00
	5,614,217,760.00	5,757,383,500.00

As at 30 June 2011, the weighted average interest rate of long-term borrowings was 5.245% per annum (31 December 2010: 5.217%).

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable

	31 December 2010	Current period addition/(reduction)	30 June 2011
Convertible bonds	1,316,165,506.18	31,769,628.00	1,347,935,134.18
Corporate bonds	792,260,553.47	334,076.82	792,594,630.29
Medium-term notes	699,497,690.46	(1,078,326.60)	698,419,363.86
	2,807,923,750.11	31,025,378.22	2,838,949,128.33

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%
Medium-term notes (c)	400,000,000.00	15 March 2010	3 years	400,000,000.00	4.47%
Medium-term notes (c)	300,000,000.00	26 March 2010	3 years	300,000,000.00	4.47%

The interests accrued in the balance are as follows:

	31 December 2010	Current period accrued	Current period paid	30 June 2011
Convertible bonds (a)	3,410,959.00	7,500,000.00	-	10,910,959.00
Corporate bonds (b)	18,333,335.00	21,999,999.00	-	40,333,334.00
Medium-term notes (c)	20,495,671.23	14,312,876.71	(26,040,000.00)	8,768,547.94
	42,239,965.23	43,812,875.71	(26,040,000.00)	60,012,840.94

(a) Convertible bonds

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

The convertible bonds is guaranteed by the Shenzhen Branch of Agricultural Bank of China, which is in turn secured by the Company with 47.30% of operating right of Nanguang Expressway (Note 5(10)). The pledge expired 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.

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable (continued)

(a) Convertible bonds (continued)

As at 30 June 2011, net book value of liability component of the convertible bonds is set out as follows:

	In RMB
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	(32,018,323.14)
Fair value of liability component at issuance date	1,130,783,380.86
Accumulated amortisation from issuance date to 30 June 2011	217,151,753.32
Net book value as at 30 June 2011	1,347,935,134.18

As at 30 June 2011, the fair value of convertible bonds approximated RMB1,391,896,279.36 which is calculated using cash flows discounted method based on a market interest rate of comparable non-convertible bond at 4.44% 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]1791 issued by National Development & Reform Commission. Interest is repayable annually and the principal is repayable in full upon maturity. 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 2011, the fair value of corporate bonds approximated RMB816,932,686.97 which is calculated using cash flows discounted method based on market interest rate of comparable corporate bond at 5.24% per annum.

(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 and 4.47% per annum from the second year.

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.

5 Notes to the consolidated financial statements (continued)

(24) Hedging instrument

		30 June 2011	31 December 2010
Cash flow hedges :			
CNY/HKD cross currency interest rate swap	(a)	25,656,216.23	24,132,708.82
Forward foreign exchange contracts	(b)	1,131,868.54	1,563,373.50
		26,788,084.77	25,696,082.32

(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 against one of its variable-rate foreign currency loans with a notional principal amount of HKD420,000,000 (31 December 2010: 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 2011 is HKD399,000,000. 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 quarterly basis from June 2010 to September 2014.

(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 2010: 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 2011 was 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.

As at 30 June 2011, there was no ineffective portion of the above two cash flow hedges.

5 Notes to the consolidated financial statements (continued)

(25) Share capital

	31 December 2010	Current period additions	Current period reductions	30 June 2011
Par value RMB1 per share				
Shares not subject to trading restrictions -				
State-owned shares	654,780,000.00	-	-	654,780,000.00
Domestic legal person shares	560,620,000.00	-	-	560,620,000.00
RMB ordinary shares	217,870,326.00	-	-	217,870,326.00
Oversea listed foreign shares	747,500,000.00	-	-	747,500,000.00
Total share capital	2,180,770,326.00	-	-	2,180,770,326.00

	31 December 2009	Current period additions	Current period reductions	31 December 2010
Par value RMB1 per share				
Shares not subject to trading restrictions -				
State-owned shares	654,780,000.00	-		654,780,000.00
Domestic legal person shares	560,620,000.00	-		560,620,000.00
RMB ordinary shares	217,870,326.00	-		217,870,326.00
Oversea listed foreign shares	747,500,000.00	-		747,500,000.00
Total share capital	2,180,770,326.00	-		2,180,770,326.00

(26) Capital surplus

	31 December 2010	Current period additions	Current period reductions	30 June 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 hedge-after tax	(12,777,033.26)	6,181,998.71	-	(6,595,034.55)
Equity investment reserve	406,180.00	-	-	406,180.00
Others	65,760.27	-	-	65,760.27
	3,155,178,649.17	6,181,998.71	-	3,161,360,647.88

	31 December 2009	Current year additions	Current year reductions	31 December 2010
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 hedge-after tax	-	(25,696,082.32)	12,919,049.06	(12,777,033.26)
Equity investment reserve	406,180.00	-	-	406,180.00
Others	65,760.27	-	-	65,760.27
	3,167,955,682.43	(25,696,082.32)	12,919,049.06	3,155,178,649.17

5 Notes to the consolidated financial statements (continued)

(27) Surplus reserve

	31 December 2010	Current period additions	30 June 2011
Statutory surplus reserve	993,041,315.16	-	993,041,315.16
Discretionary surplus reserve	453,391,330.06	-	453,391,330.06
	1,446,432,645.22	-	1,446,432,645.22

	31 December 2009	Current year additions	31 December 2010
Statutory surplus reserve	918,933,422.78	74,107,892.38	993,041,315.16
Discretionary surplus reserve	453,391,330.06	-	453,391,330.06
	1,372,324,752.84	74,107,892.38	1,446,432,645.22

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.

Companies 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.

(28) Undistributed profits

	30 June 2011	31 December 2010
Undistributed profits at the beginning of the period/year	1,866,445,317.49	1,456,439,118.37
Add: Net profit attributable to owners of the Company in current period/year	352,521,341.74	745,806,530.62
Less: appropriation for statutory surplus reserve	-	(74,107,892.38)
appropriation for discretionary surplus reserve	-	-
Dividends	(348,923,252.16)	(261,692,439.12)
Undistributed profits at the end of the period/year	1,870,043,407.07	1,866,445,317.49

As at 30 June 2011, included in the undistributed profits, RMB212,333,524.17 represents subsidiaries' surplus reserve attributable to the Company (31 December 2010: RMB211,883,146.52).

In accordance with the resolution at the Annual General meeting on 26 May 2011, 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. As at 30 June 2011, cash dividend amounting to RMB106,911,126.91 has not been paid. The cash dividend represents 14.33% of the net profit for the year ended 31 December 2010.

The Board did not recommend any payment of interim dividend for the six months ended 30 June 2011 (same period in 2010: Nil), nor did it recommend any conversion of capital reserve into share capital.

5 Notes to the consolidated financial statements (continued)

(29) **Minority interests**

Minority interests attributable to the minority shareholder of Qinglian Company

	30 June 2011	31 December 2010
Guangdong Cement Company Limited	733,235,690.03	686,274,322.31

(30) **Revenue and cost of services**

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Revenue from main business (a)	1,116,625,432.67	1,009,332,965.62
Revenue from other businesses (b)	62,052,027.28	45,271,176.28
	1,178,677,459.95	1,054,604,141.90
Cost from main business (a)	531,709,356.65	446,016,721.74
Cost from other businesses (b)	29,834,024.95	21,683,688.43
	561,543,381.60	467,700,410.17

(a) Revenue and cost of services from main operation

	For the six months ended 30 June 2011		For the six months ended 30 June 2010	
	Revenue of main business	Cost of main business	Revenue of main business	Cost of main business
Revenue from toll road	1,116,625,432.67	531,709,356.65	1,009,332,965.62	446,016,721.74

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

(b) Revenue and cost of services from other businesses

	For the six months ended 30 June 2011		For the six months ended 30 June 2010	
	Revenue from other businesses	Cost of other businesses	Revenue from other businesses	Cost of other businesses
Management services revenue (i)	26,735,811.85	10,207,087.53	20,161,524.42	9,930,302.29
Advertising services revenue	33,120,750.00	18,414,909.08	22,417,867.00	10,819,578.28
Other revenue	2,195,465.43	1,212,028.34	2,691,784.86	933,807.86
	62,052,027.28	29,834,024.95	45,271,176.28	21,683,688.43

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

The Company was engaged by the local government authorities to manage the construction of several toll road construction projects, namely the Nanping Freeway (Phase I) Project ("Nanping (Phase I) Project"), Nanping (Phase II) Project , Hengping Highway 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)) and Coastal Project. In return, the Company is entitled to receive management services income. Most parts of Nanping (Phase I) Project, Hengping Project and Wutong Mountain Project have been completed in prior years. In current period, the Group mainly manages the construction of Nanping (Phase II) Project, Shenyun Project, Longhua Extension and Coastal 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 the Nanping (Phase II) Project, Shenyun Project and Longhua Extension, 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 the portion of any savings exceeding 2.5% of the total budgeted contract costs. For the Coastal Project, the management service revenue is 1.5% of the construction budget and will be agreed in specific in the entrustment agreements.

In current period, the Company recognised construction management services revenues of Shenyun Project amounting to RMB1,987,581.70 (same period in 2010: RMB177,774.89) according to the audit results of the project. As the outcome of the construction management services could not be estimated reliably, the construction management services income and business tax of the Coastal Project, Nanping (Phase II) Project and Longhua Expending Project recognised totally amounting to RMB13,466,067.53 (same period in 2010: RMB12,393,384.40), based on project management expenses incurred.

According to the related management services contracts, the Company undertakes to bear cost overruns for the above projects. For the Hengping Project, the Nanping (Phase II) Project and the Shenyun Project, the Company is obliged to bear all the cost overruns incurred in construction as compared to the original budget. For the Nanping (Phase I) Project and Wutong Mountain Project, the Company is obliged to bear solely all the cost overruns incurred in construction as compared to the original budget in case the overrun does not exceed by 2.5% of the total budgeted contract costs; whereas the Company would share the overruns with the related government departments for any overruns exceeding 2.5% of the total budgeted contract costs. For the Coastal Project, the related execution agreements including the terms of cost overrun have not been contracted yet. 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.

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)

On 28 December 2009, the Company entered into an operation and management entrustment agreement with Baotong Company, a wholly-owned subsidiary of Shenzhen International Holdings Limited ("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 a management entrustment fee determined at the higher amount of an annual fee of RMB15 million, or at 8% of the annual audited net profit of Longda Company (but in any event shall not exceed RMB25 million). The management entrustment fee for the period amounts to RMB11,282,162.62 (same period in 2010: RMB7,590,365.13).

(31) Business tax and surcharges

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Business tax	38,157,321.41	34,636,407.16
Construction fee for country culture development(ii)	459,987.87	644,546.01
Educational surcharge	1,897,420.64	857,001.38
City maintenance and construction tax	2,683,985.80	285,693.30
Others	478,290.22	170,313.05
	43,677,005.94	36,593,960.90

(32) General and administrative expenses

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Salary and wages	17,325,369.34	10,213,564.97
Depreciation	2,763,951.73	4,860,291.16
Audit fees	1,456,500.00	1,760,000.00
Expenses paid to stock exchange	1,859,443.36	1,404,763.25
Office management expenses	581,856.00	1,036,222.10
Others	8,138,634.60	2,355,139.74
	32,125,755.03	21,629,981.22

5 Notes to the consolidated financial statements (continued)

(33) Financial expenses - net

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Interest expense	252,445,751.37	250,287,065.23
Time value of provision for maintenance/resurfacing obligations	29,964,342.72	23,247,952.52
Less：interest income	(5,527,958.49)	(7,257,742.79)
Exchange gains	(21,794,500.99)	(14,419,508.81)
Others	783,441.24	1,907,255.38
	255,871,075.85	253,765,021.53

(34) Investment income

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Income from long-term equity investments under equity method	135,707,678.91	132,157,645.98

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

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

(a) Non-operating income

	For the six months ended 30 June 2011	For the six months ended 30 June 2010	Amount recorded as non-recurring profit or loss in this period
Bounty	-	800,000.00	-
Gain on disposal of fixed assets	8,920.00	5,794,322.70	8,920.00
Others	98,303.18	1,241,227.33	98,303.18
	107,223.18	7,835,550.03	107,223.18

(b) Non-operating expenses

	For the six months ended 30 June 2011	For the six months ended 30 June 2010	Amount recorded as non-recurring profit or loss in this period
Donation	50,000.00	200,000.00	50,000.00
Loss on disposal of fixed assets	238,707.00	278,845.92	238,707.00
Others	41,292.63	195,525.31	41,292.63
	329,999.63	674,371.23	329,999.63

5 Notes to the consolidated financial statements (continued)

(36) Income tax expense

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Current income tax calculated according to tax law and related regulations	135,745,973.88	107,053,119.74
Deferred income tax	(50,882,403.51)	(41,497,748.50)
	84,863,570.37	65,555,371.24

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 2011	For the six months ended 30 June 2010
Profit before tax	420,945,143.99	414,233,592.86
Income tax expense calculated at applicable tax rate of 24% (same period in 2010: 22%)	101,026,834.56	91,131,390.43
Effect of different tax rate applied for deferred tax calculation	(1,133,498.11)	(5,200,949.82)
Income not subject to tax	(33,748,376.54)	(29,861,191.31)
Unrecognised tax losses	15,731,054.99	10,074,111.21
Others	2,987,555.47	(587,989.27)
Income tax expense	84,863,570.37	65,555,371.24

(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 2011	For the six months ended 30 June 2010
Consolidated net profit attributable to ordinary owners of the Company	352,521,341.74	359,498,732.89
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.162	0.165
Including: Basic earnings per share from continuing operations	0.162	0.165

5 Notes to the consolidated financial statements (continued)

(37) Earnings per share (continued)

(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 in this period, diluted earnings per share equal to basic earnings per share.

(38) Other comprehensive income

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Gain/(loss) from cash flow hedges – after tax	6,181,998.71	(3,647,664.39)

(39) Notes to consolidated cash flow statement

(a) Cash paid relating to other operating activities

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Payments of quality deposits for Nanping (Phase II) Project	53,108,104.02	-
Management expenses paid for Coastal Project	2,412,184.35	-
Audit, valuation, lawyers and advisory fees paid	5,473,085.04	1,889,589.89
Expenses paid to stock exchanges	315,238.67	1,404,763.25
Upfront expenses paid for Coastal Project	-	10,037,138.38
Management expenses paid for Nanping Project	-	12,231,461.74
Other operating expenses paid	24,878,961.11	14,164,357.54
	86,187,573.19	39,727,310.80

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 2011	For the six months ended 30 June 2010
Net profit	336,081,573.62	348,678,221.62
Add: Amortisation of investment properties	287,850.00	287,850.00
Depreciation of fixed assets	50,546,163.44	50,775,013.60
Amortisation of intangible assets	243,515,896.60	218,101,524.65
Amortisation of long-term prepaid expenses	457,389.06	712,008.83
Losses/(gains) on disposal of fixed assets	229,787.18	(5,515,476.78)
Financial expenses	255,871,075.85	253,765,021.53
Investment income	(135,707,678.91)	(132,157,645.98)
Net movement in deferred tax assets and liabilities	(50,882,403.51)	(41,497,748.50)
Decrease/(increase) in inventories	(1,323,425.30)	412,739.30
Decrease/(increase) in operating receivables	24,639,840.65	(25,710,106.28)
Decrease in operating payables	(150,486,743.49)	(694,354.44)
Provisions charged into cost of services	83,385,468.68	78,208,092.92
Net cash flows from operating activities	656,614,793.87	745,365,140.47

(b) Net change in cash

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Cash at the end of the period	402,148,290.85	439,553,496.32
Less: cash at the beginning of the period	(535,465,379.37)	(479,100,883.88)
Net decrease in cash	(133,317,088.52)	(39,547,387.56)

(c) Cash and cash equivalents

	30 June 2011	31 December 2010
Cash at bank and on hand (Note 5(1))	690,991,272.48	832,427,381.66
Less: restricted bank balances (Note 5(1))	(13,842,981.63)	(21,962,002.29)
Pledged fixed deposits (Note 5(1))	(275,000,000.00)	(275,000,000.00)
Cash at the end of the period	402,148,290.85	535,465,379.37

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. The Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their 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 independent reportable segments.

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

	Toll road	Other	Unallocated	Total
Revenue from external customers	1,116,625,432.67	62,052,027.28	-	1,178,677,459.95
Interest expenses	261,395,611.76	3,422.58	-	261,399,034.34
Share of profit of associates and joint ventures	134,679,483.22	1,028,195.69	-	135,707,678.91
Depreciation and Amortisation	284,373,962.92	6,305,575.93	4,127,760.25	294,807,299.10
Total profit	426,622,885.50	26,448,013.52	(32,125,755.03)	420,945,143.99
Income tax expense	78,676,971.23	6,186,599.14	-	84,863,570.37
Net profit	347,945,914.27	20,261,414.38	(32,125,755.03)	336,081,573.62
Total assets	22,114,763,040.96	289,350,616.16	195,172,529.27	22,599,286,186.39
Total liabilities	13,034,562,825.48	80,356,382.27	92,524,262.44	13,207,443,470.19
Long-term equity investments in associates and joint ventures	2,184,256,652.56	11,360,495.11	-	2,195,617,147.67
Additions to non-current assets other than long-term equity investments	220,915,700.81	58,120,580.29	(2,513,704.00)	276,522,577.10

6 Segment information (continued)

(b) Segment information as at and for the six months ended 30 June 2010 is as follows:

	Toll road	Other	Unallocated	Total
Revenue from external customers	1,009,332,965.62	45,271,176.28	-	1,054,604,141.90
Interest expenses	261,020,209.62	2,554.70	-	261,022,764.32
Share of profit of associates and joint ventures	131,262,820.96	894,825.02	-	132,157,645.98
Depreciation and Amortisation	262,409,173.01	2,862,891.06	4,604,333.01	269,876,397.08
Total profit	411,486,068.51	17,912,990.52	(15,165,466.17)	414,233,592.86
Income tax expense	61,855,374.83	3,699,996.41	-	65,555,371.24
Net profit	349,630,693.69	14,212,994.10	(15,165,466.17)	348,678,221.62
Total assets	21,909,948,309.84	189,363,633.74	211,065,035.40	22,310,376,978.98
Total liabilities	13,175,356,384.20	34,704,652.48	150,561,188.88	13,360,622,225.56
Long-term equity investments in associates and joint ventures	2,230,310,222.05	9,015,242.41	-	2,239,325,464.46
Additions to non-current assets other than long-term equity investments	95,554,856.39	(1,424,949.89)	(24,560,130.39)	69,569,776.11

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

The Company's ultimate controlling party is SIHCL. As at 17 November 2010, Shenzhen Investment Holdings Corporation, the original ultimate holding company of Shenzhen International, transferred its 40.55% equity of Shenzhen International (including direct and indirect interest) to SIHCL, which is supervised and managed by the Shenzhen State-owned Assets Supervision and Administration Bureau. After the transfer, SIHCL became the ultimate holding company of the Company. SIHCL applied for exemption for the obligation of granting an acquisition offer relating to the share transfer. As at 12 July 2011, the application was approved by China Securities Regulatory Commission.

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

	31 December 2010	Current period additions	Current period reductions	30 June 2011
Shenzhen International	HKD2,000,000,000.00	-	-	HKD2,000,000,000.00

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

	30 June 2011		31 December 2010	
	% interest held	% voting rights	% interest held	% voting rights
Shenzhen International	50.89%	50.89%	50.89%	50.89%

(2) Information of subsidiaries

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

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	% equity interest	% voting right	Code of organisation
Joint ventures-								
Shenchang Company	Limited liability company	Changsha City, Hunan Province	Luo Cheng Bao	(i)	RMB200,000,000	51%	51%	71216935-7
JEL	Foreign enterprise	Cayman Islands	Inapplicable	(ii)	USD30,000,000	55%	55%	Inapplicable
Guilong Company	Limited liability company	Longli Country, Guizhou Province	Yang Ming	(iv)	RMB10,000,000	49%	49%	57332917-x
Associates-								
Qinglong Company	Limited liability company	Shenzhen City, Guandong Province	Wu Xian	(i)	RMB100,000,000	40%	40%	19230570-5
Consulting Company	Limited liability company	Shenzhen City, Guandong Province	Cai Cheng Guo	(iii)	RMB15,000,000	30%	30%	74124302-6
Huayu Company	Limited liability company	Shenzhen City, Guandong Province	Wu Xian	(i)	RMB150,000,000	40%	40%	73417205-5
Jiangzhog Company	Limited liability company	Guangzhou City, Guangdong Province	Lu Ya Xing	(i)	RMB1,415,000,000	25%	25%	74296235-6
Nanjing Third Bridge Company	Limited liability company	Nanjing City, Jiangsu Province	Feng Bao Chun	(i)	RMB1,080,000,000	25%	25%	74537269-3
Yangmao Company	Limited liability company	Guangzhou City, Guandong Province	Luo Ying Sheng	(i)	RMB200,000,000	25%	25%	74170833-x
GZ W2 Company	Other limited liability company	Guangzhou City, Guandong Province	Zhang Yu Jiang	(i)	RMB1,000,000,000	25%	25%	76400825-6
Yunfu Guangyun Expressway Company	Limited liability company	Yunfu City, Guandong Province	Gu Shui Ling	(i)	RMB10,000,000	30%	30%	74448922-4

(i) Expressway construction and operation.

(ii) JEL is a joint venture of Mei Wah Company (a subsidiary of the Company) and Shenzhen International (the parent of the Company).The Group holds 55% of JEL's equity interest. JEL is mainly engaged in investment holding of Magerk Company. The main business of Magerk Company is toll operation of Wuhuang Expressway.

(iii) Construction advisory and consultancy.

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

7 Related parties and related party transactions (continued)

(4) Information of other related parties

	Relationship with the Group	Code of organisation
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
United Electronic 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 2011 Amount	For the six months ended 30 June 2011 Percentage in the total amount of similar transactions	For the six months ended 30 June 2010 Amount	For the six months ended 30 June 2010 Percentage in the total amount of similar transactions
Consulting Company	Receiving project management services	Negotiated price	17,395,117.41	31.01%	16,339,289.80	20.91%
United Electronic Company	Receiving networked toll settlement services	Determined by price bureau	10,299,483.85	100.00%	-	-

The Group signed management services contracts with Consulting Company. Total management services expense amounts to RMB130,101,437.30, of which mainly are management services provided to Qinglian Company for its expressway project bided. Up to 30 June 2011, the Group paid accumulative management services expenses to Consulting Company amounting to RMB114,113,912.51.

United Electronic Company is appointed by the People's Government of Guangdong Province to take charge of the management of networking toll system in Guangdong province. The Company and its subsidiaries have signed a series of agreements with United Electronic 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 of individual toll road. The related service charge are determined by commodity price bureau of Guangdong Province.

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 2011 Amount	Percentage in the total amount of similar transactions	For the six months ended 30 June 2010 Amount	Percentage in the total amount of similar transactions
Baotong Company	Entrusted construction management services	Negotiated price	331,700.80	2.15%	537,145.97	4.28%
Coastal Company	Entrusted construction management services	-	10,193,397.53	65.96%	8,059,853.06	64.11%

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 with construction period of 24 months from the signing date. As the entrusting party, Baotong Company is responsible for the financing and payment of the construction funds. Management services revenues comprise management services compensation and premiums from investment controls (if any). The basic management services compensation amounts to RMB5,000,000. The premiums from investment controls are calculated on the basis of project budget and project closing expense. All savings are defined as premiums if in case the saving project from closing expense does not exceed by 2.5% of the total project budget, while the Company would also share the portion of any savings exceeding 2.5% of the project budget. In current period, the Company recognised management services amounting to RMB331,700.80 (the same period in 2010: RMB 537,145.97) according to the same amount of management expenses and related taxation incurred only to the extent that such costs are probable to be recovered.

As mentioned in Note 5(19)(b), the Company provides project management services for construction, operation and maintenance of the Coastal Project for government authority. Coastal Project is owned by Shenzhen Guangshen Yanjiang Expressway Investment Co., Ltd, which is hold by SIHCL, the Company's ultimate holding company. The management service revenue is 1.5% of the construction budget. During the period, the Company has recognised construction management services fee amounting to RMB 10,193,397.53 (same period in 2010: RMB 8,059,853.06).

(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 in this period
Baotong Company	Equity trusteeship	The Company	1 January 2010	31 December 2011	Negotiated price	11,282,162.62

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(c) Financing

	Amount	Date of the commencement of the financing	Date of the termination of the financing
Entrusted loan–			
Magerk Company	110,000,000.00	14 March 2011	13 October 2011

(d) Remuneration of key management personnel

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Remuneration of key management personnel	3,636,000.00	3,421,000.00

(6) Receivables from and payables to related parties

		30 June 2011	31 December 2010
Other receivables	Baotong Company	574,955.13	364,260.33
Other payables	Nanjing Third Bridge Company	46,500,000.00	46,500,000.00
	Coastal Company	35,079,463.48	40,793,854.01
	United Electronic Company	1,689,407.82	1,702,071.44
		83,268,871.30	88,995,925.45

(7) Commitments in relation to related parties

The commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date are as follows:

(a) Receiving of services

	30 June 2011	31 December 2010
Consulting Company	15,987,524.79	25,971,029.20

(b) Receiving guarantee

	30 June 2011	31 December 2010
Xin Tong Chan Company	-	USD223,420.00

The borrowing amounting to USD223,420 is guaranteed by Xin Tong Chan Company, which was granted by the Spanish Government through the China Construction Bank Corporation, was due in current period.

8 Contingencies

(a) Projects construction management contracts

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 current period, the Company signed a construction management service contract with Shenzhen Traffic Public Facilities Construction Center who represent 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.

(b) Contingent liabilities relating to enterprise income tax

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 the 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.

(c) Arbitration in progress

On 8 December 2004, the Company signed a construction contract (“the Contract”) with Shenzhen Pengcheng Construction Company Limited (“Shenzhen Pengcheng”) for Nanping (Phase I) Project. As disputes concerning the unit prices of some items under the Contract arose that were not resolved by mutual agreement, Shenzhen Pengcheng applied for arbitration to Shenzhen Arbitration Commission against the Company in 2007. Up to the date of approval of these financial statements, the arbitration process was still in progress. The directors of the Company concluded that the result of the arbitration would not lead to any significant adverse impact on the Company’s operating results.

On 1 June 2004, the Company signed a construction contract with Jilin Great Wall Construction Company Limited (“Great Wall”) for Nanping (Phase I) Project. As disputes concerning construction volume and the unit prices of some items under the contract arose that were not resolved by mutual agreement, Great Wall applied for arbitration to Shenzhen Arbitration Commission against the Company in December 2009. Up to the date of approval of these financial statements, the arbitration has been revoked, and the Company is still in the negotiation with the Great Wall on the quantities and unit price of the project. According to the relevant provisions and the views of the lawyer, the directors of the Company considered that the outcome of the negotiation will have no significant impact on the operating results of the Company.

9 Commitments

(1) Capital commitments

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

	30 June 2011	31 December 2010
Expressway construction projects	320,820,831.48	40,791,486.02

It mainly represents capital commitments to Nanguang Expressway project, Qinglian Expressway project and the reconstruction and extension of Meiguan Expressway.

(b) Capital commitments approved by the management but are not yet contracted for

	30 June 2011	31 December 2010
Expressway construction projects	735,478,924.12	1,240,535,786.26

(2) Investment commitments

In accordance with the minutes of Board of Directors, the Group plans to inject RMB132 million by cash to an associate, Qinglong Company, which will be used on the extension project of Shuiguan Expressway. As at 30 June 2011, the Group has injected RMB89.6 million accumulatively, while the investment commitment is RMB42.4 million; The Group plans to inject RMB1,455.6M million to Qinglian Company, which comprises RMB757.4 million transferred from payables to shareholders to registered capital and RMB698.2 million injected by cash, and will be used on the extension project of Qinglian Expressway. As at 30 June 2011, the Group has injected RMB1,069 million accumulatively, which comprised RMB497 million transferred from payables to shareholders to registered capital and RMB572 million injected by cash, while the investment commitment is RMB386.6 million, which comprised RMB260.6 million transferred from payables to shareholders to registered capital and RMB126 million injected by cash.

In accordance with the resolution passed in board meeting, the Company will set up a wholly owned subsidiary, taking charge of the research, investment and management of new industry, with registered capital amounting to RMB200 million. The initial contribution will be RMB80 million in cash, and the rest capital would be injected within legal term.

(3) Performance status of commitments for the previous period

The Group has fully executed capital commitments outstanding as at 31 December 2010. In current period, in accordance with the board resolution, the Group injected RMB428 million to Qinglian Company, which comprised RMB138 million transferred from payables and cash injection of RMB290 million.

10 Events after the balance sheet date

In accordance to an approval issued by China Securities and Regulatory Committee (Zheng Jian Xu Ke [2011] No.1131) in July 2011, the Company has been approved to publicly issue corporate bonds with face value not exceeding RMB1.5 billion. The bonds bear interest rate of 6% per annum and a term of 5 years, attached with option of upward interest adjustment and redemption option exercisable at the end of the third year. The bonds have been issued in full on 2 August 2011.

11 Financial instrument 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. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. The Group has entered into a forward exchange contract and an CNY/HKD cross currency interest rate swap contract to minimize foreign exchange risk.

As at 30 June 2011 and 31 December 2010, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	30 June 2011		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	24,528,380.72	98,882.21	24,627,262.93
Financial liabilities denominated in foreign currency -			
Short-term borrowings	571,309,200.00	-	571,309,200.00
Current portion of non-current liabilities	93,970,800.00	-	93,970,800.00
Long-term borrowings	677,754,000.00	-	677,754,000.00
	1,343,034,000.00	-	1,343,034,000.00

	31 December 2010		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	50,417,437.07	100,978.42	50,518,415.49
Financial liabilities denominated in foreign currency -			
Short-term borrowings	529,259,800.00	-	529,259,800.00
Current portion of non-current liabilities	96,151,700.00	1,479,643.63	97,631,343.63
Long-term borrowings	693,483,500.00	-	693,483,500.00
	1,318,895,000.00	1,479,643.63	1,320,374,643.63

11 Financial instrument and risk (continued)

(1) **Market risk (continued)**

(a) Foreign exchange risk (continued)

Regardless of the borrowing amounting to HKD227 million and HKD399 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 2011, if the currency had weakened/strengthened by 10 % against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB68,135,793.53 (31 December 2010: RMB73,581,416.29) lower/higher 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 2011, the Group's long-term interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to RMB 3,330,484,560.00 (31 December 2010: RMB3,068,826,890.46).

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 an CNY/HKD cross currency interest rate swap contract to minimize interest rate risk.

Regardless of the borrowing amounting to HKD399 million, of which the interest rate risk has been hedged by the cross currency interest rate swap (Note 5(24)), as at 30 June 2011, if interest rates on the floating rate borrowings had been 10% higher/lower while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB6,707,691.70 (the same period in 2010: approximately RMB5,199,604.15).

(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 2011	31 December 2010
State-owned banks	261,144,994.18	153,931,134.82
Other banks	429,314,960.05	677,721,166.71
	690,459,954.23	831,652,301.53

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.

11 Financial instrument and risk (continued)

(2) Credit risk (continued)

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 the amount due from government authorities in the Shenzhen of approximately RMB188 million (2010: RMB193 million) in relation to the project management services provided (Note 5(2)).

(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.

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

	30 June 2011				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets denominated in foreign currency -					
Cash at bank and on hand	690,991,272.48	-	-	-	690,991,272.48
Receivables(i)	285,240,305.41	-	-	-	285,240,305.41
	976,231,577.89	-	-	-	976,231,577.89
Financial liabilities denominated in foreign currency -					
Short-term borrowings	780,796,865.12	-	-	-	780,796,865.12
Current portion of non-current liabilities(iii)	479,566,839.16	-	-	-	479,566,839.16
Payables(ii)	1,413,835,841.94	-	-	-	1,413,835,841.94
Long-term borrowings	27,531,453.48	634,055,360.62	1,587,528,684.23	5,319,046,371.26	7,568,161,869.59
Debenture payables	85,040,000.00	785,040,000.00	1,647,000,000.00	1,108,000,000.00	3,625,080,000.00
Derivative financial liabilities	1,007,245.40	1,047,773.10	35,919,708.20	-	37,974,726.70
	2,787,778,245.10	1,420,143,133.72	3,270,448,392.43	6,427,046,371.26	13,905,416,142.51

11 Financial instrument and risk (continued)

(3) Liquidity risk (continued)

	31 December 2010				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets denominated in foreign currency -					
Cash at bank and on hand	832,427,381.66	-	-	-	832,427,381.66
Receivables(i)	283,498,343.14	-	-	-	283,498,343.14
	1,115,925,724.80	-	-	-	1,115,925,724.80
Financial liabilities denominated in foreign currency -					
Short-term borrowings	1,187,715,742.26	-	-	-	1,187,715,742.26
Notes payable	3,032,272.84	-	-	-	3,032,272.84
Current portion of non-current liabilities(iii)	177,193,107.26	-	-	-	177,193,107.26
Payables(ii)	1,326,188,887.98	-	-	-	1,326,188,887.98
Long-term borrowings	26,396,714.24	616,210,543.62	1,583,141,259.39	4,367,052,973.70	6,592,801,490.95
Debenture payables	85,040,000.00	85,040,000.00	2,373,040,000.00	1,108,000,000.00	3,651,120,000.00
Derivative financial liabilities	610,465.47	610,643.33	10,982,414.21	-	12,203,523.01
	2,806,177,190.05	701,861,186.95	3,967,163,673.60	5,475,052,973.70	12,950,255,024.30

(i) Receivables comprise accounts receivable, other receivables, dividends receivable and interest receivable.
(ii) Payables comprise accounts payable, dividends payable and other payables.
(iii) Exclude current portion of provisions for maintenance/resurfacing obligations

Since the Group has steady and sufficient cash flow from operation and sufficient banking facilities, and basing on the facts such as making proper financing arrangement to fulfill the needs of payment of debts and capital expenditures, the directors consider that there’s no significant liquidity risk in the Group.

11 Financial instrument and risk (continued)

(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 payables.

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 2011		31 December 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Long-term borrowings	5,614,217,760.00	5,332,868,016.93	5,757,383,500.00	5,453,561,891.36
Debenture payables	2,838,949,128.33	2,907,248,330.19	2,807,923,750.11	2,880,636,879.39
	8,453,166,888.33	8,240,116,347.12	8,565,307,250.11	8,334,198,770.75

The fair value of long-term borrowings and bonds payables 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)

As at 30 June 2011, the financial assets measured at fair value by the above three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Financial assets	-	-	-	-
Financial liabilities -				
Derivative financial liabilities	-	26,788,084.77	-	26,788,084.77

11 Financial instrument and risk (continued)

(4) Fair value (continued)

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

As at 31 December 2010, the financial assets measured at fair value by the above three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Financial assets	-	-	-	-
Financial liabilities -				
Derivative financial liabilities	-	25,696,082.32	-	25,696,082.32

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.

12 Notes to the Company's financial statements

(1) Accounts receivable

	30 June 2011	31 December 2010
Accounts receivable	211,877,311.14	217,361,364.51
Less: provision for bad debts	-	-
	211,877,311.14	217,361,364.51

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

	30 June 2011	31 December 2010
Within 1 year	62,837,113.14	81,961,662.59
1 to 2 years	20,750,378.00	1,375,664.31
2 to 3 years	509,666.00	6,954,776.11
Over 3 years	127,780,154.00	127,069,261.50
	211,877,311.14	217,361,364.51

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

(1) Accounts receivable (continued)

(b) Accounts receivable are analyzed by categories as follows:

	30 June 2011				31 December 2010			
	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	211,316,816.14	99.74%	-	-	216,443,376.67	99.58%	-	-
Group 2	560,495.00	0.26%	-	-	917,987.84	0.42%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	211,877,311.14	100.00%	-	-	217,361,364.51	100.00%	-	-

For other individually significant accounts receivables, the Group has assessed their recoverability and does not notice any circumstance that the Company couldn't collect the full amount under original clauses.

(c) Accounts receivable of which provision is made collectively using ageing analysis method are analyzed as follows:

	30 June 2011				31 December 2010			
	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	560,495.00	100.00%	-	-	917,987.84	100.00%	-	-

As at 30 June 2011, all accounts receivable were denominated in RMB (as at 31 December 2010: the same).

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

(2) Other receivables

	30 June 2011	31 December 2010
Advances	110,784,130.18	33,290,932.34
Guaranteed deposits	724,471.00	9,425,400.00
Others	7,945,355.09	11,480,993.79
	119,453,956.27	54,197,326.13
Less: provision for bad debts	-	-
	119,453,956.27	54,197,326.13

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

	30 June 2011	31 December 2010
Within 1 year	96,377,557.67	32,464,753.37
1 to 2 years	19,862,108.30	10,440,511.48
2 to 3 years	2,717,859.32	1,370,230.28
Over 3 years	496,430.98	9,921,831.00
	119,453,956.27	54,197,326.13

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

	30 June 2011				31 December 2010			
	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	102,010,022.77	85.40%		-	41,398,564.75	76.38%	-	-
Group 2	17,443,933.50	14.60%		-	12,798,761.38	23.62%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	119,453,956.27	100.00%		-	54,197,326.13	100.00%	-	-

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

(2) Other receivables (continued)

(c) Other receivables of which provision is made collectively using ageing analysis method are analyzed as follows:

	30 June 2011				31 December 2010			
	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	10,948,093.13	62.76%	-	-	12,500,511.33	97.67%	-	-
1 to 2 years	6,495,840.37	37.24%	-	-	298,250.05	2.33%	-	-
	17,443,933.5	100.00%	-	-	12,798,761.38	100.00%	-	-

As at 30 June 2011, all other receivables were denominated in RMB (as at 31 December 2010: the same).

(3) Long-term receivables

	30 June 2011	31 December 2010
Loans to Qinglian Company	1,302,750,539.48	1,332,357,225.41

(4) Long-term equity investments

		30 June 2011	31 December 2010
Subsidiaries	(a)	4,963,822,989.81	4,922,766,187.96
Joint ventures	(b)	189,680,196.66	186,386,155.67
Associates	(c)	1,415,625,286.88	1,398,501,752.37
Other long-term equity investment	(c)	28,500,000.00	28,500,000.00
		6,597,628,473.35	6,536,154,096.00
Less: Provision for impairment of long-term equity investments		-	-
		6,597,628,473.35	6,536,154,096.00

As at 30 June 2011, no provision for impairment of long-term equity investments is required (as at 31 December 2010: nil).

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

(4) Long-term equity investments (continued)

(a) Subsidiaries (continued)

	Ending balance of investment costs	31 December 2010	Current period additions	Investment cost recovered	30 June 2011	Cash dividend declared	Equity interest held (%)	Voting rights held (%)	Impairment
Airport-Heao Eastern Company	1,241,816,084.00	1,320,454,729.44	-	(78,638,645.44)	1,241,816,084.00	(102,058,342.08)	100%	100%	-
Meiguan Company	631,976,276.16	662,099,155.25	-	(30,122,879.09)	631,976,276.16	(90,045,461.16)	100%	100%	-
Shenzhen Expressway Advertising Company Limited	3,325,000.01	3,325,000.01	-	-	3,325,0	-	95%	95%	-
Mei Wah	831,769,303.26	831,769,303.26	-	-	831,769,303.26	-	100%	100%	-
Qinglian Company	2,154,936,326.38	2,005,118,000.00	149,818,326.38	-	2,154,936,326.38	-	51.37%	51.37%	-
Outer Ring Company	100,000,000.00	100,000,000.00	-	-	100,000,000.00	-	100%	100%	-
	4,963,822,989.81	4,922,766,187.96	149,818,326.38	(108,761,524.53)	4,963,822,989.81	(192,103,803.24)			-

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.

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

(4) Long-term equity investments (continued)

(b) Joint ventures

	Ending balance of investment cost	31 December 2010	Current period additions	Current period reductions	30 June 2011
Guilong Company	4,900,000.00	-	4,900,000.00	-	4,900,000.00
Shenchang Company	346,203,994.00	186,386,155.67	-	(1,605,959.01)	184,780,196.66
		186,386,155.67	4,900,000.00	(1,605,959.01)	189,680,196.66

For details please refer to Note 6(a).

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

(5) Revenue and cost of services

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Revenue from main operation (a)	463,016,070.92	402,586,417.35
Revenue from other operation (b)	29,279,941.36	22,917,431.62
	492,296,012.28	425,503,848.97
Cost from main operation (a)	240,833,572.28	213,316,421.31
Cost from other operation (b)	11,419,115.76	11,415,051.19
	252,252,688.04	224,731,472.50

(a) Revenue and cost of services from main operation

	For the six months ended 30 June 2011		For the six months ended 30 June 2010	
	Revenue from main operation	Cost from main operation	Revenue from main operation	Cost from main operation
Revenue from toll road	463,016,070.92	240,833,572.28	402,586,417.35	213,316,421.31

The Group's revenue from toll road are all generated from Shenzhen region.

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

(5) Revenue and cost of services (continued)

(b) Revenue and cost of services from other operation

	For the six months ended 30 June 2011		For the six months ended 30 June 2010	
	Revenue from other operation	Cost from other operation	Revenue from other operation	Cost from other operation
Management services revenue	26,735,811.85	10,207,087.53	20,161,524.42	9,930,302.29
Other revenue	2,544,129.51	1,212,028.23	2,755,907.20	1,484,748.90
	29,279,941.36	11,419,115.76	22,917,431.62	11,415,051.19

(6) Investment income

	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Income from long-term equity investment under cost method	192,103,803.24	199,088,520.30
Income from long-term equity investment under equity method	82,858,832.59	86,794,601.22
	274,962,635.83	285,883,121.52

13 Net current assets

	Group	
	30 June 2011	31 December 2010
Current assets	1,009,362,651.02	1,133,193,319.36
Less: current liabilities	(2,939,956,893.59)	(2,987,377,846.97)
Net current assets	(1,930,594,242.57)	(1,854,184,527.61)

	Company	
	30 June 2011	31 December 2010
Current assets	773,525,766.88	849,534,339.40
Less: current liabilities	(1,775,158,747.19)	(1,649,468,757.88)
Net current assets	(1,001,632,980.31)	(799,934,418.48)

14 Total assets less current liabilities

	Group	
	30 June 2011	31 December 2010
Total assets	22,599,286,186.39	22,616,647,065.72
Less: current liabilities	(2,939,956,893.59)	(2,987,377,846.97)
Total assets less current liabilities	19,659,329,292.80	19,629,269,218.75

	Company	
	30 June 2011	31 December 2010
Total assets	14,590,896,710.52	14,589,881,502.24
Less: current liabilities	(1,775,158,747.19)	(1,649,468,757.88)
Total assets less current liabilities	12,815,737,963.33	12,940,412,744.36

Supplementary Information

1 Detailed list of non-recurring profit or loss items

2 Return on net assets and earnings per share

3 Illustration of fluctuation and related reasons on major financial statements items

Supplementary information
For the six months ended 30 June 2011
(All amounts in RMB unless otherwise stated)

1 Detailed list of non-recurring profit or loss items

	For the six months ended 30 June 2011	For the six months ended 30 June 2010	Note
Profits from entrusted management services	10,660,515.46	7,194,907.10	Profits from entrusted management services to Longda Company in current period.
The Amortisationof compensation provided by concession grantor	6,092,477.95	5,605,991.72	The Amortisationof compensation to Yanpai Expressway and Yanba Expressway provided by concession grantor recognised in current period according to traffic volume method which disclosed as a deduction of the Amortisationof the related concession intangible assets.
Other profit or loss items that meet the definition of non-recurring profit or loss	(222,776.45)	7,161,178.80	The net amount of other non-recurring profit and loss.
	16,530,216.96	19,962,077.62	
Impact of income tax (24%, the same period in 2010: 22%)	(2,825,084.12)	(4,391,657.08)	Tax impact of the non-recurring profit and loss.
Impact of minority interests (after tax))	35,805.02	(4,648.77)	
	13,740,937.86	15,565,771.77	

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] 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 judgements 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		Earnings per share: Diluted earnings per share	
	For the six months ended 30 June 2011	For the six months ended 30 June 2010	For the six months ended 30 June 2011	For the six months ended 30 June 2010	For the six months ended 30 June 2011	For the six months ended 30 June 2010
Net profit attributable to ordinary owners of the Company	4.02%	4.32%	0.162	0.165	0.162	0.165
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	3.86%	4.14%	0.155	0.158	0.155	0.158

3 Illustration of fluctuation and related reasons on major financial statements items

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

		30 June 2011	31 December 2010	Increase/ (decrease)(%)
Dividends receivable	1	9,569,209.91	-	100.00
Interests receivable	2	4,661,815.07	1,715,171.24	171.80
Advances to suppliers	3	28,406,002.45	13,865,949.18	104.86
Construction in progress	4	86,372,300.12	42,034,013.85	105.48
Deferred tax assets	5	136,685,014.27	103,492,784.79	32.07
Short-term borrowings	6	771,309,200.00	1,174,259,800.00	(34.32)
Notes payable	7	-	3,024,616.00	(100.00)
Advances from customers	8	24,670,777.73	14,171,844.00	74.08
Employee benefits payable	9	40,541,815.10	62,689,956.43	(35.33)
Interests payable	10	81,761,973.01	62,367,213.28	31.10
Dividends payable	11	106,911,126.91	-	100.00
Current portion of non-current liabilities	12	482,003,666.41	195,463,729.63	146.59

		For the six months ended 30 June 2011	For the six months ended 30 June 2010	Increase/ (decrease)(%)
General and administrative expenses	13	32,125,755.03	21,629,981.22	48.52
Minority interests	14	16,439,768.12	10,820,511.27	51.93
Net cash generated from investing activities	15	(177,512,517.83)	(456,616,559.56)	(61.12)
Net cash generated from financing activities	16	(610,014,141.08)	(328,303,594.77)	85.81

3 Illustration of fluctuation and related reasons on major financial statements items (continued)

1. According to Guoshuihan [2010] No.651 issued by State Administration of Taxation, Mei Wah, Maxprofit and JEL are recognised as resident enterprises of China. Magerk Company received tax rebate from tax authority related to the withholding tax paid for year 2008's dividends distributed. Mei Wah recognised the related dividends receivable basing on its investment proportion accordingly.
2. The accrued interests income from the fixed deposit increased.
3. Prepaid project funds for roads maintenance increased.
4. There was an addition of construction in progress of road lamp and related monitoring projects for expressways in Shenzhen in current period.
5. The Group provided provisions for maintenance/resurfacing obligation in current period and the deferred tax assets increased accordingly.
6. The Company adjusted the lending structure and reduced short-term borrowings in current period.
7. No project funds were settled by notes in current period.
8. Advances from advertising customers increased in current period.
9. Stuff bonuses of year 2010 were paid in current period.
10. The interest expenses accrued in current period for corporate bonds with principal amounting to RMB800 million and for convertible bonds with principal amounting to RMB1,500 million would be paid in the second half of every year.
11. It represented the dividends payable to holders of foreign shares listed in foreign capital market.
12. Current portion of long-term borrowings increased.
13. Housing funds were accrued in line with relevant clauses of Shenzhen government, and general and administrative expenses increase accordingly.
14. Loss of Qinglian Company increased in current period, and minority interests loss increased accordingly.
15. Cash received from investment income from joint ventures and associates and investment costs recovered increased in current period.
16. The Group received medium-term notes with principal amounting to RMB700 million in the same period of last year, and the net borrowings repaid in the same period of last year were more than it in current period by approximately RMB431 million.