

FINANCIAL REPORT

Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2005

	Notes	For the six months ended 30 June	
		2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
TURNOVER			
Continuing operations	3, 4	458,066	420,435
Discontinued operation	3, 4	—	9,717
		458,066	430,152
Other revenue	4	23,620	20,690
Depreciation and amortisation expenses		(118,836)	(108,594)
Staff costs		(39,449)	(34,157)
Other operating expenses		(77,966)	(120,934)
PROFIT FROM OPERATING ACTIVITIES	3, 5	245,435	187,157
Finance costs	6	(64,885)	(54,899)
Share of profits and losses of associates		2,151	1,444
PROFIT BEFORE TAX		182,701	136,479
Continuing operations		—	(2,777)
Discontinued operation		—	(2,777)
		182,701	133,702
Tax	7	(32,706)	(28,482)
Continuing operations		—	—
Discontinued operation		—	—
		(32,706)	(28,482)
NET PROFIT FOR THE PERIOD		149,995	105,220
Attributable to:			
Shareholders of the Company		159,827	115,287
Minority interests		(9,832)	(10,067)
		149,995	105,220
EARNINGS PER SHARE - basic	8	RMB0.0625	RMB0.0451

Condensed Consolidated Summary Statement of Changes in Equity

For the six months ended 30 June 2005

	For the six months ended 30 June	
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Total equity at 1 January	5,102,748	4,996,296
Net profit for the period attributable to shareholders of the Company	159,827	115,287
Net profit for the period attributable to minority interests	<u>(9,832)</u>	<u>(10,067)</u>
Total recognised income and expenses for the period	<u>149,995</u>	<u>105,220</u>
Dividend	<u>(102,322)</u>	<u>(81,858)</u>
Total equity at 30 June	<u>5,150,421</u>	<u>5,019,658</u>

Condensed Consolidated Balance Sheet

30 June 2005

	Notes	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000
NON-CURRENT ASSETS			
Fixed assets	10	5,988,289	6,041,266
Land use rights		573,268	587,815
Operating right		213,451	219,143
Goodwill		12,215	12,215
Interests in associates		55,064	56,129
Available-for-sale investments		34,793	34,795
		<u>6,877,080</u>	<u>6,951,363</u>
CURRENT ASSETS			
Inventories		6,890	4,814
Prepayments, deposits and other receivables		57,216	50,121
Cash and cash equivalents		1,012,769	876,374
		<u>1,076,875</u>	<u>931,309</u>
CURRENT LIABILITIES			
Tax payable		25,956	26,422
Other payables and accruals		144,223	182,423
Interest-bearing bank and other loans		343,518	349,143
Dividend payable		66,510	—
Due to the ultimate holding company	11	2,054	13,804
		<u>582,261</u>	<u>571,792</u>
NET CURRENT ASSETS		<u>494,614</u>	<u>359,517</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,371,694</u>	<u>7,310,880</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans		2,221,273	2,208,132
		<u>5,150,421</u>	<u>5,102,748</u>
EQUITY			
Issued capital		2,558,060	2,558,060
Reserves		2,370,358	2,210,531
Minority interests		222,003	231,835
Proposed final dividend		—	102,322
		<u>5,150,421</u>	<u>5,102,748</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	For the six months ended 30 June	
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
NET CASH INFLOW/(OUTFLOW) FROM		
OPERATING ACTIVITIES	264,983	(311,605)
NET CASH INFLOW FROM		
INVESTING ACTIVITIES	114,519	69,733
	<hr/>	<hr/>
NET CASH INFLOW/(OUTFLOW) BEFORE		
FINANCING ACTIVITIES	379,502	(241,872)
NET CASH INFLOW/(OUTFLOW) FROM		
FINANCING ACTIVITIES	(93,113)	448,018
	<hr/>	<hr/>
NET INCREASE IN CASH AND		
CASH EQUIVALENTS	286,389	206,146
CASH AND CASH EQUIVALENTS AT		
BEGINNING OF PERIOD	699,206	590,834
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS		
AT END OF PERIOD	985,595	796,980
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND		
CASH EQUIVALENTS		
Cash and bank balances	985,595	796,980
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Notes to Condensed Financial Statements

30 June 2005

1. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group’s accounting policies and the effect of adopting these new HKFRSs are set out in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

In 2005, the Group adopted the following new and revised HKFRSs, which are relevant to its operations.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discounted Operations

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

All the relevant changes in accounting policies have been made in accordance with the provisions of the respective HKFRSs.

The major effects of adoption of these HKFRSs are summarised as follows:

The adoption of HKAS 17 has resulted in a change in accounting policy relating to the reclassification of leasehold land use rights from property, plant and equipment to operating leases. The up front prepayment made for land use rights are expensed in the profit and loss account on the straight-line basis over the period of the lease, or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, land use rights were stated at cost less accumulated depreciation and accumulated impairment losses. The adoption of this HKAS has had no significant impact on the financial statements.

The adoption of HKFRS 3 and HKAS 36 has resulted in a change in accounting policy for goodwill. The Group ceases annual goodwill amortisation and to test for impairment annually at the cash generating unit level (unless an event occurs during the period/year which requires the goodwill to be tested more frequently) from 1 January 2005. The transitional provisions of HKFRS 3 have required the Group to eliminate, at 1 January 2005, the carrying amount of accumulated amortisation with a corresponding decrease in goodwill. The adoption of these HKFRSs has had no significant impact on the financial statements.

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

The adoption of HKASs 32 and 39 do not result in change in measurement of the Group's investments in equity securities. Such investments are classified as available-for-sale investments upon the adoption of these HKASs.

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 18, 19, 21, 23, 24, 27, 28, 33, 37, 38 and HKFRS 5 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 – “Presentation of Financial Statements” has affected the presentation of minority interests, share of net after tax results of associates and other disclosures.
- HKAS 24 – “Related Party Disclosures” has expanded the definition of related parties to include key management of the Group (note 13).

3. SEGMENTAL INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format. The Group's turnover and contribution to profit from operating activities for the six months ended 30 June 2005 (the "Period") were derived in Sichuan Province, the PRC. Accordingly, no segment information by geographical segment is presented.

The Group has only one business segment in respect of toll operation (with the sale of petroleum products being immaterial). The following segment information by business segment is presented as additional information only.

	For the six months ended 30 June			
	2005		2004	
	Contribution to profit from operating activities		Contribution to profit from operating activities	
	Turnover	Turnover	Turnover	Turnover
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Toll revenue	458,066	245,435	420,435	187,111
Sale of petroleum products	—	—	9,717	46
	<u>458,066</u>	<u>245,435</u>	<u>430,152</u>	<u>187,157</u>

4. TURNOVER AND OTHER REVENUE

An analysis of turnover and other revenue is as follows:

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Turnover		
Continuing operations:		
Toll revenue		
– Chengyu Expressway	339,041	317,530
– Chengya Expressway	111,693	99,978
– Chengbei Exit Expressway	30,842	25,921
Less: Revenue taxes	(23,510)	(22,994)
Subtotal	458,066	420,435
Discontinued operation:		
Trading of petroleum products	—	9,717
	<u>458,066</u>	<u>430,152</u>
Other revenue		
Rental income	8,487	7,756
Road maintenance income	3,237	4,891
Interest income	7,458	4,665
Dividend income from		
a long term investment	—	513
Negative goodwill recognised	—	161
Miscellaneous	4,438	2,704
	<u>23,620</u>	<u>20,690</u>

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation	100,569	94,536
Amortisation of land use rights	12,575	14,058
Amortisation of operating right	5,692	—
Goodwill:		
Amortisation for the period	—	685
Payments under operating leases:		
Land and buildings	839	396
Machinery and equipment	826	—
Staff costs:		
Wages and salaries	30,864	27,943
Pension scheme contributions	4,599	3,820
Accommodation benefits	3,986	2,394
Cost of petroleum products sold	—	9,671
Bad debt expenses	141	900
	<u>141</u>	<u>900</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on bank loans wholly repayable		
within five years	61,144	50,980
Interest on other loans	3,673	3,863
Exchange losses	68	56
	<u>64,885</u>	<u>54,899</u>

7. TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the Period.

Pursuant to documents "Cai Shui [2001] No. 202" and "Guo Shui Fa [2002] No. 47" issued by the State Tax Bureau and approval documents "Chuan Guo Shui Han [2002] No. 244" dated 16 October 2002 and "Chuan Guo Shui Zhi Han [2002] No. 30" dated 21 November 2002 issued by the Sichuan Provincial Branch of the State Tax Bureau:

- For the eight years from 1 January 2003, the Company is required to pay Corporate Income Tax ("CIT") at a preferential rate of 15%.

7. TAX (continued)

Pursuant to an approval document “Chuan Di Shui Han [2004] No. 283” dated 19 July 2004 issued by the Sichuan Provincial Branch of the State Tax Bureau, the Company’s subsidiary, Chengdu Chengbei Exit Expressway Co., Ltd. (“Chengbei Company”), was granted a tax concession to pay CIT at a preferential rate of 15% for the period from 1 January 2003 to 21 December 2010.

Pursuant to a document “Guo Ban Fa [2001] No. 73” dated 29 September 2001 issued by the State Council of the PRC and the approval of the local tax authorities, Chengdu Airport Expressway Co., Ltd., an associate of the Company, was granted a tax concession to pay CIT at a preferential rate of 15% for a period of 10 years from 1 January 2001 to 31 December 2010.

The other subsidiaries and associates of the Company are required to pay CIT at the standard rate of 33%.

The major components of income tax expenses for the Period are as follows:

	For the six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Group:		
Current – PRC	<u>32,706</u>	<u>28,482</u>

7. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	For the six months ended 30 June	
	2005 RMB'000 (Unaudited)	2004 RMB'000 (Unaudited)
Profit before tax	182,701	133,702
Tax at an applicable tax rate of		
– 33%	888	2,205
– 15%	27,002	19,095
	<hr/>	<hr/>
Subtotal	27,890	21,300
Expenses not deductible for tax	855	2,139
Income not subject to tax	(322)	(326)
Tax losses of subsidiaries	4,283	5,369
	<hr/>	<hr/>
Actual tax expense	<u>32,706</u>	<u>28,482</u>

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the Period attributable to shareholders of the Company for the Period of RMB159,827,000 (2004: RMB115,287,000) and the 2,558,060,000 (2004: 2,558,060,000) Domestic and H Shares in issue during the Period.

9. DIVIDEND

At a meeting of the board of directors held on 16 August 2005, the directors of the Company resolved not to pay an interim dividend to shareholders (2004: nil).

10. FIXED ASSETS

	At 1 January 2005 <i>RMB'000</i> <i>(Unaudited)</i>	Additions/ provided during the Period <i>RMB'000</i> <i>(Unaudited)</i>	Disposals <i>RMB'000</i> <i>(Unaudited)</i>	Transfers <i>RMB'000</i> <i>(Unaudited)</i>	At 30 June 2005 <i>RMB'000</i> <i>(Unaudited)</i>
Cost:					
Expressways, tunnels and bridges	6,399,754	651	—	3,893	6,404,298
Safety equipment	435,832	439	—	—	436,271
Communication and signalling systems	157,088	—	(44)	—	157,044
Toll collection equipment	96,347	487	—	639	97,473
Buildings	241,843	884	—	1,968	244,695
Machinery and equipment	123,053	5,312	—	330	128,695
Motor vehicles	56,887	1,254	(405)	—	57,736
Construction in progress	7,275	38,712	—	(6,830)	39,157
	<u>7,518,079</u>	<u>47,739</u>	<u>(449)</u>	<u>—</u>	<u>7,565,369</u>
Accumulated depreciation:					
Expressways, tunnels and bridges	973,447	50,524	—	—	1,023,971
Safety equipment	267,827	22,826	—	—	290,653
Communication and signalling systems	59,699	7,217	—	—	66,916
Toll collection equipment	29,319	6,501	—	—	35,820
Buildings	48,540	3,886	—	—	52,426
Machinery and equipment	66,286	6,677	—	—	72,963
Motor vehicles	31,695	2,938	(302)	—	34,331
	<u>1,476,813</u>	<u>100,569</u>	<u>(302)</u>	<u>—</u>	<u>1,577,080</u>
Net book value:					
Expressways, tunnels and bridges	5,426,307				5,380,327
Safety equipment	168,005				145,618
Communication and signalling systems	97,389				90,128
Toll collection equipment	67,028				61,653
Buildings	193,303				192,269
Machinery and equipment	56,767				55,732
Motor vehicles	25,192				23,405
Construction in progress	7,275				39,157
	<u>6,041,266</u>				<u>5,988,289</u>

11. DUE TO THE ULTIMATE HOLDING COMPANY

The amount due to the ultimate holding company is unsecured, interest-free and is repayable on demand.

12. COMMITMENTS

	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000
Contracted, but not provided for	6,772	10,063
Authorised, but not contracted for	454,471	455,897
	<u>461,243</u>	<u>465,960</u>

Further details of the capital commitments of the Group as of 30 June 2005 are analysed as follows:

	30 June 2005 RMB'000 (Unaudited)	31 December 2004 RMB'000
In respect of:		
– Construction works to upgrade the Chengyu Expressway	421,572	443,000
– Others	39,671	22,960
	<u>461,243</u>	<u>465,960</u>

13. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties, as defined in HKAS 24:

In previous years, the Group obtained State loans amounting to RMB250 million (2004: RMB250 million) in aggregate pursuant to the loan repayment agreements (the "Loan Repayment Agreements") entered into between the Company and Sichuan Highway Development Holding Company ("Sichuan Highway Development"), the ultimate holding company of the Company. The State loans were originally made to the Sichuan Provincial Government through the Ministry of Finance for infrastructure development of the Sichuan Province. For the purpose of financing the construction of the Chengya Expressway, Sichuan Highway Development had initially obtained the State loans and pursuant to the Loan Repayment Agreements, the State loans were then transferred to the Group. During the Period, the Group repaid part of the State loans amounting to RMB6,818,000 (2004: RMB6,818,000).

At 30 June 2005, the Group's bank loans amounting to RMB489.5 million (31 December 2004: RMB489.5 million) were guaranteed by Sichuan Highway Development.

Key management compensations were as follows:

	For the six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fee	190	70
Other emoluments:		
Basic salaries and allowances and benefits in kind	586	535
	776	605
Pension fund	8	5
	784	610

13. RELATED PARTY TRANSACTIONS *(continued)*

As at the date of this report, the executive directors of the Company are:

Mr. Zhou Liming
Mr. Zhang Zhiying
Mr. Zhang Wengsheng
Mr. Gao Chun
Mr. He Gang
Mr. Liu Mingli
Mr. Zhang Yongnian
Madam Zhang Yang

And the independent non-executive directors are:

Madam Zang Dihua
Mr. Yim Chung Wu
Madam Luo Xia
Mr. Feng Jian

14. COMPARATIVE AMOUNTS

As further explained in note 2 to the condensed interim consolidated financial statements, due to the adoption of certain new HKFRSs, the accounting treatment and presentation of certain items and balances in the condensed interim consolidated financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform to the current period's presentation.

15. APPROVAL OF THE INTERIM FINANCIAL REPORT

The interim financial report was approved by the board of directors on 16 August 2005.