

FINANCIAL REPORT

The unaudited condensed consolidated income statement for the Period and condensed consolidated balance sheet as at 30 June 2006 of the Group and relevant notes, are set out as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	Notes	For the six months ended 30 June	
		2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
REVENUE	4	513,957	458,066
Other income	4	23,213	23,620
Depreciation and amortisation expenses		(119,278)	(118,836)
Staff costs		(47,626)	(39,449)
Other operating expenses		(99,086)	(77,966)
Finance costs	5	(58,947)	(64,885)
Share of profits and losses of associates		2,381	2,151
PROFIT BEFORE TAX	6	214,614	182,701
Tax	7	(41,828)	(32,706)
NET PROFIT FOR THE PERIOD		<u>172,786</u>	<u>149,995</u>
Attributable to:			
Shareholders of the Company		170,385	159,827
Minority interests		2,401	(9,832)
		<u>172,786</u>	<u>149,995</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY - basic	8	<u>RMB0.0666</u>	<u>RMB0.0625</u>



CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2006

	Notes	30 June 2006 RMB'000 (Unaudited)	31 December 2005 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,892,505	5,950,055
Land use rights		548,627	560,913
Operating right		202,067	207,759
Goodwill		12,215	12,215
Interests in associates		55,868	58,118
Available-for-sale investments		32,795	34,445
Total non-current assets		<u>6,744,077</u>	<u>6,823,505</u>
CURRENT ASSETS			
Inventories		9,574	9,372
Prepayments, deposits and other receivables	11	181,972	145,228
Cash and cash equivalents		886,081	743,963
Total current assets		<u>1,077,627</u>	<u>898,563</u>
CURRENT LIABILITIES			
Tax payable		45,429	32,941
Other payables and accruals		134,830	139,955
Interest-bearing bank and other borrowings		773,162	529,601
Dividend payable		66,510	—
Due to the ultimate holding company	12	2,054	2,054
Total current liabilities		<u>1,021,985</u>	<u>704,551</u>
NET CURRENT ASSETS		<u>55,642</u>	<u>194,012</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,799,719</u>	<u>7,017,517</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		1,505,327	1,792,146
Deferred tax liabilities		2,520	3,963
Total non-current liabilities		<u>1,507,847</u>	<u>1,796,109</u>
NET ASSETS		<u>5,291,872</u>	<u>5,221,408</u>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		2,558,060	2,558,060
Reserves		2,526,661	2,356,276
Proposed final dividend		—	102,322
Minority interests		5,084,721 207,151	5,016,658 204,750
Total equity		<u>5,291,872</u>	<u>5,221,408</u>

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	For the six months ended 30 June	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Total equity at 1 January	5,221,408	5,102,748
Net profit for the period attributable to:		
Shareholders of the Company	170,385	159,827
Minority interests	2,401	(9,832)
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Total recognised income and expenses for the period	172,786	149,995
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Dividend	(102,322)	(102,322)
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Total equity at 30 June	<u>5,291,872</u>	<u>5,150,421</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	For the six months ended 30 June	
	2006 <i>RMB'000</i> <i>(Unaudited)</i>	2005 <i>RMB'000</i> <i>(Unaudited)</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	313,335	264,983
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(33,194)	114,519
NET CASH INFLOW BEFORE FINANCING ACTIVITIES	280,141	379,502
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(138,023)	(93,113)
NET INCREASE IN CASH AND CASH EQUIVALENTS	142,118	286,389
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	743,948	699,206
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>886,066</u>	<u>985,595</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances (excluding time deposits with original maturities of over three months)	<u>886,066</u>	<u>985,595</u>

Notes to Condensed Financial Statements

30 June 2006

1. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof.

These condensed interim consolidated financial statements should be read in conjunction with the 2005 annual financial statements.

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 2005, except for the adoption of certain new/revised Hong Kong Financial Reporting Standards (“HKFRS”, which also include HKASs and Interpretations) which are effective for accounting periods commencing on or after 1 January 2006.



2.1 ADOPTION OF NEW/REVISED HKFRSs

In 2006, the Group adopted the following new and revised HKFRSs, which are relevant to its operations.

HKFRS 1 Amendment	First-time adoption of Hong Kong Financial Reporting Standards
HK (IFRIC) — Int 4	Determining whether an arrangement contains a lease
HK (IFRIC) — Int 5	Rights to interests arising from decommissioning, restoration and rehabilitation funds
HKAS 39 Amendment	The fair value option

The adoption of the pronouncements listed above will not have any significant impact on the accounting policies of the Group and the method of computation in the Group's interim financial statements.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs relevant to the Group's interim financial statements, that have been issued but not yet effective in these financial statements which are effective for periods beginning on or after 1 January 2007:

HKAS 1 Amendment	Capital disclosures
HKFRS 7	Financial instruments: Disclosures

The Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

3. SEGMENTAL INFORMATION

The Group's revenue and contribution to profit from operating activities for the Period were mainly derived from toll operation. The principal assets employed by the Group are located in the Sichuan Province, the PRC. Accordingly, no segment analysis by business or geographical segments is provided.

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Toll income		
— Chengyu Expressway	353,210	339,041
— Chengya Expressway	137,949	111,693
— Chengbei Exit Expressway, Qinglongchang Bridge and Chengbei Exit Dajian Road	39,596	30,842
	530,755	481,576
Less: Revenue taxes	(16,798)	(23,510)
	513,957	458,066
Other income		
Rental income	7,886	8,487
Road maintenance income	6,860	5,589
Interest income	5,506	7,458
Miscellaneous	2,961	2,086
	23,213	23,620
Total revenue and other income	537,170	481,686

5. FINANCE COSTS

	For the six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable		
within five years	55,484	61,144
Interest on other borrowings	3,463	3,673
Exchange losses	—	68
	<hr/>	<hr/>
	58,947	64,885
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6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs:		
Wages and salaries	37,401	30,864
Pension scheme contributions	5,863	4,599
Accommodation benefits	4,362	3,986
	<u>47,626</u>	<u>39,449</u>
Auditors' remuneration	315	292
Depreciation	101,068	100,569
Amortisation of land use rights	12,518	12,575
Amortisation of operating right	5,692	5,692
Payments under operating leases:		
Land and buildings	1,194	839
Bad debt provision	5,530	141
	<u>5,530</u>	<u>141</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, “Chuan Guo Shui Zhi Han [2002] No. 30” dated 21 November 2002 issued by the Sichuan Provincial Branch of the State Tax Bureau, “Chuan Guo Shui Han [2006] No. 40” dated 7 February 2006 issued by the Sichuan Provincial Branch of the State Tax Bureau:

- For the 3 years from 1 January 2003, the Company is required to pay Corporate Income Tax (“CIT”) at a preferential rate of 15%.
- For the 5 years from 1 January 2006, the Company is required to pay CIT at a preferential rate of 18%.

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 31 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%.



7. **TAX** (continued)

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

	For the six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Group:		
Current	43,271	32,706
Deferred	(1,443)	—
	<u>41,828</u>	<u>32,706</u>

7. **TAX** (continued)

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rates for the country in which the Company and its subsidiaries are domiciled (i.e. the PRC) is as follows:

	For the six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax (excluding share of profits and losses of associates)	212,233	180,550
Tax at an applicable tax rate of		
- 33%	438	888
- 18%	37,377	—
- 15%	488	26,680
	<hr/>	<hr/>
Subtotal	38,303	27,568
Expenses not deductible for tax	7,119	855
Utilisation of tax losses of a subsidiary	(3,744)	—
Tax losses of subsidiaries	150	4,283
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Tax expense	41,828	32,706
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8. **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY**

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 RMB170,385,000 (2005: RMB159,827,000) and the 2,558,060,000 (2005: 2,558,060,000) Domestic and H Shares in issue during the Period.

Diluted earnings per share amounts for the periods ended 30 June 2006 and 2005 equal to that of basic earnings per share as no diluting events existed during these periods.

9. **DIVIDENDS**

- (1) Dividends attributable to the interim period

At a meeting of the board of directors held on 22 August 2006, the directors (the "Directors") of the Company resolved not to pay an interim dividend to shareholders (2005: nil).

9. **DIVIDENDS** (continued)

- (2) Dividends attributable to the previous financial year, declared and paid during the interim period

	For the six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend in respect of financial year ended 31 December 2005 of RMB0.04 per share (2004: RMB0.04 per share)		
Declared during the interim period	102,322	102,322
Paid during the interim period	(35,812)	(35,812)
	<u>66,510</u>	<u>66,510</u>

10. PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2006 RMB'000 (Unaudited)	Additions/ provided during the Period RMB'000 (Unaudited)	Disposals RMB'000 (Unaudited)	Transfers RMB'000 (Unaudited)	At 30 June 2006 RMB'000 (Unaudited)
Cost:					
Expressways, tunnels and bridges	6,472,928	—	(857)	—	6,472,071
Safety equipment	436,150	383	(91)	—	436,442
Communication and signalling systems	157,064	7	(21,758)	—	135,313
Toll collection equipment	105,586	173	(857)	—	104,902
Buildings	252,976	—	—	—	252,976
Machinery and equipment	133,431	3,913	(129)	53	137,268
Motor vehicles	58,960	1,004	(2,718)	—	57,246
Construction in progress	14,263	40,372	—	(53)	54,582
	<u>7,631,358</u>	<u>45,852</u>	<u>(26,410)</u>	<u>—</u>	<u>7,650,800</u>
Accumulated depreciation:					
Expressways, tunnels and bridges	1,078,045	56,710	—	—	1,134,755
Safety equipment	313,366	15,969	(57)	—	329,278
Communication and signalling systems	75,169	7,657	(20,953)	—	61,873
Toll collection equipment	42,917	6,742	(421)	—	49,238
Buildings	56,392	4,083	—	—	60,475
Machinery and equipment	79,819	6,936	(100)	—	86,655
Motor vehicles	35,595	2,971	(2,545)	—	36,021
	<u>1,681,303</u>	<u>101,068</u>	<u>(24,076)</u>	<u>—</u>	<u>1,758,295</u>
Net book value:					
Expressways, tunnels and bridges	5,394,883				5,337,316
Safety equipment	122,784				107,164
Communication and signalling systems	81,895				73,440
Toll collection equipment	62,669				55,664
Buildings	196,584				192,501
Machinery and equipment	53,612				50,613
Motor vehicles	23,365				21,225
Construction in progress	14,263				54,582
	<u>5,950,055</u>				<u>5,892,505</u>

10. **PROPERTY, PLANT AND EQUIPMENT** (continued)

As at 30 June 2006, the concession rights pertaining to Chengya Expressway and Chengbei Exit Expressway were pledged to secure bank loans amounting to RMB580,000,000 (31 December 2005: RMB580,000,000) and RMB243,600,000 (31 December 2005: RMB243,600,000), respectively.

11. **PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

Included in prepayment at 30 June 2006 and 31 December 2005 is a down payment of RMB100,000,000 made in respect of a proposed acquisition of a 21.16% equity interest in Jiuzhai Huanglong Airport Co., Ltd.

12. **DUE TO THE ULTIMATE HOLDING COMPANY**

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

13. **COMMITMENTS**

	30 June	31 December
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	
Contracted, but not provided for	501,686	49,190
Authorised, but not contracted for	266,905	329,595
	768,591	378,785



13. **COMMITMENTS** (continued)

Further details of the capital commitments of the Group as of 30 June 2006 are analysed as follows:

	30 June	31 December
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	
In respect of:		
— Construction works to upgrade the Chengyu Expressway	330,368	324,287
— Acquisition of minority interests in a Subsidiary	361,230	—
— Others	76,993	54,498
	<u>768,591</u>	<u>378,785</u>

14. *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 (2005: 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 (2005: RMB6,818,000).

As 30 June 2006, the Group's bank loans amounting to RMB259 million (31 December 2005: RMB279 million) were guaranteed by Sichuan Highway Development.



14. RELATED PARTY TRANSACTIONS (continued)

Key management compensations were as follows:

	For the six months ended 30 June	
	2006 RMB'000 (Unaudited)	2005 RMB'000 (Unaudited)
Fee	190	190
Other emoluments:		
Basic salaries and allowances and benefits in kind	593	586
	783	776
Pension fund	7	8
	790	784

14. 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 Chun Wu
Madam Luo Xia
Mr. Feng Jian

15. POST BALANCE SHEET EVENTS

- (1) On 3 April 2006, the Company entered into an acquisition agreement with minority shareholders of Sichuan Chengya Expressway Co., Ltd. ("Chengya"), a subsidiary of the Company, for the acquisition of a 37.628% equity interest in Chengya at a consideration of RMB360 million approximately. The acquisition was completed on 8 August 2006 and the Company has dissolved Chengya and re-registered it as a branch of the Company on 9 August 2006.
- (2) Pursuant to a resolution passed at the extraordinary meeting of shareholders of the Company on 1 August 2006, the Company approved the issue of short-term commercial papers for an amount of not exceeding RMB1.5 billion.

16. APPROVAL OF THE INTERIM FINANCIAL REPORT

The interim financial report was approved by the board of Directors (the "Board") on 22 August 2006.