



Sichuan Expressway Company Limited

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

(Stock Code: 00107)



Interim Report
2008

CONTENTS

	<i>Page</i>
Corporate Information	2
Corporate Profile	5
Interim Condensed Financial Information	7
Changes in Share Capital and Shareholding of Substantial Shareholders	32
Directors, Supervisors and Senior Management	34
Management Discussion and Analysis	35
Other Significant Events	60

CORPORATE INFORMATION

Statutory Names in Chinese and English

四川成渝高速公路股份有限公司

Sichuan Expressway Company Limited

Legal Representative

Tang Yong

Registered Address/Office Address

252 Wuhouci Da Jie, Chengdu,

Sichuan Province, the People's Republic of China

Postal Code

610041

Company Secretary

Zhang Yongnian

Representative of Securities Affairs

Zhang Hua

Investors' Hotline

(8628) 8552 7510/8552 7526

Fax

(8628) 8553 0753

Company Website

<http://www.cygs.com>

Principal Place of Business in Hong Kong

28/F, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong

Initial Registration Date and Place

19 August 1997/Chengdu City, Sichuan Province, the PRC

Latest Date of Registration Update

3 July 2008

Registration Number of Business License

510000400003856

Tax Registration Number

Chuan Guo Shui Zi No. 51010720189926X

Place of Listing Shares

H Shares: The Stock Exchange of Hong Kong Limited

Stock Code

00107

Designated Publication Website

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

<http://cygs.wsfg.hk>

<http://www.cygs.com>

Principal Banker

China Construction Bank

International Auditor

Ernst & Young Certified Public Accountants
18/F, Two International Finance Centre,
8 Finance Street, Central, Hong Kong

Domestic Auditor

Sichuan Jun He Accountants
22/F and 23/F, Guoxin Square, 88 Babao Street, Chengdu City
Sichuan Province, the PRC

Hong Kong Legal Adviser

Loong & Yeung
Suites 2201-2203, 22/F, Jardine House,
1 Connaught Place, Central, Hong Kong

PRC Legal Adviser

Zhong Yin Law Firm
16/F, Anlian Plaza, Building 3, Beijing International Center,
No. 38 North Road Dongsanhuan, Chaoyang District, Beijing, the PRC

Share Registrar and Transfer Office

Hong Kong Registrars Limited
46th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

Place for Inspection of Corporate Information

Sichuan Expressway Company Limited
252 Wuhouci Da Jie, Chengdu,
Sichuan Province, the People's Republic of China

Tricor Tengis Limited

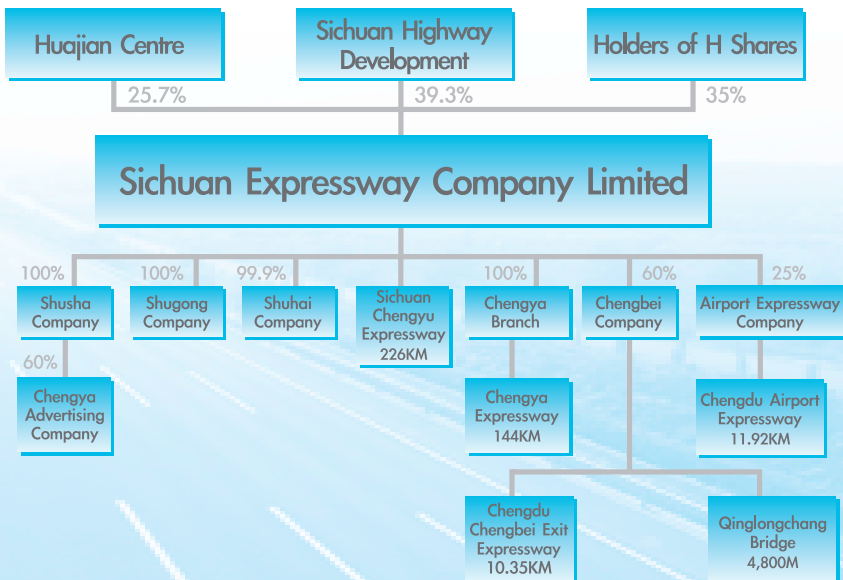
28/F, Three Pacific Place,
1 Queen's Road East, Wanchai, Hong Kong

CORPORATE PROFILE

Sichuan Expressway Company Limited (the “Company” or “Chengyu Company”) was incorporated in Sichuan Province of the People’s Republic of China (the “PRC”) on 19 August 1997 and was listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 7 October 1997. The Company is principally engaged in the investment, construction, operation and management of road infrastructure projects in Sichuan Province, the PRC as well as the operation of other ancillary businesses relating to toll roads.

The Company and its subsidiaries are collectively referred to as the Group.

The total share capital of the Company is 2,558,060,000 shares. The shareholdings and asset structure of the Company as at 30 June 2008 are as follows:



6 Sichuan Expressway Company Limited

Notes:

<i>"Sichuan Highway Development"</i>	<i>Sichuan Highway Development Holding Company</i>
<i>"Huajian Centre"</i>	<i>Huajian Transportation Economic Development Centre</i>
<i>"Shusha Company"</i>	<i>Sichuan Shusha Enterprise Company Limited</i>
<i>"Shugong Company"</i>	<i>Sichuan Shugong Expressway Engineering Company Limited</i>
<i>"Shuhai Company"</i>	<i>Chengdu Shuhai Investment Management Company Limited</i>
<i>"Chengyu Advertising Company"</i>	<i>Sichuan Chengyu Expressway Advertising Company Limited</i>
<i>"Chengya Branch"</i>	<i>Sichuan Expressway Company Limited Chengya Branch</i>
<i>"Chengbei Company"</i>	<i>Chengdu Chengbei Exit Expressway Company Limited</i>
<i>"Airport Expressway Company"</i>	<i>Chengdu Airport Expressway Company Limited</i>

INTERIM CONDENSED FINANCIAL INFORMATION

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	For the six months ended 30 June	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
REVENUE	4	660,133	574,520
Other income and gains	4	43,879	22,492
Depreciation and amortisation expenses	6	(127,707)	(123,737)
Employee costs	6	(68,252)	(61,633)
Other operating expenses		(91,852)	(97,208)
Finance costs	5	(67,349)	(43,927)
Share of profits and losses of associates		1,832	2,230
PROFIT BEFORE TAX	6	350,684	272,737
Tax	7	(53,271)	(55,784)
PROFIT FOR THE PERIOD		<u>297,413</u>	<u>216,953</u>
Attributable to:			
Equity holders of the Company		291,294	213,607
Minority interests		6,119	3,346
		<u>297,413</u>	<u>216,953</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY — basic	8	<u>RMB0.114</u>	<u>RMB0.084</u>

INTERIM CONSOLIDATED BALANCE SHEET

30 June 2008

2008 Interim Report

		30 June 2008	31 December 2007
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	10	444,686	463,289
Service concession arrangements	10	5,484,075	5,547,063
Prepaid land lease payments		497,874	510,434
Operating rights		105,965	109,276
Interests in associates		54,139	57,508
Available-for-sale investments		32,795	32,795
Long term compensation receivables		76,847	78,868
Payment in advance	11	100,000	100,000
Total non-current assets		6,796,381	6,899,233
CURRENT ASSETS			
Inventories		16,744	12,519
Prepayments, deposits and other receivables		28,553	50,479
Due from the ultimate holding company	12	3,687	—
Cash and bank balances		973,292	640,169
Total current assets		1,022,276	703,167
CURRENT LIABILITIES			
Tax payable		35,462	49,918
Other payables and accruals		197,869	201,704
Interest-bearing bank and other loans		1,659,727	1,605,774
Total current liabilities		1,893,058	1,857,396
NET CURRENT LIABILITIES		(870,782)	(1,154,229)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,925,599	5,745,004

INTERIM CONSOLIDATED BALANCE SHEET (Continued)

30 June 2008

	30 June 2008	31 December 2007
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Restated)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other loans	<u>279,873</u>	396,691
Net assets	<u>5,645,726</u>	<u>5,348,313</u>
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	2,558,060	2,558,060
Reserves	<u>2,979,937</u>	2,688,643
	5,537,997	5,246,703
MINORITY INTERESTS	<u>107,729</u>	101,610
Total equity	<u>5,645,726</u>	<u>5,348,313</u>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company									
	Share	Statutory	General	Difference	Proposed		Minority	Total	Minority	Total
Issued	premium	surplus	surplus	acquisition	Retained	final				
capital	account	reserve	reserve	interest	earnings	dividend				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2007	2,558,060	1,413,597	373,438	335,107	(243,712)	424,712	102,322	4,963,524	100,354	5,063,878
Profit for the period	—	—	—	—	—	213,607	—	213,607	3,346	216,953
Dividends paid to										
minority shareholders	—	—	—	—	—	—	—	—	(6,767)	(6,767)
Final dividend declared	—	—	—	—	—	—	(102,322)	(102,322)	—	(102,322)
At 30 June 2007	<u>2,558,060</u>	<u>1,413,597</u>	<u>373,438</u>	<u>335,107</u>	<u>(243,712)</u>	<u>638,319</u>	<u>—</u>	<u>5,074,809</u>	<u>96,933</u>	<u>5,171,742</u>
At 1 January 2008	2,558,060	1,413,597	478,827	447,115	(243,712)	592,816	—	5,246,703	101,610	5,348,313
Profit for the period	—	—	—	—	—	291,294	—	291,294	6,119	297,413
At 30 June 2008	<u>2,558,060</u>	<u>1,413,597</u>	<u>478,827</u>	<u>447,115</u>	<u>(243,712)</u>	<u>884,110</u>	<u>—</u>	<u>5,537,997</u>	<u>107,729</u>	<u>5,645,726</u>

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	476,740	430,486
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(200,279)</u>	<u>(146,621)</u>
NET CASH INFLOW BEFORE FINANCING ACTIVITIES	276,461	283,865
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	<u>(123,218)</u>	<u>(160,806)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	153,243	123,059
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>640,154</u>	<u>416,825</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>793,397</u>	<u>539,884</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances at end of the period	973,292	539,884
Less: Time deposits with original maturity of over three months	<u>(179,895)</u>	<u>—</u>
	<u>793,397</u>	<u>539,884</u>

Notes to Interim Financial Information

For the six months ended 30 June 2008

1. CORPORATE INFORMATION

Sichuan Expressway Company Limited (the “Company”) is a limited liability company established in the People’s Republic of China (the “PRC”). The registered office of the Company is located at 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC.

During the six months ended 30 June 2008 (the “Period”), the principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) were the investment, construction, management and operation of expressways and a high-grade toll bridge.

On 26 September 2007, the board of directors (the “Board”) passed a resolution that the Company would apply (i) to the China Securities Regulatory Commission for the issue to the PRC public and institutional investors of a maximum of 500,000,000 A Shares of RMB1.00 each; and (ii) to the Shanghai Stock Exchange for the listing of the A Shares on the Shanghai Stock Exchange (hereinafter referred as the “Proposed A Share Issue”). The net proceeds of the Proposed A Share Issue will be applied for (i) the payment for the aggregate consideration of RMB1,098,320,800 for the acquisition of equity interest in Sichuan Chengle Expressway Company Limited (“SC Expressway”), and (ii) the partial repayment of the bank loans of SC Expressway.

1. CORPORATE INFORMATION *(Continued)*

On 12 December 2007, the resolution to proceed with the Proposed A Share Issue and the acquisition of equity interest in SC Expressway were approved by the shareholders at an extraordinary general meeting of shareholders and class meetings of the holders of H Shares and Domestic Shares. And on 19 December 2007, the Company officially filed the application documents regarding the issuance and listing of A Shares with China Securities Regulatory Commission (the “CSRC”). On 27 June 2008, the application of Proposed A Share Issue were approved by Securities Issue Approval Committee of CSRC. At present, the Company is proactively preparing for listing related works including price consultation and road show. The Proposed A Share Issue has not yet been completed at the date of approval of this interim financial information.

2.1 BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2008 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 (“HKICPA”).

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2007.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fundamental accounting concept

As at 30 June 2008, the current liabilities of the Group exceeded its current assets by approximately RMB0.9 billion. The directors prepared these interim condensed consolidated financial statements on a going concern basis notwithstanding the net current liabilities position as at 30 June 2008 because based on the correspondences received by the directors from the banks, banking facilities amounting to RMB1.3 billion and RMB1.5 billion granted by China Construction Bank and China Citic Bank, respectively, are available to the Group before October 2009. As at 30 June 2008, all these banking facilities have not been utilised.

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of HK(IFRIC) Interpretation 12 ("HK(IFRIC) 12") *Service Concession Arrangements*, which is effective for annual periods beginning on or after 1 January 2008 as set out below:

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*(Continued)*

HK(IFRIC) 12 requires the recognition of construction revenue and the corresponding financial receivable and/or intangible assets for public-to-private service arrangements if:

- the party that grants the service arrangement (the “grantor”) controls or regulates what service the entity (the “operator”) must provide with the infrastructure asset, to whom it must provide them, and at what price;
- the grantor controls, through ownership, beneficial entitlement, or otherwise any significant residual interest in the infrastructure asset at the end of the term of arrangement.

Pursuant to the respective service concession arrangements applicable to Chengyu Expressway, Chengya Expressway and Chengbei Exit Expressway (the “Expressways”) that are constructed by the Group, the Group operates the Expressways for concession periods of between 25.5 to 30 years and will transfer the Expressways to the grantor at the end of the respective concession periods. Such service concession arrangements fall within the scope of HK(IFRIC) 12.

In prior periods, the Expressways were recorded as property, plant and equipment and were stated at cost less accumulated depreciation and impairment losses. Depreciation of the Expressways was calculated to write off their cost on a unit-of-usage basis whereby the depreciation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate the Expressways.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Upon the adoption of HK(IFRIC) 12, the Expressways under the service concession arrangements are no longer recognised as property, plant and equipment of the Group and are reclassified as intangible assets and are recorded in the consolidated balance sheet as “Service Concession Arrangements”.

The Group applies the intangible assets model to account for the Service Concession Arrangements where the Group is granted the rights to charge users of the Expressways at toll rates jointly approved by the Sichuan Provincial Government, the Sichuan Provincial Price Bureau and the Sichuan Provincial Department of Communications. Once the underlying infrastructure of the service concessions arrangements is completed, they are amortised, on the “units-of-usage method”, as allowed under HK Interpretation 1 (revised June 2006) *The Appropriate Accounting Policies for Infrastructure Facilities* (“HK — Int 1) issued by HKICPA, over the respective concession periods granted.

The adoption of HK(IFRIC) 12 has been applied retrospectively and the financial impact on the consolidated balance sheets as at 31 December 2007 and 30 June 2008 are as follows:

	Increase/(decrease)	
	30 June	31 December
	2008	2007
	RMB'000	RMB'000
Consolidated balance sheets:		
Property, plant and equipment	(5,484,075)	(5,547,063)
Service concession arrangements	5,484,075	5,547,063

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Group has not applied the following new and revised HKFRSSs relevant to the Group's interim consolidated financial statements, that have been issued but not yet effective in these financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 3 (Revised)	Business Combinations ²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

The Group anticipates the adoption of these standards will have no material impact on the results and the financial position of the Group in the period of initial application.

3. SEGMENT INFORMATION

The Group's revenue and contribution to profit from operating activities for the Period were mainly derived from toll operations. 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, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
REVENUE		
Toll income:		
— Chengyu Expressway	423,584	385,942
— Chengya Expressway	220,416	170,317
— Chengbei Exit Expressway and Qinglongchang Bridge	36,710	36,201
	680,710	592,460
Less: Revenue taxes	(20,577)	(17,940)
	660,133	574,520
OTHER INCOME AND GAINS		
Road maintenance income	13,591	8,788
Rental income	9,597	7,761
Interest income from discounting of long term compensation receivables	11,226	—
Interest income	7,862	2,785
Miscellaneous	1,603	3,158
	43,879	22,492
Total revenue, other income and gains	704,012	597,012

5. FINANCE COSTS

	For the six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other loans wholly repayable within five years	25,813	15,268
Interest on short term commercial papers	34,540	—
Amortisation of discount on short term commercial papers	—	27,980
Bank charges	6,996	474
Exchange losses	—	205
	<u>67,349</u>	<u>43,927</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

For the six months ended 30 June	
2008	2007
RMB'000	RMB'000
(Unaudited)	(Unaudited and restated)

Employee costs		
(excluding directors' remuneration):		
Wages and salaries	49,424	49,153
Pension scheme contributions:		
– Defined contribution fund	7,259	6,865
Accommodation benefits:		
– Defined contribution fund	5,589	5,615
Supplementary pension scheme:		
– Defined contribution fund	5,980	—
	68,252	61,633
Repairs and maintenance	40,626	53,309
Auditors' remuneration	357	212
Depreciation	38,992	41,801
Amortisation of prepaid land lease payments	12,560	12,222
Amortisation of service concession arrangements	72,844	66,355
Amortisation of operating rights	3,311	3,359
Minimum lease payments under operating leases:		
Land and buildings	6,691	899
Loss on disposal of items of property, plant and equipment	3,217	3,522
Reversal of provision for impairment of other receivables	(7,018)	(1,000)

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.

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

	For the six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Group:		
Current — PRC		
Charge for the period	53,271	19,305
Deferred	<u>—</u>	<u>36,479</u>
 Total tax charge for the period	 <u>53,271</u>	 <u>55,784</u>

7. TAX (Continued)

- (1) On 16 March 2007, the National People's Congress approved the Corporate Income Tax law of the PRC (the "new CIT law"), which became effective from 1 January 2008. Under the new CIT law, the standard CIT rate starting from 1 January 2008 became 25%, replacing the previous applicable rate of 33%, and the entities that were entitled to a preferential tax rate will continue to enjoy the tax benefits. As such, except for the companies listed below that are entitled to preferential tax rate, the other subsidiaries and associates of the Company are required to pay CIT at the standard rate of 25% from 1 January 2008.

Pursuant to the approval document, "Chuan Guo Shui Zhi Jian Mian [2008] No. 26" dated 2 June 2008, issued by the Sichuan Provincial Branch of the State Tax Bureau, the Company are granted a tax concession to pay CIT at a preferential rate of 15% for the three years from 1 January 2008 to 31 December 2010.

Pursuant to the approval document, "Chuan Di Shui Han [2004] No. 283" dated 19 July 2004, issued by the Sichuan Provincial Branch of the State Tax Bureau, one of the Company's subsidiary, Chengdu Chengbei Exit Expressway Company Limited ("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 the approval 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 Company Limited, 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.

7. TAX *(Continued)*

- (2) The share of tax attributable to associates amounting to RMB501,000 (six months ended 30 June 2007: RMB493,000) is included in “share of profits and losses associates” on the face of the interim consolidated income statement.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of earnings per share is based on the profit for the Period attributable to equity holders of the Company for the Period amounting to RMB291,294,000 (six months ended 30 June 2007: RMB213,607,000) and the 2,558,060,000 (six months ended 30 June 2007: 2,558,060,000) Domestic and H Shares in issue during the Period.

No diluting events existed as the Company did not have any potential shares for the Period or at each of the balance sheet dates. Accordingly, diluted earnings per share amounts for the two periods ended 30 June 2008 and 2007 have not been disclosed.

9. DIVIDENDS

At a meeting of the Board held on 18 September 2008, the directors of the Company resolved not to pay an interim dividend to shareholders (six months ended 30 June 2007: Nil). There were no dividends declared or paid during the Period.

10. PROPERTY, PLANT AND EQUIPMENT AND SERVICE CONCESSION ARRANGEMENTS

Movements in property, plant and equipment and service concession arrangements during the Period are as follows:

	Property, plant and equipment <i>RMB'000</i> (Unaudited)	Service concession arrangements <i>RMB'000</i> (Unaudited)
Carrying value at the beginning of the period		
As previously stated	6,010,352	—
Prior year adjustment (<i>note 2.2</i>)	<u>(5,547,063)</u>	<u>5,547,063</u>
As restated	463,289	5,547,063
Additions	23,606	9,856
Disposals	(3,217)	—
Depreciation/amortisation charged for the Period (<i>note 6</i>)	<u>(38,992)</u>	<u>(72,844)</u>
Carrying value at end of the period	<u><u>444,686</u></u>	<u><u>5,484,075</u></u>

10. PROPERTY, PLANT AND EQUIPMENT AND SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Particulars of the service concession arrangements in respect of the toll roads managed and operated by the Group are as follows:

Toll roads	Concession period	Origin/destination
Chengyu Expressway	30 years from 1 July 1995	Chengdu/Shangjiapo
Chengya Expressway	30 years from 28 December 2000	Chengdu/Duiyan
Chengbei Exit Expressway	25.5 years from 21 December 1998	Qinglongchang/Baihelin

As at 30 June 2008, the concession rights pertaining to Chengbei Exit Expressway with a net carrying value of RMB201,289,000 (31 December 2007: RMB205,511,000) were pledged to secure bank loans amounting to RMB227,600,000 (31 December 2007: RMB227,600,000), respectively.

11. PAYMENT IN ADVANCE

Payment in advance represents RMB100 million paid by the Company to Sichuan Highway Development (the parent and the ultimate holding company of the Company) and Leshan City Xing Yuan Traffic Development Holding Company (an independent third party) (collectively referred to as “Vendors”) in relation to the acquisition of entire interest in SC Expressway as further disclosed in note 14(c) to the financial statements.

12. DUE FROM THE ULTIMATE HOLDING COMPANY

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

13. COMMITMENTS

	30 June 2008 <i>RMB'000</i> (Unaudited)	31 December 2007 <i>RMB'000</i>
Contracted, but not provided for	1,044,647	1,056,012
Authorised, but not contracted for	154,739	174,029
	<u>1,199,386</u>	<u>1,230,041</u>

13. COMMITMENTS *(Continued)*

Further details of the capital commitments of the Group as of 30 June 2008 are analysed as follows:

	30 June	31 December
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	
In respect of:		
— Construction works to upgrade the Chengyu Expressway	95,847	231,720
— Construction works to upgrade the Chengya Expressway	23,856	—
— Acquisition of 100% equity interest in SC Expressway	998,321	998,321
Others	81,362	—
	<u>1,199,386</u>	<u>1,230,041</u>

14. RELATED PARTY TRANSACTIONS

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

- (a) In previous years, the Group obtained state loans amounting to RMB250 million (31 December 2007: RMB250 million) in aggregate pursuant to the loan repayment agreements (the “Loan Repayment Agreements”) entered into between the Company and 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 (six months ended 30 June 2007: RMB6,818,000).
- (b) During the Period, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited, a subsidiary of Sichuan Highway Development, in relation to the provision of a computer system on highway networks toll fee collection and supportive technological services to the Group amounted to approximately RMB4,162,000 (six months ended 30 June 2007: RMB4,575,000).

14. RELATED PARTY TRANSACTIONS *(Continued)*

- (c) On 26 September 2007, the Company entered into a conditional acquisition agreement (“Agreement”) with the Vendors (note 11), to agree to purchase, subject to fulfilment of conditions precedent, the 100% equity interest in SC Expressway at a consideration of RMB1,098,320,800 (the “Consideration”). The Agreement will be terminated if the A Shares Issue is unsuccessful. In such case, the Vendors shall refund the advance payment paid by the Company with no accrual interest charged to the Company within 10 working days after the receipt of written notice from the Company.

The Consideration is determined after an arm’s length negotiation with reference to the fair market valuation on SC Expressway in its existing state as at 31 August 2007 provided by Savills Valuation and Professional Services Limited, an independent valuer. The Consideration will be settled in cash on the following terms:

- (i) RMB100 million shall be paid by the Company within 10 working days from the approval of the Proposed A Shares Issue by the shareholders of the Company;
- (ii) the remaining balance shall be satisfied by the Company to the Vendors within 10 working days from the date of completion of the A Shares Issue.

The Agreement was approved by the Board on 26 September 2007 and by the shareholders on 12 December 2007. Up to 30 June 2008, the Company made a payment in advance to the Vendors amounting to RMB100 million.

Upon completion, SC Expressway will become a wholly-owned subsidiary of the Company.

The Proposed A Shares Issue has not yet been completed at the date of approval of this interim financial information.

14. RELATED PARTY TRANSACTIONS (Continued)

- (d) Compensation of the key management personnel of the Group during the Period:

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Fees	<u>95</u>	<u>140</u>
Other emoluments:		
Salaries, allowances and benefits in kind	779	628
Pension scheme contributions	33	7
Supplementary pension scheme contributions	<u>14</u>	<u>—</u>
	<u>826</u>	<u>635</u>
Total compensation paid to key management personnel	<u>921</u>	<u>775</u>

These transactions were carried out in accordance with the terms of agreements governing such transactions.

14. RELATED PARTY TRANSACTIONS *(Continued)*

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

Mr. Tang Yong
Mr. Zhang Zhiying
Madam Zhang Yang
Mr. Gao Chun
Mr. Zhou Liming
Mr. Wang Shuanming
Mr. Liu Mingli
Mr. Nie Xinquan

The independent non-executive directors are:

Madam Luo Xia
Mr. Feng Jian
Mr. Zhao Zesong
Mr. Xie Bangzhu

15. POST BALANCE SHEET EVENT

As at the date of approval of the interim financial information, the Group has no post balance sheet date event that needs to be disclosed.

16. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the interim condensed financial information, due to the adoption of HK(IFRIC) 12 during the current period, certain prior year adjustments have been made and certain comparative amounts have been restated to conform to the current period's presentation and accounting treatment.

17. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the Board on 18 September 2008.

CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

- I. During the Period, there was no change in the number of total shares and capital structure of the Company.**
- II. As at 30 June 2008, the Company had 358 shareholders, including 2 holders of domestic shares (1 holder of state-owned shares and 1 holder of state-owned legal person shares) and 356 holders of H shares.**
- III. So far as the Company is aware, as at 30 June 2008, the following persons (other than the directors, supervisors and chief executive officers of the Company) who held 5% or more interests or short position in the shares and underlying shares of the Company recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO"):**

Long positions in the shares of the Company:

Name	Type of shares	Number of the Company's shares held	Approximate percentage in the total share capital of the Company	Approximate percentage of Domestic shares/H shares	Capacity
Substantial shareholders					
Sichuan Highway Development	Domestic Shares (State-owned Shares)	1,005,290,000	39.30%	60.46%	Beneficial Owner
Huajian Centre	Domestic Shares (State-owned legal person Shares)	657,450,000	25.70%	39.54%	Beneficial Owner
Other persons					
He Reqiang	H Shares	62,310,000	2.44%	6.69%	Beneficial Owner
Chilton Investment Company, Inc.	H Shares	53,719,389	2.10%	6.00%	Interests of controlled corporations
Chilton Investment Company, LLC	H Shares	53,719,389	2.10%	6.00%	Investment Manager
Richard Lockwood Chilton, Jr.	H Shares	53,719,389	2.10%	6.00%	Interests of controlled corporations
Barclays Global Investors UK Holdings Limited	H Shares	45,092,278	1.76%	5.04%	Interests of controlled corporations
Barclays PLC	H Shares	45,092,278	1.76%	5.04%	Interests of controlled corporations

Save as disclosed above, as at 30 June 2008, no person (other than the directors and supervisors of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be notified to the Company and the Stock Exchange in accordance with Section 336 of the SFO. The interests of the directors and supervisors of the Company are set out in "Disclosure of Interests" under the section headed "Other Significant Events" in the report.

IV. During the Period, there was no change in the controlling shareholder of the Company.

V. Purchase, redemption or sale of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Period.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Shareholding of Directors, Supervisors and Senior Management

During the Period, none of the Directors, Supervisors or senior management held any of the Company's shares, nor was there any change therein.

II. Changes of Directors, Supervisors and Senior Management

During the Period, there was no change in Directors, Supervisors or senior management of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Analysis of Business Environment

- During the first half of 2008, Sichuan Province had been pounded by both the snow storm and the violent earthquake, which, to a different extent, impacted the production, operation and transportation activities of numerous enterprises, the daily life and regular trips of the residents and the tourism industry in the province and thus adversely affected the Group's business environment;
- The natural disasters, though with quite an impact to the economic and social development of Sichuan Province, have only local and short-term influence rather than demolishing the fundamentals for steady running of its economy. For the first half of 2008, Sichuan Province posted a regional GDP of RMB538.85 billion, representing a growth of 9.1% compared with the corresponding period in the previous year, which demonstrated a sound economic progress. It is expected that the province's economy tends to pick up its momentum in the second half with an approximately 10% growth for the whole year;
- Chengdu City, which has been listed by the National Development and Reform Commission in 2008 as one of the nationwide first-tier logistics hubs, is marching towards a metropolis with regional and international logistic functions;

- Recently, domestic vehicle market has been booming in both production and sales by the upgrading of social consumption structure and industries structure as motivated by fast growing economy. Chengdu, ranking the third among the cities in China in terms of possession of privately-owned vehicles, had more than 681,000 privately-owned vehicles in 2007, which increased by over 22% year-on-year and is still growing in 2008. Such a consumption characteristic of Chengdu's residents has become one of the business edges and growth potentials of the Group;
- With the establishment and development of the national pilot area for reform on urban and rural coordination in Chengdu and Chongqing, the two cities are promoting cooperation with a common view to development and economic integration, where synergy of regional economies is taking shape. This is expected to further activate economic development and transportation activities in both cities and the areas along the Chengyu Expressway, which has a positive and far reaching effect on the traffic flow and toll income of the Chengyu Expressway.

During the Period, despite the adverse impacts from the snow storm followed by the violent earthquake, the Group, on one hand, went all out to support the disaster-afflicted people and stood hand in hand with them to get through the tough days. On the other hand, it strived to strengthen and improve the operation and management of its existing assets to secure and enhance operating efficiency, thus achieving a further growth in the operation results for the Period.

II. Business Review and Analysis

The earnings of the Group were mainly derived from the operation and investment of toll roads.

For the half year ended 30 June 2008, the Group's total toll income was RMB680,710,000, representing a year-on-year increase of 14.90%. The Group's revenue amounted to RMB660,133,000, representing a year-on-year increase of 14.90% as compared with that of last year. Profit attributable to equity holders of the Company increased substantially to RMB291,294,000, representing a year-on-year increase of 36.37% over last year. Earnings per share was RMB0.114 (for the same period of 2007: RMB0.084).

1. Operating conditions of the Group's principal operations

	Toll income		Net profit		
	For the half year ended 30 June 2008 (RMB'000)	Percentage to total toll income	Year-on-year increase	For the half year ended 30 June 2008 (RMB'000)	Year-on-year increase
Chengyu Company	423,584	62.23%	9.75%	217,395	26.98%
Chengya Branch	220,416	32.38%	29.42%	67,957	34.61%
*Chengbei Company	36,710	5.39%	1.41%	15,444	79.71%
Total	680,710	100%	14.90%		

* The toll income of Chengbei Company was the total aggregate amount of the toll incomes of Qinglongchang Bridge and Chengbei Exit Expressway.

2. The operations of major expressways

Section	Average daily traffic flow (No. of vehicles)	Year-on-year		Year-on-year increase
		increase/ (decrease)	Toll income (RMB'000)	
Chengyu Expressway	15,497	(4.23%)	423,584	9.75%
Chengya Expressway	12,391	3.09%	220,416	29.42%
Chengbei Exit Expressway (including Qinglongchang Bridge)	23,951	9.76%	36,710	1.41%

Chengyu Expressway

During the Period, the traffic volume of Chengyu Expressway decreased while its toll income increased significantly. This was mainly due to:

- Suiyu (Suining-Chongqing) Expressway commenced operation on 29 December 2007. The expressway which connects to Chengnan (Chengdu-Nanchong) Expressway at Suining, forms the Chengsuiyu Expressway (成遂渝高速公路) linking up Chengdu and Chongqing and is 45 kilometres shorter than Chengyu Expressway, which has caused a diversion of direct traffic between Chengdu and Chongqing (representing approximately 10% of the toll income of Chengyu Expressway, which has become stable);

- The snow storm in South China during January and February this year had a greater impact on Guizhou, Guangxi, Guangdong as well as Luzhou and Yibin in the south of Sichuan, and part of the sections had been blocked. As Chengyu Expressway is the beginning section of the southwest sea route, the only access to Guizhou, Guangxi and Guangdong and to cities of strategic importance in the south of Sichuan such as Luzhou and Yibin, long-distance vehicles passing through Chengyu Expressway decreased during this period;
- The devastating Wenchuan Earthquake on 12 May 2008 caused a remarkable decrease in the traffic volume of Chengyu Expressway in the same month. Meanwhile, the toll income of Chengyu Expressway was also affected by the temporary toll free for rescue vehicles after the earthquake.

On the other hand, as Chengyu Expressway is located at Chengdu-Chongqing economic circle which is the developed region of Sichuan, and had not been directly damaged by the earthquake, the earthquake had only brought a slight impact on its social and economic development and the area recovered quickly. Moreover, the toll income of Chengyu Expressway had shown a rising trend during the Period due to the implementation of “toll-by-weight” policy since 1 June 2007 in Chengyu Expressway on cargo vehicles which accounted for approximately 40% of the traffic volume of Chengyu Expressway.

Chengya Expressway

Despite the ordeal to Chengya Expressway from the successive snow storm and earthquake catastrophe during the Period, the steady economic growth in the west of Sichuan, flourishing local tourism as well as the continuous implementation of “toll-by-weight” policy on cargo vehicles eventually led to a continued increase in the traffic volume and toll income of Chengya Expressway, in particular, a nearly 30% growth in the toll income. It is anticipated that with the completion and commencement of operation of Chengya Expressway’s extensions Yapan Expressway (Yaan-Panzhihua), Yale Expressway (Yaan-Leshan) and Leyi Expressway (Leshan-Yibin), which are under construction, Chengya Expressway will increasingly ride on the competitive advantage as a major transport hub and a golden travel route in Sichuan province, thus further expanding its profitability.

Chengbei Exit Expressway

During the Period, both traffic volume and toll income of Chengbei Exit Expressway continued its growth momentum. However, the growth of the toll income for the Period was far less than that of the traffic volume when the “toll-by-weight” policy had not yet been implemented during January to May 2007, primarily attributable to:

- (1) From 1 January 2008 to the earthquake on 12 May 2008, the traffic volume of Chengbei Exit Expressway increased by approximately 6.1% as compared with the same period last year, but the increase was mainly contributed by light vehicles. Since 15 December 2007, Chengdu Municipal Government has implemented a transportation organization plan on the Third Ring Road of Chengdu which links Chengbei Exit Expressway to restrict cargo vehicles to use the Third Ring Road in several phases. Accordingly, cargo vehicles subject to higher toll fee were diverted significantly, resulting in lower growth of the toll income.
- (2) The cargo vehicles accounted for a smaller proportion (approximately 20%) in the traffic volume of Chengbei Exit Expressway. Consequently, the increase in toll income due to the implementation of “toll-by-weight” policy was not as remarkable as that of the two expressways mentioned above.

3. Financing and Investment Plans

Reconstruction of the affected areas and faster recovery and comprehensive coordination and development of the economic, social life and all kinds of businesses in Sichuan province all have imposed higher and more pressing requirements for the road construction of Sichuan. As the flagship of Sichuan's traffic, the Group will make all its best effort to contribute for Sichuan's traffic during this special historical moment and at the same time strive for its organic growth by planning the layout and expediting growth from a perspective of new historical view.

In view of the foregoing, we have implemented and intend to implement the following financing and investment plans so as to speed up the pace of the Group's expansion of assets and make it larger and stronger:

— **Implementation of A Shares Issue proposal**

On 12 December 2007, the matters in relation to A Shares Issue were considered and approved at the third extraordinary general meeting of 2007 and the class meetings for the holders of H shares and holders of domestic shares respectively. The Company proposed to issue not more than 500,000,000 A shares to the public, raising proceeds of not more than RMB2 billion. On 19 December 2007, the Company formally filed the application documents regarding the issuance and listing of A shares with the CSRC. On 27 June 2008, the issue of the Company's A share and listing application was approved by Securities Issue Approval Committee (股票發行審核委員會) of CSRC. At present, the Company is proactively preparing for listing-related works including price consultations and roadshows. Upon approval of the issue of A shares by CSRC, the Company will issue and list relevant shares on the Shanghai Stock Exchange as soon as possible.

For details, please refer to the circular of the Company dated 26 October 2007 and the announcement of the Company dated 23 June 2008.

— **Proposal for acquisition of 100% equity interests in SC Expressway**

On 26 September 2007, the Company, Sichuan Highway Development (the holding company of SC Expressway) and Leshan City Xing Yuan Traffic Development Holding Company (樂山市星源交通投資開發總公司) jointly entered into an agreement to acquire the 100% equity interests in SC Expressway. Pursuant to the agreement, the acquisition agreement shall become effective upon the successful issue and listing of the Company's A shares. On 12 December 2007, the acquisition was considered and approved at the third extraordinary general meeting of 2007 and the class meetings for the holders of H shares and holders of domestic shares respectively. Meanwhile, it was approved that the acquisition of SC Expressway's equity interests will be financed by proceeds raised from the issue of A shares (Details of SC Expressway and the acquisition are disclosed in the circular of the Company dated 26 October 2007).

The Company is optimistic about the business prospect of SC Expressway and believes that the acquisition will help the Group further increase the asset scale and expand its basis of earnings which are in line with the sustainable development strategy of the Group.

— **Other proposal for acquisition of quality expressways assets**

On 20 March 2008 and 9 May 2008, the Company entered into the “Intentional agreement regarding an asset acquisition of Sichuan section of Suiyu Expressway (遂渝高速公路) and relevant matters” and the “Intentional agreement regarding an asset acquisition of Chengnan Expressway”, both of which are non-legally binding, with the owners of Sichuan section of Suiyu Expressway and Chengnan Expressway, Sichuan Chengnan Expressway Company Limited (四川成南高速公路有限公司) (“Chengnan Company”) and the controlling shareholder of Chengnan Company, Sichuan Highway Development respectively, to initiate the preliminary preparations for acquisition of Sichuan section of Suiyu Expressway and Chengnan Expressway. Such acquisitions are planned to be completed before 31 December 2009.

Suiyu Expressway, a dual four-lane close expressway with the total length of approximately 148 kilometres has been put into full operation since 29 December 2007. Sichuan Section is measuring approximately 36.6 kilometres and Chongqing Section is measuring approximately 111.8 kilometres. The expressway connected with Chengnan Expressway at Suining with 147 kilometres long from Chengdu to Suining, which links Chengdu and Chongqing and is 45 kilometres shorter than Chengyu Expressway, leading to a diversion of direct traffic between Chengdu and Chongqing.

Chengnan Expressway, which commenced operation in 2002, is a dual four-lane close expressway (six lanes in part) with the total length of 214 kilometres. This expressway is an integral part of Hulong (Shanghai-Chengdu) National Trunk Highway under construction. Hulong Expressway is expected to be put into full operation in 2009. By then Chengnan Expressway will become another great corridor beyond the province, and its advantageous location in Sichuan road network will become prominent.

By investing in and acquiring quality expressway assets in the province, the Company plans to actively integrate and improve the layout of the Group's expressway assets and ensure the stable enhancement of its sustainable profitability and risk resistance ability.

— **Proposal for Issue of Short-Term Commercial Papers**

Following the issue of short-term commercial papers amounting to a total of RMB1.5 billion in 2006, the Company's plan for issue of short-term commercial papers with an amount not exceeding RMB2 billion per annum for a term of three years was approved at the general meeting held on 28 August 2007, and the Company completed the issue of first tranche of short-term commercial papers with an amount of RMB1.5 billion on 19 February 2008.

For details, please refer to the announcements of the Company dated 12 July 2007 and 22 February 2008 and the circular of the Company dated 13 July 2007.

4. Continuing Connected Transactions

On 6 March 2008, the Company entered into an agreement in relation to provision of a computer system on expressways network toll fee collection and technological services to Chengyu Expressway and Chengya Expressway (the “Service Agreement”) with Sichuan Zhineng Transportation System Management Company (四川智能交通系統管理有限責任公司) (“Sichuan Zhineng”), a subsidiary of Sichuan Highway Development. On the same date, Chengbei Company, a subsidiary of the Company holding 60% of its interests, and Sichuan Zhineng entered into an agreement in relation to provision of a computer system on expressways network toll fee collection and technological services to Chengdu Chengbei Exit Expressway (“Chengbei Service Agreement”). The annual caps for the service fees payable under the Service Agreement and the Chengbei Service Agreement for the three years ended 31 December 2008, 31 December 2009 and 31 December 2010 will be approximately RMB9,270,000, RMB10,540,000 and RMB12,000,000 respectively. Both the Service Agreement and the Chengbei Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

For details, please refer to the announcement of the Company dated 7 March 2008.

5. Other Businesses

During the Period, the Group's businesses other than toll roads recorded other income and gains of RMB43,879,000, representing an increase of 95.09% as compared with the same period last year.

III. Financial Review

Summary of the Group's Results

	For the six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Revenue	660,133	574,520
Including: Toll revenue of vehicles	660,133	574,520
Profit before tax	350,684	272,737
Profit attributable to equity holders of the Company	291,294	213,607
Earnings per share attributable to ordinary equity holders of the Company (RMB)	<u>0.114</u>	<u>0.084</u>

Summary of the Group's Assets

	30 June	31 December
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	
Total assets	7,818,657	7,602,400
Total liabilities	2,172,931	2,254,087
Minority interests	107,729	101,610
Equity attributable to equity holders of the Company	5,537,997	5,246,703
Equity per share attributable to ordinary equity holders of the Company (RMB)	<u>2.165</u>	<u>2.051</u>

Analysis of Operating Results

Revenue

The Group's revenue for the Period amounted to RMB660,133,000, representing an increase of 14.90% over the same period last year, which included toll incomes of Chengyu Expressway, Chengya Expressway and Chengbei Exit Expressway. Please refer to the part of "Business Review and Analysis" of this interim report for details of the main factors influencing the revenue of the Group for the Period.

Operating Expenses

The Group's operating expenses for the Period amounted to RMB287,811,000, representing an increase of 1.85% as compared with the same period last year, of which:

- (1) depreciation and amortization expenses increased by 3.21% as compared with the same period last year to RMB127,707,000, mainly attributable to the increase in property, plant and equipment which led to an increase in depreciation and higher traffic flow led to an increase in amortization for service concession arrangements for the Period as compared with the same period last year.
- (2) staff cost increased by 10.74% as compared with the same period last year to RMB68,252,000. This was principally due to inclusion of RMB5,980,000 supplementary pension scheme contributions for 2008 in the staff cost for the Period.
- (3) cost of road repairs and maintenance decreased by 23.79% as compared with the same period last year to RMB40,626,000. This was primarily owing to a drop in daily repair and maintenance expenses resulting from near completion of the mid-and long-term repair and maintenance project of Chengyu Expressway.

- (4) other operating costs increased by 16.69% to RMB51,226,000 as compared to the same period last year. This was mainly due to : (1) inclusion of lease payment for land of RMB5,734,000 for Chengya Expressway and Chengbei Exit Expressway in the costs for the Period and reversal of provision for impairment of other receivables amounting to RMB7,018,000; (2) slight increase in expenditures for daily operation and management over the same period last year resulting from the project preparation by the Company and inflation of prices.

Finance Cost

The Group's finance cost for the Period amounted to RMB67,349,000, representing an increase of 53.32% as compared with the same period last year, principally attributable to the significant rise in the finance cost of the Company's short-term commercial papers and financial institutions' loan interest rate for 2008 as compared with the same period last year. In addition, the underwriting and register service fees of RMB6,105,000 for issuing short-term commercial papers also contributed to the increase in finance cost.

Taxation

The corporate income tax of the Group amounted to RMB53,271,000 for the Period, representing a decrease of 4.50% as compared with the same period last year. This was mainly due to the change of the Company's applicable tax rate from 18% to 15% and the subsequent reduction of the income tax for the Period resulting from the execution of the new corporate income tax law. However, the growth of profit before tax for the Period resulted in an increase in the corporate income tax of the Group, partially offsetting the impact from the decrease in income tax rate.

Profit

The Group's profit for the Period amounted to RMB297,413,000, representing an increase of 37.09% as compared with the same period last year, of which, profit attributable to equity holders of the Company was RMB291,294,000, an 36.37% increase as compared with the same period last year. This was mainly due to:

- (1) significant increase in the Group's toll income for the Period as compared with the same period last year;
- (2) an 95.09% increase in other income and gains to RMB43,879,000 as compared with the same period last year, mainly because: 1) the income for the Period included the discounting interest income of RMB11,226,000 from compensation for disposal of operating right in Dajian Road paid by Xindu District Government; 2) interest income from bank deposits for the Period increased by RMB5,077,000 as compared with the same period last year as a result of the increased interest rate for bank deposits.

Analysis of Financial Position

Non-current assets

As at 30 June 2008, the Group's non-current assets amounted to RMB6,796,381,000, representing a decrease of 1.49% as compared to that of 31 December 2007, which was mainly due to:

The additional property, plant and equipment and construction in progress amounting to RMB23,606,000 (mainly including RMB12,826,000 and RMB5,196,000 for renovation project of Chengyu Expressway and Chengya Expressway respectively), provision for depreciation amounting to RMB38,992,000, and amortization of prepaid land lease payments, service concession arrangements and operating rights amounting to RMB88,715,000 for the Period.

Current assets and current liabilities

As at 30 June 2008, current assets of the Group amounted to RMB1,022,276,000, representing an increase of 45.38% as compared to that of 31 December 2007, which was mainly due to the increase in cash and bank balances as a result of revenue increase.

As at 30 June 2008, current liabilities of the Group amounted to RMB1,893,058,000, representing an increase of 1.92% as compared to that of 31 December 2007, which was mainly due to the increase in interest-bearing bank and other loans repayable within one year.

Non-current liabilities

As at 30 June 2008, non-current liabilities of the Group amounted to RMB279,873,000, representing a decrease of 29.45% as compared to that of 31 December 2007, which was principally attributable to the early repayment of the long-term bank loans to Industrial and Commercial Bank of China amounting to RMB48,000,000 and the increase in interest-bearing bank and other loans repayable within one year.

Equity

As at 30 June 2008, the Group's equity amounted to RMB5,645,726,000, representing an increase of 5.56% as compared to that of 31 December 2007, which was principally due to the increase of RMB297,413,000 in equity as a result of the increased profit for the Period.

Capital structure

As at 30 June 2008, the Group had total assets of RMB7,818,657,000 and total liabilities of RMB2,172,931,000. Its gearing ratio was 27.79% (2007: 29.65%), which was the Group's total liabilities over its total assets.

Cash flow

As at 30 June 2008, the Group's cash and bank balances amounted to RMB973,292,000, including HK\$25,000 (equivalent to RMB24,000) deposits in Hong Kong dollars, and RMB973,268,000 cash and deposits in Renminbi, representing an increase of RMB333,123,000 (31 December 2007: RMB640,169,000). During the Period, the Group's net cash inflow from operating activities amounted to RMB476,740,000 (six months ended 30 June 2007: RMB430,486,000).

During the Period, the cash outflow of the Group mainly consists: RMB182,407,000 in cash for daily operation and management, RMB18,022,000 for renovation project of Chengyu Expressway and Chengya Expressway, net decrease of RMB62,865,000 in interest-bearing bank and other loans and RMB29,629,000 as interest payment.

Capital commitment of the Group

Details of the Group's capital commitment as at 30 June 2008 are set out in Note 13 to the Financial Statements.

Risk of exchange fluctuation

Save that the Company needs to purchase Hong Kong dollars to distribute dividends to holders of H shares, all operating income and expenses and capital expenditures of the Group were denominated in Renminbi and thus the fluctuation in exchange rate does not have material impact on the Group's results.

In addition, the Group had not used any financial instrument for hedging purposes during the Period.

Borrowings and solvency

As at 30 June 2008, the Group's interest-bearing bank and other loans amounted to RMB1,939,600,000, all of which were loans with fixed interest. Of which, the balance of bank loans was RMB289,600,000, with annual interests rate from 5.27% to 7.83%; balance of other loans was RMB150,000,000, with annual interests rate from 2.55% to 5.00%; short-term commercial papers amounted to RMB1,500,000,000, with annual interests rate 6.28%. The relevant balances are as follows:

	Maturity profile of interest-bearing borrowings			
	Total amount	Within 1 year	1-5 years	Over 5 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans from domestic commercial banks	289,600	137,000	152,600	—
Short-term commercial papers	1,500,000	1,500,000	—	—
Other loans	150,000	22,727	90,909	36,364
Total (30 June 2008)	<u>1,939,600</u>	<u>1,659,727</u>	<u>243,509</u>	<u>36,364</u>
Total (31 December 2007)	<u>2,002,465</u>	<u>1,605,774</u>	<u>353,509</u>	<u>43,182</u>

With its steady cash flow, sound capital structure and excellent credit records, the Group has established and maintained favorable relations with financial institutions, enjoying most preferential interest rates for its loans. As at 30 June 2008, the Group had bank facilities totalling RMB2.8 billion and unused bank facilities amounting to RMB2.8 billion.

Contingent liabilities and pledge of assets

As at 30 June 2008, the concession rights pertaining to the Chengbei Exit Expressway were pledged by the Group at a net value of RMB201,289,000 (31 December 2007: RMB205,511,000) to secure bank loans amounting to RMB227,600,000 (31 December 2007: RMB227,600,000).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 30 June 2008.

IV. DEVELOPMENT STRATEGY OF THE GROUP

1. Development Advantages

Based on prudent and in-depth analysis of the Group's business environment, industry characteristics and development prospect, we are of the opinion that under the support of the national and local policies, Sichuan's expressway industry will enjoy a desirable business environment in the distant future (please refer to the paragraph headed "Analysis of Business Environment" set out in page 35 herein). The current expansion stage of the industry implies the opportunities of strong growth and continuous prosperity. In addition, the Group has distinctive advantages in its development, mainly as follows:

- In 1997, the Company and Sichuan Provincial Department of Communications entered into the Agreement on Granting Concession and Pre-emptive Right to Sichuan Expressway Company Limited under authorisation of Sichuan Provincial Government. Pursuant to the agreement, the Company is entitled to the concession on construction and the pre-emptive right on acquisition of expressways in Sichuan Province, which allows for the exercise of such rights in the future to construct and acquire quality road assets with an aim of expanding and strengthening the Group's principal operations and thus creating a favourable condition for realising sustainable development of the Group.

- With effect from 1 June 2007, "toll-by-weight" policy has been implemented for cargo vehicles in expressways of Sichuan Province. The basic rate for expressways is RMB0.075/tonne • kilometre; and the basic rate for bridges and tunnels is RMB0.65/tonne • kilometre. To encourage normal loading, effectively protect road and bridge facilities and govern the road transportation market, Sichuan Provincial Government approved a 20% discount to vehicle toll for normal loaded cargo vehicles during the trial period. The concession period will expire on 1 June 2009, which implies a room for growth on the Group's toll income.

- As the traffic arteries and important transportation routes of Sichuan Province, the Group's expressways play a vital role in the provincial transportation network. Most of them are located in relatively developed areas of Sichuan Province with vigorous production and transportation activities as well as a buoyant tourism economy, leading to an admirable profitability in general. Chengle Expressway, Suiyu Expressway (Sichuan Section) and Chengnan Expressway which are proposed to be acquired by the Company also embraced such advantages. The scale of economies arising from the improving the road network, especially with the completion and on-streaming of the extended lines including Yapan Expressway, Yale Expressway, Leyi Expressway and the State's arterial Shanghai-Chengdu Highway in the coming two to three years, will attract significantly increasing traffic flows and thus pave a way to continuous growth of the Group's results.
- The Company's sound financial position, steady and ample cash inflows from operating activities, moderate gearing ratio, and good credit standing and financing capabilities as a whole lay a solid ground for rational use of financial leverage through various financial channels to cut down capital costs.

- Having completed a major overhaul at the end of 2007, Chengyu Expressway, as the Company's core assets, expects lower road repair and maintenance costs in the coming three years compared to the previous three years. The Group will put more effort in preventive maintenance of its expressways through tapping on modern information management resources and introducing innovative measures to improve its expertise for management and maintenance of expressways, thus laying a foundation for long-term stable conditions of its expressways. Effective control on road repair and maintenance costs will be conducive to organic growth of the Group's results.

2. Development Strategies and Goals

In view of the foregoing, the Company will make full use of the policy supports from government authorities, seizing the opportunities from the State's Western Development strategy, further development of the pilot area for reform in Chengdu and Chongqing and the grand development of Sichuan transportation to press ahead with capital operation for new breakthroughs in expressway investment. The Company is committed to building itself into a super-large infrastructure conglomerate with distinguishing principal businesses, prudent operations, sound corporate governance and excellent management.

Having gone through the disasters and ordeals during the first half, we understand that the Company, as the sole listed company engaged in expressway construction in Sichuan Province with the longest business history and the largest scale of assets, shoulder the obligation and mission for expediting Sichuan's transportation construction and development by virtue of its professional expertise and extensive industry experience, in addition to maximising the investment return for its shareholders. As such, we will make our best endeavours to demonstrate the core strengths of the Group by focusing on sustainable development to expand the Group's business in line with its strategy of engaging in investment, operation and management of expressways. While seeking a holistic, rapid and healthy growth to add corporate and shareholders' value, we are well positioned to do our share for the smooth progress of post-disaster reconstruction and the overall recovery of Sichuan's economy and society.

OTHER SIGNIFICANT EVENTS

I. Profit distribution proposal for the first half year of 2008

The Board did not recommend an interim dividend for the six months ended 30 June 2008 or capitalisation of any capital reserve into share capital.

II. Implementation of the profit distribution proposal for the year 2007

On 19 December 2007, the Company distributed a special dividend from the accumulated undistributed profits of the Company as at 31 December 2006 to all shareholders. The special dividend was RMB0.04 per share, which amounted to approximately RMB102 million in aggregate. Pursuant to the resolutions passed at the third extraordinary general meeting of 2007, class meetings of the holders of H shares and the holders of domestic shares, the Company's accumulated undistributed profits after the distribution of the special dividend and distributable profit from 1 January 2007 onwards up to the day prior to completion of the A Share Issue shall be shared by all new and existing shareholders of the Company in proportion to shareholding after completion of the A Share Issue. Therefore, the Company did not distribute 2007 final dividend to shareholders.

III. Disclosure of Interests

So far as the Company was aware, as at 30 June 2008, none of the Directors, Supervisors or chief executive officer of the Company or their respective associates had any interests in shares, underlying shares or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including such requirement of the SFO that was deemed or have interest or short positions held by Directors, Supervisors, chief executive officers or senior management), or interest required to be registered pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors Listed Issuers.

IV. Material Acquisition and Disposal

Save as disclosed above, there was no material acquisition or disposal carried out by the Company and its subsidiaries and associates during the Period.

V. Employees and Their Remuneration and Training

As at 30 June 2008, the Company (including Chengya Branch) had 1,612 employees, including 412 administrative and professional technical staff and 1,200 toll collection staff.

1. Employee's Remuneration

Employee's wages comprise of fixed wage (including basic salary, and salaries determined by the position and period of service) and performance incentive. Employee's salary is determined with reference to his position (i.e. the salary changes in accordance with the position of service) and performance as well as the operation efficiency of the Company with reference to the appraisal of employee's overall performance.

The employees' wages and salary totalled RMB44,890,000 (including the total remunerations of Chengya Branch) for the Period.

2. Staff Training

The Company highly regards employees training in order to improve the comprehensive quality and business standard through all-level training. During the Period, the Company organised various centralized training in respect of education and skills for the position, as well as training on specialized topics, with a total of 288 participants.

VI. Corporate Governance

1. Code on Corporate Governance Practices

During the Period, the Company has not set up a remuneration committee with specific authority and obligations in accordance with relevant code provisions contained in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. At present, the remunerations of directors, supervisors and senior management of the Company are determined on the basis of related PRC policies or regulations, the Company's operation and applicable percentage of per capita income of the working population of Chengdu, where the Company is situated, and is subject to shareholders' approval in the general meeting. Save for the above, the Company has fully complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the Period.

2. Audit Committee

The Audit Committee comprises three independent non-executive Directors of the Company including Madam Luo Xia, Mr. Feng Jian and Mr. Zhao Zesong who are all professionals experienced in finance and transportation industries. The Audit Committee has reviewed the unaudited financial statements and interim report of the Group for the half year ended 30 June 2008.

3. Model Code for Securities Transactions by Directors and Supervisors

During the Period, the Company has adopted a code of conduct regarding directors' and supervisors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiries of all directors and supervisors of the Company, it was confirmed that the directors and supervisors of the Company have complied with the Model Code in relation to securities transactions by the Directors and the standards of code of conduct and there had not been any non-compliance with the Model Code.

VII. Directors

As at the date of this report, the Directors of the Company include Mr. Tang Yong (Chairman), Mr. Zhang Zhiying (Vice Chairman and General Manager), Madam Zhang Yang (Vice Chairman), Mr. Gao Chun, Mr. Zhou Liming, Mr. Wang Shuanming, Mr. Liu Mingli, Mr. Nie Xinquan, Madam Luo Xia[#], Mr. Feng Jian[#], Mr. Zhao Zesong[#] and Mr. Xie Bangzhu[#].

[#] *Independent Non-executive Director*

By order of the Board

Tang Yong

Chairman

Chengdu, Sichuan Province, the PRC
18 September 2008