



# 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  
**2010**

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## DEFINITIONS

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

### I. Name of Expressway Projects

“Chengyu Expressway”	Chengyu (Chengdu-Chongqing) Expressway (Sichuan Section)
“Chengya Expressway”	Sichuan Chengya (Chengdu-Ya’an) Expressway
“Chengle Expressway”	Sichuan Chengle (Chengdu-Leshan) Expressway
“Chengbei Exit Expressway”	Chengdu Chengbei Exit Expressway
“Airport Expressway”	Chengdu Airport Expressway
“Chengren Expressway”	Chengdu-Meishan (Renshou) Section of Sichuan ChengZiLuChi (Chengdu-Zigong-Luzhou-Chishui) Expressway
“Suiyu Expressway”	Suiyu (Suining-Chongqing) Expressway
“Chengnan Expressway”	Sichuan Chengnan (Chengdu-Nanchong) Expressway

## II. Subsidiaries, Branches and Invested Companies

“Shusha Company”	Sichuan Shusha Enterprise Company Limited
“Shugong Company”	Sichuan Shugong Expressway Engineering Company Limited
“Shuhai Company”	Chengdu Shuhai Investment Management Company Limited
“Chengyu Advertising Company”	Sichuan Chengyu Expressway Advertising Company Limited
“Chengya Branch”	Sichuan Expressway Company Limited Chengya Branch
“Chengle Company”	Sichuan Chengle Expressway Company Limited
“Chengbei Company”	Chengdu Chengbei Exit Expressway Company Limited
“Airport Expressway Company”	Chengdu Airport Expressway Company Limited
“Chengren Branch”	Sichuan Expressway Company Limited Chengren Branch

### III. Others

“the Company” “Chengyu Company”	Sichuan Expressway Company Limited
“the Group”	the Company and its subsidiaries
“A Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
“H Share(s)”	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in HK\$ and listed on the main board of the Stock Exchange
“Sichuan Highway Development”	Sichuan Highway Development Holding Company, the controlling shareholder of the Company
“Huajian Centre”	Huajian Transportation Economic Development Centre, a substantial shareholder of the Company
“PRC” or “China”	the People’s Republic of China

“SSF”	National Council for Social Security Fund, a shareholder of the Company
“CSRC”	China Securities Regulatory Commission
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange/ The Rules Governing the Listing of Securities on the Shanghai Stock Exchange (as the case may be)
“Period” or “Reporting Period”	the 6 months ended 30 June 2010

## CORPORATE INFORMATION

Statutory Chinese and English Names of the Company:	四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited
Legal Representative:	Tang Yong
Company Website:	<a href="http://www.cygs.com">http://www.cygs.com</a>
Company's Registered Address & Office Address:	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the People's Republic of China
Postal Code:	610041
Secretary to the Board:	Zhang Yongnian
Tel	(8628) 8552 7510
Representative of Securities Affairs	Zhang Hua
Tel	(8628) 8552 7510
Fax	(8628) 8553 0753
Investors' Hotline	(8628) 8552 7510/8552 7526
E-mail	<a href="mailto:cygszh@163.com">cygszh@163.com</a>

Contact Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the People's Republic of China
Place of Listing Shares	A Shares: Shanghai Stock Exchange Stock Code: 601107 Stock Name: Sichuan Express  H Shares: The Stock Exchange of Hong Kong Limited Stock Code: 00107 Stock Name: Sichuan Express
Newspapers Designated by the Company for Information Disclosure	China Securities Journal, Shanghai Securities Journal
Websites designated for Publication of interim Report	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> <a href="http://www.cygs.com">http://www.cygs.com</a>
Place for Inspection of the Interim Report	PRC: 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the People's Republic of China  Hong Kong: Rooms 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong



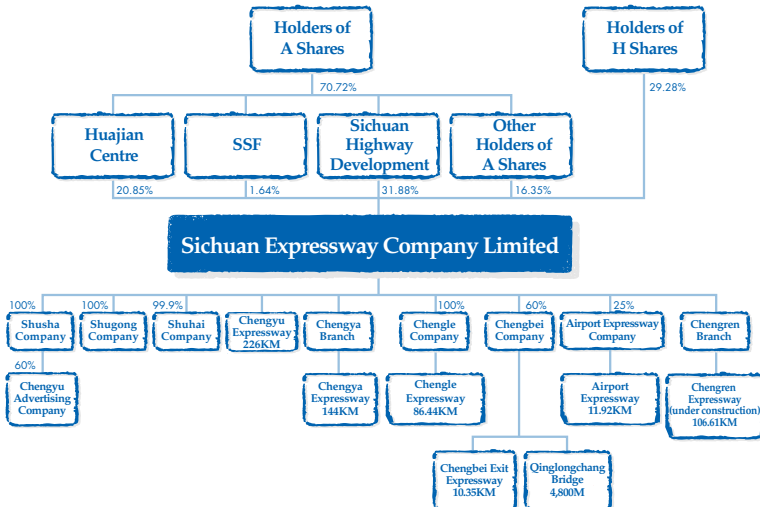
International Auditor	Ernst & Young Certified Public Accountants 18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Domestic Auditor	Shinewing Certified Public Accountants 9/F, Block A, Fu Hua Mansion, No.8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing
Hong Kong Legal Adviser	Messrs. Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
PRC Legal Adviser	Zhong Yin Law Firm 16/F, Anlian Plaza, Building 3, Beijing International Center, No. 38 North Road Dongsanhuan Road, Chaoyang District, Beijing, the PRC
Domestic Share Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited Shanghai Branch 36/F China Insurance Building, No.166 Lujiazui East Road, Pudong, Shanghai
Hong Kong Share Registrar and Transfer Office	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Place of Business in Hong Kong	Rooms 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong

Initial Registration Date and Place	19 August 1997/Chengdu, Sichuan Province, the PRC
Latest Date of Registration Update	22 October 2009
Registration Number of Business Licence	510000400003856
Tax Registration Number	Chuan Guo Shui Zhi Zi No. 51010720189926X Chuan Shui Zi No. 519020189926X
Organization Code	20189926-X
Principal Banker	China Construction Bank

## COMPANY PROFILE

The Company was incorporated in Sichuan Province of the PRC on 19 August 1997. The Company was listed on the main board of the Stock Exchange on 7 October 1997 and on the SSE on 27 July 2009, respectively. 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 businesses related to toll expressways. The Company mainly owns all or substantially all interests in a number of toll expressways in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressways. As at 30 June 2010, the length of the expressways owned by the Company has reached approximately 467km in total, representing a total asset value of approximately RMB11,293,991,000.

As at 30 June 2010, the total number of shares of the Company was 3,058,060,000 shares (comprised 895,320,000 H Shares and 2,162,740,000 A Shares). The shareholdings and asset structure of the Company were as follows:



## INTERIM CONDENSED FINANCIAL INFORMATION

### INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited and restated)
REVENUE	4	<b>1,995,786</b>	956,061
Cost of sales and other direct operating costs		<b>(1,199,534)</b>	(358,196)
Gross profit		<b>796,252</b>	597,865
Other income and gains	4	<b>30,383</b>	27,281
Administrative expenses		<b>(37,629)</b>	(35,890)
Other operating expenses		<b>(4,400)</b>	(9,231)
Finance costs	5	<b>(49,618)</b>	(90,226)
Share of profits and losses of associates		<b>7,456</b>	4,587
PROFIT BEFORE TAX	6	<b>742,444</b>	494,386
Income tax expense	7	<b>(112,834)</b>	(72,239)
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<b>629,610</b>	422,147

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME** *(Continued)*

For the six months ended 30 June 2010

		<b>For the six months ended</b>	
		<b>30 June</b>	
	<i>Notes</i>	<b>2010</b>	2009
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited and restated)
Attributable to:			
Owners of the Company		<b>617,965</b>	414,139
Non-controlling interests		<b>11,645</b>	8,008
		<u><b>629,610</b></u>	<u>422,147</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO OWNERS			
OF THE COMPANY			
— basic and diluted	8	<u><b>RMB0.202</b></u>	<u>RMB0.162</u>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

		<b>30 June 2010</b>	31 December 2009
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	
NON-CURRENT ASSETS			
Property, plant and equipment	9	<b>502,925</b>	514,154
Service concession arrangements	9	<b>7,808,607</b>	7,043,697
Prepaid land lease payments	9	<b>589,632</b>	605,142
Interests in associates		<b>60,797</b>	63,807
Available-for-sale investments		<b>33,295</b>	33,295
Long term compensation receivables		<b>71,920</b>	74,544
Payments in advance	10	<b>367,978</b>	399,095
Total non-current assets		<b><u>9,435,154</u></b>	<u>8,733,734</u>
CURRENT ASSETS			
Inventories		<b>12,916</b>	20,609
Prepayments, deposits and other receivables	11	<b>89,672</b>	44,717
Due from the ultimate holding company		—	955
Cash and bank balances		<b>1,756,249</b>	1,805,762
Total current assets		<b><u>1,858,837</u></b>	<u>1,872,043</u>

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (Continued)

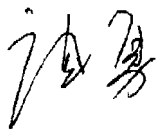
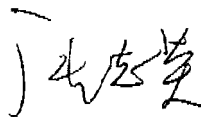
30 June 2010

		<b>30 June</b>	31 December
		<b>2010</b>	2009
	<i>Notes</i>	<b>RMB'000</b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	
CURRENT LIABILITIES			
Tax payable		<b>78,034</b>	76,687
Other payables and accruals		<b>445,828</b>	486,037
Interest-bearing bank and other loans	12	<b>2,111,327</b>	2,098,327
Total current liabilities		<b>2,635,189</b>	2,661,051
NET CURRENT LIABILITIES		<b>(776,352)</b>	(789,008)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<b>8,658,802</b>	7,944,726
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	12	<b>779,218</b>	499,036
Net assets		<b>7,879,584</b>	7,445,690

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 June 2010

	<b>30 June 2010</b>	31 December 2009
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	
EQUITY		
Equity attributable to owners of the Company		
Issued capital	<b>3,058,060</b>	3,058,060
Reserves	<b>4,706,306</b>	4,088,341
Proposed final dividend	—	195,716
	<b>7,764,366</b>	7,342,117
<b>Non-controlling interests</b>	<b>115,218</b>	103,573
Total equity	<b>7,879,584</b>	7,445,690


**Tang Yong***Director*

**Zhang Zhiying***Director*



## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the Company										
	Issued capital	Share premium account	Statutory surplus reserve	General surplus reserve	Difference arising from acquisition of non-controlling interests	Merger difference	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	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 2009	2,558,060	1,413,597	642,723	447,115	(243,712)	560,790	890,502	—	6,269,075	99,409	6,368,484
Acquisition of a subsidiary under common control	—	—	—	—	—	(1,098,321)	—	—	(1,098,321)	—	(1,098,321)
Total comprehensive income for the period	—	—	—	—	—	—	414,139	—	414,139	8,008	422,147
At 30 June 2009	<u>2,558,060</u>	<u>1,413,597</u>	<u>642,723</u>	<u>447,115</u>	<u>(243,712)</u>	<u>(537,531)</u>	<u>1,304,641</u>	<u>—</u>	<u>5,584,893</u>	<u>107,417</u>	<u>5,692,310</u>
At 1 January 2010	3,058,060	2,654,601	716,881	586,149	(248,470)	(533,123)	912,303	195,716	7,342,117	103,573	7,445,690
Total comprehensive income for the period	—	—	—	—	—	—	617,965	—	617,965	11,645	629,610
Dividends declared to owners of the Company	—	—	—	—	—	—	—	(195,716)	(195,716)	—	(195,716)
At 30 June 2010	<u>3,058,060</u>	<u>2,654,601*</u>	<u>716,881*</u>	<u>586,149*</u>	<u>(248,470)*</u>	<u>(533,123)*</u>	<u>1,530,268*</u>	<u>—</u>	<u>7,764,366</u>	<u>115,218</u>	<u>7,879,584</u>

\* These reserves accounts comprise the consolidated reserves in the consolidated statement of financial position.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	<b>(141,085)</b>	623,360
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	<u><b>2,275</b></u>	<u>(983,309)</u>
NET CASH OUTFLOWS BEFORE FINANCING ACTIVITIES	<b>(138,810)</b>	(359,949)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u><b>84,244</b></u>	<u>333,249</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u><b>(54,566)</b></u>	<u>(26,700)</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** *(Continued)*

For the six months ended 30 June 2010

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF PERIOD	<u>1,685,352</u>	<u>1,344,625</u>
CASH AND CASH EQUIVALENTS		
AT END OF PERIOD	<u><b>1,630,786</b></u>	<u>1,317,925</u>
ANALYSIS OF BALANCES OF		
CASH AND CASH EQUIVALENTS		
Cash and bank balances		
at end of the period	<b>1,756,249</b>	1,419,671
Less: Time deposits with original		
maturity of over		
three months	<b>(115,463)</b>	(91,746)
Pledged time deposits		
(note 11)	<u><b>(10,000)</b></u>	<u>(10,000)</u>
	<u><b>1,630,786</b></u>	<u>1,317,925</u>

## NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2010

### 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 2010 (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.

In the opinion of the directors, the parent and the ultimate holding company of the Company is Sichuan Highway Development Holding Company (“Sichuan Highway Development”).

On 16 April 2010, in order to facilitate the construction of an integrated transportation hub in western China and the economic development of western China, the People’s Government of Sichuan Province established Sichuan Communication Investment Group Corporation (“SCI Group”). According to documents issued by the People’s Government of Sichuan Province, SCI Group will succeed Sichuan Highway Development as the holding company of the Company. As at the date of this report, Sichuan Highway Development is still in the customary process of transferring the Company’s shares hold by Sichuan Highway Development to SCI Group. Upon completion of the share transfer, SCI Group will become the parent and the ultimate holding company of the Company.

## **2.1 BASIS OF PREPARATION**

The unaudited interim condensed financial information for the six months ended 30 June 2010 has 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”).

The unaudited interim condensed financial information 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 2009.

## **2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of this interim condensed financial information is consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that are relevant to the Group’s operations as set out in note 2.3 and changes in presentation of the consolidated statement of comprehensive income as set out in note 2.4 below.

## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

### **Fundamental accounting concept**

As at 30 June 2010, the current liabilities of the Group exceeded its current assets by approximately RMB776 million. The directors prepared this interim condensed financial information on a going concern basis notwithstanding the net current liabilities position because based on the correspondence received by the directors, banking facilities amounting to RMB1.69 billion, RMB1.5 billion, RMB0.4 billion granted by China Construction Bank, China Citic Bank, Bank of China, respectively, are available to the Group for the next year. As at 30 June 2010, all the above available banking facilities still remained unutilized. In addition, during the Period, the Company entered into a mid-long term syndicated loan with the sole mandated lead arranger, China CITIC Bank Corporation Limited (Chengdu Branch) and other eight banks in the PRC as joint lenders totalling RMB4.89 billion to finance the construction of the Chengdu-Meishan section of Chengdu-Zigong-Luzhou-Chishui Expressway (“Chengren Expressway Project”), of which RMB400 million has been drawn-down by the Company as at 30 June 2010.

## 2.3 ADOPTION OF NEW AND REVISED HKFRSs

During the Period, the Group adopted, for the first time, the following new and revised HKFRSs in this interim condensed financial information and are applicable to its operations:

HKFRS 3 (Revised)	Business combination
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
Improvements to HKFRSs (May 2009)*	Amendments to a number of HKFRSs

\* *The Group has adopted all the improvements to HKFRSs issued in May 2009 which are applicable to its operations.*

The changes introduced by HKFRS 3 (Revised) and HKAS 27 (Revised) must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transaction with non-controlling interest. HK(IFRIC)-Int 17 clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

While the adoption of the above new and revised HKFRSs may result in changes in certain accounting policies, the adoption of these new and revised HKFRSs is unlikely to have any significant financial effect on the interim condensed financial information.

## **2.4 CHANGES IN PRESENTATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

In previous years, the Group presented an analysis of expenses on the face of its statement of comprehensive income using a classification based on their nature within the Group. Following the successfully listing of the Company's A Shares on the Shanghai Stock Exchange on 27 July 2009, the directors reviewed the presentation of the Group's consolidated statement of comprehensive income, taking into account of the various financial information filing requirements of the Shanghai Stock Exchange and Hong Kong Stock Exchange as well as the market practice, and concluded that to present an analysis of expenses using a classification based on their function would improve efficiency in operational and financial reporting processes in compliance with various filing requirements.

In addition to the above, the presentation of certain comparative information in this interim condensed financial information has been changed to conform with current period's presentation. Since the change only affects presentation aspects, there is no impact on the Group's profit for the period or the calculation of the Group's earnings per share.



## 2.4 CHANGES IN PRESENTATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

Consequently, the presentation of the consolidated statement of comprehensive income for the six months ended 30 June 2009 has been restated and the comparative figures have been reclassified in order to conform with current period's presentation as follows:

**For the six months ended  
30 June 2009**

<b>As restated</b>	As previous stated
<b>RMB'000</b>	<i>RMB'000</i>
<b>(Unaudited)</b>	(Unaudited)

**Consolidated statement  
of comprehensive  
income** (Extract):

Revenue	<b>956,061</b>	890,388
Cost of sales and other direct operating expenses	<b>(358,196)</b>	—
Other income and gains	<b>27,281</b>	92,954
Administrative expenses	<b>(35,890)</b>	—
Depreciation and amortisation	—	(179,086)
Employee costs	—	(85,540)
Other operating expenses	<b>(9,231)</b>	(138,691)
	<b><u>          </u></b>	<b><u>          </u></b>

## 2.5 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, which are relevant to its operations, that have been issued but not yet effective in this interim condensed financial information.

HKAS 24 (Revised)	Related Party Disclosures <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2011*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2013*

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a numbers of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 while the amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010 although there are separate transitional provisions for each standard or interpretation.

The Group anticipates the adoption of these new and revised HKFRSs is unlikely to have a significant impact on the Group's results of operation and financial position upon initial application.

## 3. SEGMENT INFORMATION

The Group's revenue and contribution to profit from operating activities for the Period were mainly derived from the construction, management and operation of expressways and a high-grade toll bridged. The principal assets employed by the Group are located in Sichuan Province, the PRC. Accordingly, no segment analysis is presented.

#### 4. REVENUE, OTHER INCOME AND GAINS

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>		
Toll income from operation of expressways and a high-grade toll bridge		
— Chengyu Expressway	<b>557,915</b>	456,640
— Chengya Expressway	<b>310,681</b>	254,609
— Chengle Expressway	<b>192,109</b>	163,785
— Chengbei Exit Expressway and Qinglongchang Bridge	<b>53,267</b>	43,778
Less: Revenue taxes	<b>(34,436)</b>	(28,424)
Total toll income, net of revenue taxes	<b>1,079,536</b>	890,388
Construction revenue in respect of service concession arrangements	<b>880,577</b>	44,217
Construction revenue in respect of construction works performed for third parties	<b>26,289</b>	11,798
Others (including income from rental and advertising)	<b>9,384</b>	9,658
	<b>1,995,786</b>	956,061

#### 4. REVENUE, OTHER INCOME AND GAINS *(Continued)*

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Other income and gains</b>		
Interest income from discounting of		
long term compensation receivables	<b>10,697</b>	11,075
Interest income from bank deposits	<b>9,636</b>	9,529
Miscellaneous	<b>10,050</b>	6,677
	<b>30,383</b>	27,281
Total revenue, other income and gains	<b>2,026,169</b>	983,342

## 5. FINANCE COSTS

	For the six months ended	
	30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other loans	<b>22,697</b>	78,463
Interest on short term commercial papers	<b>28,850</b>	11,216
Bank charges	<b>228</b>	547
	<b>51,775</b>	90,226
Less: Interest capitalised in service concession arrangements	<b>(2,157)</b>	—
	<b>49,618</b>	90,226
Interest rate of borrowing costs capitalised	<b>5.35%</b>	—

## 6. PROFIT BEFORE TAX

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Construction costs in respect of service concession arrangements*	<b>867,631</b>	37,570
Construction costs in respect of construction works performed for third parties	<b>24,643</b>	11,149
Depreciation and amortisation expenses ( <i>note 9</i> )	<b>164,532</b>	179,086
Employee costs	<b>95,849</b>	85,540
Repairs and maintenance expenses	<b>35,067</b>	28,252
Auditors' remuneration	<b>453</b>	646
Minimum lease payments under operating leases:		
Land and buildings	<b>10,214</b>	11,434
Loss on disposal of items of property, plant and equipment	<b>766</b>	4,602
Reversal of provision for impairment of other receivables	<b>—</b>	(259)
	<b>—————</b>	<b>—————</b>

\* During the Period, depreciation charges of RMB254,000 (six months ended 30 June 2009: nil) is included in the construction costs in respect of service concession arrangements.

## 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.

Except for the companies discussed below that are entitled to a preferential tax rate, the other subsidiaries and associates of the Company are required to pay corporate income tax (“CIT”) at the standard rate of 25%.

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 is 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 documents, “Cai Shui [2001] No. 202” dated 30 December 2001, issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, and “Guo Fa [2007] No.39” dated 26 December 2007 issued by the State Council, Sichuan Chengle Expressway Company Limited (“Chengle Company”), the Company’s subsidiary, was granted a tax concession to pay CIT at a preferential rate 15% for the period from 1 January 2001 to 31 December 2010.

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, Chengdu Chengbei Exit Expressway Company Limited, the Company’s subsidiary, 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 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)

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Group:		
Current — PRC		
Charge for the period	<b>112,834</b>	71,538
Deferred	<u>—</u>	<u>701</u>
Total tax charge for the period	<b><u>112,834</u></b>	<b><u>72,239</u></b>

The share of tax attributable to associates amounting to RMB1,417,000 (six months ended 30 June 2009: RMB935,000) is included in “share of profits and losses associates” on the face of the interim consolidated statement of comprehensive income .

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of earnings per share is based on the profit attributable to owners of the Company for the Period amounting to RMB617,965,000 (six months ended 30 June 2009: RMB414,139,000) and the 3,058,060,000 (six months ended 30 June 2009: 2,558,060,000) Domestic and H Shares in issue during the Period.



## 8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(Continued)*

No adjustment has been made to the basic earnings per share amounts in respect of a dilution, as the Company did not have any potential dilutive shares in issue.

## 9. PROPERTY, PLANT AND EQUIPMENT, SERVICE CONCESSION ARRANGEMENTS AND PREPAID LAND LEASE PAYMENTS

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

	<b>Property, plant and equipment</b>	<b>Service concession arrangements*</b>	<b>Prepaid land lease payments</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Carrying amount			
at beginning of the Period	514,154	7,043,697	605,142
Additions	19,255	884,293	—
Disposals	(845)	—	—
Depreciation/amortisation			
charged for the Period	<u>(29,639)</u>	<u>(119,383)</u>	<u>(15,510)</u>
Carrying amount at end			
of the Period	<u>502,925</u>	<u>7,808,607</u>	<u>589,632</u>

## 9. PROPERTY, PLANT AND EQUIPMENT, SERVICE CONCESSION ARRANGEMENTS AND PREPAID LAND LEASE PAYMENTS *(Continued)*

- \* *During the Period, construction costs of RMB785,350,000 (six months ended 30 June 2009: Nil) were incurred for Chengren Expressway Project. Those construction costs were included in the addition of service concession arrangements which will be amortised upon the commencement of operation of Chengren Expressway Project. In addition, those construction costs of RMB785,350,000 (six months ended 30 June 2009: Nil) and construction revenue of RMB785,350,000 (six months ended 30 June 2009: Nil) were recognised in respect of the construction service provided by the Company for Chengren Expressway Project using the percentage of completion method during the Period. All construction activities of Chengren Expressway Project are sub-contracted to third parties subcontractors and the Group only performs project management.*

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

<b>Toll roads</b>	<b>Date of commencement of operation</b>	<b>End of operation</b>	<b>Origin/destination</b>
Chengyu Expressway	July 1995	October 2027	Chengdu/Shangjiapo
Chengya Expressway	January 2000	December 2029	Chengdu/Duiyan
Chengle Expressway	January 2000	December 2029	Qinglongchang/Guliba
Chengbei Exit Expressway	December 1998	June 2024	Qinglongchang/Baihelin

## 9. PROPERTY, PLANT AND EQUIPMENT, SERVICE CONCESSION ARRANGEMENTS AND PREPAID LAND LEASE PAYMENTS *(Continued)*

As at 30 June 2010, the concession rights pertaining to Chengbei Exit Expressway and Chengle Expressway with the respective book value of approximately RMB178,430,000 and RMB1,136,355,000, (31 December 2009: RMB184,788,000 and RMB1,122,453,000), were pledged to secure bank loans amounting to RMB179,600,000 and RMB206,400,000 (31 December 2009: RMB179,600,000 and RMB306,400,000), respectively (note 12(a)).

## 10. PAYMENTS IN ADVANCE

		<b>30 June</b>	31 December
		<b>2010</b>	2009
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	
Advance payments			
in respect of:			
Construction of Chengren			
Expressway Project	(a)	<b>364,055</b>	399,095
Purchase of property, plant and equipment		<b>3,923</b>	—
		<b>367,978</b>	399,095

## **10. PAYMENTS IN ADVANCE** *(Continued)*

- (a) As at 30 June 2010, payment in advance represented RMB302,255,000 (31 December 2009: RMB135,845,000) and RMB61,800,000 (31 December 2009: RMB263,250,000) paid by the Company to independent subcontractors before the commencement of the construction works and Chengdu Land and Resources Bureau, Jingjiang District Branch (31 December 2009: paid to shuang Liu Government) for resettlement of residents and removal of obstacles, respectively, for the construction of Chengren Expressway Project.

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

Included in the prepayments, deposits and other receivables at 30 June 2010 and 31 December 2009, there is a bidding deposit of RMB10,000,000 paid to Chengdu Municipal Committee of Communication (“CMCC”) in respect of the bidding of construction of Chengren Expressway Project.

The bidding deposit is expected to be refunded and released within this year when the Company make the payment of performance guarantee deposit of RMB200,000,000 to CMCC in respect of the Chengren Expressway Project.

## 12. INTEREST-BEARING BANK AND OTHER LOANS

		<b>30 June</b>	31 December
		<b>2010</b>	2009
	<i>Notes</i>	<b>RMB'000</b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	
Bank loans:	(a)		
Secured and guaranteed		<b>206,400</b>	306,400
Secured		<b>179,600</b>	179,600
Syndicated loan	(b)	<b>400,000</b>	—
Short term commercial papers			
Within one year	(c)	<b>2,000,000</b>	2,000,000
Other loans, unsecured	(d)	<b>104,545</b>	111,363
		<b><u>2,890,545</u></b>	<u>2,597,363</u>
Current portion		<b><u>2,111,327</u></b>	<u>2,098,327</u>
Non-current portion		<b><u>779,218</u></b>	<u>499,036</u>

At 30 June 2010, all interest-bearing bank and other loans of the Group are denominated in RMB.

## 12. INTEREST-BEARING BANK AND OTHER LOANS

*(Continued)*

- (a) Bank loans bear interest at the respective fixed rates ranging from 4.78% to 5.35% (six months ended 30 June 2009: from 5.27% to 7.83%) per annum. Bank loans amounting to RMB206,400,000 and RMB179,600,000 (31 December 2009: RMB306,400,000 and RMB179,600,000) are secured by the pledge of the concession rights of Chengbei Exit Expressway and Chengle Expressway, respectively (note 9). In addition, the Company's ultimate holding company, Sichuan Highway Development has guaranteed certain of the Group's bank loans up to RMB206,400,000 (31 December 2009: RMB306,400,000) (note 15(d)).
- (b) During the Period, the Company entered into a mid-long term syndicated loan with the sole mandated lead arranger, China CITIC Bank Corporation Limited (Chengdu Branch) and other eight banks in the PRC as joint lenders totaling RMB4.89 billion to finance the construction of the Chengren Expressway Project, of which RMB400,000,000 has been drawn-down by the Company as at 30 June 2010. The syndicated loan is secured by the pledge of the future concession rights of Chengren Expressway Project and bear interest at the rate of 5.35% per annum.

## **12. INTEREST-BEARING BANK AND OTHER LOANS**

*(Continued)*

- (c) On 27 November 2009, the Company issued another short term commercial papers totalling RMB2 billion to domestic institutional investors participating in the PRC interbank debt market. The short term commercial paper was issued at a par value of RMB100 per unit, with an interest rate of 3.49% per annum, and will expire on 29 November 2010.
- (d) Other loans are unsecured and bear interest at the respective fixed rates ranging from 2.82% to 5.00% (six months ended 30 June 2009: from 4.17% to 5.00%) per annum.

## **13. DIVIDENDS**

- (a) Dividends attributable to the interim period

At a meeting of the board of directors held on 19 August 2010, the directors of the Company resolved not to pay an interim dividend to shareholders (six months ended 30 June 2009: RMB397,547,800).

**13. DIVIDENDS** (Continued)

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Final dividend in respect of the financial year ended 31 December 2009 of RMB0.064 per share (2008: nil)		
Declared during the interim period	<b>195,716</b>	—
Paid during the interim period	<u><b>(195,716)</b></u>	<u>—</u>
	<u><b>—</b></u>	<u><b>—</b></u>



## 14. COMMITMENTS

(a) Capital commitments

	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>RMB'000</b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	
Contracted, but not provided for	<b>2,900,766</b>	3,285,630
Authorised, but not contracted for	<b>3,424,277</b>	3,505,609
	<b><u>6,325,043</u></b>	<u>6,791,239</u>

## 14. COMMITMENTS *(Continued)*

### (a) Capital commitments *(Continued)*

Further details of the capital commitments of the Group as of 30 June 2010 are analysed as follows:

	<b>30 June 2010 RMB'000 (Unaudited)</b>	31 December 2009 RMB'000
In respect of:		
Construction works to upgrade those existing expressways	<b>277,752</b>	43,551
Chengren Expressway Project	<b>5,804,878</b>	6,744,047
Construction of property, plant and equipment	<b>242,413</b>	3,641
	<b><u>6,325,043</u></b>	<u>6,791,239</u>

**14. COMMITMENTS** (Continued)

(b) Operating lease arrangements — As lessor

	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	
Within one year	<b>5,095</b>	4,995
In the second to fifth years, inclusive	<b>22,420</b>	20,263
Over five years	<b>49,491</b>	54,245
	<b>77,006</b>	79,503

(c) Operating lease arrangements — As lessee

	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Within one year	<b>21,952</b>	21,952
In the second to fifth years, inclusive	<b>84,908</b>	85,477
Over five years	<b>227,575</b>	239,011
	<b>334,435</b>	346,440

## 15. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in this interim condensed financial information, the Group had the following transactions with related parties during the Period:

- (a) In previous years, the Group obtained state loans amounting to RMB250,000,000 (31 December 2009: RMB250,000,000) 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 2009: 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 RMB3,735,000 (six months ended 30 June 2009: RMB5,763,000).

**15. RELATED PARTY TRANSACTIONS** *(Continued)*

- (c) On 1 February 2004, Chengle Company entered into a five years tenancy agreement (the “First Tenancy Agreement”) with Sichuan Highway Development, whereby Sichuan Highway Development leased out certain part of its office buildings to Chengle Company at an annual rental of RMB1,195,000. The tenancy agreement was extended for another five years when the First Tenancy Agreement expired on 31 January 2009 at an annual rental of RMB1,138,000. During the Period, the rental payable to Sichuan Highway Development amounted to RMB569,000 (six months ended 30 June 2009: RMB569,000).
  
- (d) As at 30 June 2010, bank loans of Chengle Company aggregating to RMB206,400,000 (31 December 2009: RMB306,400,000) were guaranteed by Sichuan Highway Development (note 12(a)). The bank loans were guaranteed by Sichuan Highway Development for nil consideration.

**15. RELATED PARTY TRANSACTIONS** (Continued)

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Fees	<u>120</u>	<u>120</u>
Other emoluments:		
Salaries, allowances and benefits in kind	<b>973</b>	733
Pension scheme contributions	<b>49</b>	40
Supplementary pension scheme contributions	<u>64</u>	<u>125</u>
	<u><b>1,086</b></u>	<u>898</u>
Total compensation paid to key management personnel	<u><b>1,206</b></u>	<u>1,018</u>

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

## **15. 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  
Madam. Hu Yu

And the independent non-executive directors are:

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

## **16. EVENTS AFTER THE REPORTING PERIOD**

As at the date of approval of this interim condensed financial information, the Group has no events after the reporting period that needs to be disclosed.

## **17. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with current period's presentation.

## **18. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION**

The interim condensed financial information was approved and authorised for issue by the board of directors on 19 August 2010.

## **CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS**

- I. During the Period, there was no change in the total number of shares and capital structure of the Company.**
  
- II. As at 30 June 2010, the Company had 145,376 shareholders, including 145,054 holders of A shares and 322 holders of H shares.**



### III. Substantial shareholders' and other persons' interests in shares and underlying shares

So far as the Company was aware, as at 30 June 2010, 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 (Chapter 571, Laws of Hong Kong):

Long positions in the shares of the Company:

Name	Type of shares	Long Position/ Short Position	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
<b>Substantial shareholders</b>						
Sichuan Highway Development Holding Company	Domestic shares (State-owned shares)	Long Position	975,060,000	31.88%	45.08%	Beneficial owner
Huajian Transportation Economic Development Centre	Domestic shares (legal person shares)	Long Position	637,680,000	20.85%	29.48%	Beneficial owner
<b>Other persons</b>						
Chilton Investment Company, Inc.	H Shares	Long Position	53,820,220	1.76%	6.01%	Interests of controlled corporations
Chilton Investment Company, LLC	H Shares	Long Position	53,820,220	1.76%	6.01%	Investment manager
Chilton Richard Lockwood, Jr.	H Shares	Long Position	53,820,220	1.76%	6.01%	Interests of controlled corporations

Save as disclosed above, as at 30 June 2010, no persons (other than the directors, supervisors and chief executive officers 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.

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

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

Neither the Company, nor any of its subsidiaries 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 (the "Director"), supervisors (the "Supervisor") or senior management of the Company 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 the Company's directors, supervisors and senior management.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. Analysis of Business Environment

As economic development is a key factor to the growth of traffic demand and the toll expressways currently operated by the Group are all located in Sichuan Province, the operating performance of expressways projects of the Group is thus closely related with the economic development level of Sichuan and nearby provinces, cities and the regions along the expressways of the Group.

In the first half of 2010, the national economy continued to develop positively towards the target of macro control. Recovery is further consolidated. According to preliminary calculation of National Bureau of Statistics of China, China's GDP for the first half of the year amounted to RMB17,284 billion. In terms of comparable prices, GDP increased by 11.1%, which was 3.7 percentage points higher than the same period last year. GDP of Sichuan Province amounted to RMB746.59 billion, increased by 16.3%. The increase was 2.8 percentage points higher than same period last year, and 5.2 percentage points higher than national average, ranking 7th among 31 provinces and cities in the PRC. Per capita disposable income of urban residents was RMB8,168, increased by 11.3% over same period last year. Per capita cash income of farmers was RMB2,921.7, increased by 12.5% over same period last year. Total retail sales of consumer goods amounted to RMB314.34 billion, increased by 18.5% as compared with same period last year. Discretionary commodities such as automobiles enjoyed a faster growth, retail sales of automobiles had increased by 29.9%.

During the Period, supported by further macro-economic recovery and a more stabilized operating environment, the Group strengthened and improved the operation and management of its existing assets to ensure and enhance its operating performance, thus successfully recording a substantial growth in operating results.

## II. Business Review and Analysis

### 1. Results

The earnings of the Group were mainly derived from the operation and investment of toll expressways. As at the end of the Period, the Group operated 4 major expressways: Chengyu Expressway, Chengya Expressway, Chengbei Exit Expressway, and Chengle Expressway, with a total length of approximately 467km.

For the half year ended 30 June 2010, the revenue of the Group amounted to RMB1,995,786,000 (RMB956,061,000 for the same period in 2009), representing a year-on-year increase of 108.75%. Net toll income was RMB1,079,536,000 (RMB890,388,000 for the same period in 2009), representing a year-on-year increase of 21.24%. Profit attributable to owners of the Company was RMB617,965,000 (RMB414,139,000 for the same period in 2009), representing a year-on-year increase of 49.22%. Basic earnings per share was RMB0.202 (RMB0.162 for the same period in 2009).

As at 30 June 2010, the total assets and the net assets of the Group reached approximately RMB11,293,991,000 and approximately RMB7,879,584,000 respectively.

## 2. Operating Conditions of the Group's Principal Operations

Operating results of the Company and its major branch and subsidiaries:

Item	Toll income		Toll income for the same		Profit for the period (RMB'000)	Year- on-year increase/ decrease (%)
	Toll income for the period (RMB'000)	Percentage in the total toll income (%)	period in 2009 (RMB'000)	Percentage in the total toll income (%)		
Chengyu Company (Note 1)	557,915	50.08	456,640	49.70	343,306	35.70
Chengya Branch (Note 2)	310,681	27.89	254,609	27.71	158,648	67.17
Chengle Company (Note 3)	192,109	17.25	163,785	17.83	111,288	111.57
Chengbei Company (Note 4)	53,267	4.78	43,778	4.76	29,079	45.48
Total	<u>1,113,972</u>	<u>100.00</u>	<u>918,812</u>	<u>100.00</u>	<u>642,321</u>	<u>52.76</u>

## Notes:

1. *For the purpose of this table only, Chengyu Company does not include Chengya Branch. Chengyu Company is responsible for the operation and management of Chengyu Expressway. Its profit for the period includes its share of profit and loss of its associated company;*
2. *Chengya Branch is responsible for the operation and management of Chengya Expressway. The profit of Chengya Branch for the period, on which the corporate income tax was deducted according to a 15% tax rate, includes its share of profit and loss of its associated company;*
3. *Chengle Company is a wholly owned subsidiary of the Company, is responsible for the operation and management of Chengle Expressway;*
4. *Chengbei Company is a subsidiary of the Company, is responsible for the operation and management of Chengbei Exit Expressway and Qinglongchang Bridge. The toll income of Chengbei Company was the aggregate amount of the toll incomes of Qinglongchang Bridge and Chengbei Exit Expressway. Its profit for the period includes its share of profit and loss of its associated company.*

Operating performance of major expressways of the Group:

Item	Shareholding percentage	Converted average daily traffic flow for a journey (vehicle)			Toll income (RMB'000)		
		For the period	For the same period in		For the period	For the same period in	
			2009	Increase / (decrease)		2009	Increase / (decrease)
				(%)			(%)
Chengyu Expressway	100%	20,661	18,934	9.12	557,915	456,640	22.18
Chengya Expressway	100%	15,224	13,473	13.00	310,681	254,609	22.02
Chengle Expressway	100%	24,775	20,008	23.83	192,109	163,785	17.29
Chengbei Exit Expressway (including Qinglongchang Bridge)	60%	34,123	28,759	18.65	53,267	43,778	21.68

During the Period, each of the Group's expressway recorded a significant growth in terms of traffic flow and toll income, driving up the overall operating results of the Group. Major factors affecting the operational performance of toll expressways during the Period are as follows:

- Since the beginning of 2010, China's economy has further consolidated its steady and fast growth momentum following last year's recovery from the global financial crisis, which drove the operating results of the Group's expressways to grow in a sustainable way;
- The Group's expressways are all located in Sichuan. As a large-scale infrastructure enterprise in Sichuan, the Group's operation and development was positively and profoundly influenced by further progress of China's development campaign of the western regions as well as the establishment and development of Chengyu reform and experimental zone;
- The upgrade of consumption structure was spurred citizen's demand for vehicles and significantly boosted the vehicle population in Sichuan. As at the end of June 2010, number of private vehicles in Sichuan has increased by 221,694 as compared with the year end of 2009 to over 1,500,000, representing an increase of more than 1,000 per day. Such consumption characteristic has put the Group's business in an advantageous position and drove potential growth;



- In the two years after the “May 12” earthquake, relevant authorities further carried on the post-disaster reconstruction according to the central government’s requirement to “complete three year’s targets within two years.” It is expected that construction and investment of over 85% of the post-disaster reconstruction projects will be completed by the end of September 2010. Post-disaster reconstruction projects were fully put into construction, boosting the demands for Sichuan highway transportation. As the trunk highways in Sichuan, the Group’s expressways plays a key role in the post-disaster reconstruction of Sichuan and facilitates the operation of expressway of the Group;
- During the Period, while intensifying road maintenance, the Group has strengthened management and developed new technology on expressways maintenance by strictly implementing Road Maintenance Management Method, which effectively controlled the project cost. Accordingly, favourable results were achieved in both cost and quality control.

- Pursuant to the “Approval on guidelines for dealing with matters concerning cancellation of toll concessions for the overweight portion of vehicles”(《關於對取消計重收費車輛超限部分通行費優惠有關事項處理原則的批覆》) issued by Sichuan Highway Development, commencing from 15 October 2009, all expressways in Sichuan had cancelled the preferential toll collection policy for the overweight portion (the total weight of a vehicle and a cargo minus the applicable standard load-bearing capacity for such vehicle and cargo) of over-loaded vehicles, that says, the toll for the overweight portion is calculated at normal basic rates without the 20% preferential toll cut. However, during the trial period of toll-by-weight on expressways (scheduled to end on 30 September 2010), the 20% toll cut preferential policy applicable to normally loaded vehicles will continue to be effective.

The operating performance of the Group’s expressways was also affected either positively or negatively by the changes of competing or cooperative road network as well as the maintenance and repairing work conducted in nearby areas. During the Period, the following expressways were affected to various extents by these factors:

- Chengya Expressway. From 4 March to 30 June 2010, three bridges in the Chengdu section of Chengdu-Xinjin Dajian Road commenced reconstruction and reinforcement work in tandem, which led to traffic congestion and prompted certain vehicles to use Chengya Expressway instead. Therefore, Chengya Expressway has experienced an increase in traffic flow.

- Chengbei Exit Expressway. (1) since 18 October 2009, the Dajian section of Chuanshan Highway has commenced reconstruction work and the highway was partially closed. It is expected that the reconstruction work will not be completed until the end of 2010, which will lead to increased traffic flow for Chengbei Exit Expressway during such period.(2) Toll station at ramp of No. 3 Ring Road of Chengbei Exit Expressway has stopped toll collection since 5 February 2010. After closure of the station, Chengdu Municipal Committee of Transportation will pay toll compensation to Chengbei Company on the basis of RMB1,800,000, commencing in 2010 at a growth rate of 8% per year. Considering factors such as comprehensive income and cost reduction arising from closure of the station, closure of toll station at ramp of No. 3 Ring Road will not have significant impact on the operation of Chengbei Company. (3) Chengmian Expressway, an extension line of Chengbei Exit Expressway, commenced overall road repair and maintenance from April 2010. In particular, certain sections were closed for construction in June, which significantly diverted traffic flow from Chengbei Exit Expressway. It is expected that road repair and maintenance project of Chengmian Expressway will be completed by the end of September 2010.

### **3. Project Investment and Financing**

#### **(1) Investments**

- Investment in and construction of Chengren Expressway

At the Company's third extraordinary general meeting of 2009, held on 15 July 2009, resolutions were passed to approve the investment in and the construction of Chengren Expressway.

The total length of Chengren Expressway is approximately 106.613km, commencing from Chengdu Ring Expressway (K34+600) and ending at Zhichanggou at the boundary of Renshou County, Meishan and Weiyuan County, Neijiang. The operation of Chengren Expressway is expected to commence around the end of 2012. The operation period for Chengren Expressway will last for 29 years and 300 days from the first day when Chengren Expressway commences to charge toll fees.

The authorized budgetary estimate for the project was RMB7,329,510,000 and the approved budget was RMB7,311,140,000. As at the end of June 2010, the capital available for the project was approximately RMB979,500,000 and bank loan available was RMB400,000,000. The capital was funded in a reasonable and

timely way, which guaranteed the progress of construction in a proper order. For the first half of 2010, a total of RMB785,350,000 was invested in this project, accounting for 166% of the planned investment of RMB473,800,000. Since its commencement of construction, an aggregate of RMB1,142,210,000 has been invested in the project, accounting for 15.62% of total investment of the project. Land resumption and relocation is progressing steadily. Approximately 10,504 Mu of land has been resumed and RMB981,000,000 has been paid as compensation for land resumption and relocation.

The investment in and construction of Chengren Expressway will further consolidate the business position of the Company in the investment, management and operation of expressways in Sichuan and western China, and boost the core competitiveness of the Company, so as to enhance its sustainable development.

- Potential acquisition of the Sichuan section of Suiyu Expressway and Chengnan Expressway

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 and related matters” and the “Intentional agreement regarding an asset acquisition of Chengnan Expressway”, both of which are non-legally binding, with Sichuan Chengnan Expressway Company Limited(四川成南高速公路有限責任公司) (“Chengnan Company”), the owners of Sichuan Section of Suiyu Expressway and Chengnan Expressway, and Sichuan Highway Development, the controlling shareholder of Chengnan Company, respectively.

Parties to these two intentional agreements intended to complete the proposed acquisition contemplated thereunder before 31 December 2009. However, the proposed acquisition has been postponed due to the pending land disposals of Chengnan Company. The Company has completed the selection of intermediaries in relation to this proposed acquisition, and Chengnan Company has completed most of its pre-acquisition work (such as sorting out its assets).

**(2) *Financing activities of the Company***

On 11 March 2010, the Company and 9 banks including China CITIC Bank entered into a medium-long term syndicated loan contract with a total amount not exceeding RMB4.89 billion for a term of 20 years (from 12 March 2010 to 11 March 2030). The loan will be used for the construction of Chengren Expressway. As at 30 June 2010, RMB400 million of loan has been drawdown. For details, please refer to the announcement of the Company dated 11 March 2010.

**4. Other Businesses**

During the Period, the Company's businesses other than toll expressways recorded a revenue of RMB946,633,000, representing an increase of 918.39% as compared with the same period last year. This was mainly attributable to RMB785,350,000 of construction revenue (2009: nil) from the construction of Chengren Expressway in the Period, which was recognized under the percentage-of-completion method.

### III. Operation Results and Financial Status Analysis

#### Summary of the Group's Results

	For the six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited and Restated)
Revenue	<b>1,995,786</b>	956,061
Including: toll income	<b>1,079,536</b>	890,388
Construction costs in respect of service concession arrangements	<b>880,577</b>	44,217
Profit before tax	<b>742,444</b>	494,386
Earnings attributable to owners of the company	<b>617,965</b>	414,139
Earnings per share attributable to owners of the company ( <i>RMB</i> )	<b>0.202</b>	0.162



Summary of the Group's Assets

	<b>At 30 June 2010 RMB'000 (unaudited)</b>	At 31 December 2009 RMB'000
Total assets	<b>11,293,991</b>	10,605,777
Total liabilities	<b>3,414,407</b>	3,160,087
Minority interests	<b>115,218</b>	103,573
Equity attributable to owners of the Company	<b>7,764,366</b>	7,342,117
Equity per share attributable to owners of the Company (RMB)	<b>2.539</b>	2.401

## Analysis of Operating Results

### Revenue

The Group's revenue for the Period amounted to RMB1,995,786,000 (for the same period in 2009: RMB956,061,000), representing an increase of 108.75% over the same period last year, of which:

- (1) The net toll income was RMB1,079,536,000 (for the same period in 2009: RMB890,388,000), representing a year-on-year increase of 21.24%, which included toll incomes of Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway. Please refer to the section headed "Business Review and Analysis" on page 51 of this report for details of the main factors influencing the toll income of the Group for the Period.
- (2) Construction revenue in respect of service concession arrangements was RMB880,577,000 (for the same period in 2009: RMB44,217,000), representing a year-on-year increase of 1891.49%. This was mainly attributable to RMB785,350,000 of construction income (for the same period in 2009: nil) from the construction project of Chengren Expressway and RMB95,227,000 of construction income (for the same period in 2009: RMB44,217,000) from technical renovation projects of Chengyu Expressway, Chengya Expressway and Chengle Expressway in the Period, which were recognized under the percentage-of-completion method.

## Operating Expenses

The Group's operating expenses for the Period amounted to RMB1,241,563,000(for the same period in 2009: RMB403,317,000), representing a year-on-year increase of 207.84%, of which:

- (1) Construction costs in respect of service concession arrangements was RMB867,631,000(for the same period in 2009: RMB37,570,000), representing a year-on-year increase of 2209.37%. This was mainly attributable to RMB785,350,000 of construction costs (for the same period in 2009: nil) from the construction project of Chengren Expressway and RMB82,281,000 of construction costs (for the same period in 2009: RMB37,570,000) from technical renovation projects of Chengyu Expressway, Chengya Expressway and Chengle Expressway in the Period, which were recognized under the percentage-of-completion method.
- (2) Depreciation and amortization expenses decreased by 8.13% from the same period last year to RMB164,532,000, mainly attributable to the increase in service concession arrangements last year which led to an increase in amortization and a higher traffic flow which led to an increase in amortization for service concession arrangements as compared with the same period last year; and a decrease in deprecation of fixed assets for the Period as compared with the same period last year as a result of certain fixed assets being fully depreciated in accordance with relevant policies.

- (3) Staff cost increased by 12.05% from last year to RMB95,849,000. This was principally due to certain increase in total salary, various social insurances and accommodation fund paid in the Period given the increase in average salary for the working population of Chengdu.
- (4) Cost of repairs and maintenance increased by 24.12% from last year to RMB35,067,000, which was daily maintenance costs of the Group's roads and auxiliary facilities.

### **Finance Costs**

The Group's finance costs for the Period amounted to RMB49,618,000 (for the same period in 2009: RMB90,226,000), representing a decrease of 45.01% as compared with the same period last year, principally attributable to the repayment of RMB106,818,000 of long term loans by the Company from its own funds which led to a decrease in interests expense, as well as the issue of RMB2 billion short-term commercial papers at an annual interest rate of 3.49% on 27 November 2009. The interests rate is lower than that of previous short-term commercial papers and bank loans which led to a decrease in interest payable.

## **Taxation**

The corporate income tax of the Group for the Period amounted to RMB112,834,000(for the same period in 2009: RMB72,239,000), representing an increase of approximately 56.20% as compared with the same period last year. This was mainly due to the growth in the Group's total profit before tax for the Period.

## **Profit**

The Group's profit for the Period amounted to RMB629,610,000 (for the same period in 2009: RMB422,147,000), representing an increase of 49.14% as compared with the same period last year. In particular, profit attributable to shareholders of the Company was RMB617,965,000, representing an increase of 49.22% as compared with the same period last year. This was mainly due to:

- (1) a significant growth in the Group's toll income over last year and a decrease in depreciation and finance costs;
- (2) such growth being partially offset by the increase in amortization for toll road operation rights, income tax and other operating expenses.

## **Analysis of Financial Position**

### **Non-current assets**

As at 30 June 2010, the Group's non-current assets amounted to RMB9,435,154,000, representing a increase of 8.03% as compared with the end of last year, which was mainly due to: new fixed asset of RMB19,255,000 for the Period; an increase of RMB884,293,000 in service concession arrangements(including RMB785,350,000 for construction project of Chengren Expressway, RMB98,943,000 for technological renovation project of Chengyu Expressway, Chengya Expressway and Chengle Expressways), and RMB164,532,000 of depreciation and amortization for intangible asset.

### **Current assets and current liabilities**

As at 30 June 2010, current assets of the Group amounted to RMB1,858,837,000, representing a decrease of 0.71% as compared to the end of 2009, which was mainly attributable to construction expenses for Chengren Expressway, technological renovation project of Chengyu Expressway, Chengya Expressway and Chengle Expressway, and a decrease of RMB49,513,000 in cash and cash equivalents due to repayment of loans and distribution of dividends.

As at 30 June 2010, current liabilities of the Group amounted to RMB2,635,189,000, representing a decrease of 0.97% as compared to the end of 2009, which was mainly due to increase in interest for short-term commercial papers, which lead to an increase of RMB36,166,000 in interest payable over the end of last year, and refund of certain performance guarantee as construction of Chengren Expressway progresses, which led to a decrease of RMB59,344,000 in other payables of Chengren Company.

### **Non-current liabilities**

As at 30 June 2010, non-current liabilities of the Group amounted to RMB779,218,000, representing an increase of 56.14% as compared to the end of 2009, which was principally attributable to repayment of bank loan of RMB100,000,000 by Chengle Company, an increase of RMB400,000,000 in bank loans for construction project of Chengren Expressway and the reclassification of part of the long-term interest bearing loans for the Period due within one year to bank and other interest-bearing loans due within one year.

### **Equity**

As at 30 June 2010, the Group's equity amounted to RMB7,879,584,000, representing an increase of 5.83% as compared to the end of 2009, which mainly due to: (1) RMB629,610,000 of net profit recorded for the Period, which was added to the equity; (2) RMB195,716,000 dividends distributed for the Period, which was deducted from equity.

## Capital structure

As at 30 June 2010, the Group had total assets of RMB11,293,991,000 and total liabilities of RMB3,414,407,000. Its gearing ratio was 30.23% (2009: 29.80%), which was calculated as the Group's total liabilities over its total assets.

## Cash flow

As at 30 June 2010, the Group's cash and bank balances amounted to RMB1,756,249,000, including HK\$33,000 (equivalent to RMB29,000) of deposits, and RMB1,756,220,000 cash and deposits in Renminbi, representing a decrease of RMB49,513,000 as compared with the end of 2009 (31 December 2009: RMB1,805,762,000). During the Period, the Group's net cash inflow from operating activities amounted to RMB141,113,000 (for the same period in 2009: RMB623,360,000), mainly attributable to RMB720,957,000 construction expenses for Chengren Expressway project (for the same period in 2009: nil).

During the Period, the cash outflow of the Group mainly consisted: RMB343,510,000 in cash for daily operation and management; RMB152,088,000 for payment of taxation, RMB98,943,000 for technological renovation project of Chengyu Expressway, Chengya Expressway and Chengle Expressway, RMB720,957,000 for construction project of Chengren Expressway, RMB8,153,000 for payment of interest, RMB195,716,000 for distribution of dividends (including dividend for minority shareholder and foreign exchange gain and loss), and RMB106,818,000 for repayment of loans.



### **Capital commitment**

Details of the Group's capital commitment as at 30 June 2010 are set out in Note 14 to the financial information.

### **Risk of exchange fluctuation**

Save that the Company needed 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 did not have any 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 2010, the Group's interest-bearing bank and other loans amounted to RMB2,890,545,000, all of which were loans with fixed interest. In particular, the balance of bank loans was RMB786,000,000, with an annual interest rate from 4.78% to 5.35%; balance of short-term commercial papers was RMB2,000,000,000, with an annual interest rate of 3.49%, balance of other loans was RMB104,545,000, with an annual interest rate from 2.82% to 5.00%. The relevant balances are as follows:

	<b>Maturity profile of interest-bearing borrowings</b>			
	<b>Total</b>	<b>Within 1 year</b>	<b>From 1 year</b>	<b>Over</b>
	<b>amount</b>	<b>1 year</b>	<b>to 5 years</b>	<b>5 years</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans from domestic commercial banks	786,000	88,600	490,375	207,025
Short-term commercial papers	2,000,000	2,000,000		
Other loans	104,545	22,727	81,818	
	<u>2,890,545</u>	<u>2,111,327</u>	<u>572,193</u>	<u>207,025</u>
Total (30 June 2010)	<u>2,890,545</u>	<u>2,111,327</u>	<u>572,193</u>	<u>207,025</u>
Total (31 December 2009)	<u>2,597,363</u>	<u>2,098,327</u>	<u>188,091</u>	<u>310,945</u>

With its steady cash flow, sound capital structure and excellent credit records, the Group has established and maintained favorable credit relations with financial institutions, enjoying most preferential interest rates for its loans. The Group has acquired bank facilities of RMB1.69 billion from China Construction Bank, RMB1.5 billion from China CITIC Bank, and RMB400 million available in one year. As at 30 June 2010, no bank facilities had been used. In addition, during the Reporting Period, China CITIC Bank as leader and other 8 banks formed a bank consortium, which signed loan contract with the Group for loan of RMB4.98 billion. Such loan will be specially used for Chengren Expressway project. As at 30 June 2010, RMB400 million had been drawdown.

#### **Contingent liabilities and pledge of assets**

As at 30 June 2010, the concession rights pertaining to Chengbei Exit Expressway and Chengle Expressway with the net value of RMB178,430,000 and RMB1,136,355,000, respectively (31 December 2009: RMB184,788,000 and RMB1,122,453,000, respectively), were pledged to secure bank loans amounting to RMB179,600,000 and RMB206,400,000, respectively (31 December 2009: RMB179,600,000 and RMB306,400,000, respectively).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 30 June 2010.

## Comparative figures

In previous years, analysis on various expenses of the Group was presented in consolidated income statement by nature. On 28 July 2009, the Company's A Shares was successfully listed on Shanghai Stock Exchange. With reference to the disclosure requirements from Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, and in line with market practice, the Company carefully reviewed disclosure of consolidated income statement for previous years, and confirmed that presentation of analysis on expenses by functions would increase efficiency of financial statement preparation.

Save for the above, certain comparative figures in this interim condensed financial information have been restated to conform to the current period's presentation and accounting treatment. The aforesaid restatement affected only the disclosure of financial information classification, and had no financial impact on the Group's earnings and earnings per share for the Period. Details are set out in note 2.4 to the financial information.

#### **IV. Business Development Plan**

In the second half of 2010, China's economy is expected to maintain its steady and rapid growth momentum, thus enabling the Group to operate and develop in a more stable, healthy and favorable environment. In view of such, the Company has formulated its operating strategies and business plans for the second half of 2010 after careful assessment as follows:

1. The Company will effectively execute the Group's strategies for development and operation. Based on provincial market and principal business, the Company aims to accelerate its development and sustain the growth of the Group's operating results. Meanwhile, capitalizing on intrinsic advantages and speeding up expansion of expressway related business, the Company is seeking new sources of profit for the Group.
2. The Group will press ahead the construction of Chengren Expressway in an efficient and orderly way, ensuring a timely, high quality, cost-effective and safety objective could be achieved and the management quality for this construction project could be further enhanced.
3. The Company will strive to control financial risk, broaden financing channels and reduce financial costs, with an aim to ensure sufficient cash flow and financial resources to support the Group's liability level and business expansion, so as to safeguard its healthy development.

4. Maintenance and management of expressway, which are the extension of expressway construction, play a vital role in protecting the functioning of expressways. In the second half of the year, the Company will put more efforts in preventive maintenance of the Group's expressway assets, improving daily maintenance of road surface, carrying out repair and maintenance of Chengyu Expressway, Chengya Expressway and Chengle Expressway, so as to ensure the Group's expressways are properly maintained, safe and unblocked. Meanwhile, the Company will actively promote application of new process, new materials, and new technologies to upgrade technology and construction level of expressway maintenance, laying a solid foundation for the long-term stable conditions of the Group's expressways.
5. The Company will strengthen the development of modern and scientific management system of human resources, intensify introduction and training of talents, and create harmonious and positive corporate culture. Through implementing and improving incentive mechanism, constraint mechanism, talent training and selection mechanism to stimulate the staff's enthusiasm and creativity, the Company expects an overall improvement in the staff's professional skills and comprehensive capability to cater for the Group's need to accelerate growth.

6. In response to the surging traffic volume of the Group's expressways and higher demand for quality service from expressway users, the Group will vigorously press ahead the renovation project of service zones, increase auxiliary facilities, and intensify comprehensive improvement of environment, so as to provide safe and quality services as well as a more graceful and comfortable environment for users. The optimization and upgrade of service zones will sharpen expressway's edges over alternative transportations, increase the percentage of added value services, and help to diversify the Group's income.
7. The Company will further streamline and optimize its internal control system, which will be implemented in the Group in order to achieve higher level of standardized and refined management, to strengthen its efficiency in execution and innovative ability, and to improve the overall management of the corporation in view of new circumstances.

Looking into the future, we will continue our mission statement which is "to construct and operate high quality expressways leveraging on modern management". With the support of preferential policies from central and local governments, and seizing the opportunity of building economic highland and constructing a traffic pivot in western China at Sichuan Province, we strive to build the Company into a large infrastructure conglomerate with distinguish principal business, stable operation, sound governance structure and supreme management capacity.

## OTHER SIGNIFICANT EVENTS

### I. Profit distribution

#### 1. 2010 Interim Dividend

The Board resolved not to recommend an interim dividend for the six months ended 30 June 2010, nor transfer any capital reserve into share capital.

#### 2. Profit Distribution Plan for 2009 and its Implementation

As considered and approved at the 2009 annual general meeting, the Company declared a dividend of RMB0.064 (tax inclusive) per share to holders of H shares and A shares in cash respectively, which was based on the total share capital of 3,058,060,000 shares as at the year end of 2009, totalling RMB195,715,840 (tax inclusive).

The dividends were distributed to holders of H shares and holders of A shares on 28 May 2010 and 23 June 2010 respectively.



### **III. Disclosure of Interests**

So far as the Company was aware, as at 30 June 2010, none of the directors, supervisors or chief executive officers of the Company or their respective associates had any interests or short positions 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 taken to be interest or short positions held by such Directors, Supervisors or chief executive officers), or interest or short positions 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 of Listed Issuers.

### **IV. Material Acquisition and Disposal**

There was no material acquisition or disposal carried out by the Group and its associates during the Period.

## V. Employees and their remuneration and training

As at 30 June 2010, the Company (including its branches) had 1,725 employees (982 in the Company, 680 in Chengya Branch and 63 in Chengren Branch), details of which are as follows:

### 1. Composition by Expertise

Type of expertise	Number
Management (including professional technicians)	426
Technicians	1299

### 2. Composition by Educational Level

Educational level	Number
Postgraduate	34
University graduate	334
Junior college graduate or below	1,357

### 3. Employee's Remuneration

The total remuneration of the employees is correlated with the operating results of the Company. The wages of the Company's employees are comprise of fixed wages (including basic salary, and salaries determined by the position and period of service) and performance incentive bonus. Employee's salary is determined with reference to his position (i.e. the salary changes in accordance with the position of service) and performance. For the half year ended 30 June 2010, the employees' salary totalled RMB45,145,000 (of which RMB27,960,000 for the Company, RMB15,496,000 for Chengya Branch and RMB1,689,000 for Chengren Branch).

#### **4. Employee's Insurance and Welfare**

The Company cherishes employees and protects their lawful interests. The Company has improved various types of social insurance for employees in strict compliance with all applicable Chinese labor security policies. Expenses for various types of social insurance for retirement, healthcare, unemployment, work related injury, child birth and accident have been paid in full by the Company for the employees. Meanwhile, the Company made contributions to the housing accumulation fund and enterprise annuity fund for the employees in compliance with the requirements under applicable laws and policies.

#### **5. Staff Training**

The Company highly values staff training to improve the comprehensive quality and business standard. During the Period, the Company has organised various skills training in respect of transportation and production safety, financial software, and other intensive training course for different levels of staff. A total of 932 employees have attended the above training courses.

## **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 set out in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange. 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 actual operation and applicable percentage of per capita income of the working population of Chengdu, where the Company is situated, and are subject to shareholders’ approval at the Company’s general meeting. Save for the above, the Company has fully complied with the provisions contained in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the Period.

### **2. Audit Committee**

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors 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 and confirmed the interim condensed financial information and interim report of the Group for the half year ended 30 June 2010.

### **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 (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors and Supervisors, 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 its standards of code of conduct and there had not been any non-compliance with the relevant requirements of the Model Code.

## **VII. Names of Directors**

As at the date of this report, the Board comprises: Mr. Tang Yong, Mr. Zhang Zhiying, Madam Zhang Yang, Mr. Gao Chun, Mr. Zhou Liming, Mr. Wang Shuanming, Mr. Liu Mingli, Madam Hu Yu, Madam Luo Xia<sup>#</sup>, Mr. Feng Jian<sup>#</sup>, Mr. Zhao Zesong<sup>#</sup> and Mr. Xie Bangzhu<sup>#</sup>.

<sup>#</sup> *Independent non-executive Director*

By order of the Board

**Tang Yong**

*Chairman*

Chengdu, Sichuan Province, the PRC

19 August 2010