Sichuan Expressway Company Limited

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

(Stock code : 0107)

2007
Interim Report

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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

Registered Address/Office Address

252 Wuhouci Da Jie, Chengdu, Sichuan Province, PRC

Postal Code 610041

Company Website

http://www.cygs.com

Principal Operation Address in Hong Kong

28/F, Tower 3, Pacific Place,

1 Queen's Road East, Hong Kong

Authorized Representatives

Zhang Zhiying

Zhang Yongnian

Place of Listing Shares

H Shares: The Stock Exchange of Hong Kong Limited

Stock Code 0107

Legal Representative of the Company

Tang Yong

Company Secretary

Zhang Yongnian

Contact Number 8628-85527504

Investors' Hotline 8628-85527526

Fax 8628-85530753

Designated Newspapers for Information Disclosure

Hong Kong Economic Times

The Standard

Principal Banker

Construction Bank of China

International Auditors

Ernst & Young Certified Public Accountants

18/F, Two International Finance Centre,

8 Finance Street, Central, Hong Kong

Domestic Auditors

Sichuan Jun He Accountants

10th Floor Jin Cheng Building,

68 Zou Ma Street, Chengdu City,

Sichuan Province

Hong Kong Legal Advisers

Li & Partners

22nd Floor, Worldwide House

19 Des Voeux Road Central,

Hong Kong

PRC Legal Advisers

King & Lawman

12th Floor Qingyun Dangdai Building,

43 San Huan Xi Road,

Hai Dian District North,

Beijing, 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, PRC

Tengis Limited

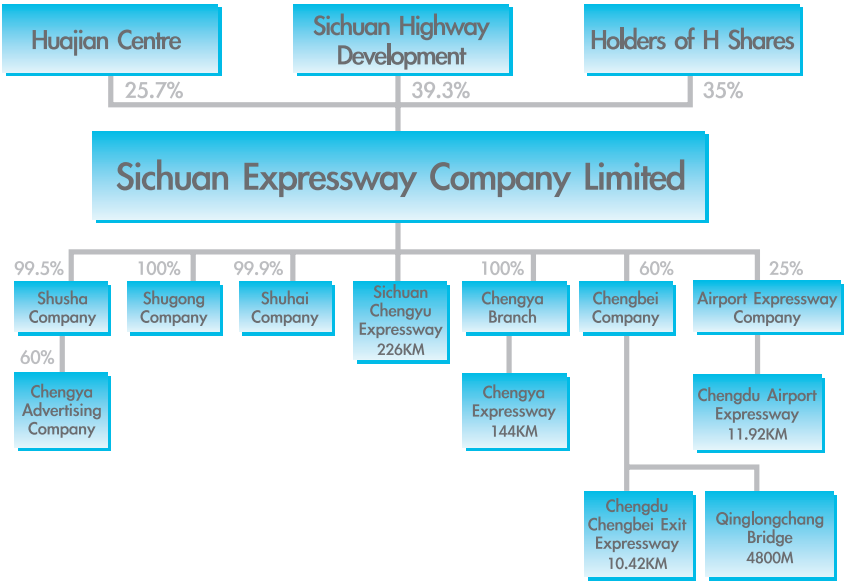
28/F, Tower 3, Pacific Place,

1 Queen's Road East, Hong Kong

COMPANY PROFILE

Sichuan Expressway Company Limited (the "Company" or "Chengyu Company") was incorporated in Sichuan Province of 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 as well as the operation of other ancillary businesses relating to toll roads of Sichuan Province.

The Company and its subsidiaries are collectively referred to as the Group.
As at 30 June 2007, the total share capital of the Company is 2,558 million shares. The shareholdings and asset structure are as follows:



Notes:

"Sichuan Highway Development"	*Sichuan Highway Development Holding Company*
"Huajian Centre"	*Huajian Transportation Economic Development Centre*
"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*
"Chengbei Company"	*Chengdu Chengbei Exit Expressway Company Limited*
"Airport Expressway Company"	*Chengdu Airport Expressway Company Limited*

FINANCIAL REPORT

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June 2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
REVENUE	4	**574,520**	513,957
Other income and gains	4	**22,492**	23,213
Depreciation and amortisation expenses		**(123,737)**	(119,278)
Employee costs		**(61,633)**	(47,626)
Other operating expenses		**(97,682)**	(99,086)
Finance costs	5	**(43,453)**	(58,947)
Share of profits and losses of associates		**2,230**	2,381
PROFIT BEFORE TAX	6	**272,737**	214,614
Tax	7	**(55,784)**	(41,828)
PROFIT FOR THE PERIOD		**216,953**	172,786
Attributable to:			
Equity holders of the Company		**213,607**	170,385
Minority interests		**3,346**	2,401
		216,953	172,786
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY — basic	8	**RMB0.084**	RMB0.067

INTERIM CONSOLIDATED BALANCE SHEET

30 June 2007

	Notes	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**5,984,008**	6,045,738
Prepaid land lease payments		**523,518**	535,740
Operating rights		**112,540**	115,899
Interests in associates		**55,040**	58,535
Available-for-sale investments		**32,795**	32,795
Deferred tax assets	11	**—**	37,255
Long-term compensation receivables		**69,105**	69,105
Total non-current assets		**6,777,006**	6,895,067
CURRENT ASSETS			
Inventories		**25,194**	12,258
Prepayments, deposits and other receivables	12	**60,744**	151,968
Cash and cash equivalents		**539,908**	416,840
Total current assets		**625,846**	581,066
CURRENT LIABILITIES			
Tax payable		**14,619**	17,121
Other payables and accruals		**169,274**	334,813
Interest-bearing bank and other loans		**1,629,902**	1,592,922
Dividend payable		**66,510**	—
Due to the ultimate holding company	13	**2,054**	2,054
Total current liabilities		**1,882,359**	1,946,910
NET CURRENT LIABILITIES		**1,256,513**	1,365,844
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,520,493**	5,529,223

INTERIM CONSOLIDATED BALANCE SHEET *(Continued)*

30 June 2007

	Notes	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans		**348,600**	464,418
Deferred tax liabilities	11	**151**	927
Total non-current liabilities		**348,751**	465,345
Net assets		**5,171,742**	5,063,878
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**2,558,060**	2,558,060
Reserves		**2,516,749**	2,303,142
Proposed final dividend		**—**	102,322
		5,074,809	4,963,524
Minority interests		**96,933**	100,354
Total equity		**5,171,742**	5,063,878

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to equity holders of the Company										
	Issued capital	Share premium account	Statutory surplus reserve	Statutory public welfare fund	General surplus reserve	Difference arising from acquisition of minority interest	Retained profits	Proposed final dividend	Total	Minority 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 2006	2,558,060	1,413,597	177,356	168,815	283,022	(12,215)	313,486	102,322	5,004,443	204,750	5,209,193
Profit for the period	–	–	–	–	–	–	170,385	–	170,385	2,401	172,786
Transfers	–	–	168,815	(168,815)	–	–	–	–	–	–	–
Dividend declared to equity holders of the Company	–	–	–	–	–	–	–	(102,322)	(102,322)	–	(102,322)
At 30 June 2006	2,558,060	1,413,597	346,171	–	283,022	(12,215)	483,871	-	5,072,506	207,151	5,279,657
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)
Dividend declared to equity holders of the Company	–	–	–	–	–	–	–	(102,322)	(102,322)	–	(102,322)
At 30 June 2007	2,558,060	1,413,597	373,438	–	335,107	(243,712)	638,319	–	5,074,809	96,933	5,171,742

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June 2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES		**430,486**	313,335
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(146,621)**	(33,194)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		**283,865**	280,141
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		**(160,806)**	(138,023)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**123,059**	142,118
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**416,825**	743,948
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**539,884**	886,066
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances (excluding time deposits with original maturities of over three months)		**539,884**	886,066

Notes to Interim Financial Information

30 June 2007

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.

The principal activities of the Company and its subsidiaries (the "Group") are the construction, management and operation of expressways, high-grade roads and a toll bridge.

2.1 *BASIS OF PREPARATION*

These unaudited interim condensed consolidated financial statements prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fundamental accounting concept

As at 30 June 2007, the current liabilities of the Group exceeded its current assets by approximately RMB1.257 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 2007 due to the following factors:

(a) Based on the correspondences received by the directors, banking facilities amounting to RMB2.0 billion, RMB1.2 billion, RMB500 million and RMB1 billion granted by the Industry and Commercial Bank of China, China Construction Bank, Huaxia Bank and Citic Bank, respectively, are available to the Group. As at 30 June 2007, banking facilities amounting to RMB120 million in aggregate were utilised; and

(b) Pursuant to a resolution passed at the extraordinary general meeting of shareholders of the Company on 28 August 2007, the Company was approved to issue short-term commercial papers in one or separate time(s) within an amount not exceeding RMB2.0 billion each year, for a period of three years commencing from 28 August 2007.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 2006, except for the adoption of certain new/revised Hong Kong Financial Reporting Standards ("HKFRS", which also include HKASs and Interpretations) noted below. Adoption of these new/revised HKFRSs did not have any effect on the financial position or performance of the Group.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) — Int 10	Interim Financial Reporting and Impairment

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs relevant to the Group's interim financial statements, that have been issued but not yet effective in these financial statements which are effective for periods beginning on or after 1 January 2008:

HKFRS 8	Operating Segments
HK(IFRIC) — Int 12	Service Concession Arrangements

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

3. SEGMENT INFORMATION

The Group's revenue and contribution to profit from operating activities for the six months ended 30 June 2007 (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	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Toll income		
— Chengyu Expressway	**385,942**	353,210
— Chengya Expressway	**170,317**	137,949
— Chengbei Exit Expressway, Qinglongchang Bridge and Chengbei Exit Dajian Road	**36,201**	39,596
	592,460	530,755
Less: Revenue taxes	**(17,940)**	(16,798)
	574,520	513,957
Other income and gains		
Road maintenance income	**8,788**	6,860
Rental income	**7,761**	7,886
Interest income	**2,785**	5,506
Miscellaneous	**3,158**	2,961
	22,492	23,213
Total revenue, other income and gains	**597,012**	537,170

5. *FINANCE COSTS*

	For the six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**11,964**	55,484
Interest on other borrowings	**3,304**	3,463
Amortisation of a discount on short-term commercial papers	**27,980**	—
Exchange losses	**205**	—
	43,453	58,947

6. *PROFIT BEFORE TAX*

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

	For the six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee costs:		
Wages and salaries	**49,153**	37,401
Pension scheme contributions:		
— Defined contribution fund	**6,865**	5,863
Accommodation benefits:		
— Defined contribution fund	**5,615**	4,362
	61,633	47,626
Auditors' remuneration	**212**	315
Depreciation	**108,156**	101,068
Amortisation of prepaid land lease payments	**12,222**	12,518
Amortisation of an operating right	**3,359**	5,692
Minimum lease payments under operating leases:		
Land and buildings	**899**	1,194
Property, plant and equipment written off	**3,522**	1,231
(Reversal of provision)/provision for doubtful debts	**(1,000)**	5,530

7. *TAX*

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

Pursuant to documents "Cai Shui [2001] No. 202" and "Guo Shui Fa [2002] No. 47" issued by the State Tax Bureau and approval documents "Chuan Guo Shui Han [2002] No. 244" dated 16 October 2002, "Chuan Guo Shui Zhi Han [2002] No. 30" dated 21 November 2002 issued by the Sichuan Provincial Branch of the State Tax Bureau, "Chuan Guo Shui Han [2006] No. 40" dated 7 February 2006 issued by the Sichuan Provincial Branch of the State Tax Bureau, for the five years from 1 January 2006 to 31 December 2010, the Company is required to pay enterprise income tax ("EIT") at a preferential rate of 18%.

Pursuant to an approval document "Chuan Di Shui Han [2004] No. 283" dated 19 July 2004 issued by the Sichuan Provincial Branch of the State Tax Bureau, the Company's subsidiary, Chengdu Chengbei Exit Expressway Company Limited. ("Chengbei Company"), was granted a tax concession to pay EIT 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 EIT at a preferential rate of 15% for a period of 10 years from 1 January 2001 to 31 December 2010.

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

7. ***TAX*** *(Continued)*

On 16 March 2007, the National People's Congress approved the Corporate Income Tax law of the PRC (the "new CIT law"), which will be effective from 1 January 2008. Under the new CIT law, the standard EIT rate starting from 1 January 2008 will be 25%, replacing the current rate of 33%, and the entities that are currently entitled to preferential tax rate may continue to enjoy the tax benefits. As detailed measures concerning the tax incentives have not been issued by the State Council, the Group is not yet in a position to assess the impact of the new CIT law, if any. The Group will continue to evaluate the impact when more detailed regulations are announced.

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

	For the six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Group:		
Current — PRC		
Charge for the period	**19,305**	43,271
Deferred tax *(note 11)*	**36,479**	(1,443)
Total tax charge for the period	**55,784**	41,828

7. ***TAX*** *(Continued)*

A reconciliation of the tax expenses applicable to the profit before tax using the statutory tax rates for the Group to the tax expenses at the effective tax rate, is as follows:

	For the six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**272,737**	214,614
Tax at applicable tax rates of		
— 33%	**292**	438
— 18%	**46,659**	37,377
— 15%	**1,895**	845
Subtotal	**48,846**	38,660
Expenses not deductible for tax	**6,957**	7,119
Profit attributable to associates	**(335)**	(357)
Utilisation of tax losses of a subsidiary	**—**	(3,744)
Tax losses of subsidiaries	**316**	150
Tax charge at the Group's effective tax rate	**55,784**	41,828

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 of RMB213,607,000 (2006: RMB170,385,000) and the 2,558,060,000 (2006: 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 2007 and 2006 have not been disclosed.

9. *DIVIDENDS*

(a) Dividends attributable to the interim period

At a meeting of the board of directors held on 28 August 2007, the directors of the Company resolved not to pay an interim dividend to shareholders (2006: Nil).

9. *DIVIDENDS* *(Continued)*

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

	For the six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend in respect of the financial year ended 31 December 2006 of RMB0.04 per share (2005: RMB0.04 per share)		
Declared during the interim period	**102,322**	102,322
Paid during the interim period	**(35,812)**	(35,812)
	66,510	66,510

10. PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2007	Additions/ provided during the Period	Written off	Transfers	At 30 June 2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost:					
Expressways, tunnels and bridges	6,727,274	—	—	—	6,727,274
Safety equipment	439,018	—	—	—	439,018
Communication and signalling systems	149,411	55	(6,202)	—	143,264
Toll collection equipment	112,112	229	—	—	112,341
Buildings	257,740	—	(465)	—	257,275
Machinery and equipment	144,122	1,766	—	—	145,888
Motor vehicles	57,546	505	(3,990)	—	54,061
Construction in progress	9,739	47,393	—	—	57,132
	7,896,962	49,948	(10,657)	—	7,936,253

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

	At 1 January 2007	Additions/ provided during the Period	Written off	Transfers	At 30 June 2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Accumulated depreciation:					
Expressways, tunnels and bridges	1,192,507	66,355	—	—	1,258,862
Safety equipment	342,044	12,933	—	—	354,977
Communication and signalling systems	69,786	8,296	(3,164)	—	74,918
Toll collection equipment	55,641	7,211	—	—	62,852
Buildings	64,569	4,159	(171)	—	68,557
Machinery and equipment	91,186	6,266	—	—	97,452
Motor vehicles	35,491	2,936	(3,800)	—	34,627
	1,851,224	108,156	(7,135)	—	1,952,245

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

	At 1 January 2007	Additions/ provided during the Period	Written off	Transfers	At 30 June 2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net book value:					
Expressways, tunnels and bridges	5,534,767				5,468,412
Safety equipment	96,974				84,041
Communication and signalling systems	79,625				68,346
Toll collection equipment	56,471				49,489
Buildings	193,171				188,718
Machinery and equipment	52,936				48,436
Motor vehicles	22,055				19,434
Construction in progress	9,739				57,132
	6,045,738				5,984,008

As at 30 June 2007, the concession rights pertaining to Chengbei Exit Expressway were pledged to secure bank loans amounting to RMB208,600,600 (31 December 2006: RMB208,600,000), respectively.

11. *DEFERRED TAX*

The movements in deferred tax assets and liabilities during the Period are as follows:

Deferred tax assets

	Losses available for offset against future taxable profit
	RMB'000
At 1 January 2007	37,255
Utilised during the period *(note 7)*	(37,255)
At 30 June 2007	—

Deferred tax liabilities

	Depreciation allowance in excess of related deprecation
	RMB'000
At 1 January 2007	927
Deferred tax credited to the income statement during the period *(note 7)*	(776)
At 30 June 2007	151

12. *PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES*

Included in the prepayments as at 31 December 2006 was a down payment of RMB100,000,000 made in respect of a proposed acquisition of a 21.16% equity interest in Jiuzhai Huanglong Airport Co., Ltd.. The down payment was received by the Group on 16 March 2007 after the board of directors of a subsidiary passed a resolution to withdraw from the proposed acquisition on 7 March 2007.

13. *DUE TO THE ULTIMATE HOLDING COMPANY*

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

14. *COMMITMENTS*

	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
	(Unaudited)	
Contracted, but not provided for	**298,809**	63,759
Authorised, but not contracted for	**60,158**	193,741
	358,967	257,500

14. COMMITMENTS *(Continued)*

Further details of the capital commitments of the Group as of 30 June 2007 are analysed as follows:

	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
	(Unaudited)	
In respect of:		
— Construction works to upgrade the Chengyu Expressway	**294,053**	237,788
— Others	**64,914**	19,712
	358,967	257,500

15. *RELATED PARTY TRANSACTIONS*

The Group had the following transactions with related parties, as defined in HKAS24:

(a) In previous years, the Group obtained State loans amounting to RMB250 million (31 December 2006: RMB250 million) in aggregate pursuant to the loan repayment agreements (the "Loan Repayment Agreements") entered into between the Company and Sichuan Highway Development Holding Company ("Sichuan Highway Development"), the ultimate holding company of the Company. The State loans were originally made to the Sichuan Provincial Government through the Ministry of Finance for infrastructure development of the Sichuan Province. For the purpose of financing the construction of the Chengya Expressway, Sichuan Highway Development had initially obtained the State loans and pursuant to the Loan Repayment Agreements, the State loans were then transferred to the Group. During the Period, the Group repaid part of the State loans amounting to RMB6,818,000 (2006: RMB6,818,000).

(b) During the period, an amount of RMB4,575,000 (2006: Nil) is payable to Sichuan Zhineng Transportation System Management Company ("Sichuan Zhineng"), a subsidiary of Sichuan Highway Development, for the provision of toll collection management service to the Group. The directors consider that the toll collection management service fee paid to Sichuan Zhineng was determined based on prices available to third party customers of Sichuan Zhineng.

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

Key management compensations during the Period was as follows:

	For the six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fee	**140**	190
Other emoluments:		
Basic salaries and allowances and benefits in kind	**628**	593
	768	783
Pension fund	**7**	7
	775	790

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
Mr. Zhang Wengsheng
Mr. Gao Chun
Mr. Zhou Liming
Mr. Wang Shuanming
Mr. Liu Mingli
Madam Zhang Yang

And the independent non-executive directors are:

Madam Luo Xia
Mr. Feng Jian
Mr. Zhao Zesong

16. *POST BALANCE SHEET EVENT*

Pursuant to a resolution passed at the extraordinary meeting of shareholders of the Company on 28 August 2007, the Company was approved to issue short-term commercial papers in one or separate time(s) within an amount not exceeding RMB2.0 billion each year, for a period of three years commencing from 28 August 2007.

17. *APPROVAL OF THE INTERIM FINANCIAL INFORMATION*

The interim financial information was approved by the board of directors on 28 August 2007.

CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

I. During the Period, there was no change in the number of total shares or capital structure of the Company.

II. As at 30 June 2007, the Company had 451 shareholders, including 1 holder of state-owned shares, 1 holder of state-owned legal person shares and 449 holders of H shares.

III. So far as the Company is aware, as at 30 June 2007, the following interests of 5% or more of the total share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO :

Name	Type of shares	Number of the Company's shares held	Percentage in total share capital	Percentage in H shares capital	Short positions	Pledge or frozen
Sichuan Highway Development	State-owned Shares	1,005,290,000	39.30%	—	—	
HKSCC Nominees Limited	H Shares	886,785,999	34.67%	—	Note 1	Note 1
Huajian Centre	State-owned legal person Shares	657,450,000	25.70%	—	—	Nil
He Ruqiang	H Shares	90,824,000	—	10.14%	—	—
AXA Rosenberg Group LLC	H Shares	44,784,856	—	5%	—	—

Save as disclosed above, as far as the Company was aware, as at 30 June 2007, no person (persons other than the Directors, supervisors or chief executive officer and their respective associates) had interests or short positions in the shares, underlying shares and debentures (as the case may be) in the Company or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company or the Stock Exchange in accordance with divisions 2 and 3 of Section XV of the SFO.

Note 1: 886,785,999 H Shares are held by HKSCC Nominees Ltd on behalf of a number of shareholders. Save as disclosed, the Company is not aware of any short positions, pledges or freezing of relevant shares or shares representing 5% or more of share capital of the Company held by any individual shareholder.

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

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

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 MEMBERS

I. Shareholding of Directors, Supervisors and Senior Management Members

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

II. Changes to Directors, Supervisors and Senior Management Members

The First Extraordinary General Meeting for 2007 held on 29 March 2007 passed the resolutions to approve the followings: (i) the new appointment of Mr. Tang Yong and Mr. Wang Shuanming as the Company's executive Directors; (ii) the new appointment of Mr. Zhao Zesong as the Company's Independent Non-executive Director; (iii) the new appointment of Mr. Ouyang Huajie, Mr. Jian Shixi and Madam Yang Jingfan as the Company's Supervisors; (iv) the resignation of Mr. He Gang, Mr. Zhang Yongnian, Madam Zang Dihua and Mr. Yim Chung Wu as the Company's Directors; and (v) the resignation of Mr. Li Aimin as the Company's Supervisor.

The resignations of Madam Zang Dihua and Mr. Yim Chung Wu were due to old age and the resignations of the other Directors and Supervisors were due to normal transfer of positions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. Adjustment to Toll Rates

A new tolling mechanism (weight-based tolling for normally loaded cargo vehicles and surcharge for overloaded cargo vehicles) for networked expressways in Sichuan has been implemented from 1 June 2007 pursuant to the Sichuan Provincial Department of Communications' adjustment to toll rates, approved by Sichuan Provincial Government, so as to strengthen the management of overloaded vehicles, effectively protect the road and bridge facilities and further normalise the order of the transportation market. Except Chengdu Airport Expressway, Chengyu Expressway, Chengya Expressway and Chengbei Exit Expressway (excluding Qinglongchang Bridge) of the Group are all applicable to the new mechanism.

i. Weight-based Toll Rates for Normally Loaded Vehicles (in terms of gross weight of vehicles and cargos)

The basic rate for expressways is RMB0.075/tonne • kilometer; the basic rate for bridges and tunnels is RMB0.65/tonne • kilometer. According to the actual gross weight vehicle and cargo, the toll fee for vehicles weighting below 20 tonnes (inclusive) is calculated based on the basic rate. As for vehicles weighting between 20 tonnes and 40 tonnes and those above 40 tonnes, the segment below 20 tonnes (inclusive) is applicable to the basic rate, and the segment above 20 tonnes is subject to linear decrement from the basic rate to 50% of the basic rate. A 20% discount to toll fee will be temporarily granted to normally loaded vehicles during the period of trial operation.

ii. Surcharge on Overloaded Cargo Vehicles

In order to reduce the adverse impact of overloaded vehicles on highways and other road users, surcharges on overloaded vehicles are implemented. The rates of surcharges are respectively determined with reference to different standards for gross weight of vehicles and cargos exceeding the ratified load-bearing capacity of highways. Details are as follows:

(1) For vehicles exceeding the limit by 30% (inclusive), the basic rate for normal vehicles is applicable to weight-based tolls.

(2) For vehicles exceeding the limit by 30%-100% and above 100%, the basic rate for normal vehicles is applicable to the base segment and the segment exceeding the limit by less than 30% (inclusive), whereas the remaining segment is subject to weight-based toll on 3 to 5 times (with linear increments) of basic rate.

Notes: The gross weight of vehicle and cargo is identified pursuant to the State's mandatory standard "Limitation on Overall Dimensions, Axle Load and Weight" (GB1589-2004) applicable to ratified load-bearing capacity of weight-based tolling expressways.

iii. Tolling on Special Vehicles

(1) The weight-based tolling for cargo vehicles is appliable to passenger-cargo dual-purpose cars and container vehicles to Container vehicles with normal loading or exceeding the limit by less than 30% (inclusive) are subject to 70% of the chargeable toll; those exceeding the limit by over 30% are subject to the weight-based tolling for common cargo vehicles.

(2) Special vehicles unsuitable for cargo purpose are subject to tolling under the previous classifications for road vehicles according to the tonnage stated on motor vehicle license.

(3) Cargo vehicles for transportation of fresh agricultural products and those approved to be temporarily exempted from tolls, which are subject to normal loading, are exempted from tolls, provided that for the segment of the gross weight of vehicle and cargo exceeding the ratified load-bearing capacity of corresponding expressway by over 30%, a weight-based tolling is applicable to the surplus part over the load-bearing capacity of expressway.

(4) Vehicles for transportation of large-size goods are applicable to weight-based tolling for cargo vehicles, subject to passing permit under the State's relevant requirements of the State.

The new tolling mechanism is beneficial for maintaining of the three expressways operated and owned by the Company, allowing more expedient transport services provided to road users.

II. Operation Review

In the first half of 2007, the Group continued to strengthen and improve the operation and management of its existing assets to enhance the operating performance while continuing to look for new investment opportunities for asset expansion aiming to realise its sustainable and healthy development.

The booming demand for transportation, as driven by fast growing economics in Sichuan Province, remained the major impetus for growth in the Group's toll road business. During the first half of 2007, toll income from the respective toll expressways of the Group demonstrated an upward trend and recorded a remarkable increase of 11.63% as compared with the corresponding period of last year, laying a solid foundation for the increase of the Group's profit.

During the Period, the medium to long term maintenance project for Chengyu Expressway for a term of four years was substantially completed. With the completion of the repair and maintenance project for the cement road surface of Chenglong (Chengdu-Longquan) section in early February 2007, road conditions and traffic capacity of Chengyu Expressway has been noticeably improved, which ensured the rapid, safe, comfortable and smooth services of the expressway, sharpening the market competitive edge of Chengyu Expressway, the core asset of the Group.

A weight-based tolling mechanism for networked expressways in Sichuan has been implemented since 1 June 2007 in accordance with the deployment of Sichuan Provincial Department of Communications. The mechanism is favourable for curbing overloaded vehicles, effectively protect the road and bridge facilities and further regulate the order of the transportation market.

During the Period, the Group continued to proactively and steadily step up in investment and financing. In order to guard against risks, the Company's subsidiary, Chengdu Shuhai Investment Management Co. Ltd., decided to withdraw the proposed investment in Sichuan Jiuzhai Huanglong Airport Company Limited, and recovered the prepayment of RMB 100 million in full on 16 March 2007. Following the successful issuance of short-term commercial papers amounting to RMB1.5 billion last year, currently, the Company is working on reapplication for issuance of short-term commercial papers, planning to issue short-term commercial papers within 3 years starting from the date of approval of the special resolution on issuance of short-term commercial papers with an annual cap of RMB2 billion. The proceeds raised will be used as working capital to meet the operation needs and reduce the Company's financial costs as well as optimize the financing structure.

The Board is pleased to announce its unaudited consolidated interim results of the Group for the six months ended 30 June 2007. The Group's revenue for the Period amounted to RMB574.520 million, representing an increase of 11.78% over the corresponding period of last year. Profit attributable to the equity holders of the Company amounted to RMB213.607 million, representing a 25.37% increase over the corresponding period of last year. Earnings per share were RMB0.084 (for the corresponding period of 2006: RMB0.067).

1. *Income from the Group's principal operations*

Toll income	For the period ended 30 June 2007 *(RMB'000)*	Percentage to total income	Period growth / (decline)
Chengyu Company	385,942	65.14%	9.27%
Chengya Company	170,317	28.75%	23.46%
* Chengbei Company	36,201	6.11%	(8.57%)
Total	592,460	100%	11.63%

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

Since the original toll road - Chengbei Exit Dajian Road Section I had ceased to collect toll as at 30 December 2006, such income was not included in Chengbei Company's toll income for this period. If comparison was made without taking in account such income, Chengbei Company's toll income should have surged by 9.61% as compared with the corresponding period of last year.

2. *Operation of expressways included in the principal business*

The operating performance of the Group's major expressways during the Period were as follows:

Toll road	Average daily traffic flow (No. of vehicles)	Period growth	Toll income during the period (RMB'000)	Period growth
Chengyu Expressway	16,181	6.95%	385,942	9.27%
Chengya Expressway	12,020	4.59%	170,317	23.46%
Chengbei Exit Expressway (including Qinglongchang Bridge)	21,821	6.08%	36,201	9.61%

Thanks to the steady and fast growing macro economy as an effective drive of the booming communication and transportation activities in Sichuan Province, the operations of the Group's expressways were sound during the Period. Out of which:

- The traffic flow and toll income of Chengyu Expressway increased steadily by 6.95% and 9.27% respectively. This was mainly due to: (1) The passenger-cargo traffic flow in Chengyu economic zone around Chengyu Expressway hiked constantly, ensuring the steady increase in traffic flow and income of Chengyu Expressway; (2) The medium to long term maintenance project for Chengyu Expressway for a term of four years from 2004 to 2007 was substantially completed during the Period with the final large-scale maintenance for cement road surface of Chenglong section (Chengdu - Longquan) completed in early February 2007, thus enabling better condition for Chengyu Expressway and greatly improving the capacity of traffic flow; (3) The implementation of the mechanism of weight-based toll rates for cargos from 1 June 2007 resulted in a remarkable increase in toll income by more than 10% on a monthly basis. Meanwhile, overloading was effectively reduced and road facilities were protected while traffic safety was ensured.

- In early June 2007, for the purpose of speeding up development of middle and western regions and promoting regional balanced development, the State Council approved Chengdu and Chongqing to establish a pilot area for reform on integrated and united overall urban and rural consideration and coordination. The establishment of "Chengyu New Special Zone" is expected to further activate economic development of the areas along Chengyu Expressway, which has a positive and farreaching effect on the traffic flow and toll income of Chengyu Expressway.

- With the ongoing economic development of western region of Sichuan and the continual escalation of tourism for natural ecology, nationality and custom, toll income of Chengya Expressway has been increasing from year to year. Especially since the implenmentation of new toll rates mechanism with effect from 10 April 2006, toll income of Chengya Expressway has surged nearly 30%, which resulted in a great increase in toll income from January to April 2007 as compared the same period of last year. In addition, the implementation of the weight-based toll rate mechanism for cargos from 1 June 2007 led to a slight increase in toll income. Therefore, during the Period, toll income of Chengya Expressway remained at strong momentum to the Group with more than 20% increase.

- During the Period, traffic flow and toll income of Chengbei Exit Expressway also emerged a rising trend. This was mainly attributable to a steady growth in traffic flow driven by the economic development and the implementation of the new toll rate mechanism from 10 April 2006, pursuant to which, the basic charges of Type I and Type II were increased and basic charges of Type III, IV and V were reduced. As Type I and Type II vehicles accounted for approximately 90% of the total traffic flow of Chengbei Exit Expressway, an increase of 9.61% in toll income over the same period of last year was achieved.

3. Other Businesses

During the Period, the Company's other businesses other than toll roads recorded a total revenue and gains of RMB 22.492 million, decrease of 3.11% from the same period in last year.

III. Financial Review

Summary of the Group's Results

	For the six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**574,520**	513,957
including: Toll revenue of vehicles	**574,520**	513,957
Profit before tax	**272,737**	214,614
Profit attributable to equity holders of the Company	**213,607**	170,385
Earnings per share attributable to ordinary equity holders of the Company *(RMB)*	**0.084**	0.067

Summary of the Group's Assets

	At 30 June 2007	At 31 December 2006
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total assets	**7,402,852**	7,476,133
Total liabilities	**2,231,110**	2,412,255
Minority interests	**96,933**	100,354
Equity attributable to shareholders of the Company	**5,074,809**	4,963,524
Equity per share attributable to shareholders of the Company *(RMB)*	**1.984**	1.940

Analysis of Operating Results

Revenue

The Group's revenue for the Period amounted to RMB574,520,000, representing an increase of 11.78% when compared with the corresponding period last year, which mainly included toll incomes of Chengyu Expressway, Chengya Expressway, Chengbei Exit Expressway. The revenue was principally affected by (1) the natural growth in traffic flow; (2) the implementation of the new toll rates for roads, bridges and tunnels operated, owned or jointly controlled by the Company on 10 April 2006. These adjustments in toll rates stimulated the growth of Chengya Expressway and Chengbei Exit Expressway at different levels, however, it conferred certain adverse impact on toll income of Chengyu Expressway; (3) the repair and maintenance project for entrance and exit section of Longquanshan Tunnel of Chengyu Expressway commenced on 8 May 2006. During the construction period, the traffic flow of Chengyu Expressway experienced obvious diversion, which led to a decrease in its toll income for the same period last year. This project was completed in November 2006 and thereafter the traffic resumed. (4) with the implementation of weight-based tolling mechanism for cargo vehicles effective from 1 June 2007, Chengyu Expressway's toll income has increased significantly, (5) with effect of the cessation of toll collection for Chengbei Exit Dajian Road Section 1 since 30 December 2006, no income is generated. Included in revenue for the same period last year is the toll income from Chengbei Exit Dajian Road Section 1 amounting RMB6,570,000.

Operating Expenses

The Group's operating expenses for the Period amounted to RMB283,052,000, representing an increase of 6.41% over the corresponding period last year, of which:

(1) depreciation and amortization expenses increased by 3.74% as compared to the corresponding period last year to RMB123,737,000, which was mainly due to the increase in fixed assets and traffic flow during the Period.

(2) cost of staff welfare increased by 29.41% as compared to the corresponding period last year to RMB61,633,000. This was mainly due to: firstly, the new remuneration system has been rolled out by Chengya Branch since January 2006, which was only fully enforced in October 2006, resulting an imbalance on the cost of staff welfare between the first half and second half of 2006. Secondly, increase in basis of staff accommodation fund and social security premium.

(3) Road repair and maintenance expenses fell 8.43% compared to the corresponding period last year, mainly due to the 4-year repair and maintenance project of Chengyu Expressway, which spanning from 2004-2007, is drawing to a close and thus resulted a drop in daily repair and maintenance expenses.

(4) other operating costs increased by 8.58% as compared to the corresponding period last year, to RMB44,373,000. This was mainly due to loss of RMB3,522,000 arose from disposal of fixed assets.

Finance Cost

The Group's finance cost for the Period amounted to RMB43,453,000, representing a decrease of 26.28% as compared to the corresponding period last year, mainly due to:

(1) the repayment of loans amounting to RMB100,000,000 to Industrial and Commercial Bank of China by Chengyu Company during the Period;

(2) Chengyu Company issued short-term commercial papers amounting RMB15,000,000,000 in November 2006, at an actual interest rate of 3.71% per annum, which used to repay bank loans, which bear higher interest rate of 5.09% per annum, as a result, loan interests for the Period decreased compared with the corresponding period last year.

Taxation

For the Period, the enterprise income tax of the Group amounted to RMB55,784,000, represents an increase of 33.37% compared with the corresponding period last year. This was mainly due to the increase of profit before tax, which had led to increase in enterprise income tax.

Profit for the Period

The Group's profit for the Period amounted to RMB216,953,000, representing an increase of 25.56% as compared to the corresponding period last year. This was mainly due to the increase in the Group's toll income, of which: toll income of Chengya Expressway increased by 23.46% as compared to the corresponding period last year, and the net profit amounted to RMB50,486,000. Toll income of Chengyu Expressway amounted to RMB385,942,000, represents an increase of 9.27%.

Analysis of Financial Position

Non-current assets

As at 30 June 2007, the Group's non-current assets amounted to RMB6,777,006,000, representing a decrease of 1.71% as compared to that of 31 December 2006, which was mainly due to the newly acquired fixed assets amounting to RMB49,948,000, provision for depreciation amounting to RMB108,156,000, and amortization of prepaid land lease payments amounting to RMB12,222,000 for the Period.

Current assets and current liabilities

As at 30 June 2007, current assets of the Group amounted to RMB625,846,000, representing an increase of 7.71% as compared to that of 31 December 2006, which was mainly due to an increase of RMB123,068,000 or 29.52% in cash and cash equivalents. Meanwhile, decrease of RMB91,224,000 in prepayments was mainly due to full recovery of investment of RMB100,000,000, which was prepaid to Sichuan Jiuzhai Huanglong Airport Company Limited.

As at 30 June 2007, current liabilities of the Group amounted to RMB1,882,359,000, representing a decrease of 3.32% as compared to that of 31 December 2006, which was mainly due to the payment of RMB105,173,000 for acquisition of the remaining equity interests of Chengya Company, resulting a drop in other payables, coupled with the discount on amortization of short-term commercial papers during the Period amounting RMB27,980,000.

Non-current liabilities

As at 30 June 2007, non-current liabilities of the Group amounted to RMB348,751,000, representing a decrease of 25.06% as compared to that of 31 December 2006, which was principally attributable to the repayment of the long-term bank loans to Industrial and Commercial Bank of China amounting to RMB100,000,000.

Equity

As at 30 June 2007, equity of the Group amounted to RMB5,171,742,000, representing an increase of 2.13% as compared to that of 31 December 2006, which was principally due to increase of RMB216,953,000 in equity as a result of the growing profit for the Period, partially offset by decrease of RMB102,322,000 in equity as a result of the final dividends attributable to 2006 was declared during the Period.

Cash flow of the Group

As at 30 June 2007, the Group's cash and cash equivalent amounted to RMB539,884,000, representing an increase of RMB123,059,000 (as at 31 December 2006: RMB416,825,000). During the Period, the Group's net cash inflow from operating activities amounted to RMB430,486,000 (six months ended 30 June 2006: RMB313,335,000).

During the Period, cash outflow of the Group mainly consisted of: RMB155,793,000 in cash for daily operation and management, RMB49,948,000 for renovation project of Chengyu Expressway, net decrease of RMB106,818,000 in bank and other loans, payment of RMB35,812,000 as dividends, and the payment of RMB105,173,000 for the acquisition of the remaining equity interests of Chengya Company.

Capital commitment of the Group

As at 30 June 2007, the Group's capital commitment mainly comprised RMB294,053,000 for renovation project of Chengyu Expressway.

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.

Financing Ability

With its steady cash flow, sound capital structure and excellent credit records, the Group received AAA credit rating for bank facilities and maintained favorable relations with financial institutions. As at 30 June 2007, the Group had bank facilities totalling RMB4.7 billion and unused bank facilities amounting to RMB4.581 billion.

Contingent liabilities

Nil.

IV. Business development plan for the second half of 2007

1 We will further strengthen the operation and management of the Group's existing chargeable items, deepen and refresh the management philosophy, system and measures in response to the new conditions and characteristics in the operation to secure the steady growth of its operating results.

2 By seizing the opportunities of developing Sichuan traffic, the Group will continue to innovate investment philosophy and approach, and strive for greater breakthroughs in investment in expressways and accelerate the expansion in safe and high-efficient ways in accordance with the Sichuan provincial traffic development plan, aligning with the industry policy and external condition.

3 Preparation work for issuing short-term commercial papers will be pressed ahead to widen the source of funding, optimize the financing structure, reduce the finance cost while maintaining a reasonable liability ratio.

4 With the approaching completion of the 4-year medium to long term repair and maintenance project of Chengyu Expressway, the Company will put more effort in preventive maintenance, making full use of up-to-date resources in information management, implement new road management and maintenance measures to further raise the standard of road management and maintenance.

5 The corporate governance will be moving towards a more scientific, benchmarking and sophisticated management approach. Establishing, training and management of human resources will be strengthened to keep up with the needs from the ongoing expansion of the Company.

In line with its development path of keeping toll road as its principal activity, capitalising its core advantages and seizing the opportunities to face all challenges and hedge the risks in consolidating its core competitiveness and constantly improving the corporate governance. We strive to press ahead an all-rounded, healthy and steady development with satisfactory returns to shareholders.

OTHER SIGNIFICANT EVENTS

I. Profit distribution proposal for the first half year of 2007

The Board did not recommend an interim dividend for the six months ended 30 June 2007 or capitalisation of any capital reserve into share capital.

II. Implementation of the profit distribution proposal for the year 2006

It was resolved at the 2006 Annual General Meeting that the profit distribution proposal for the year 2006 was as follows: based on the total share capital of 2,558,060,000 shares as at the end of 2006, a cash dividend of RMB0.04 (inclusive of tax) per share would be distributed to all shareholders, with the dividend totalling RMB102,322,000.

On 15 June 2007, the said dividend was declared to those shareholders whose names appeared on the register of members of the Company as at 31 May 2007.

III. Disclosure of Interests

So far as the Company was aware, as at 30 June 2007, none of the Directors, Supervisors or chief executive officer of the Company or their respective associates had any interests in shares, underlying shares and/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 Sale

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 2007, the Company (inclusive of Chengya Branch) had 1,583 employees, of which administrative and professional technical staff accounted for 23.6% and toll collection staff accounted for 76.4%.

Employee's wages are composed of fixed wage (which consist of basic salary, and salaries determined by the position and period of service) and performance incentive. Employee's salary is determined based on 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 emplyees' wages and salary totaled RMB42,304,000 (including the amount of Chengya Branch) for the Period.

The Company highly regard employee 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. A total of 173 employees participated in the training.

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 provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. Until now, remunerations of Directors, Supervisors and senior management members 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, a place 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 who are all professionals experienced in finance and transportation industries. The Audit Committee has reviewed the unaudited financial statements and interim results for the six months ended 30 June 2007.

3. Model Code for Securities Transactions by Directors and Supervisors

During the Period, the Company has adopted a code of conduct not less favourable than the standards stipulated in Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions carried out by directors and supervisors. Upon specific enquiries made to 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 the standards of code of conduct and there was no violation to 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), Mr. Zhang Wensheng (Vice-Chairman), Mr. Gao Chun, Mr. Zhou Liming, Mr. Wang Shuanming, Mr. Liu Mingli, Madam Zhang Yang, Madam Luo Xia (Independent Non-executive Director), Mr. Feng Jian (Independent Non-executive Director)and Mr. Zhao Zesong (Independent Non-executive Director).

By order of the Board

Tang Yong

Chairman

Chengdu, Sichuan Province, the PRC

28 August 2007