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**越秀交通有限公司**  
**GZI Transport Limited**

(Incorporated in Bermuda with limited liability)

(Stock code: 1052)

**2010 INTERIM RESULTS ANNOUNCEMENT**

The directors of GZI Transport Limited (“Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, “Group”) for the six months ended 30 June 2010 as follows:

**Condensed Consolidated Income Statement**

		(Unaudited)	
		Six months ended 30 June	
	Note	2010	Restated
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	<b>571,359</b>	446,998
Cost of services	6	<b>(217,302)</b>	(181,985)
Gross profit		<b>354,057</b>	265,013
Construction income of toll highways and bridges upgrade services		<b>11,806</b>	1,400
Other income		<b>22,341</b>	1,317
Other (losses)/gains - net	5	<b>(10,448)</b>	72,040
Construction cost of toll highways and bridges upgrade services		<b>(11,806)</b>	(1,400)
General and administrative expenses	6	<b>(64,988)</b>	(44,717)
Profit/(loss) for the period of disposal group	13	<b>31</b>	(5,116)
Operating profit before impairment losses on intangible operating rights		<b>300,993</b>	288,537
Impairment losses on intangible operating rights	10	—	(151,863)
Operating Profit		<b>300,993</b>	136,674
Finance income		<b>8,052</b>	8,428
Finance costs		<b>(29,595)</b>	(36,556)
Share of profits less losses of associates		<b>101,564</b>	125,753
Share of profit/(loss) of a jointly controlled entity		<b>8,508</b>	(10,025)

		<b>(Unaudited)</b>	
		<b>Six months ended 30 June</b>	
	Note	<b>2010</b>	Restated 2009
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Profit before income tax		<b>389,522</b>	224,274
Income tax expense	7	<b>(64,302)</b>	(44,967)
Profit for the period		<b><u>325,220</u></b>	<u>179,307</u>
Profit attributable to:			
Equity holders of the Company		<b>238,133</b>	155,444
Non-controlling interests		<b>87,087</b>	23,863
		<b><u>325,220</u></b>	<u>179,307</u>
		<b><i>RMB per share</i></b>	<i>RMB per share</i>
Earnings per share for profit attributable to equity holders of the Company			
– Basic and diluted	8	<b><u>0.1423</u></b>	<u>0.0929</u>
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interim dividend	9	<b><u>145,963</u></b>	<u>59,022</u>

## Condensed Consolidated Statement of Comprehensive Income

	(Unaudited)	
	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the period</b>	<b>325,220</b>	179,307
<b>Other comprehensive income</b>		
Fair value losses on available-for-sale financial assets, net of tax	(7,665)	—
Currency translation differences	(167)	(4,153)
<b>Total comprehensive income for the period</b>	<b>317,388</b>	175,154
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	230,301	151,291
Non-controlling interests	87,087	23,863
	<b>317,388</b>	175,154

## Condensed Consolidated Balance Sheet

		(Unaudited)	
	Note	As at 30 June 2010 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible operating rights		7,087,474	7,193,211
Leasehold land		557	570
Property, plant and equipment		78,564	81,224
Investment properties		8,768	8,849
Investment in jointly controlled entity		298,599	290,091
Investments in associates		1,715,870	1,765,575
Available-for-sale financial assets		136,436	146,656
Other non-current receivables	11	154,987	158,696
Goodwill		185,053	187,334
		<u>9,666,308</u>	<u>9,832,206</u>
<b>Current assets</b>			
Trade receivables	12	16,090	17,084
Other receivables, deposits and prepayments		132,851	94,568
Cash and cash equivalents		2,038,756	1,954,238
		<u>2,187,697</u>	<u>2,065,890</u>
Assets classified as held for sale	13	<u>254,487</u>	<u>254,644</u>
<b>Total assets</b>		<u><u>12,108,492</u></u>	<u><u>12,152,740</u></u>

		<b>(Unaudited)</b>	
	Note	As at <b>30 June</b> <b>2010</b> <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital		147,322	147,322
Reserves		7,527,679	7,472,539
		<u>7,675,001</u>	<u>7,619,861</u>
Non-controlling interests		1,796,215	1,840,729
		<u>9,471,216</u>	<u>9,460,590</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		1,210,284	1,225,860
Deferred income tax liabilities		943,885	943,312
		<u>2,154,169</u>	<u>2,169,172</u>
<b>Current liabilities</b>			
Trade and other payables and accrued charges	14	134,964	136,381
Amount due to non-controlling interests of subsidiaries		12,997	49,110
Amounts due to holding companies		856	2,128
Current income tax liabilities		22,366	17,435
Borrowings due within one year		306,980	312,980
		<u>478,163</u>	<u>518,034</u>
Liabilities classified as held for sale	13	4,944	4,944
		<u>2,637,276</u>	<u>2,692,150</u>
<b>Total liabilities</b>		<u>12,108,492</u>	<u>12,152,740</u>
<b>Total equity and liabilities</b>		<u>1,709,534</u>	<u>1,547,856</u>
<b>Net current assets</b>		<u>11,630,329</u>	<u>11,634,706</u>
<b>Total assets less current liabilities</b>		<u>11,630,329</u>	<u>11,634,706</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 BASIS OF PREPARATION

This condensed consolidated interim 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”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

### 2 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group’s annual financial statements for the year ended 31 December 2009, except for changes in accounting policies as mentioned below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### (a) Change in presentation currency

The Group continually reviews the appropriateness of accounting policies adopted. Effective from 1 January 2010, the Group has changed its presentation currency for the preparation of its interim financial information from Hong Kong dollars to Renminbi (“RMB”). The Board considers the change will result in a more appropriate presentation of the Group’s operation in the PRC in the interim financial information and the presentation will be consistent with the current industry practice. The comparative figures in this financial information are translated from Hong Kong dollars to RMB using the rates that approximate the closing rates for balance sheet items and average rates for the period under review for income statement items.

The change in presentation currency has no significant impact on the financial position of the Group as at 31 December 2009 and 30 June 2010 or the results and cash flows of the Group for the six months ended 30 June 2010 and 2009.

#### (b) Change in presentation format

The Group has elected to present its condensed consolidated income statement by function of expense with effect from 1 January 2010. The Board considers that it is more appropriate for the Group to present the condensed consolidated income statement by function of expense.

As a result of the changes in presentation format of the condensed consolidated income statement, the comparative information has been reclassified to conform to the current period’s presentation.

The following new standards and amendments to standards relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2010 for the Group.

HKAS 1 (amendment)	Presentation of Financial Statements
HKAS 7 (amendment)	Cash Flow Statements
HKAS 17 (amendment)	Leases
HKAS 18 (amendment)	Revenue
HKAS 27 (revised)	Consolidated and Separate Financial Statements
HKAS 36 (amendment)	Impairment of Assets
HKAS 38 (amendment)	Intangible Assets
HKAS 39 (amendment)	Financial Instruments: Recognition and Measurement
HKFRS 3 (revised)	Business Combinations
HKFRS 5 (amendment)	Non-current Assets Held for Sale and Discontinued Operations

The adoption of these new standards and amendments to standards does not have significant impact on the Group's interim financial information.

The following new standards and amendments to standards relevant to its operations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 24 (revised)	Related Parties Disclosures	1 January 2011
HKAS 34 (amendment)	Interim Financial Reporting	1 January 2011
HKFRS 3 (amendment)	Business Combinations	1 July 2010
HKFRS 7 (amendment)	Financial Instruments: Disclosures	1 January 2011
HKFRS 9	Financial Instruments	1 January 2013

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

### **3 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

#### **Amortisation of intangible operating rights**

Amortisation of intangible operating rights is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges varies from 0 percent to 66 percent. Traffic volumes of certain toll highways and bridges of the Group have become saturated; while traffic growth rate of a toll highway in Guangxi is forecasted to be significant due to the rapid economic development in Guangxi.

#### **Current income tax and deferred income tax**

The Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for income tax and the timing of payment of the related income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax in the periods in which such estimate is changed.

#### **Impairment of intangible operating rights**

The Group tests whether intangible operating right has suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit to which the intangible operating right belongs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, impairment loss may arise.

As at 30 June 2010, there was no additional impairment indicator identified for the intangible operating rights of the Group during the period. For the period ended 30 June 2009, impairment losses of RMB151.9 million were charged to the condensed consolidated income statement in accordance with HKAS 36 “Impairment of Assets” (note 10) as a result of the continuation of the adverse market conditions.

## **4 REVENUE**

Revenue recognised for the period represents toll revenue on highways and bridges.

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors reviews the Group’s internal reporting in order to assess performance of the Group’s sole operating segment - Toll highways and bridges projects in the PRC. The Board of Directors assesses the performance of this sole operating segment based on a measure of consolidated profit for the period.

No segment analysis of the Group’s revenue and contribution to operating profit is presented as the Group’s consolidated interim financial information already provides the Board of Directors information for the assessment of performance of the Group.



## 5 OTHER (LOSSES)/GAINS - NET

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Exchange (loss)/gain	(13,586)	322
Waiver of bank loan interest expenses	—	13,640
Gain on disposal of an intangible operating right (note 11)	—	58,078
Others	3,138	—
	<u>(10,448)</u>	<u>72,040</u>

## 6 EXPENSES BY NATURE

Expenses included in cost of services and general and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Business tax	18,962	15,260
Amortisation of intangible operating rights	117,542	86,386
Amortisation of prepaid operating lease payments	8	8
Depreciation of property, plant and equipment	7,222	4,956
Impairment losses on goodwill	2,281	1,300
Toll highways and bridges maintenance expenses	53,024	49,131
Staff costs (including Directors' remuneration)		
– Wages and salaries	56,163	40,210
– Pension costs (defined contribution plans)	2,445	2,433
– Social security costs	3,250	3,815
– Staff welfare	12,549	6,588

## 7 INCOME TAX EXPENSE

- (a) No provision for Hong Kong profits tax has been made for the period as the Group has no income assessable to Hong Kong profits tax during the period (2009: Nil).
- (b) During the six months ended 30 June 2010, the PRC's enterprises income tax was provided on the profits of the Group's subsidiaries, associates and jointly controlled entity in the PRC in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises are subject to a standard corporate income tax rate of 25 percent with effect from 1 January 2008. The Group's principal income tax rate is gradually increased to the standard rate of 25 percent over a period of 5 years starting from 1 January 2008. The applicable principal income tax rate for the six months ended 30 June 2010 is 22 percent (2009: 20 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a tax rate of 5 percent or 10 percent. During the period, withholding income tax was provided for undistributed profit of the Group's subsidiaries and associates in the PRC at tax rates of 5 percent or 10 percent (2009: 5 percent or 10 percent).

(c) The amount of income tax charged to the consolidated income statement represents:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current income tax		
PRC enterprise income tax	<b>42,059</b>	25,841
Deferred income tax	<b>22,243</b>	19,126
	<u><b>64,302</b></u>	<u>44,967</u>

## 8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
Profit attributable to equity holders of the Company (RMB'000)	<u><b>238,133</b></u>	<u>155,444</u>
Weighted average number of ordinary shares in issue ('000)	<u><b>1,673,162</b></u>	<u>1,673,162</u>
Basic and diluted earnings per share (RMB)	<u><b>0.1423</b></u>	<u>0.0929</u>

The diluted earnings per share for the six months ended 30 June 2010 equal to the basic earnings per share as there were no potential dilutive ordinary shares in issue during the period.

## 9 DIVIDEND

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interim, proposed, of RMB0.087238 equivalent to HK\$0.10 (2009: RMB0.035 equivalent to HK\$0.04) per share	<u><b>145,963</b></u>	<u>59,022</u>

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## **10 IMPAIRMENT LOSSES ON INTANGIBLE OPERATING RIGHTS**

As at 30 June 2009, with the continuation of the adverse market conditions, the Directors assessed the carrying value of the toll operating rights of Class 1 highways held by the Group, and identified impairment indicators in respect of certain toll operating rights of Class 1 highways, including Guangcong Highway Section I, Guangcong Highway Section II and Provincial Highway 355, Guanghua Highway and Guangshen Highway. Impairment losses of RMB151.9 million, with reference to an independent valuation using value-in-use basis, were recognised in the condensed consolidated income statement for the period ended 30 June 2009, resulting in the carrying amount of these toll operating rights being written down to their recoverable amounts.

There were no additional impairment indicators identified for the intangible operating rights of the Group during the period.

## **11 OTHER NON-CURRENT RECEIVABLES**

Non-current receivable represents the non-current portion of present value of consideration receivable, discounted at the rate of 5.32 percent in relation to the disposal of the Group's toll operating right of Xiang Jiang Bridge II in 2009. The total consideration was RMB183.2 million and carrying amount of the intangible operating right was RMB125.1 million. The gain on disposal recognised in 2009 was RMB58.1 million.

As at 30 June 2010, the total remaining balance of the consideration receivable was RMB161.9 million which will be settled by 23 half yearly installments until end of the concessionary period, i.e. 30 November 2021. RMB155.0 million (2009: RMB158.7million) will be received after 30 June 2011 according to the receipt schedule.

## **12 TRADE RECEIVABLES**

Trade receivables are mainly toll revenue collected by other parties on behalf of the Group. The ageing of the balance is within 30 days.

## **13 DISPOSAL GROUP**

The Taihe toll station of Guangcong Highway Section I, a Class 1 highway held by Guangzhou Taihe Highways Development Company Limited ("Taihe Highways Limited"), was closed down in January 2009 for relocation at the request of the Guangzhou Municipal People's Government ("GZ Government"). On 1 December 2009, the PRC joint venture partner of Taihe Highways Limited, namely, Guangzhou Highways Development Company ("GHDC") and the Group entered into several compensation agreements whereby GHDC would acquire the Group's entire 80 percent equity interest in and net receivable from Taihe Highways Limited at an aggregate consideration comprising additional equity interests of 35 percent and 39 percent in Guangzhou Xinguang Highways Development Company Limited ("Xinguang") and Guangzhou Tailong Highways Development Company Limited ("Tailong") respectively and assignment of debts of RMB107.4 million (approximately HK\$121.8 million) and RMB65.1 million (approximately HK\$73.8 million) due from Xinguang and Tailong respectively to the Group.

As at 30 June 2010, the aforementioned transaction has been approved by the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality, and it is subject to approvals from the other relevant regulatory authorities of Guangdong Province.

The results of Taihe Highways Limited for the period since it was classified as a disposal group are as follows:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Income	76	323
Expenses	<u>(45)</u>	<u>(5,439)</u>
Profit/(loss) for the period of disposal group	<u><u>31</u></u>	<u><u>(5,116)</u></u>

The major classes of assets and liabilities of Taihe Highways Limited are as follows:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Assets</b>		
Intangible operating right	244,611	244,611
Property, plant and equipment	93	93
Other receivables, deposits and prepayments	29	44
Cash and cash equivalents	<u>9,754</u>	<u>9,896</u>
Assets classified as held for sale	<u><u>254,487</u></u>	<u><u>254,644</u></u>
<b>Liabilities</b>		
Deferred income tax liabilities	4,889	4,889
Trade and other payables and accrued charges	<u>55</u>	<u>55</u>
Liabilities classified as held for sale	<u><u>4,944</u></u>	<u><u>4,944</u></u>
<b>Net assets classified as held for sale</b>	<u><u><b>249,543</b></u></u>	<u><u><b>249,700</b></u></u>

#### **14 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES**

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables	48,369	55,635
Other payables and accrued charges	<u>86,595</u>	<u>80,746</u>
	<u><u>134,964</u></u>	<u><u>136,381</u></u>

Trade payables represent construction costs payable to contractors.

The ageing analysis of trade payables is as follows:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	2,451	55,635
31 – 90 days	491	—
Over 90 days	45,427	—
	<u>48,369</u>	<u>55,635</u>

Payables are denominated in RMB and the carrying amounts of these payables approximate their fair values.

## **15 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current period's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INTERIM RESULTS AND DIVIDEND**

The revenue of the Group for the first half of 2010 (the "Reporting Period") was RMB571.4 million, representing an increase of 27.8 percent over the same period in 2009; the profit attributable to equity holders of the Company was RMB238.1 million, representing an increase of 53.2 percent over the same period in 2009.

The Directors have resolved to declare an interim dividend for 2010 of RMB0.087238 which was equivalent to HK\$0.10 (2009: RMB0.035 which was equivalent to HK\$0.04) per share.

## BUSINESS REVIEW

### Summary information of operating toll roads and bridges

	Length (km)	Width (Lanes)	Toll Station(s)	Road Type	Attributable Interest (%)	Remaining Operating Term (years)
<b>Subsidiaries</b>						
GNSR Expressway	42.5	6	9	Expressway	60.00	22
Xian Expressway	20.1	4	3	Expressway	100.00	6
Cangyu Expressway	23.3	4	1	Expressway	90.00	20
Jinbao Expressway	23.9	4	3	Expressway	60.00 <sup>(4)</sup>	20
Guangshen Highway	23.1	6	1	Class 1 Highway	80.00	16
Guangshan Highway	64.0	4	2	Class 1 Highway	80.00	16
Guangcong Highway Section II	33.1	6	1	Class 1 Highway	51.00	16
and Provincial Highway 355 <sup>(3)</sup>	33.3	4	1	Class 1 Highway	51.00	16
Guanghua Highway <sup>(3)</sup>	20.0	6	1	Class 1 Highway	55.00	17
<b>Associates and Jointly Controlled Entity</b>						
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 <sup>(5)</sup>	19
Northern Ring Road	22.0	6	11	Expressway	24.30	13
<b>Qinglian Expressway</b>						
National Highway 107	253.0	2	4	Class 2 Highway	23.63	18
Expressway Section <sup>(1)</sup>	215.2	4	5	Expressway	23.63	24
Shantou Bay Bridge	6.5	6	1	Suspension Bridge	30.00	18
GWSR Expressway <sup>(2)</sup>	42.1	6	5	Expressway	35.00	Pending Approval

(1) The original main section of Qinglian Highway (the Fengtoulung to Lianzhou section and the Fengbu to Jinkou Section) began to collect tolls based on expressway toll fare standards from 1 July 2009.

(2) The operating term of GWSR Expressway is pending approval from the relevant regulatory authority.

(3) The respective acquisition of additional 35.0 percent and 39.0 percent equity interests of Guanghua Highway, Guangcong Highway Section II and Provincial Highway 355 is pending approval. Upon approval, the Group will hold 90.0 percent equity interests in each of Guanghua Highway, Guangcong Highway Section II and Provincial Highway 355.

(4) The Group shall hold 60 percent of the attributable interests; during the 30-year operating period, the Group's profit sharing ratio shall be 90 percent for the first 13 years, 40 percent for the period from the 14th to the 16th years and 60 percent for the period from the 17th to the 30th years.

(5) Starting from the Reporting Period, the Group's profit sharing ratio shall be adjusted from 27.78 percent to 18.446 percent. For details, please refer to page 109 of the Prospectus dated 21 January 1997.

**Toll summary of toll roads and bridges**  
**Six months ended 30 June 2010**

<b>Projects</b>	<b>Average daily toll traffic volume</b>		<b>Average daily toll revenue</b>	
	<b>First half of 2010 (no. of vehicles)</b>	<b>YoY change (%)</b>	<b>First half of 2010 (RMB'000)</b>	<b>YoY change (%)</b>
<b>For subsidiaries</b>				
GNSR Expressway	97,203	17.8%	1,857.4	23.9%
Xian Expressway <sup>(1)</sup>	30,910	-20.7%	368.2	-29.3%
Jinbao Expressway	20,643	15.1%	419.8	8.4%
Cangyu Expressway	3,132	0.7%	101.9	32.8%
Class 1 highway	50,244	5.8%	409.3	7.3%
<b>For associates and jointly controlled entity</b>				
Humen Bridge	65,386	19.8%	2,689.6	20.1%
Northern Ring Road	155,210	-1.3%	1,562.1	7.3%
GWSR Expressway	23,737	115.8%	578.0	55.4%
Shantou Bay Bridge	12,964	7.7%	492.8	10.1%
Qinglian Expressway <sup>(2)</sup>	18,040	N/A	1,050.4	N/A

(1) Xitong Expressway, which is connected to Xian Expressway in Shaanxi, has been undergoing expansion work to increase the number of lanes from four to eight since 6 November 2009. For this reason, Xitong Expressway has implemented a complete closure at certain hours which applies to certain types of vehicles. This indirectly affected the traffic volume at Xian Expressway in Shaanxi during the Reporting Period. It is expected that the traffic at Xian Expressway in Shaanxi will return to normal in October 2010.

(2) Fengtoulung to Lianzhou section and Fengbu to Jingkou section of the Qinglian Expressway began to collect tolls based on expressway toll fare standards starting from 1 July 2009, and Toll-by-Weight System was implemented for the expressway section starting from 1 November 2009.

## **Toll roads and bridges**

Analysis of average daily toll traffic volume for the first and second quarters of 2010 is as follows:

<b>Projects</b>	<b>Average daily toll traffic volume for the first quarter (no. of vehicles)</b>	<b>Average daily toll traffic volume for the second quarter (no. of vehicles)</b>
<b>For subsidiaries</b>		
GNSR Expressway	97,361	97,047
Xian Expressway	30,233	31,580
Jinbao Expressway	17,294	23,956
Cangyu Expressway	4,018	2,256
Class 1 Highway	49,343	51,134
<b>For associates and jointly controlled entity</b>		
Humen Bridge	63,602	67,146
Northern Ring Road	152,523	157,866
GWSR Expressway	21,397	26,052
Shantou Bay Bridge	13,825	12,113
Qinglian Expressway	19,482	16,613

## **Overview of operating performance**

China's domestic economic growth continued to rebound as foreign trade recovered speedily and vehicle sales increased rapidly in the first half of 2010. In the first half of the year, GDP reached RMB 17,284 billion, representing a year-on-year increase of 11.1 percent.

The GDP of Guangdong Province has reached RMB1,995.8 billion, up 12.7 percent over the same period of last year. The growth was also above the national average. While the economy has experienced steady growth, the adjustment and upgrade of the industrial structure have achieved remarkable success in Guangdong Province. Apart from domestic demand which maintained steady growth, foreign demand also recovered. Total volume of import and export reached USD345.23 billion, up 33.9 percent. Exports reached USD195.57 billion, up 27.5 percent.



During the Reporting Period, the Toll-by-Weight System was implemented in Guangxi and northern Guangdong in July and November of 2009 respectively. Benefiting from the policy, the Group's Cangyu Expressway and Qinglian Expressway located in the above regions recorded positive growth in revenue. The impact of such favorable factors as efficiency management, toll collection policy and road network connection has contributed to a steady increase in the Group's revenue.

As a result of the favorable macroeconomic development, most of the toll roads and bridges operated by the Group showed good momentum of growth. Both toll traffic volume and toll revenue of the GNSR Expressway achieved substantial growth. The newly acquired Jinbao Expressway has gone through a smooth restructuring exercise and recorded revenue growth of 8.4 percent. At the same time, cost control measures were implemented. Cangyu Expressway achieved revenue growth of 32.8 percent in the first half of 2010. The opening on 30 June 2010 of Yunwu Expressway, which connects the Yunfu Hekou to Pingtai section, means the opening of traffic on the whole Guangwu expressway which connects with Cangyu Expressway. This will enable the toll traffic volume and toll revenue of Cangyu Expressway to further increase in the second half of the year.

Xian Expressway in Shaanxi recorded no increase in toll traffic volume and toll revenue as Xitong Expressway, which is connected to Xian Expressway, implemented a complete closure at certain hours which applies to certain types of vehicles, which indirectly affected the traffic volume at Xian Expressway in Shaanxi. The closure is expected to be removed by stages in the second half of this year. This, coupled with factors such as completion of major overhaul as required for state inspection, is expected to facilitate the normalization of toll revenue at Xian Expressway in the second half of the year.

All the expressway projects under associates and jointly controlled entity achieved positive revenue growth, of which GWSR Expressway increased by 55.4 percent, Humen Bridge increased by 20.1 percent, Shantou Bay Bridge increased by 10.1 percent, and Northern Ring Road increased by 7.3 percent.

#### **Revenue structure from 2006 to the first half of 2010**

	<b>First half of 2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Class 1 highways	9%	10%	18%	22%	27%
Expressways and bridges	91%	90%	82%	78%	73%
Total	100%	100%	100%	100%	100%

*(Note: Figures included revenue from subsidiaries and attributable revenue from non-controlling expressways and bridges.)*

## **Performance of expressways and bridges**

### **Expressways and bridges inside Guangdong Province**

#### *GNSR Expressway*

During the Reporting Period, the average daily toll traffic volume was 97,203 vehicles and the average daily toll revenue was RMB1,857,000, representing an increase of 17.8 percent and 23.9 percent respectively over the first half of 2009.

GNSR Expressway, as an important part of expressway network of Guangdong Province, is also an important road linking main National Highways in the north of Guangzhou City and connecting with several expressways (such as Guangshen Expressway, Guangzhou Airport Expressway, Jingzhu Expressway) and Class 1 highways. Non-local transit vehicles can reach the Pearl River Delta (“PRD”) region directly via GNSR Expressway without passing through urban area of Guangzhou City, which greatly reduces transportation pressure of urban area of Guangzhou City. Benefiting from the sustained economic recovery in Guangdong Province, both toll volume and toll revenue of GNSR Expressway increased significantly in the first half of 2010.

#### *GWSR Expressway*

During the Reporting Period, the average daily toll traffic volume was 23,737 vehicles and the average daily toll revenue was RMB578,000, representing an increase of 115.8 percent and 55.4 percent respectively over the first half of 2009.

GWSR Expressway maintained strong growth in the first half of 2010, mainly due to marketing promotion and the opening of Heshun Overpass on 15 October 2009. On one hand, signposts on surrounding connected highways of GWSR Expressway were timely improved in response to change in road networks in the surrounding areas. On the other hand, traffic volume increased due to “Guangzhou-Foshan integration”, the opening of Heshun Overpass and the increasing familiarity and acceptance of drivers with GWSR Expressway.

#### *Northern Ring Road*

During the Reporting Period, the average daily toll traffic volume was 155,210 vehicles and the average daily toll revenue was RMB1,562,000, representing a decrease of 1.3 percent and increase of 7.3 percent over the first half of 2009.

Despite the year-on-year decrease in average daily traffic volume of Northern Ring Road in the first half of 2010, which was mainly due to the simultaneous construction of mainline from Shabei to Xunfengzhou and Shabei Overpass and Shoufeiguangchang in March 2010, toll revenue of Northern Ring Road increased by 7.3 percent during the Reporting Period over the same period last year. The increase in toll revenue was attributable to increased revenue per vehicle as the number of full journey vehicles rose so as to take advantage of the enhanced road efficiency brought about by the above-mentioned overhaul.

#### *Humen Bridge*

During the Reporting Period, the average daily toll traffic volume was 65,386 vehicles and the average daily toll revenue was RMB2,690,000, representing an increase of 19.8 percent and 20.1 percent over the first half of 2009 respectively.

Both the traffic volume and toll revenue of Humen Bridge increased significantly due to multiple factors such as economic rebound in Guangdong Province and the rapid popularization of small vehicles. In the first half of 2010, the flow of Type I cars and Type III to Type V passengers and cargo vehicles on Humen Bridge increased meaningfully, thus driving a significant growth of toll revenue.

#### *Shantou Bay Bridge*

During the Reporting Period, the average daily toll traffic volume was 12,964 vehicles and the average daily toll revenue was RMB493,000, representing an increase of 7.7 percent and 10.1 percent over the first half of 2009 respectively.

In order to attract Chaozhou businessmen from the PRD region, Taiwan and overseas to invest in Chaozhou, to integrate Chaozhou into the Economic Zones on the western coast of the Taiwan Straits, and to strengthen Shantou's position as an important harbor of the southeast coastal area, Shantou region actively encouraged economic restructuring from traditional industries to modern industries by promoting the so-called "Two-Wheel Drive" of services industry and advanced manufacturing industry. Under such conditions, Shantou Bay Bridge continued to record steady growth of toll revenue in the first half of 2010.

#### *Qinglian Expressway*

During the Reporting Period, the average daily toll traffic volume of Qinglian Expressway (expressway section) was 18,040 vehicles and the average daily toll revenue was RMB1,050,000.

Qinglian Expressway has been open to traffic since 1 July 2009, and has adopted the Toll-by-Weight System since 1 November 2009. Since then, the toll revenue of Qinglian Expressway substantially increased.

The Liannan section of the Qinglian Expressway is currently under expressway reconstruction work, which is expected to be completed at the beginning of 2011. After completion, Qinglian Expressway will open as high-speed expressway for the whole length. In addition, Yilian Expressway, which connects to Hunan Jingzhu Expressway, has commenced construction. It is expected that when the Liannan section of the Qinglian Expressway and the Yilian Expressway are open to traffic, revenue is likely to grow further.

## **Expressways and bridges outside Guangdong Province**

### *Xian Expressway*

During the Reporting Period, the average daily toll traffic volume was 30,910 vehicles and the average daily toll revenue was RMB368,000, representing a decrease of 20.7 percent and 29.3 percent over the first half of 2009 respectively.

In order to ensure the progress of reconstruction of Xitong Expressway (connecting with Xian Expressway) and alleviate congestion in the construction sections, Shaanxi government decided to prohibit cargo trucks from using the entire line since 6 November 2009. The measure caused a 29.3 percent decrease in average daily toll revenue at Xian Expressway in the first half of 2010 over the same period in 2009.

At the same time as Xitong Expressway was being reconstructed, Xian Expressway commenced its own improvement work in April 2010, in anticipation of an upcoming state inspection. The improvement work was completed at the end of July.

### *Cangyu Expressway*

During the Reporting Period, the average daily toll traffic volume was 3,132 vehicles and the average daily toll revenue was RMB102,000, representing an increase of 0.7 percent and 32.8 percent over the first half of 2009 respectively.

The significant rise in toll revenue in the first half of 2010 was due to favorable factors such as the recovery of Guangxi economy and the implementation of the Toll-by-Weight measure in the second half of 2009.

With the opening on 30 June 2010 of Yunwu Expressway, which connects Yunfu Hekou and Pingtai section, Guangwu Expressway is now open for the whole length. It takes only about 6 hours to drive from Nanning to Guangzhou through Wuzhou, which is 2 hours less than before. The travel time from Wuzhou to Guangzhou through Cangyu Expressway is also reduced from more than 4 hours to about 3 hours. It is expected that traffic volume of Cangyu Expressway will witness significant growth.

### *Jinbao Expressway*

The Group completed the acquisition of Jinbao Expressway in early December 2009. During the Reporting Period, the average daily toll traffic volume was 20,643 vehicles and the average daily toll revenue was RMB420,000, representing an increase of 15.1 percent and 8.4 percent over the first half of 2009 respectively.

The acquisition of Jinbao Expressway was another successful investment after the acquisition of the Cangyu Expressway. In the first half of 2010, the Group carried out a number of measures including management reshuffling, enhanced supervision of toll stations, and improvement of the Toll-by-Weight and toll collection system, in anticipation of enhanced traffic flow at Jinbao Expressway.

Jinbao Expressway commenced in May 2010 a major overhaul in anticipation of a state inspection. During the overhaul period, traffic was regulated, which helped sustain rising toll revenue in the Reporting Period. The overhaul work progressed smoothly and construction of the main section was completed at the end of July 2010.

### **Class 1 Highways**

Guangshen Highway, Guangshan Highway, Guangcong Highway Section II and Provincial Highway 355, Guanghua Highway

In the first half of 2010, the average daily toll traffic volume and the average daily toll revenue at Guangshen Highway was 10,369 vehicles and RMB69,000 respectively, representing a decrease of 0.4 percent and 1.2 percent respectively over the first half of 2009.

The average daily toll traffic volume and the average daily toll revenue at Guangshan Highway was 16,156 vehicles and RMB149,000 respectively, representing an increase of 9.7 percent and 5.8 percent respectively over the first half of 2009.

The average daily toll traffic volume and the average daily toll revenue at Guangcong Highway Section II and Provincial Highway 355 was 15,696 vehicles and RMB 127,000 respectively, representing an increase of 2.2 percent and 14.1 percent respectively over the first half of 2009.

The average daily toll traffic volume and the average daily toll revenue at Guanghua Highway was 8,023 vehicles and RMB 64,000 respectively, representing an increase of 14.8 percent and 8.2 percent respectively over the first half of 2009.

The above four Class 1 highways are located in Guangzhou City. With the economic recovery in the first half of 2010 and the increase in traffic volume, especially Type III to Type V vehicles, toll revenue and average daily toll traffic volume at these Class 1 highways in the first half of 2010 achieved an increase of 7.3 percent and 5.8 percent respectively over the same period in 2009.

It is expected that the proportion of toll revenue from Class 1 highways will further decrease as the Group actively seeks to increase its investment in expressways.

## FINANCIAL REVIEW

### Key operating results figures

	Six months ended 30 June		
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	Change %
Revenue	<b>571,359</b>	446,998	27.8
Gross profit	<b>354,057</b>	265,013	33.6
Operating profit before impairment losses on intangible operating rights	<b>300,993</b>	288,537	4.3
Finance costs	<b>29,595</b>	36,556	-19.0
Share of profits less losses of associates	<b>101,564</b>	125,753	-19.2
Share of profit/(loss) of a jointly controlled entity	<b>8,508</b>	(10,025)	184.9
Profit attributable to equity holders of the Company	<b>238,133</b>	155,444	53.2
Basic earnings per share	<b>RMB0.1423</b>	RMB0.0929	53.2
Interim dividends	<b>145,963</b>	59,022	

### Analysis of operating results

The operating results for the Reporting Period basically met the Group's expectation. For the Reporting Period, the Group recorded revenue of RMB571.4 million. Profit attributable to equity holders of the Company amounted to RMB238.1 million (same period in 2009: RMB155.4 million) with earnings per share of RMB0.1423, representing an increase of 53.2 percent over the same period in 2009.

The Reporting Period was marked with steady toll revenue growth. Benefitting from macroeconomic recovery, all toll projects of subsidiaries ("Controlled Toll Projects") have recorded positive growth for the Reporting Period as compared to the same period in 2009 except for Xian Expressway which recorded a temporary drop in toll revenue. Traffic flow of GNSR Expressway remained stable after the completion of Northern Ring Road's overhaul, registering a 23.9 percent growth over the same period in 2009. Finally, toll revenue of Class 1 Highways grew by 7.3 percent compared with the same period in 2009 after toll management and control were further strengthened.

During the Reporting Period, new sources of profit and income were added to the Group, i.e. the full six months' profit of RMB28.1 million generated by Jinbao Expressway, which was acquired in December 2009, was consolidated to the Group; and an investment income of RMB21.6 million was received from the Group's investment in "Available for Sale Financial Asset".

Revenues and profit after tax of the Group's associates and jointly controlled entity at their respective project companies' level performed well except for Qinglian Expressway which was still in its initial operation stage when operating loss was normally anticipated. After three years of operating losses, GWSR Expressway has turned positive in the Reporting Period. Despite its toll revenue and net profit growth at the project company level, the adoption of an adjusted profit sharing ratio from 27.78 percent to 18.446 percent pursuant to the terms stipulated in the joint venture contract, share of profit of Humen Bridge for the Reporting Period was only RMB62.4 million (if at 27.78 percent, the Group could share approximately RMB34.0 million more of the profit of Humen Bridge in the Reporting Period), which was 20.7 percent lower than the comparative figure in 2009.

With the change in the accounting policy of the Group in respect of functional currency (switched from HK dollar to RMB) in December 2009, an exchange loss of RMB13.6 million was recognized in the Reporting Period. An internal assessment on the RMB currency risk has been undertaken to minimize exchange loss. Please refer to the "Treasury Policies" section for details.

Included in the 2009 interim results of the Group were impairment losses of approximately RMB105.4 million (attributable to the Group) and disposal gains of approximately RMB46.6 million (attributable to the Group). Excluding these non-recurring factors, profit attributable to equity holders of the Company for the Reporting Period would have increased by 11.1 percent over the same period in 2009.

### ***Revenue***

The Group reported revenue of RMB571.4 million in the Reporting Period, a 27.8 percent growth over the same period in 2009.



An analysis of revenue by each controlled toll project of the Group is as follows:

<b>Controlled Toll Projects</b>	<b>Reporting Period</b> <i>RMB'000</i>	Percentage of total %	First half of 2009 <i>RMB'000</i>	Percentage of total %	Change %
GNSR Expressway	<b>336,195</b>	58.8	271,350	60.7	23.9
Xian Expressway	<b>66,647</b>	11.7	94,466	21.1	-29.4
Jinbao Expressway <sup>(1)</sup>	<b>75,992</b>	13.3	—	0.0	N/A
Cangyu Expressway <sup>(2)</sup>	<b>18,441</b>	3.2	12,129	2.8	52.0
Class 1 Highways	<b>74,084</b>	13.0	69,053	15.4	7.3
<b>Total</b>	<b>571,359</b>	100.0	446,998	100.0	27.8

(1) For comparison purpose, revenue for the Reporting Period was 8.4 percent higher than first half of 2009 ( RMB70.1 million).

(2) Figure for first half of 2009 represented toll revenue from date of acquisition (i.e. 19 January 2009) to 30 June 2009. For comparison purpose, toll revenue from 1 January 2009 to 30 June 2009 amounted to RMB13,885,000 by which the Reporting Period was higher by 32.8 percent.

During the Reporting Period, GNSR Expressway remained the Group's highest revenue contributor. Among the Controlled Toll Projects, GNSR Expressway contributed approximately 58.8 percent (same period in 2009: 60.7 percent) to the total revenue of the Group, amounting to RMB336.2 million and representing a 23.9 percent growth over the same period in 2009. GNSR Expressway benefited from the increase in traffic volume of cargo trucks as large cargo trucks were prohibited from using urban roads during certain periods of time and freight stations in northern Guangzhou were gradually relocated to the surrounding areas of the entire second ring expressway.

Due to a temporary decline in traffic flow of Xian Expressway, it recorded a 29.4 percent decline in toll revenue, amounting to RMB66.6 million which represented approximately 11.7 percent (same period in 2009: 21.1 percent) of the total revenue.

During the Reporting Period, subsequent to its acquisition in December 2009, Jinbao Expressway contributed its full six months' revenue to the Group, amounting to RMB76.0 million which accounted for approximately 13.3 percent to the total revenue.

Although Cangyu Expressway's contribution to the overall revenue was only 3.2 percent, it posted satisfactory revenue growth of 52.0 percent to RMB18.4 million.



Due to increased toll traffic volume, revenue of the Class 1 Highways collectively recorded a 7.3 percent growth and amounted to RMB74.1 million. As the Group implemented policies in recent years to adjust the ratio between expressways and highways, the revenue proportion of Class 1 Highways to the total revenue of the Group has been trending downward. Class 1 Highways' collective revenue represented approximately 13.0 percent (same period in 2009: 15.4 percent) of the total revenue from the Controlled Toll Projects, or 8.8 percent (same period in 2009: 10.0 percent) of the aggregated revenue from both controlled and non-controlled toll projects.

### *Cost of services*

During the Reporting Period, cost of services for the Group's toll highways amounted to RMB217.3 million (same period in 2009: RMB182.0 million), representing an increase of RMB35.3 million or 19.4 percent over the same period in 2009. This increment was mainly due to an increase in amortization of intangible operating rights of RMB31.1 million or 36.1 percent and maintenance expenses of toll highways and bridges of RMB13.2 million or 59.4 percent (these two types of cost of services in aggregate accounted for approximately 70.3 percent of the total cost of services in the Reporting Period).

GNSR Expressway has increased its amortization of intangible operating rights to align with the increase in traffic flow under the unit of usage method of amortization and this increased the Group's cost of services by RMB10.7 million.

Due to an increase in certain operating expenses in relation to prior years with the service provider of approximately RMB14.7 million recorded in same period in 2009, Xian Expressway's cost of services for the Reporting Period has declined by RMB10.1 million comparatively.

Cost of services of Jinbao Expressway for the full six months in 2010 was consolidated, which increased the Group's cost of services by RMB28.0 million and accounted for 12.9 percent of the Group's cost of services.

Cangyu Expressway's cost of services in the Reporting Period increased by 107.3 percent or RMB5.3 million, the reasons of which included approximately a RMB2.4 million increase in amortization of intangible operating rights to align with the increase in traffic flow under the unit of usage method of amortization; and with the enhancement of the daily repair and maintenance work, its maintenance expenses increased by approximately RMB2.8 million.

The Class 1 Highways, which accounted for 22.1 percent of the Group's total cost of services, recorded a 11.2 percent decrease or RMB6.1 million as compared with the same period of last year.

An analysis of cost of services by each Controlled Toll Project of the Group is as follows:

Controlled Toll Projects	Reporting Period	Percentage of total	First half of 2009	Percentage of total	Change %
	RMB'000	%	RMB'000	%	
GNSR Expressway	94,982	43.7	76,848	42.2	23.6
Xian Expressway	35,805	16.5	45,935	25.2	-22.1
Jinbao Expressway	28,032	12.9	—	0.0	N/A
Cangyu Expressway	10,323	4.8	4,978	2.7	107.3
Class 1 Highways	48,160	22.1	54,224	29.9	-11.2
Total	217,302	100.0	181,985	100.0	19.4

### *Gross profit*

Given the substantial growth in revenue, gross profit during the Reporting Period increased by 33.6 percent to RMB354.1 million. Moreover, operating ratio has declined leading gross margin to increase from 59.3 percent in the first half of 2009 to 62.0 percent in the Reporting Period.

An analysis of gross profit by each Controlled Toll Project of the Group is as follows:

Controlled Toll Projects	Reporting Period		First half of 2009	
	Gross Profit RMB'000	Gross Margin %	Gross Profit RMB'000	Gross Margin %
GNSR Expressway	241,212	71.7%	194,502	71.7%
Xian Expressway	30,842	46.3%	48,531	51.4%
Jinbao Expressway	47,960	63.1%	—	0.0%
Cangyu Expressway	8,118	44.0%	7,150	59.0%
Class 1 Highways	25,925	35.0%	14,830	21.5%
Total	354,057	62.0%	265,013	59.3%

### ***General and administrative expenses***

The Group's general and administrative expenses for the Reporting Period amounted to RMB65.0 million (same period in 2009: RMB44.7 million), representing an increase of RMB20.3 million or 45.3 percent over the same period in 2009. Such increase was mainly attributable to the increase in staff costs (accounted for approximately 71.7 percent of the total administrative expenses) of RMB23.2 million. The main reasons for the increase in staff costs were: (1) profit-based bonus of directors as a result of the increase in profit attributable to equity holders; (2) staff costs incurred by the newly acquired Jinbao Expressway ; and (3) the Group's recruitment program has commenced in the second half of 2009, therefore increase in staff costs has not yet reflected in the first half of 2009.

### ***Finance costs***

The Group's finance costs for the Reporting Period amounted to RMB29.6 million (same period in 2009: RMB36.6 million), representing a decrease of approximately 19.0 percent over the same period in 2009. While the newly acquired Jinbao Expressway has brought in additional finance costs amounting to RMB5.4 million to the Group during the Reporting Period, a decline in finance costs of GNSR Expressway of RMB7.1 million (same period in 2009: RMB21.1 million) more than offset the impact.

### ***Share of profits less losses of associates and jointly controlled entity***

The Group's share of profit less losses of associates declined by 19.2 percent for the Reporting Period to RMB101.6 million. The decline was mainly due to the decline in profit sharing ratio of Humen Bridge and the operating loss of Qinglian Expressway.

Pursuant to the terms in the Joint Venture Contract of Humen Bridge (disclosed in page 109 of the Prospectus dated 21 January 1997) which stipulates that after the joint venture has repaid all the investment costs to the shareholders, the profit sharing ratio among the shareholders will be re-adjusted. In June 2009, the joint venture had repaid all the investment costs and therefore, the Group's share of Humen Bridge's profit ratio from the Reporting Period and onward was adjusted accordingly from 27.78 percent to 18.446 percent. At the project company level, Humen Bridge recorded a 20.1 percent growth in toll revenue and 19.7 percent growth in profit after tax during the Reporting Period. With the adoption of the new profit sharing ratio, the Group's share of profit of Humen Bridge in the Reporting Period amounted to RMB62.4 million (if the ratio had remained at 27.78 percent, the Group could have incurred approximately RMB34.0 million more in profit at Humen Bridge in the Reporting Period), which was 20.7 percent lower than the comparative figure in 2009.

Upon commencement of expressway operation on 1 July 2009, toll revenue of Qinglian Expressway surged by 137.8 percent during the Reporting Period as compared to the same period in 2009. In its first year of expressway operation and in the following two to three years as well which we called it the cultivation period of a toll road, Qinglian Expressway will be expected to incur operating losses as traffic flow has not yet reached its normal operating level while borrowing costs were no longer qualified for capitalization and are required to be recognized in the income statement. During the Reporting Period, the share of loss of Qinglian Expressway amounted to RMB8.4 million which was within the Group's estimation. Looking forward, with the opening of the whole section of Qinglian Expressway and improvement of its linking road network, profitability will further enhance to become an important contributor to corporate profits.

Toll revenue of Northern Ring Road increased by 7.2 percent compared to same period in 2009 as traffic volume recovered speedily after the completion of a major overhaul which took place from July to November in 2009, with traffic flow level exceeding the pre-overhaul level. Share of profit of Northern Ring Road for the Reporting Period rose by 5.5 percent to RMB33.3 million.

Share of profit of Shantou Bay Bridge for the Reporting Period amounted to RMB14.3 million, represented a 22.4 percent rise as compared to same period in 2009 while its toll revenue grew by 10.1 percent.

Stepping into its fourth year of operation, GWSR Expressway has successfully turned profitable. Share of profit of GWSR Expressway for the Reporting Period amounted to RMB8.5 million (same period in 2009: loss of RMB10.0 million), an improvement of 184.9 percent from the same period in 2009. Toll revenue of GWSR Expressway for the Reporting Period amounted to RMB104.6 million, representing a 55.4 percent growth over the same period in 2009. During the Reporting Period, the income statement of GWSR Expressway has included other gains of RMB15.9 million which were related to rental income and toll road compensation income. Excluding these non-operation related gains, GWSR Expressway would still have been profitable.

A detailed analysis of share of profit and losses of associates and jointly controlled entity and their respective revenue is as follows:

	Percentage of interests held %	Revenue <sup>(1)</sup> <b>Reporting Period</b> <i>RMB'000</i>	YoY change %	Share of profit <b>Reporting Period</b> <i>RMB'000</i>	YoY change %
<b>Associates</b>					
Humen Bridge	18.446 <sup>(2)</sup>	<b>486,886</b>	20.1	<b>62,416</b>	-20.7
Northern Ring Road	24.3	<b>283,193</b>	7.2	<b>33,256</b>	5.5
Shantou Bay Bridge	30.0	<b>89,190</b>	10.1	<b>14,283</b>	22.4
Qinglian Expressway	23.63	<b>197,226</b>	137.8	<b>(8,391)</b>	-316.9
Sub-total		<b>1,056,495</b>	26.8	<b>101,564</b>	-19.2
<b>Jointly controlled entity</b>					
GWSR Expressway	35.0	<b>104,604</b>	55.4	<b>8,508</b>	184.9
Total		<b>1,161,099</b>	28.9	<b>110,072</b>	-4.9

Note: (1) Represented figures at the respective project companies' level.

(2) From 1 January 2010 and onwards, according to Joint Venture Contract, the profit sharing ratio of the Group has been adjusted from 27.78 percent in 2009 to 18.446 percent.

### ***Income tax expense***

Total income tax expense of the Group for the Reporting Period amounted to RMB64.3 million, representing an increase of RMB19.3 million. Income tax expense of the newly acquired Jinbao Expressway amounted to approximately RMB8.8 million during the Reporting Period. During the five year transition period provided by the New Corporate Income Tax Law (“CITL”) of the PRC, income tax rate applicable to the Group’s PRC subsidiaries and associates in the Reporting Period was increased to 22.0 percent from 20.0 percent in 2009.

Included in the total income tax expense was withholding tax provided on distributable dividends from PRC toll projects which has increased by 32.0 percent or RMB5.3 million to RMB21.7 million for the Reporting Period. The increase was mainly attributable to the increased provision made for Shantou Bay Bridge, GNSR Expressway and the newly acquired Jinbao Expressway of RMB2.6 million, RMB1.7 million and RMB1.5 million respectively.

### ***Profit attributable to equity holders of the Company***

The Group reported its profit attributable to equity holders for the Reporting Period of RMB238.1 million, an increase of 53.2 percent over the same period in 2009.

An analysis of the profit attributable to equity holders of the Company is set out below:

	<b>Reporting Period RMB'000</b>	Percentage of total %	First half of 2009 RMB'000	Percentage of total %	Change %
Profit from Controlled					
Toll Projects	<b>169,109</b>	60.6	138,963	54.6	21.7
Profit from non-controlled toll projects <sup>(1)</sup>	<b>110,072</b>	39.4	115,728	45.4	-4.9
Total profit from all toll projects	<b>279,181</b>	<u>100.0</u>	254,691	<u>100.0</u>	9.6
Withholding tax on PRC dividends	<b>(21,689)</b>		(16,428)		32.0
Corporate income and expenses	<b>(40,959)</b>		(16,418)		149.5
Investment income	<b>21,600</b>		—		N/A
Expenses in respect of cessation of toll operation	—		(7,574)		N/A
Profit before impairment losses and disposal gains	<b>238,133</b>		214,271		11.1
Impairment losses	—		(105,390)		N/A
Gain on disposal of toll operating rights	—		46,563		N/A
Profit attributable to equity holders of the Company	<b>238,133</b>		155,444		53.2

(1) Representing associates and jointly controlled entity

From the above analysis, net profit derived from toll projects amounted to RMB279.2 million for the Reporting Period which represented a 9.6 percent growth over the same period in 2009. Among the toll projects, profit from Controlled Toll Projects accounted for 60.6 percent (same period in 2009: 54.6 percent) while non-controlled toll projects accounted for 39.4 percent (same period in 2009: 45.4 percent) in the Reporting Period.

Among the Controlled Toll Projects, GNSR Expressway accounted for 42.3 percent with its profit attributable to the Group amounting to RMB118.1 million (growth of 30.9 percent over the same period in 2009); Xian Expressway's net profit (accounted for 6.9 percent) has dropped by 43.0 percent in the Reporting Period to RMB19.3 million due to temporary revenue decline; the newly acquired Jinbao Expressway added RMB28.1 million (accounted for 10.1 percent) to the net profit of the Group during the Reporting Period.

Among the non-controlled toll projects, Humen Bridge, Northern Ring Road, Shantou Bay Bridge and GWSR Expressway accounted for 22.4 percent (same period in 2009: 30.9 percent), 11.9 percent (same period in 2009: 12.4 percent), 5.1 percent (same period in 2009: 4.6 percent) and 3.0 percent respectively.

### *Interim dividend*

The Directors resolved to declare an interim dividend for 2010 of RMB0.087238 which was equivalent to HK\$0.10 (2009: RMB0.035 which was equivalent to HK\$0.04) per share payable on 20 October 2010 to shareholders whose names appear on the register of members on 5 October 2010. Interim dividend payout ratio will be 61.3 percent (2009: 38.0 percent).

Dividend payable to shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company is the average exchange rate, as announced by the People's Bank of China, for the five business days preceding the date of declaration of dividends.

### **Key financial position figures**

	<b>(Unaudited)</b>		
	<b>30 June</b>	31 December	
	<b>2010</b>	2009	Change
	<b>RMB'000</b>	RMB'000	%
Total assets	<b>12,108,492</b>	12,152,740	-0.4
Total liabilities	<b>2,637,276</b>	2,692,150	-2.0
Cash and cash equivalents	<b>2,038,756</b>	1,954,238	4.3
Total borrowings	<b>1,517,264</b>	1,538,840	-1.4
Bank borrowings	<b>1,119,500</b>	1,145,500	-2.3
Current ratio			
(excluding assets held for sale)	<b>4.6 times</b>	4.0 times	
Interest coverage	<b>19 times</b>	15.0 times	
Capital and reserves attributable to the Company's equity holders	<b>7,675,001</b>	7,619,861	0.7

## **Analysis of financial position**

### ***Assets, Liabilities and Equity***

The Group's total assets comprise mainly intangible operating rights of RMB7.1 billion (31 December 2009: RMB7.2 billion) and investments in jointly controlled entity and associates of RMB2.0 billion (31 December 2009: RMB2.1 billion). As at 30 June 2010, the Group's total assets amounted to RMB12.1 billion which represented a decrease of 0.4 percent over the balance as at 31 December 2009.

As at 30 June 2010, the Group's total liabilities amounted to RMB2.6 billion (31 December 2009: RMB2.7 billion), of which bank borrowings amounted to RMB1.1 billion (31 December 2009: RMB1.1 billion); loans from non-controlling interests amounted to RMB397.8 million (31 December 2009: RMB393.3 million); and deferred income tax liabilities amounted to RMB943.9 million (31 December 2009: RMB943.3 million). Movement in deferred income tax liabilities during the Reporting Period included payments made in the Reporting Period in respect of PRC distributable dividend tax of RMB 19.1 million.

As at 30 June 2010, the Group's total equity amounted to RMB9.5 billion (31 December 2009: RMB9.5 billion), of which amount attributable to the equity holders of the Company amounted to RMB7.7 billion (31 December 2009: RMB7.6 billion), representing an increase of 0.7 percent over the end of 2009. This was mainly attributable to the increase in net profit for the Reporting Period after deduction of final dividend distributed for 2009 of RMB175.2 million.



An analysis of major assets, liabilities and equity items is as follows:

<b>Items</b>	<b>30 June</b>	31 December	Change
	<b>2010</b>	2009	%
	<b>RMB'000</b>	RMB'000	
<b>Total assets</b>	<b>12,108,492</b>	12,152,740	-0.4
Approximately 90.0% of which:			
Intangible operating rights	<b>7,087,474</b>	7,193,211	-1.5
Investments in jointly controlled entity and associates	<b>2,014,469</b>	2,055,666	-2.0
Cash and cash equivalents	<b>2,038,756</b>	1,954,238	4.3
<b>Total liabilities</b>	<b>2,637,276</b>	2,692,150	-2.0
Approximately 90.0% of which:			
Bank borrowings – current portion	<b>306,980</b>	312,980	-1.9
– long term portion	<b>812,520</b>	832,520	-2.4
Loans from non-controlling interests	<b>397,764</b>	393,340	1.1
Deferred income tax liabilities	<b>943,885</b>	943,312	0.1
<b>Total equity</b>	<b>9,471,216</b>	9,460,590	0.1
Of which:			
Attributable to equity holders of the Company	<b>7,675,001</b>	7,619,861	0.7

### *Cash flows*

The Group's cash and cash equivalents as at 30 June 2010 amounted to approximately RMB2.04 billion which was 4.3 percent higher than the level at 31 December 2009.

Net cash generated from operating activities during the period ended 30 June 2010 amounted to approximately RMB280.6 million (30 June 2009: RMB271.1 million) which was after deduction of interest expenses of approximately RMB35.6 million (30 June 2009: RMB44.2 million) and PRC enterprise income tax of approximately RMB56.2 million (30 June 2009: RMB22.0 million).

Net cash inflow from investing activities during the period ended 30 June 2010 amounted to approximately RMB137.9 million (30 June 2009: net cash used RMB126.3 million). On the outflow side, capital expenditures amounted to approximately RMB33.2 million (30 June 2009: RMB231.3 million). On the inflow side, investment returns from associates amounted to approximately RMB151.3 million (30 June 2009: RMB95.8 million); bank interest income amounted to approximately RMB19.8 million (30 June 2009: RMB8.5 million).

Net cash used in financing activities during the period ended 30 June 2010 amounted to approximately RMB334.1 million (30 June 2009: RMB213.0 million). Cash used in financing activities was mainly repayments of bank loans amounting to RMB26.0 million (30 June 2009: RMB20.0 million); investment returns to non-controlling interests of subsidiaries of RMB133.0 million (30 June 2009: RMB79.8 million); and dividends paid of RMB175.2 million (30 June 2009: RMB118.0 million).

### ***Current ratio***

Excluding the assets and liabilities classified as held for sale, the current ratio (current assets over current liabilities) as at 30 June 2010 was 4.6 times (31 December 2009: 4.0 times). Cash and cash equivalents are the major components of the Group's current assets. Included in the Group's current liabilities as at 30 June 2010 was a short term bank borrowing (i.e. maturity within one year) of approximately RMB307.0 million (31 December 2009: RMB313.0 million). In the opinion of the management, with such a large amount of cash sitting on the balance sheet at 30 June 2010 coupled with a stable stream of operating cash flow and steady cash return from investments, liquidity risk is not an issue for the Group.

### ***Interest coverage***

The interest coverage is measured by the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (with cashflow effect). With the decrease in gross finance costs, interest coverage for the six months ended 30 June 2010 was 19 times (31 December 2009: 15 times).

### ***Capital expenditures and investments***

Subsequent to the completion of acquisition of 60.0 percent equity interest in Jinbao Expressway in December 2009, a balance payment was paid amounting to RMB16.8 million. Apart from this, no material investment funds were paid during the Reporting Period (31 December 2009: RMB611.4 million). Additions to interests in toll highways and bridges and other fixed assets during the Reporting Period amounted to RMB16.5 million (31 December 2009: RMB32.4 million).

## Capital structures

	<b>30 June 2010</b>	31 December 2009
	<b>RMB'000</b>	RMB'000
Bank borrowings	<b>1,119,500</b>	1,145,500
Loans from non-controlling interests of certain subsidiaries	<b>397,764</b>	393,340
Total borrowings	<b>1,517,264</b>	1,538,840
Capital and reserves attributable to the Company's equity holders	<b>7,675,001</b>	7,619,861
Total capitalization	<b>9,192,265</b>	9,158,701
Gross gearing ratio (total borrowings/total capitalization)	<b>16.5%</b>	16.8%

*Note: If the Group deducts its cash and cash equivalents as at 30 June 2010 of RMB2.04 billion (31 December 2009: RMB1.95 billion) from total borrowings, the Group would have been in a net cash position.*

Bank borrowings of the Group as at 30 June 2010 amounted to approximately RMB1.1 billion which were RMB floating rate loans obtained in mainland China and secured by way of pledge of the respective toll collection rights of subsidiaries holding the toll expressways. About 27.4 percent of total bank borrowings amounting to approximately RMB307.0 million are repayable within one year and about 72.6 percent or approximately RMB812.5 million are long term. The effective interest rate of these bank borrowings as at 30 June 2010 was 5.4 percent (31 December 2009: 6.49 percent) per annum.

Loans from non-controlling interests are part of capital contributions made by non-controlling interests of certain subsidiaries in respect of their respective equity shareholdings in accordance with the terms of the relevant joint venture agreements to set up those subsidiaries. These loans are unsecured and denominated in RMB. During the Reporting Period, the Group arrived at a mutual agreement with the non-controlling interests of the joint venture to waive the interest commitment of both the shareholders of the joint venture, i.e. the non-controlling interests and the Group (through a holding company wholly owned by the Group) in respect of the interest bearing shareholders' loan (RMB129.0 million). Except for this, the rest were by contract interest-free loans stated at fair values.

As at 30 June 2010, the capital and reserves attributable to the Company's equity holders amounted to RMB7.7 billion, which accounted for 83.5 percent of the Group's total capitalisation. As at 31 December 2009, the capital and reserves attributable to the Company's equity holders amounted to RMB7.6 billion, which accounted for 83.2 percent of the Group's total capitalisation. Capital and reserves attributable to the Company's equity holders as at 30 June 2010 was 0.7 percent higher than the balance at 31 December 2009, which was due to the increase in net profit retained for the period after appropriation of 2009 final dividend.

## **TREASURY POLICIES**

The Group's treasury policies have primarily been focused on preventing risk and enhancing liquidity. Cash is managed conservatively and investments and utilization of financial products are evaluated thoroughly.

The Group's businesses are principally conducted in the PRC. All of its revenue is derived from the PRC and denominated in RMB. At the same time, most of its expenses are incurred in the PRC and denominated in RMB, except that certain fund-raising exercises are conducted in Hong Kong. As a result, there is a natural and high degree of match between the Group's revenue and expenses in terms of currency.

As at 30 June 2010, the amount of cash and cash equivalents dominated in Hong Kong Dollar and US Dollar was approximately HK\$1.5 billion. This high level of cash and cash equivalent in HKD poses a meaningful currency risk amid the market expectation of an appreciating RMB. At the same time, given that the Group has switched its functional currency to RMB in December 2009, the high HKD holding is introducing heightened volatility risk to the Group's income statement as movements of RMB against HKD, which is pegged to USD, will have to be reflected accordingly. Therefore, the Group is now actively looking to manage such currency risk by exploring the following means: (1) speeding up the pace of acquisition of RMB assets; (2) speeding up the injection of share capital into the recently established investment company in PRC while the Group continues to explore potential investment opportunities; (3) taking advantage of the further relaxation measures provided in the RMB business in Hong Kong and (4) employing appropriate hedge mechanisms.

All of the Group's borrowings are incurred in the PRC. At the moment, the Group considers the risk of re-financing and interest rate risk to be minimal. As the Group continues to develop and venues of financing grow, management of such risk will become more critical.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

The Group had no material capital commitments and significant contingent liabilities as at 30 June 2010.

## **EMPLOYEES**

As at 30 June 2010, the Group had approximately 1,399 employees of which about 1,159 were directly engaging in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits. The Group has also adopted a share option scheme which would award its employees according to the performance of the Group and individual employees.

## **FUTURE PROSPECTS**

### **Review of the First Half of 2010**

#### **Management improvement**

During the Reporting Period, through further enhancement in various aspects, such as operating management, projects cost control, financial management, internal audit and supervision, the Group managed to register a double-digit growth in toll revenue, which was a new high for the Group since listing.

#### **Enhancement of disclosure**

With reference to the best practice within the industry, the Group published monthly reports of traffic volume and toll revenue (unaudited) of the Controlled Toll Projects, and of the associates and jointly controlled entity. The reports detail movement of toll revenue during the period with explanatory notes.

## **Outstanding operating growth in Guangzhou and the PRD Region**

During the Reporting Period, with continuous economic development in Guangzhou area, the traffic arrangement of the adjacent road network of Guangzhou area gradually improved. The GNSR Expressway and GWSR Expressway of the Group have played an increasingly important role as the main boundary crossings within this area and recorded significant growth in traffic volume in the first half of 2010.

### **Future Prospects of the Second Half of 2010:**

#### **Improving traffic and revenue performance**

With the prospect of continuous economic growth in Mainland China, and through persistent fine-tuning of operation and management procedures, it is expected that the toll operation will continue to develop steadily with sustainable profit growth in the second half of 2010.

In view of the current operation status, projects including GNSR Expressway, Humen Bridge, Northern Ring Road, Shantou Bay Bridge are still the sources of steady profit and cash flow; Jinbao Expressway, acquired at the end of 2009, is becoming an increasingly important growth driver; Cangyu Expressway and GWSR Expressway are expected to maintain rapid profit growth and become a profit driver in the near term; Qinglian Expressway is expected to sustain revenue growth and may become a profit driver in the long term.

In the second half of 2010, with the completion of the overhaul of the Xian Expressway and the resumption of bi-directional movements of trucks at the point connecting Xian Expressway and the “Four Lanes to Eight Lanes” project of the Xitong Expressway, it is expected that Xian Expressway’s performance will improve in the second half of the year. At the same time, traffic volume is likely to increase at Cangyu Expressway as a result of the opening at the end of June this year of the Yunwu Expressway, which connects Yunfu Hekou and Pingtai section. The opening cuts the travel time from Wuzhou to Guangzhou via Cangyu Expressway by 1 hour to 3 hours.

#### **Accelerating investments**

The projects invested by the Group in 2009 performed better than expectation.

The Group will continue to make full use of its ample cash to strengthen investment in high quality expressways and seriously consider opportunities such as infrastructure projects which have no limit on operating term. The Group will continue to focus on: (1) the Central region with considerably mature economy and benefitting from the economic development due to Wuguang Railway, (2) the Western provinces which are benefitting from the development of ASEAN Free Trade Area, (3) the PRD region with highly mature economic development.

We will further conduct investigation and explore projects in target areas with a mature environment for investment, and explore and invest timely in new projects with expected satisfactory return and good prospects, so as to enhance the overall asset size, profitability, and risk profile of the Group.

The management will also continue to fine-tune the Group's asset portfolio and capital structure so as to promote the best interest of our shareholders.

### **The Influence of Guangzhou Asian Games on the Group**

In November 2010, Guangzhou will hold the Asian Games, and the Guangzhou government has already issued the so-called 'odd-even license plate' rules, which regulate traffic volume in its adjacent road networks.

In light of the accessibility of the Group's projects in the Guangzhou region, it is estimated that Northern Ring Road and four Class 1 highways will be affected to some extent. However, the Group is cautiously optimistic about the impact on GNSR Expressway and GWSR Expressway.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2010, except for the following deviation:

### **Code Provision A.4.1**

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Bye-laws. All the non-executive directors of the Company had retired by rotation and have been re-elected during the past three years.

## **REVIEW OF INTERIM RESULTS**

The results of the Group for the six months ended 30 June 2010 have been reviewed by the Audit Committee and by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company has not redeemed any of its shares during the six months ended 30 June 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 29 September 2010 to Tuesday, 5 October 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 28 September 2010.

By Order of the Board  
**ZHANG Zhaoxing**  
*Chairman*

Hong Kong, 10 August 2010

As at the date of this announcement, the Board comprises:

Executive Directors:               ZHANG Zhaoxing (Chairman), LI Xinmin, LIANG Ningguang,  
LIU Yongjie, QIAN Shangning and WANG Shuhui

Independent Non-executive Directors:   FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu