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越秀交通基建有限公司

Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 01052)

2011 INTERIM RESULTS ANNOUNCEMENT

The directors of Yuexiu Transport Infrastructure Limited (formerly known as GZI Transport Limited) (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2011 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended 30 June	
	Note	2011	2010
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	623,333	571,359
Cost of services	6	(188,686)	(217,302)
Construction income under service concession		73,901	11,806
Other income		1,416	22,341
Other gains / (losses) – net	5	5,361	(10,448)
Construction cost under service concession		(73,901)	(11,806)
General and administrative expenses	6	(75,869)	(64,988)
Profit for the period of disposal group		—	31
Operating profit		365,555	300,993
Finance income		10,100	8,052
Finance costs		(44,928)	(29,595)
Share of post-tax profit of a jointly controlled entity		10,480	8,508
Share of post-tax profits less losses of associates		75,972	101,564

		(Unaudited)	
		Six months ended 30 June	
	Note	2011	2010
		<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax		417,179	389,522
Income tax expense	7	(76,893)	(64,302)
Profit for the period		<u>340,286</u>	<u>325,220</u>
Profit attributable to:			
Shareholders of the Company		254,460	238,133
Non-controlling interests		85,826	87,087
		<u>340,286</u>	<u>325,220</u>
		<i>RMB per</i>	<i>RMB per</i>
		<i>share</i>	<i>share</i>
Earnings per share for profit attributable to shareholders of the Company			
- Basic and diluted	8	<u>0.1521</u>	<u>0.1423</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Interim dividend	9	<u>138,069</u>	<u>142,684</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	(Unaudited)	
	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	340,286	325,220
Other comprehensive income		
Fair value gains / (losses) on available-for-sale financial assets, net of tax	1,368	(7,665)
Currency translation differences	579	(167)
	<hr/>	<hr/>
Total comprehensive income for the period	342,233	317,388
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to:		
Shareholders of the Company	256,407	230,301
Non-controlling interests	85,826	87,087
	<hr/>	<hr/>
	342,233	317,388
	<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited)	
		As at	As at
		30 June	31 December
Note		2011	2010
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
		10,408,268	7,740,035
		371,089	302,352
		128,886	89,484
		9,918	9,918
		17,243	—
		317,618	307,138
		1,681,784	1,775,178
		149,647	147,823
		9,140	9,140
10		544,870	151,137
		<u>13,638,463</u>	<u>10,532,205</u>
Current assets			
	11	18,773	19,789
	11	1,152,201	1,154,101
		2,755	24,942
		934,790	2,111,929
		<u>2,108,519</u>	<u>3,310,761</u>
		<u>15,746,982</u>	<u>13,842,966</u>

	(Unaudited)	
	As at	As at
	30 June	31 December
Note	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY		
Equity attributable to the shareholders of the Company		
Share capital	147,322	147,322
Reserves	7,718,568	7,666,262
	<u>7,865,890</u>	<u>7,813,584</u>
Non-controlling interests	1,956,176	1,873,234
	<u>9,822,066</u>	<u>9,686,818</u>
LIABILITIES		
Non-current liabilities		
Borrowings	3,466,420	1,472,362
Deferred income tax liabilities	1,158,168	1,100,669
	<u>4,624,588</u>	<u>2,573,031</u>
Current liabilities		
Borrowings due within one year	212,860	582,560
Amounts due to non-controlling interests of subsidiaries	738,662	773,364
Amounts due to holding companies	883	224
Trade and other payables and accrued charges	306,953	187,477
Current income tax liabilities	40,970	39,492
	<u>1,300,328</u>	<u>1,583,117</u>
Total current liabilities	<u>1,300,328</u>	<u>1,583,117</u>
Total liabilities	<u>5,924,916</u>	<u>4,156,148</u>
Total equity and liabilities	<u>15,746,982</u>	<u>13,842,966</u>
Net current assets	<u>808,191</u>	<u>1,727,644</u>
Total assets less current liabilities	<u>14,446,654</u>	<u>12,259,849</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 2011 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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the Group’s annual financial statements for the year ended 31 December 2010.

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

Amended standards adopted by Group

The following revised standard and amendments to standards relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2011 for the Group.

HKAS 24 (revised) Related Parties Disclosures

HKICPA’s annual improvements to certain HKFRS published in May 2010

HKAS 1 (amendment)	Presentation of Financial Statements
HKAS 27 (amendment)	Consolidated and Separate Financial Statements
HKAS 34 (amendment)	Interim Financial Reporting
HKFRS 3 (amendment)	Business Combinations
HKFRS 7 (amendment)	Financial Instruments: Disclosures

The adoption of these revised standard 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:

		Effective for accounting periods beginning on or after
HKAS12 (amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 9	Financial Instruments	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	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

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

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 period 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% to 92%. 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.

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.

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.

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 and allocate resources to different operating segments. Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. On 18 April 2011, the Group established a non-wholly owned subsidiary which is engaged to construct, manage and operate the 梧州港赤水圩作業區碼頭一期項目 (the "Wuzhou Port") located in Guangxi. In addition to toll highways and bridges operating segment, management considers that the Wuzhou Port is a port operating segment which is a new operating segment to the Group.

Toll highways and bridges segment remains as the principal operating segment as it has contributed the majority of the Group's revenue, operating results and total assets and liabilities. The port operating segment does not meet the quantitative thresholds required by HKFRS 8 "Operating segments" to qualify as a reportable segment. No segment analysis of the Group's revenue and contribution to operating profit is presented.

5 OTHER GAINS / (LOSSES) – NET

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gain / (loss)	3,671	(13,586)
Loss on disposal of property, plant and equipment	(85)	—
Others	1,775	3,138
	<u>5,361</u>	<u>(10,448)</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	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Business tax	21,371	18,962
Amortisation of intangible operating rights	106,361	117,542
Depreciation of property, plant and equipment	9,503	7,230
Impairment losses on goodwill	3,550	2,281
Toll highways and bridges maintenance expenses	11,278	34,100
Toll highways and bridges operating expenses	14,172	14,744
Staff costs (including Directors' emoluments)		
– Wages and salaries	55,539	56,163
– Pension costs (defined contribution plans)	5,024	2,445
– Social security costs	4,373	3,250
– Staff welfare	11,687	12,549
Auditor's remuneration	1,335	1,013
	<u>1,335</u>	<u>1,013</u>

7 INCOME TAX EXPENSES

- (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 (2010: Nil).
- (b) During the six months ended 30 June 2011, 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% with effect from 1 January 2008. The Group's principal income tax rate is gradually increased to the standard rate of 25% over a period of 5 years starting from 1 January 2008. The applicable principal income tax rate for the six months ended 30 June 2011 is 24% (30 June 2010: 22%).

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% or 10%. 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% or 10% (30 June 2010: 5% or 10%).

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

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC enterprise income tax	55,714	42,059
Deferred income tax	21,179	22,243
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	76,893	64,302
	<hr/> <hr/>	<hr/> <hr/>

8 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
Profit attributable to shareholders of the Company (RMB'000)	<u>254,460</u>	<u>238,133</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,673,162</u>	<u>1,673,162</u>
Basic and diluted earnings per share (RMB)	<u>0.1521</u>	<u>0.1423</u>

The diluted earnings per share for the six months ended 30 June 2011 equal to the basic earnings per share as there were no potential dilutive ordinary shares in issue during the period.

9 INTERIM DIVIDEND

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Interim, proposed, of HK\$0.10 equivalent to RMB0.0825196 (2010: HK\$0.10 equivalent to RMB0.085278) per share	<u>138,069</u>	<u>142,684</u>

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

10 OTHER NON-CURRENT RECEIVABLES

	As at	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Consideration receivable (note a)	146,647	151,137
Deposits paid for construction (note b)	398,223	—
	<u>544,870</u>	<u>151,137</u>

Note:

- (a) Balance represents the non-current portion of present value of consideration receivable, discounted at the rate of 5.32% in relation to the disposal of the Group's toll operating right of Xiang Jiang Bridge II in 2009.

As at 30 June 2011, the total balance of consideration receivable was RMB164.3 million (31 December 2010: RMB158.7 million) which will be settled by 22 half yearly installments until the end of concession period, i.e. 30 November 2021. RMB146.6 million (31 December 2010: RMB151.1 million) of the balance will be received after 30 June 2012 (31 December 2011) according to the receipt schedule.

- (b) Balance represents the deposits paid for a toll expressway construction project.

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

As at 30 June 2011, the Group's other receivable included RMB1,059.3 million (31 December 2010: RMB1,059.3 million) due from the Guangzhou Municipal People's Government ("GZ Government"), which was the remaining compensation receivable of the Group for its closure of Class 1 Highways in Guangzhou as requested by the GZ Government.

As agreed with GZ Government, the total cash compensation for the closure, which included surrender of the relevant intangible operating rights and operating assets, will be settled by cash on or before 31 December 2011. Subsequent to the reporting period, a partial settlement of compensation receivable was received by the Group, thus, the sum of cash proceeds received in respect of the compensation up to the date of the Interim Results Announcement amounted to approximately RMB542.6 million.

The Group's revenue is generally settled in cash and it usually does not maintain any accounts receivable balances. Accordingly, the Group does not have any specified credit period for its customers.

12 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	As at	
	30 June	31 December
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	47,035	49,732
Other payables and accrued charges	259,918	137,745
	<u>306,953</u>	<u>187,477</u>

Trade payables mainly represent construction costs payable to contractors.

	As at	
	30 June	31 December
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>

The ageing analysis of trade payables is as follows:

0 – 30 days	732	4,675
31 – 90 days	188	1,027
Over 90 days	46,115	44,030
	<u>47,035</u>	<u>49,732</u>

Trade and other payables and accrued charges are mainly denominated in RMB and the carrying amounts approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS AND DIVIDEND

The toll revenue of the Group for the first half of 2011 (the “Reporting Period”) was RMB623.3 million, representing an increase of 9.1 percent over the same period in 2010; profit attributable to shareholders of the Company was RMB254.5 million, representing an increase of 6.9 percent over the same period in 2010, which was mainly attributable to strong growth in toll revenue from projects including GNSR Expressway, Cangyu Expressway, Xian Expressway, GWSR Expressway and Qinglian Expressway.

During the Reporting Period, the Group established a subsidiary and indirectly own 51.0 percent equity interest of Guangxi Wuzhou Port Chishui Terminal and acquired the remaining 10.0 percent equity interest of Cangyu Expressway. The investment of these two projects, situated in the western region of the PRC with significant economic development potential, was in line with the Group’s regional expansion strategy. Wuzhou Port Chishui Terminal is the first inland terminal project invested by the Group. As the Group’s first successful attempt to foray into the transport infrastructure industry without limitation of operating period, the project would further optimize the asset portfolio of the Group.

The Board has recommended the payment of an interim dividend for 2011 of HK\$0.10 per share, which is equivalent to approximately RMB0.0825196 per share (interim period of 2010: HK\$0.10 per share, which is equivalent to approximately RMB0.085278 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)
Subsidiaries						
GNSR Expressway	42.5	6	9	Expressway	60.00	21
Xian Expressway	20.1	4	3	Expressway	100.00	5
Cangyu Expressway	23.3	4	1	Expressway	100.00	19
Jinbao Expressway	23.9	4	3	Expressway	60.00 ⁽¹⁾	19
Han-Xiao Expressway	33.5	4	1	Expressway	90.00	26
Changzhu Expressway ⁽²⁾	41.6	4	5	Expressway	90.00	29
Associates and Jointly Controlled Entity						
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽³⁾	18
Northern Ring Road	22.0	6	10	Expressway	24.30	12
GWSR Expressway ⁽⁴⁾	42.1	6	5	Expressway	35.00	Pending Approval
Shantou Bay Bridge	6.5	6	1	Suspension Bridge	30.00	17
Qinglian Expressway	215.2	4	17	Expressway	23.63	23

(1) The Group shall hold 60 percent of the attributable interests; profit sharing ratio: 90 percent up to 2012, 40 percent from 2013 to 2015, 60 percent from 2016 onwards.

(2) The Changzhu Expressway was successfully acquired on 27 June 2011 and it is included in the operating projects of the Group being analyzed from July.

(3) The profit sharing ratio is 18.446 percent from 2010 onwards.

(4) The operating term of the GWSR Expressway is pending approval by the relevant departments.

Toll summary of toll roads and bridges

Six months ended 30 June 2011

	Average daily toll traffic volume		Average daily toll revenue	
	Accumulated figures for the first half of 2011 (no. of vehicles)	YoY Change %	Accumulated figures for the first half of 2011 (RMB'000)	YoY Change %
Subsidiaries				
GNSR Expressway	103,234	6.2%	1,938.65	4.4%
Xian Expressway ⁽¹⁾	45,131	46.0%	603.43	63.9%
Jinbao Expressway ⁽²⁾	23,616	12.5%	395.19	-5.9%
Cangyu Expressway	10,633	239.5%	289.24	183.9%
Han-Xiao Expressway	9,440	14.5%	217.31	51.8%
Associates and Jointly Controlled Entity				
Humen Bridge	70,925	8.5%	2,819.48	4.8%
Northern Ring Road	172,033	10.8%	1,629.62	4.3%
GWSR Expressway	32,191	35.6%	719.52	24.5%
Shantou Bay Bridge	14,418	11.2%	537.55	9.1%
Qinglian Expressway ⁽³⁾	21,477	19.1%	1,257.82	19.8%

- (1) Traffic volume and toll revenue recorded significant year-on-year increase during the first half year as a result of several favorable factors, which included the holding of the International Horticultural Exposition in 2011 and the improvement of adjacent road networks.
- (2) There was a change in the pattern of regional traffic volume since the opening of the Binbao Expressway, which runs parallel to this project. The decrease in toll revenue as compare with the same period last year was attributable to the continuous shrink in proportion of long-distance traffic volumes.
- (3) The Lianzhou-Fengbu Section (Liannan Section) of Qinglian Expressway has completed its expressway reconstruction and adopted expressway toll rate since 25 January 2011. Since then, the operation of Qinglian Expressway is fully commenced with the length of 215.2 km resulting in a significant increase in toll revenue and traffic volumes.

Toll roads and bridges

Analysis of average daily toll traffic volume from the first quarter to the second quarter of the year 2011

	Average daily toll traffic volume for the first quarter (no. of vehicles)	Average daily toll traffic volume for the second quarter (no. of vehicles)
Subsidiaries		
GNSR Expressway	105,594	100,901
Xian Expressway	41,392	48,829
Jinbao Expressway	20,486	26,712
Cangyu Expressway	12,604	8,682
Han-Xiao Expressway	9,800	9,084

Associates and Jointly Controlled Entity

Humen Bridge	69,320	72,513
Northern Ring Road	165,598	178,398
GWSR Expressway	31,722	32,655
Shantou Bay Bridge	15,105	13,738
Qinglian Expressway	22,933	20,038

Overview of operating performance

During the Reporting Period, China's economy maintained overall upward trend and developed along the anticipated path laid by macroeconomic adjustment. The traffic volumes of passenger vehicles and freight vehicles both maintained rapid growth, increasing 8.0 percent and 14.7 percent over last year, respectively. The GDP reached RMB 20.4459 trillion in the first half year, increasing 9.6 percent over last year based on comparable prices. According to the latest China Economic Quarterly released by World Bank, it remained rosy about China's general economic prospects and estimated that the GDP growth of China to be 9.3 percent for the whole year of 2011.

In the first half of 2011, the industrial structure of Guangdong has been optimized continuously with quality and efficiency both reaching new plateaus. According to preliminary estimation, the province can achieve a GDP of RMB 2.3347 trillion in the first half year, increasing by 10.1 percent over last year, which is higher than the average national level in the corresponding period. Shaanxi, Tianjin, Guangxi, Hunan and Hubei, where the Group has subsidiaries, all recorded rapid economic growth, achieving double-digit growth of GDP of 14.6 percent, 16.6 percent, 12.3 percent, 13.4 percent and 14.1 percent in GDP respectively during the first half year as compared with the corresponding period last year.

During the Reporting Period, most of the projects of the Group have recorded revenue growth in the vicinity of expectation. Meanwhile, the Group has been continuously promoting investment expansion and structural adjustment in recent years, which brought significant changes in the structures of revenues and profits. First of all, Cangyu Expressway, Xian Expressway and Hanxiao Expressway all recorded an increase of more than 50 percent in revenues, and becoming the driving forces of the Company's growth. Benefiting from the opening of the whole section of Guangwu Expressway and its resulting traffic volume, both toll traffic volume and toll revenue of Cangyu Expressway continue to double on a year-on-year basis. The traffic volume and toll revenue of Xian Expressway both increased significantly to a record high under the impetus of the International Horticultural Exposition. The Hanzheng Jie Goods Market is moving to the Hankou North Wholesale City gradually and with the increase in toll fee, the toll revenue of Hanxiao Expressway recorded a significant increase year-on-year. The second business highlight is that our subsidiaries have contributed more than 70 percent of the Company's profit. Although the growth in toll revenue of GNSR Expressway has slowed down temporarily as a result of the overhaul of Guangqing Expressway, which is connected to GNSR Expressway, it still remains the most important profit contributor of the Company. While the traffic volume of Jinbao Expressway still recorded year-on-year growth, its toll revenue has experienced year-on-year drop, which is attributable to the opening of the Binbao Expressway that leads to a change in regional traffic pattern and the lowering of the proportion of long-distance toll traffic.

All expressways in which the Group has equity interests recorded positive increase in toll revenue. GWSR Expressway increased by 24.5 percent in the first half year. Qinglian Expressway increased by 16.7 percent. Shantou Bay Bridge increased by 9.1 percent and Humen Bridge increased by 4.8 percent. Northern Ring Road increased by 4.6 percent.

During the Reporting Period, the Group made significant progress in acquisitions. The Company successfully took over Han-Xiao Expressway. Besides, the Company successfully acquired the remaining 10.0 percent equity interest in Cangyu Expressway, making it the second wholly-owned subsidiary of the Company. The Wuzhou Port (Phase I) has been going smoothly with construction and trial operation, as the capital injection has been completed and business license has been obtained, becoming one of our new subsidiary. The relevant approval for the transferal of equity interest in Changzhu Expressway has been granted and we have successfully obtained the business license for the new company and taken it over smoothly. So far, the Company has seven subsidiaries spanning two sectors and covering six provinces (autonomous regions and municipalities). The national and diversified development pattern has taken shape, symbolizing the great improvement of corporate governance and management.

Performance of expressways and bridges

Expressways and bridges inside Guangdong Province

GNSR Expressway

During the Reporting Period, the average daily toll traffic volume was 103,234 vehicles and the average daily revenue was RMB 1,939,000, representing an increase of 6.2 percent and 4.4 percent respectively over the first half of 2010.

GNSR Expressway, as an important part of the 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 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 the urban area of Guangzhou City. Under the influence of a higher base number in traffic volume for last year resulting from the Guangzhou Asia Games held last year, the Green Passage Toll Free Policy for fresh agricultural products carrier vehicles, the closure of Guangqing Expressway from Longshan Overpass to Shiling Overpass for overhaul and the preferential policy of 2 percent off for Guangdong Unitoll Cards users, the traffic volume and toll revenue of GNSR Expressway both recorded lower growth during the Reporting Period.

Humen Bridge

During the Reporting Period, the average daily toll traffic volume was 70,925 vehicles and the average daily revenue was RMB 2,819,000, representing an increase of 8.5 percent and 4.8 percent respectively over the first half of 2010.

Benefiting from the steady increase of GDP in Guangdong region, the toll revenue of Humen Bridge maintained stable growth. However, as a result of the macroeconomic austerity measures, the Green Passage Toll Free Policy and the preferential policy of 2 percent off for Guangdong Unitoll Cards users, the toll revenue of Humen Bridge recorded lower growth than expected during the first half year.

Northern Ring Road

During the Reporting Period, the average daily toll traffic volume was 172,033 vehicles and the average daily revenue was RMB1,630,000, representing an increase of 10.8 percent and 4.3 percent respectively over the first half of 2010.

During the Reporting Period, Northern Ring Road benefited from the opening of adjacent road networks, the surging traffic volume of passenger and freight vehicles driven by the overhaul and the opening of the entrance to Northern Ring Road at Chuanghui Road, Jinshazhou, which makes it possible for drivers to reach the urban area of Guangzhou City directly from Jinshazhou. Therefore, the traffic volume and toll revenue of Northern Ring Road both recorded steady growth in the first half year.

GWSR Expressway

During the Reporting Period, the average daily toll traffic volume was 32,191 vehicles and the average daily revenue was RMB720,000, representing an increase of 35.6 percent and 24.5 percent respectively over the first half of 2010.

The steady economic development in PRD and the opening of Guanghe Expressway and the second phase of Guangwu Expressway, which lead to a surge in number of vehicles traveling to Guangxi, Guizhou, Yunnan, Sichuan and Chongqing, have offered excellent business opportunity to GWSR Expressway. Being a convenient passage linking areas in the west of Guangzhou and Baiyun International Airport at Huadu District, Guangzhou and with the increasing acquaintance and acceptance of GWSR Expressway by vehicle owners under increased promotion, GWSR Expressway recorded rapid growth in traffic volume. During the Reporting Period, the daily toll traffic volume of GWSR Expressway increased significantly over the corresponding period of last year.

Shantou Bay Bridge

During the Reporting Period, the average daily toll traffic volume was 14,418 vehicles and the average daily revenue was RMB538,000, representing an increase of 11.2 percent and 9.1 percent respectively over the first half of 2010.

During the Reporting Period, spurred by several favourable factors, which includes the rapid economic growth of Shantou, investment from PRD, Taiwan and overseas attracted by the industrial transfer strategy launched in 2010, the on-going overhaul of the Chenghai section of the 324 National Highway, the more apparent diversion effect of Shanfen Expressway and Shantou Bay Bridge and the adoption of inter-network tolling and the toll-by-weight standards in 2011, the traffic volume and toll revenue of Shantou Bay Bridge both maintained steady growth in the first half year.

Qinglian Expressway

During the Reporting Period, the average daily toll traffic volume was 21,477 vehicles and the average daily revenue was RMB1,258,000, representing an increase of 19.1 percent and 19.8 percent respectively over the first half of 2010.

Since the opening of the Liannan section of Qinglian Expressway early this year, Qinglian Expressway commenced full operation, which offers a brilliant opportunity for the northwest region of Guangdong to integrate into the PRD economic circle. Traffic volume has witnessed significant growth due to the increase of toll mileage and the improvement of traffic conditions. In addition, since the implementation of the toll-by-weight standards, the standard of operating service has also risen, coupled with our increasing efforts in marketing and promotion, the toll revenue of Qinglian Expressway has recorded encouraging growth in the first half year.

Expressways outside Guangdong Province

Xian Expressway

During the Reporting Period, the average daily toll traffic volume was 45,131 vehicles and the average daily revenue was RMB603,000, representing an increase of 46.0 percent and 63.9 percent respectively over the first half of 2010.

During the Reporting Period, the operation environment of Xian Expressway is much better than last year. Besides, the opening of the International Horticultural Exposition and the improvement of the adjacent road networks have both fueled growth in traffic volume and toll revenue. In addition, the expansion work at Xitong Expressway, which started in 2010, and the commencement of construction of municipal roads that diverted traffic and prohibited truck traffic, have resulted in a significant drop in both traffic volume and toll revenue for the first half of last year. Due to the above factors, Xian Expressway recorded remarkable increases in traffic volume and toll revenue.

Jinbao Expressway

During the Reporting Period, the average daily toll traffic volume was 23,616 vehicles and the average daily revenue was RMB395,000, representing an increase of 12.5 percent and a fall of 5.9 percent respectively over the first half of 2010.

During the Reporting Period, with the gradual enhancement of the peripheral expressway network and the improvement of road conditions after the completion of a major overhaul in anticipation of a state inspection, traffic volume has recorded relatively large year-on-year increase. However, the opening of the Binbao Expressway has created great bypassing effect. The proportion of long distance toll lane has been declining, which directly contributes to the decrease in long distance toll traffic volume in the Tianjin section of Jinbao Expressway. In addition, the “Green Passage” policy expanded the toll-free area in the Tianjin section of Jinbao Expressway, leading to the decrease in toll revenue of Jinbao Expressway in the first half year.

Cangyu Expressway

During the Reporting Period, the average daily toll traffic volume was 10,633 vehicles and the average daily revenue was RMB289,000, representing an increase of 239.5 percent and 183.9 percent respectively over the first half of 2010.

During the Reporting Period, as a result of the industrial transfer in Beibuwan Economic Zone and the connection of the road network, the implementation of the inter-network tolling for expressways in Guangxi and the toll-by-weight standards for freight vehicles, which benefits were greatly enhanced by the advantageous location of Cangyu Expressway at the east entrance of Guangxi Expressway as well as the increasing promotional efforts , the traffic volume and toll revenue all achieved doubled increase in the first half year.

Han-Xiao Expressway

During the Reporting Period, the average daily toll traffic volume was 9,440 vehicles and the average daily revenue was RMB217,000, representing an increase of 14.5 percent and 51.8 percent respectively over the first half of 2010.

During the Reporting Period, the Wuhan municipal government decided to gradually relocate the Hanzheng Jie Goods Market to the Hankou North Wholesale City. As an adjacent expressway, the freight volume of Han-Xiao Expressway has recorded a significant increase, and coupled with the positive effect brought about by the increase in toll fee, the toll revenue witnessed significant increase as compared with last year.

FINANCIAL REVIEW

Key operating results figures

	Six months ended 30 June		Change %
	2011 RMB'000	2010 RMB'000	
Revenue	623,333	571,359	9.1
Gross profit of toll collection	434,647	354,057	22.8
Operating profit	365,555	300,993	21.4
Finance costs	(44,928)	(29,595)	51.8
Share of post-tax profits less losses of associates	75,972	101,564	-25.2
Share of post-tax profit of a jointly controlled entity	10,480	8,508	23.2
Profit attributable to shareholders of the Company	254,460	238,133	6.9
Basic and diluted earnings per share	RMB0.1521	RMB0.1423	6.9
Interim dividends	138,069	142,684	

Analysis of operating results

The Group recorded revenue of RMB623.3 million in the Reporting Period which represented a 9.1 percent growth over same period in 2010. As the four Class 1 Highways' toll operating rights were discontinued at end of October 2010, for comparison purpose, if taking out the revenue of the four Class 1 Highways in 2010 (being RMB74.1 million), revenue growth was 25.3 percent. Profit attributable to shareholders of the Company amounted to RMB254.5 million with basic and diluted earnings per share of RMB0.1521, representing an increase of 6.9 percent over same period in 2010. If taking out the four Class 1 Highways, profit attributable to shareholders of the Company increased 11.4 percent. The full six months contribution from Han-Xiao Expressway (acquisition completed in December 2010) was consolidated to the Group in the Reporting Period.

All toll projects recorded positive revenue growth in the Reporting Period as compared to same period in 2010 except for Jinbao Expressway which recorded a drop in toll revenue of 5.9 percent to RMB71.5 million due to a slight change in the structure of regional traffic volume since the opening of the Binbao Expressway in December 2010. Among the Group's controlled toll projects, GNSR Expressway, being the highest revenue contributor, achieved RMB350.9 million, represented an increment of RMB14.7

million or 4.4 percent growth. Xian Expressway, the second highest revenue contributor, achieved RMB109.2 million, represented an increment of RMB42.6 million or 63.9 percent growth. Cangyu Expressway benefited from the opening of Guangwu Expressway on 30 June 2010 and posted a 183.9 percent revenue growth to RMB52.4 million in the Reporting Period. Han-Xiao Expressway (acquisition completed in December 2010) has contributed RMB39.3 million to the Group's total revenue in the Reporting Period.

Of the Group's non-controlled toll projects' performance in the Reporting Period, revenue in aggregate grew by 8.9 percent while post-tax profits / (losses) attributable to the Group dropped by 21.5 percent which was mainly due to Qinglian Expressway that was still in its initial operational stage when operating loss was normally anticipated and tax concession period of Humen Bridge expired in 2010 (profit tax rate increased from 11.0 percent in 2010 to 24.0 percent in 2011).

With the change in the accounting policy of the Group in respect of functional currency in December 2009, RMB is defined as the Group's functional currency and currencies other than RMB are defined as foreign currencies. Under the relevant Hong Kong accounting standard, foreign exchange gains and losses resulting from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. In the same period last year, the net exchange loss of RMB13.6 million was recognized which was mainly attributed to the translation of HK dollar denominated cash and cash equivalents. Following the adoption of the Group's exchange risk measure (i.e. took advantage of the further relaxation measures in the RMB business in Hong Kong and converted directly a substantial portion of its HK\$ and USD denominated cash into RMB), exchange loss from foreign currency translation was very minimal and instead, a net exchange gain of RMB3.7 million was recognized in the Reporting Period which was mainly derived from locking up the RMB to HK\$ exchange rate for the consideration payable of Han-Xiao Expressway pursuant to the relevant Equity Transfer Agreement.

Revenue

The Group recorded revenue of RMB623.3 million in the Reporting Period, represented a 9.1 percent growth over same period in 2010. If taking out the revenue of the four Class 1 Highways in 2010 (being RMB74.1 million), revenue growth was 25.3 percent.

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

Controlled Toll Projects	Reporting Period RMB'000	Percentage of total %	First half of 2010 RMB'000	Percentage of total %	Change %
GNSR Expressway	350,896	56.3	336,195	58.8	4.4
Xian Expressway	109,221	17.5	66,647	11.7	63.9
Jinbao Expressway	71,530	11.5	75,992	13.3	-5.9
Cangyu Expressway	52,352	8.4	18,441	3.2	183.9
Han-Xiao Expressway	39,334	6.3	N/A	N/A	N/A ⁽¹⁾
	623,333		497,275		25.3
Class 1 Highways	—	N/A	74,084	13.0	N/A ⁽²⁾
Total	623,333	100.0	571,359	100.0	9.1

Note:

(1) Acquisition of Han-Xiao Expressway was completed at the end of December 2010. For comparison purpose, revenue from 1 January 2010 to 30 June 2010 amounted to RMB25.9 million by which the Reporting Period was higher by 51.8 percent.

(2) Class 1 Highways' toll operating rights were discontinued at the end of October 2010.

GNSR Expressway remained as the Group's highest revenue contributor in the Reporting Period. GNSR Expressway contributed approximately 56.3 percent (same period in 2010: 58.8 percent) to the total revenue of the Group, amounted to RMB350.9 million and represented a 4.4 percent growth over same period in 2010.

Xian Expressway, ranked second in terms of toll revenue contribution, has rebounded from last year's temporary decline. In the Reporting Period, Xian Expressway recorded a 63.9 percent growth in toll revenue to RMB109.2 million which represented approximately 17.5 percent (same period in 2010: 11.7 percent) of the total revenue of the Group.

Jinbao Expressway, ranked third in terms of toll revenue contribution, declined 5.9 percent in the Reporting Period to RMB71.5 million, represented approximately 11.5 percent (same period in 2010: 13.3 percent) of the total revenue of the Group. The drop was mainly due to the opening of the Binbao Expressway in December 2010 which slightly changed the structure of regional traffic volume.

Cangyu Expressway's contribution to the overall revenue was 8.4 percent (same period in 2010: 3.2 percent) and being benefited from the opening of Guangwu Expressway on 30 June 2010, it posted satisfactory revenue growth of 183.9 percent to RMB52.4 million in the Reporting Period.

Subsequent to its acquisition in December 2010, Han-Xiao Expressway contributed toll revenue of RMB39.3 million to the Group in the Reporting Period, which accounted for approximately 6.3 percent of the total revenue.

With the closure of toll stations at end of October 2010, no more toll revenue from Class 1 Highways was recorded in the Reporting Period (same period in 2010: RMB74.1 million).

Cost of services

In the Reporting Period, cost of services of the Group's toll highways amounted to RMB188.7 million (same period in 2010: RMB217.3 million), represented a decrease of RMB28.6 million or 13.2 percent over same period in 2010. If taking out the four Class 1 Highways, cost of services in the Reporting Period has increased by RMB18.9 million or 11.1 percent, among which amortization of intangible operating rights increased by RMB10.3 million or 10.8 percent; staff costs increased by RMB9.6 million or 49.5 percent; and business tax increased by RMB6.1 million or 40.2 percent and toll highways and bridges maintenance expenses decreased by RMB11.0 million or 49.4 percent (all the aforementioned types of cost of services in aggregate accounted for approximately 90.0 percent of the total cost of services in the Reporting Period). The Group's intangible operating rights were amortized using the unit of usage method by which the amortization rate was aligned with the traffic flow growth rate. Staff costs increased mainly due to additional manpower, adjusted salary scale and adoption of new calculation basis of social security costs in accordance to relevant government policy. With the introduction of the new business tax policy in December 2010 (No.35[2010] of the State of Council) (《國務院國發[2010]35號通知》), Foreign Enterprises which were originally granted exemption, now has to pay for the "Extending the Urban Maintenance and Construction Tax" ("城市維護建設稅") and "Educational Surcharges" ("教育附加費").

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

Controlled Toll Projects	Reporting Period <i>RMB'000</i>	Percentage of total %	First half of 2010 <i>RMB'000</i>	Percentage of total %	Change %
GNSR Expressway	101,304	53.7	94,982	43.7	6.7
Xian Expressway	24,772	13.1	35,805	16.5	-30.8
Jinbao Expressway	36,912	19.6	28,032	12.9	31.7
Cangyu Expressway	14,147	7.5	10,323	4.8	37.0
Han-Xiao Expressway	10,865	5.8	N/A	N/A	N/A
	188,000		169,142		11.1
Class 1 Highways	686	0.3	48,160	22.1	N/A
Total	188,686	100.0	217,302	100.0	-13.2

In the Reporting Period, cost of services of GNSR Expressway increased by 6.7 percent or RMB6.3 million which was mainly attributable to the increase in its amortization of intangible operating rights, staff costs and business tax.

The cost of services at Xian Expressway reflected a decline of 30.8 percent or RMB11.0 million which was mainly due to the higher maintenance expense incurred in 2010.

The cost of services of Jinbao Expressway increased by 31.7 percent or RMB8.9 million which was mainly attributable to the increase in its amortization of intangible operating rights and staff costs.

Cangyu Expressway's cost of services in the Reporting Period increased by 37.0 percent or RMB3.8 million, which was mainly due to increase in amortization of intangible operating rights and business tax.

The full six months' cost of services of Han-Xiao Expressway was consolidated in the Reporting Period, which increased the Group's cost of services by RMB10.9 million.

Gross profit

Gross profit of toll collection in the Reporting Period was increased by RMB80.6 million or 22.8 percent. If taking out the four Class 1 Highways, gross profit in the Reporting Period has increased by RMB107.2 million or 32.7 percent. Gross margin of toll collection increased from 66.0 percent in first half of 2010 to 69.8 percent in the Reporting Period.

An analysis of gross profit of toll collection by each controlled toll project of the Group is as follows:

Controlled Toll Projects	Reporting Period		First half of 2010	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	<i>RMB'000</i>		<i>RMB'000</i>	
GNSR Expressway	249,592	71.1%	241,213	71.7%
Xian Expressway	84,449	77.3%	30,842	46.3%
Jinbao Expressway	34,618	48.4%	47,960	63.1%
Cangyu Expressway	38,205	73.0%	8,118	44.0%
Han-Xiao Expressway	28,469	72.4%	N/A	N/A
	435,333	69.8%	328,133	66.0%
Class 1 Highways	(686)	N/A	25,924	35.0%
Total	434,647	69.7%	354,057	62.0%

General and administrative expenses

The Group's general and administrative expenses in the Reporting Period amounted to RMB75.9 million (same period in 2010: RMB65.0 million), represented an increase of RMB10.9 million or 16.7 percent over same period in 2010. If taking out the four Class 1 Highways, general and administrative expenses in the Reporting Period increased by RMB19.7 million or 35.5 percent. Such increase was mainly attributed to the net increase in staff costs (accounted for approximately 63.9 percent of the total general and administrative expenses) of RMB8.6 million after decline in directors' emoluments resulting from reduction in numbers of directors. The main reasons for the increase in staff costs were: (1) staff costs incurred by the newly acquired Han-Xiao Expressway; (2) additional manpower and increase in salary scale; (3) adoption of new calculation basis of social security costs in accordance to relevant government policy .

Finance costs

The Group's finance costs in the Reporting Period amounted to RMB44.9 million (same period in 2010: RMB29.6 million), represented an increase of approximately 51.8 percent over same period in 2010. The full six months' finance cost of Han-Xiao Expressway amounted to RMB20.5 million was consolidated to the Group in the Reporting Period while GNSR Expressway recorded a decline of RMB3.2 million in its finance cost to RMB10.9 million in the Reporting Period. Finance costs recognized as a result of adoption of HK Accounting Standard 39 in respect of interest free loans from non-controlling interests of subsidiaries increased by RMB1.3 million (non-cash in nature).

Share of post-tax profits less losses of associates and jointly controlled entity

The Group's share of post-tax profit less losses of associates has declined by 25.2 percent during the Reporting Period to RMB76.0 million. The decline was mainly due to the operating loss of Qinglian Expressway during the cultivation period of its operation and the expiration of the tax concession period of Humen Bridge in 2010 (commencing from 2011, profit tax rate was adjusted to 24.0 percent from 11.0 percent in 2010). The share of post-tax profit of jointly controlled entity increased 23.2 percent to RMB10.5 million in the Reporting Period.

Share of post-tax profit of Humen Bridge in the Reporting Period amounted to RMB55.4 million, a 11.2 percent decline over the same period in 2010. While revenue at the project company level posted a growth of 4.8 percent to RMB510.4 million in the Reporting Period, with the expiration of the tax concession period, profit tax rate has increased to 24.0 percent in the Reporting Period from 11.0 percent in 2010.

In the Reporting Period, the share of loss of Qinglian Expressway amounted to RMB23.5 million which was within the Group's expectation over a toll road in the cultivation period. Revenue at the project company level posted a growth of 16.7 percent to RMB230.1 million in the Reporting Period. Looking forward, with the anticipated opening of Yilian Expressway in the 4th quarter of 2011, profitability will likely to improve and it is anticipated to become a more meaningful contributor to the Group's profitability.

While toll revenue at the project company level of Northern Ring Road increased by 4.6 percent to RMB296.1 million in the Reporting Period, share of post-tax profit from Northern Ring Road in the Reporting Period declined by 11.9 percent to RMB29.3 million with the increase in its maintenance expenses.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Period amounted to RMB14.7 million, represented a 3.1 percent rise as compared to first half of 2010 and toll revenue at project company level grew by 9.1 percent to RMB97.3 million.

Since commencement of operation in December 2006, GWSR Expressway started to record profit in 2010. Share of post-tax profit of GWSR Expressway in the Reporting Period amounted to RMB10.5 million (same period in 2010: RMB8.5 million), an increase of 23.2 percent from same period in 2010. Toll revenue at the project company level in the Reporting Period amounted to RMB130.2 million, represented a 24.5 percent growth over same period in 2010.

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

	Percentage of interests held %	Revenue ⁽¹⁾		Share of post-tax profit/(losses)	
		Reporting Period RMB'000	YoY change %	Reporting Period RMB'000	YoY change %
Associates					
Humen Bridge	18.446 ⁽²⁾	510,373	4.8	55,445	-11.2
Northern Ring Road	24.3	296,140	4.6	29,287	-11.9
Shantou Bay Bridge	30.0	97,297	9.1	14,732	3.1
Qinglian Expressway	23.63	230,080	16.7	(23,492)	loss increase 180.0
Sub-total		1,133,890	7.3	75,972	-25.2
Jointly controlled entity					
GWSR Expressway	35.0	130,234	24.5	10,480	23.2
Total		1,264,124	8.9	86,452	-21.5

Note:

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

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

Income tax expense

Total income tax expense of the Group in the Reporting Period amounted to RMB76.9 million, represented an increase of RMB12.6 million or 19.6 percent. 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 24.0 percent from 22.0 percent in 2010. GNSR Expressway's tax rate in 2011 (being the last year of its tax concession period) is 12.0 percent and will increase to 25.0 percent from 2012 onward.

Profit attributable to Shareholders of the Company

The Company reported profit attributable to its shareholders of RMB254.5 million in the Reporting Period, represented an increase of 6.9 percent over same period in 2010.

An analysis of the profit attributable to shareholders of the Company is set out below:					
	Reporting Period RMB'000	Percentage of total %	First half of 2010 RMB'000	Percentage of total %	Change %
Net profit from controlled toll projects	221,065	71.9	169,109	60.6	30.7
Net profit from non-controlled toll projects ⁽¹⁾	86,452	28.1	110,072	39.4	-21.5
Net profit from toll projects	307,517	100.0	279,181	100.0	10.1
Withholding tax on PRC dividends	(20,753)		(21,689)		-4.3
Corporate income and expenses	(32,304)		(40,959)		-21.1
Investment income	—		21,600		N/A
Profit attributable to shareholders of the Company	254,460		238,133		6.9

(1) *Representing share of post-tax profits less losses of associates and jointly controlled entity.*

If taking out the four Class 1 Highways, the analysis of profit attributable to shareholders of the Company is set out below:

	Reporting Period RMB'000	Percentage of total %	First half of 2010 RMB'000	Percentage of total %	Change %
Net profit from controlled toll projects	222,292	72.0	160,575	59.3	38.4
Net profit from non-controlled toll projects ⁽¹⁾	86,452	28.0	110,072	40.7	-21.5
Net profit from toll projects	308,744	100.0	270,647	100.0	14.1
Withholding tax on PRC dividends	(20,753)		(21,689)		-4.3
Corporate income and expenses	(32,304)		(40,959)		-21.1
Investment income	—		21,600		N/A
Profit attributable to shareholders of the Company	255,687		229,599		11.4

(1) *Representing share of post-tax profits less losses of associates and jointly controlled entity.*

If taking out the four Class 1 Highways, net profit derived from toll projects amounted to RMB308.7 million for the Reporting Period which represented a 14.1 percent growth or RMB38.1 million over same period in 2010. Profit from controlled toll projects accounted for 72.0 percent (same period in 2010: 59.3 percent) while non-controlled toll projects accounted for 28.0 percent (same period in 2010: 40.7 percent) in the Reporting Period.

Among the controlled toll projects, GNSR Expressway's profit attributable to the Shareholders of the Company (accounted for 39.6 percent) amounted to RMB122.6 million (growth of 3.8 percent over same period in 2010); Xian Expressway's profit attributable to the Shareholders of the Company (accounted for 18.5 percent) increased by 196.8 percent in the Reporting Period to RMB57.1 million due to cost of service declined; Cangyu Expressway turned into profit in the reporting period and its profit attributable to the Shareholders of the Company (accounted for 7.3 percent) amounted to RMB22.4 million. Jinbao Expressway's profit attributable to the Shareholders of the Company in the Reporting Period amounted to RMB18.1 million (accounted for 5.9 percent) decreased by 35.6 percent or RMB10.0 million.

Among the non-controlled toll projects, profits attributable to the Shareholders of the Company from Humen Bridge, Northern Ring Road, Shantou Bay Bridge and GWSR Expressway accounted for 18.0 percent (same period in 2010: 23.1 percent), 9.5 percent (same period in 2010: 12.3 percent), 4.8 percent (same period in 2010: 5.3 percent) and 3.4 percent (same period in 2010: 3.1 percent) respectively.

Interim dividend

The Directors resolved to declare an interim dividend for 2011 of HK\$0.10 which is equivalent to approximately RMB0.0825196 (2010: HK\$0.10 which was equivalent to approximately RMB0.085278) per share payable on 18 November 2011 to shareholders whose names appear on the register of members of the Company on 21 October 2011. Interim dividend payout ratio was 54.3 percent (2010: 61.3 percent).

Dividend payable to shareholders will be paid in Hong Kong dollars (“HK\$”). The exchange rate adopted by the Company for its dividend payable is the average middle rate of HK\$ to RMB, 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

	(Unaudited)		
	30 June	31 December	
	2011	2010	Change
	RMB’000	RMB’000	%
Total assets	15,746,982	13,842,966	13.8
Total liabilities	5,924,916	4,156,148	42.6
Cash and cash equivalents	934,790	2,111,929	-55.7
Total borrowings	3,679,280	2,054,922	79.0
Bank borrowings	3,463,120	1,844,300	87.8
Current ratio	1.6 times	2.1 times	
Interest coverage	12.0 times	20.0 times	
Equity attributable to the shareholders of the Company	7,865,890	7,813,584	0.7

Analysis of financial position

Assets, Liabilities and Equity

As at 30 June 2011, the Group's total assets amounted to RMB15.75 billion which represented an increase of 13.8 percent over the balance as at 31 December 2010. The Group's total assets comprised mainly of intangible operating rights of RMB10.41 billion (31 December 2010: RMB7.7 billion); investments in jointly controlled entity and associates of RMB2.0 billion (31 December 2010: RMB2.1 billion), compensation receivable in respect of Class 1 Highways of RMB1.1 billion (31 December 2010: RMB1.1 billion) and cash and cash equivalents of RMB934.8 million (31 December 2010: RMB2.1 billion). At end of June 2011, Changzhu Expressway was consolidated into the Group and intangible operating rights was increased by RMB2.7 billion. Subsequent to the Reporting Period, a partial settlement of the compensation receivable was received by the Group, thus, the sum of cash proceeds received in respect of the compensation up to the date of the Interim Results Announcement amounted to approximately RMB542.6 million.

As at 30 June 2011, the Group's total liabilities amounted to RMB5.9 billion which represented an increase of 42.6 percent over the balance as at 31 December 2010. The Group's total liabilities comprised mainly of bank borrowings of RMB3.5 billion (31 December 2010: RMB1.8 billion); loans from non-controlling interests of RMB216.2 million (31 December 2010: RMB210.6 million); and deferred income tax liabilities of RMB1.2 billion (31 December 2010: RMB1.1 billion). As a result of consolidating Changzhu Expressway into the Group at end of June 2011, increase in liabilities included RMB1.7 billion in bank borrowings, RMB72.5 million in deferred income tax liabilities, and RMB543.0 million in amounts due to non-controlling interests of subsidiaries (being purchase consideration payable). Movement in deferred income tax liabilities during the Reporting Period included payments made in respect of PRC distributable dividend tax of RMB36.6 million.

As at 30 June 2011, the Group's total equity amounted to RMB9.8 billion (31 December 2010: RMB9.7 billion), of which amount attributable to the shareholders of the Company amounted to RMB7.9 billion which is closely similar to the balance as at 31 December 2010 of RMB7.8 billion.

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

Items	30 June	31 December	Change %
	2011	2010	
	RMB'000	RMB'000	
Total assets	15,746,982	13,842,966	13.8
Approximately 90.0% of which:			
Intangible operating rights	10,408,268	7,740,035	34.5
Construction in progress	17,243	—	N/A
Investments in jointly controlled entity and associates	1,999,402	2,082,316	-4.0
Cash and cash equivalents	934,790	2,111,929	-55.7
Total liabilities	5,924,916	4,156,148	42.6
Approximately 90.0% of which:			
Bank borrowings – current portion	212,860	582,560	-63.5
– long term portion	3,250,260	1,261,740	157.6
Amount due to non-controlling interests	738,662	773,364	-4.5
Loans from non-controlling interests	216,160	210,622	2.6
Deferred income tax liabilities	1,158,168	1,100,669	5.2
Total equity	9,822,066	9,686,818	1.4
Of which:			
Attributable to the shareholders of the Company	7,865,890	7,813,584	0.7

Cash flows

The Group's cash and cash equivalents as at 30 June 2011 amounted to approximately RMB934.8 million which was 55.7 percent lower than the level at 31 December 2010.

Net cash generated from operating activities during the Reporting Period amounted to RMB375.9 million (30 June 2010: RMB280.6 million) which was arrived at after the deduction of interest expenses of RMB46.6 million (30 June 2010: RMB35.6 million) and PRC enterprise income tax of RMB90.8 million (30 June 2010: RMB56.2 million).

Net cash used in investing activities during the Reporting Period amounted to RMB1.3 billion (30 June 2010: net cash generated of RMB137.9 million). On the outflow side, capital expenditures amounted to approximately RMB1.6 billion (30 June 2010: RMB33.2 million). On the inflow side, mainly of investment returns from associates amounted to approximately RMB182.0 million (30 June 2010: RMB151.3 million); bank interest income amounted to approximately RMB11.0 million (30 June 2010: RMB19.8 million).

Net cash used in financing activities during the Reporting Period amounted to approximately RMB265.1 million (30 June 2010: RMB334.1 million). On the outflow side, cash used in financing activities was mainly repayment of bank loans amounting to RMB110.0 million (30 June 2010: RMB26.0 million), dividends paid to non-controlling interests of subsidiaries of RMB42.5 million (30 June 2010: RMB131.6 million), and dividends paid to the shareholders of the Company of RMB169.4 million (30 June 2010: RMB175.2 million). On the inflow side, there was a repayment of loan to associate amounted to approximately RMB50.7 million (30 June 2010: Nil).

Current ratio

The current ratio (current assets over current liabilities) as at 30 June 2011 was 1.6 times (31 December 2010: 2.1 times). Apart from cash and cash equivalents which were the major components of the Group's current assets as at 30 June 2011, a receivable of RMB1,059.3 million, being the consideration receivable balance in relation to the compensation arrangement of the closure of toll stations of the Class 1 Highways was recorded. Included in the Group's current liabilities as at 30 June 2011 was a short term bank borrowing (i.e. maturity within one year) of approximately RMB212.9 million (31 December 2010: RMB582.6 million). In view of the various capital expenditures committed and investments acquired since the second half of 2010 which had utilized a significant portion of the Group's existing cash and cash equivalents and increased the Group's bank borrowings in the Reporting Period, management will take a prudent approach to effectively match the existing cash and cash equivalents and future operating cash flow and cash return from investments with capital and debt commitments to minimize liquidity risk.

Interest coverage

The interest coverage is measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (with cash flow effect). With the increase in finance costs, interest coverage for the year ended 30 June 2011 was 12.0 times (31 December 2010: 20.0 times).

Capital expenditures and investments

During the Reporting Period, payment of approximately RMB769.5 million for the acquisition of Han-Xiao Expressway was made, partial payment in respect of the acquisition of Changzhu Expressway of approximately RMB548.6 million (after net off with cash and cash equivalents consolidated to the Group) was made, payment of RMB54.0 million for the acquisition of the remaining 10.0 percent equity interest of Cangyu Expressway was made and additional capital injection to an associate of RMB63.4 million was made. The capital injection to Wuzhou Port (joint venture contract approved in April 2011) amounted to RMB87.2 million was made while cash and cash equivalent brought in from consolidation was approximately RMB129.8

million thereby created a net cash inflow from acquisition of RMB42.6 million. Apart from the aforementioned, no material investment funds were paid during the Reporting Period. Payments for additions to intangible operating rights and other fixed assets during the Reporting Period amounted to RMB97.2 million (30 June 2010: RMB16.5 million).

Capital structures

	30 June 2011 RMB'000	31 December 2010 RMB'000
Bank borrowings	3,463,120	1,844,300
Loans from non-controlling interests	216,160	210,622
Amounts due to non-controlling interests of subsidiaries	738,662	773,364
Amounts due to holding companies	883	224
Total debts	4,418,825	2,828,510
Less: cash and cash equivalents	(934,790)	(2,111,929)
Net debts	3,484,035	716,581
Equity attributable to the shareholders of the Company	7,865,890	7,813,584
Total capitalization	11,349,925	8,530,165
Gearing ratio (net debts/total capitalization)	30.7%	8.4%

Bank borrowings of the Group as at 30 June 2011 amounted to approximately RMB3.5 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 6.1 percent of total bank borrowings amounting to approximately RMB212.9 million are repayable within one year and about 93.9 percent or approximately RMB3.3 billion are long term. The effective interest rate of these bank borrowings as at 30 June 2011 was 5.23 percent (30 June 2010: 5.35 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. These loans are unsecured, interest free and denominated in RMB. The carrying amounts of these loans were stated at fair values.

Amounts due to non-controlling interests of subsidiaries / holding companies are unsecured, interest free, repayable on demand (except for the balance of consideration payable in respect of acquisition of Changzhu Expressway) and are mainly denominated

in RMB. Included in the current period was the balance of consideration payable in respect of acquisition of Changzhu Expressway of approximately RMB543.0 million (included in 2010 was the consideration payable in respect of acquisition of Han-xiao Expressway which was paid out during the Reporting Period).

As at 30 June 2011, equity attributable to the shareholders of the Company amounted to RMB7.9 billion (31 December 2010: RMB7.8 billion), which accounted for 69.3 percent (31 December 2010: 91.6 percent) of the Group's total capitalisation.

TREASURY POLICIES

The Group's treasury policies have primarily been focused on preventing risk and managing liquidity especially during unfavorable economic conditions and financial downturns when cash is managed conservatively and investments and utilization of financial products are evaluated thoroughly. Since the financial crisis started to subside and markets were stabilizing in the second half of 2009 and up to the Reporting Period, the Group has effectively utilized a substantial amount of its internal cash and increased its leverage by capitalizing on a number of investment opportunities. Going forward, management believed that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investment needs.

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 may be 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.

Moreover, amidst the market expectation of an appreciating RMB, the Group has switched its functional currency to RMB in December 2009, and in 2010, the Group took advantage of the further relaxation measures in the RMB business in Hong Kong and converted directly a substantial portion of its HK\$ and USD denominated cash into RMB and injected the same to the Group's recently established investment company in PRC in the form of share capital. As at 30 June 2011, the level of cash and cash equivalents denominated in HK\$ and USD was approximately HK\$5.9 million.

All of the Group's current debt financing are mainly in the form of bank borrowings incurred in the PRC. Going forward, as the Group continues to develop and venues of financing grow, the management will consider equity and debt financing denominated in foreign currency as an alternative source of funding investment projects during the period when interest rate of RMB loan stands higher than foreign currency loan. The Group will maintain banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by these two markets.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2011, the Group had capital commitments related to intangible operating rights and property, plant and equipment of approximately RMB248.0 million being contracted but not provided for and approximately RMB227.1 million being authorized but not contracted for.

Except for the aforementioned, the Group had no material capital commitments as at 30 June 2011.

There were no significant contingent liabilities as at 30 June 2011.

EMPLOYEES

As at 30 June 2011, the Group had approximately 1,217 employees of whom about 1,035 were directly engaged 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.

FUTURE PROSPECTS

Operations management

There is a high correlation between toll revenue growth and growth of the respective economic regions in which the toll roads are located. Looking ahead, we expect to face new opportunities and challenges brought about by the steady and general growth of the domestic economy, which is driven by structural economic adjustments and government's initiatives on inflation containment.

It is anticipated that the Group's more mature projects, such as GNSR Expressway, Xian Expressway, Jinbao Expressway, Humen Bridge, Northern Ring Road, and Shantou Bay Bridge, will continue to generate solid profit for the Group as they stand to capitalize on the stable economic development of their respective localities.

Benefiting from the gradual improvement of the peripheral road networks, the traffic volume and toll revenue of GWSR Expressway continued its upward trajectory. Having achieved profitability for the first time in 2010, GWSR Expressway is poised to become one of the Group's new profit drivers. Cangyu Expressway, acquired by the Group in 2009, benefited from the commencement of full operation of Guangwu Expressway at the end of June 2010 and recorded profit for three consecutive years after the acquisition. With surging vehicle traffic and toll revenue, Cangyu Expressway has become a prime example of successful acquisition and operation management.

The expressway upgrade work of the Liannan section of Qinglian Expressway was completed in the beginning of 2011 and toll collection over the entire length of about 215.2 km was standardized according to expressway rates. It is expected that this project will become another important profit driver of our Group.

The two projects acquired in 2010, namely Han-Xiao Expressway and Changzhu Expressway (the latter project's approval was completed at the end of June 2011 and it has been handed over to the Company), will benefit from the national policy of supporting economic development in the central region of the PRC and is expected to become another important profit driver in the future. Since Han-Xiao Expressway has been handed over to the Company, it has recorded phenomenal growth in traffic volumes and toll revenue. In addition, the construction of Airport North Extension is under smooth process and expected to complete in October 2011, which is anticipated to boost up significantly the traffic volumes and toll revenue.

Risk analysis of the industry policies

On 8 June 2011, an executive meeting of the State Council chaired by Premier Wen Jiabao was convened to discuss and formulate plans to promote the healthy development of the logistic industry. As a result, the “Eight supporting measures to promote the development of logistic industry” (《推動物流業發展的八項配套措施》)(《國八條》) (the “National Eight Rules”) was promulgated. On 14 June 2011, five government departments including the Ministry of Transport and the National Development and Reform Commission jointly issued the “Notice concerning the commencement of rectification of non-compliance at toll road projects” (《關於開展收費公路專項清理工作的通知》)(the “Five Departments’ Notice”), which mandates that the problem of illegal and unreasonable charges in the industry be resolved in about one year’s time.

After studying the “National Eight Rules” and the “Five Departments’ Notice” carefully, we are of the view that the “National Eight Rules”, which aim to promote healthy and strong development of the logistic industry, would not have any substantial impact on the Group. In light of the “Five Departments’ Notice” which entails specific measures on the rectification of non-compliance and elimination of unfair industry practices, we believe that the Group’s projects had secured the necessary legal approvals from the relevant official departments when operation first started. The Group has also fully complied with all the relevant laws and regulations in terms of business operation and toll collection. As a result, we believe the Group does not have any issues regarding non-compliance with rules and regulations or unfair practices. Moreover, we are of the view that the “Five Departments’ Notice” would eventually promote a healthier and stronger development of the toll road industry in the long run, which in turn is likely to present us with more valuable development opportunities.

Recent investment policy and preference

The Group will continue to capitalize on its internal and external resources. Apart from maintaining its investment and development pace in quality expressways, the Group will also actively consider investing in other transport infrastructure projects with longer concessionary period, optimize its asset portfolio, and strengthen its capability in achieving sustainable development.

The Group will continue to closely monitor a number of regions in the PRC with higher level of economic development: (1) the relatively developed central region, which is benefiting from opportunities brought about by the Wuhan-Guangzhou Highspeed Railway and substantial government support in recent years; (2) the Western provinces, which is benefiting from the development of ASEAN Free Trade Area and opportunities brought about by the industrial transformation of PRD; and (3) the highly developed PRD and eastern coastal areas.

The Group will further its efforts in identifying projects which offer satisfactory returns and prospects in our target areas and make timely investments. At the same time, we will continue to improve asset optimization and utilization. It is also our priority to boost return on assets and enhance our standardized operational and management capability so as to increase the Group's overall profitability.

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 2011, 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 2011 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 2011. 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 Tuesday, 18 October 2011 to Friday, 21 October 2011, 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 Monday, 17 October 2011.

By Order of the Board
Yuexiu Transport Infrastructure Limited
ZHANG Zhaoxing
Chairman

Hong Kong, 10 August 2011

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

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

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