四川成渝高速公路股份有限公司

Sichuan Expressway Company Limited*

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

(Stock Code: 00107)

2008 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Sichuan Expressway Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008 (the "Period"), together with the comparative figures for the corresponding period in 2007 as follows:

INTERIM CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2008	2007
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	3	**660,133**	574,520
Other income and gains	3	**43,879**	22,492
Depreciation and amortisation expenses	5	**(127,707)**	(123,737)
Employee costs	5	**(68,252)**	(61,633)
Other operating expenses		**(91,852)**	(97,208)
Finance costs	4	**(67,349)**	(43,927)
Share of profits and losses of associates		**1,832**	2,230

PROFIT BEFORE TAX	5	**350,684**	272,737
Tax	6	**(53,271)**	(55,784)
PROFIT FOR THE PERIOD		**297,413**	216,953
Attributable to:			
Equity holders of the Company		**291,294**	213,607
Minority interests		**6,119**	3,346
		297,413	216,953
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY — basic	7	**RMB0.114**	RMB0.084

INTERIM CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2008** *RMB'000* **(Unaudited)**	31 December 2007 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**444,686**	463,289
Service concession arrangements		**5,484,075**	5,547,063
Prepaid land lease payments		**497,874**	510,434
Operating rights		**105,965**	109,276
Interests in associates		**54,139**	57,508
Available-for-sale investments		**32,795**	32,795
Long term compensation receivables		**76,847**	78,868
Payment in advance	9	**100,000**	100,000
Total non-current assets		**6,796,381**	6,899,233

CURRENT ASSETS		
Inventories	**16,744**	12,519
Prepayments, deposits and other receivables	**28,553**	50,479
Due from the ultimate holding company	**3,687**	—
Cash and bank balances	**973,292**	640,169
Total current assets	**1,022,276**	703,167
CURRENT LIABILITIES		
Tax payable	**35,462**	49,918
Other payables and accruals	**197,869**	201,704
Interest-bearing bank and other loans	**1,659,727**	1,605,774
Total current liabilities	**1,893,058**	1,857,396
NET CURRENT LIABILITIES	**(870,782)**	(1,154,229)
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,925,599**	5,745,004
NON-CURRENT LIABILITIES		
Interest-bearing bank and other loans	**279,873**	396,691
Net assets	**5,645,726**	5,348,313
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**2,558,060**	2,558,060
Reserves	**2,979,937**	2,688,643
	5,537,997	5,246,703
Minority interests	**107,729**	101,610
Total equity	**5,645,726**	5,348,313

NOTES

1.1 BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fundamental accounting concept

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

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

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

- the party that grants the service arrangement (the "grantor") controls or regulates what service the entity (the "operator") must provide with the infrastructure asset, to whom it must provide them, and at what price;

- the grantor controls, through ownership, beneficial entitlement, or otherwise any significant residual interest in the infrastructure asset at the end of the term of arrangement.

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

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

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

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

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

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

1.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

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

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

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

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

2. SEGMENT INFORMATION

The Group's revenue and contribution to profit from operating activities for the Period were mainly derived from toll operations. The principal assets employed by the Group are located in the Sichuan Province, the PRC. Accordingly, no segment analysis by business or geographical segments is provided.

3. REVENUE, OTHER INCOME AND GAINS

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

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

4. FINANCE COSTS

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

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Employee costs (excluding directors' remuneration):		
Wages and salaries	**49,424**	49,153
Pension scheme contributions:		
— Defined contribution fund	**7,259**	6,865
Accommodation benefits:		
— Defined contribution fund	**5,589**	5,615
Supplementary pension scheme:		
— Defined contribution fund	**5,980**	—
	68,252	61,633
Repairs and maintenance	**40,626**	53,309
Auditors' remuneration	**357**	212
Depreciation	**38,992**	41,801
Amortisation of prepaid land lease payments	**12,560**	12,222
Amortisation of service concession arrangements	**72,844**	66,355
Amortisation of operating rights	**3,311**	3,359
Minimum lease payments under operating leases:		
Land and buildings	**6,691**	899
Loss on disposal of items of property, plant and equipment	**3,217**	3,522
Reversal of provision for impairment of other receivables	**(7,018)**	(1,000)

6. TAX

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

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

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

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

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

Pursuant to the approval document, "Chuan Di Shui Han [2004] No. 283" dated 19 July 2004, issued by the Sichuan Provincial Branch of the State Tax Bureau, one of the Company's subsidiary, Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company"), was granted a tax concession to pay CIT at a preferential rate of 15% for the period from 1 January 2003 to 31 December 2010.

Pursuant to the approval document, "Guo Ban Fa [2001] No. 73" dated 29 September 2001, issued by the State Council of the PRC and the approval of the local tax authorities, Chengdu Airport Expressway Company Limited, an associate of the Company, was granted a tax concession to pay CIT at a preferential rate of 15% for a period of 10 years from 1 January 2001 to 31 December 2010.

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

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

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

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

8. DIVIDENDS

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

9. PAYMENT IN ADVANCE

Payment in advance represents RMB100 million paid by the Company to Sichuan Highway Development Holding Company ("Sichuan Highway Development")(the parent and the ultimate holding company of the Company) and Leshan City Xing Yuan Traffic Development Holding Company (樂山市星源交通投資開發總公司) (an independent third party) (collectively referred to as "Vendors") in relation to the acquisition of entire interest in Sichuan Chengle Expressway Company Limited (四川成樂高速公路有限責任公司) ("SC Expressway").

MANAGEMENT DISCUSSION AND ANALYSIS

I. Analysis of Business Environment

— During the first half of 2008, Sichuan Province had been pounded by both the snow storm and the violent earthquake, which, to a different extent, impacted the production, operation and transportation activities of numerous enterprises, the daily life and regular trips of the residents and the tourism industry in the province and thus adversely affected the Group's business environment;

— The natural disasters, though with quite an impact to the economic and social development of Sichuan Province, have only local and short-term influence rather than demolishing the fundamentals for steady running of its economy. For the first half of 2008, Sichuan Province posted a regional GDP of RMB538.85 billion, representing a growth of 9.1% compared with the corresponding period in the previous year, which demonstrated a sound economic progress. It is expected that the province's economy tends to pick up its momentum in the second half with an approximately 10% growth for the whole year;

— Chengdu City, which has been listed by the National Development and Reform Commission in 2008 as one of the nationwide first-tier logistics hubs, is marching towards a metropolis with regional and international logistic functions;

— Recently, domestic vehicle market has been booming in both production and sales by the upgrading of social consumption structure and industries structure as motivated by fast growing economy. Chengdu, ranking the third among the cities in China in terms of possession of privately-owned vehicles, had more than 681,000 privately-owned vehicles in 2007, which increased by over 22% year-on-year and is still growing in 2008. Such a consumption characteristic of Chengdu's residents has become one of the business edges and growth potentials of the Group;

— With the establishment and development of the national pilot area for reform on urban and rural coordination in Chengdu and Chongqing, the two cities are promoting cooperation with a common view to development and economic integration, where synergy of regional economies is taking shape. This is expected to further activate economic development and transportation activities in both cities and the areas along the Chengyu Expressway, which has a positive and far reaching effect on the traffic flow and toll income of the Chengyu Expressway.

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

II. Business Review and Analysis

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

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

1. Operating conditions of the Group's principal operations:

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

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

2. *The operations of major expressways:*

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

Chengyu Expressway

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

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

— The snow storm in South China during January and February this year had a greater impact on Guizhou, Guangxi, Guangdong as well as Luzhou and Yibin in the south of Sichuan, and part of the sections had been blocked. As Chengyu Expressway is the beginning section of the south-west sea route, the only access to Guizhou, Guangxi and Guangdong and to cities of strategic importance in the south of Sichuan such as Luzhou and Yibin, long-distance vehicles passing through Chengyu Expressway decreased during this period;

— The devastating Wenchuan Earthquake on 12 May 2008 caused a remarkable decrease in the traffic volume of Chengyu Expressway in the same month. Meanwhile, the toll income of Chengyu Expressway was also affected by the temporary toll free for rescue vehicles after the earthquake.

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

Chengya Expressway

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

Chengbei Exit Expressway

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

(1) From 1 January 2008 to the earthquake on 12 May 2008, the traffic volume of Chengbei Exit Expressway increased by approximately 6.1% as compared with the same period last year, but the increase was mainly contributed by light vehicles. Since 15 December 2007, Chengdu Municipal Government has implemented a transportation organization plan on the Third Ring Road of Chengdu which links Chengbei Exit Expressway to restrict cargo vehicles to use the Third Ring Road in several phases. Accordingly, cargo vehicles subject to higher toll fee were diverted significantly, resulting in lower growth of the toll income.

(2) The cargo vehicles accounted for a smaller proportion (approximately 20%) in the traffic volume of Chengbei Exit Expressway. Consequently, the increase in toll income due to the implementation of "toll-by-weight" policy was not as remarkable as that of the two expressways mentioned above.

3. *Financing and Investment Plans*

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

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

— Implementation of A Shares Issue proposal

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

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

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

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

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

— Other proposal for acquisition of quality expressways assets

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

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

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

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

— Proposal for Issue of Short-Term Commercial Papers

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

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

4. *Continuing Connected Transactions*

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

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

5. *Other Businesses*

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

III. Development Strategy of the Group

1. Development Advantages

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

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

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

— As the traffic arteries and important transportation routes of Sichuan Province, the Group's expressways play a vital role in the provincial transportation network. Most of them are located in relatively developed areas of Sichuan Province with vigorous production and transportation activities as well as a buoyant tourism economy, leading to an admirable profitability in general. Chengle Expressway, Suiyu Expressway (Sichuan Section) and Chengnan Expressway which are proposed to be acquired by the Company also embraced such advantages. The scale of economies arising from the improving the road network, especially with the completion and on-streaming of the extended lines including Yapan Expressway, Yale Expressway, Leyi Expressway and the State's arterial Shanghai-Chengdu Highway in the coming two to three years, will attract significantly increasing traffic flows and thus pave a way to continuous growth of the Group's results.

— The Company's sound financial position, steady and ample cash inflows from operating activities, moderate gearing ratio, and good credit standing and financing capabilities as a whole lay a solid ground for rational use of financial leverage through various financial channels to cut down capital costs.

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

2. *Development Strategies and Goals*

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

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

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

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

EMPLOYEES AND THEIR REMUNERATIONS AND TRAINING

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

1. Employees' Remunerations

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

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

2. Employees Training

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

CORPORATE GOVERNANCE

1. Code on Corporate Governance Practices

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

2. Audit Committee

The Audit Committee comprises three independent non-executive directors of the Company who are all professionals experienced in finance and transportation industries. The Audit Committee has reviewed the unaudited financial statements and interim results announcement of the Group for the six months ended 30 June 2008.

3. Model Code for Securities Transactions by Directors and Supervisors

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

By Order of the Board
Tang Yong
Chairman

Chengdu, Sichuan Province, the PRC
18 September 2008

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

An interim report containing all information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkex.com.hk).

\# *Independent Non-executive Director*

* *For identification purposes only*