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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)

2012 INTERIM RESULTS ANNOUNCEMENT

The directors of Yuexiu Transport Infrastructure 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 2012 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended 30 June	
	Note	2012	2011
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	701,425	623,333
Cost of services	6	(224,913)	(188,686)
Construction income under service concession upgrade services		18,279	73,901
Other income		2,176	1,416
Other gains — net	5	78,229	5,361
Construction cost under service concession upgrade services		(18,279)	(73,901)
General and administrative expenses	6	(92,424)	(75,869)
Operating profit		464,493	365,555
Finance income	7	22,770	10,100
Finance costs	7	(132,190)	(44,928)
Share of post-tax profit of a jointly controlled entity		3,942	10,480
Share of post-tax profits less losses of associates		96,795	75,972
Profit before income tax		455,810	417,179
Income tax expense	8	(142,267)	(76,893)
Profit for the period		<u>313,543</u>	<u>340,286</u>

		(Unaudited)	
		Six months ended 30 June	
Note		2012	2011
		<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to:			
	Shareholders of the Company	243,018	254,460
	Non-controlling interests	<u>70,525</u>	<u>85,826</u>
		<u>313,543</u>	<u>340,286</u>
Earnings per share for profit attributable to shareholders of the Company			
		<i>RMB per share</i>	<i>RMB per share</i>
	Basic and diluted	9 <u>0.1452</u>	<u>0.1521</u>
		<i>RMB'000</i>	<i>RMB'000</i>
	Interim dividend	10 <u>123,137</u>	<u>138,069</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	313,543	340,286
Other comprehensive income		
Fair value gains on available-for-sale financial assets, net of tax	10,424	1,368
Currency translation differences	<u>—</u>	<u>579</u>
Total comprehensive income for the period	<u>323,967</u>	<u>342,233</u>
Total comprehensive income attributable to:		
Shareholders of the Company	253,442	256,407
Non-controlling interests	<u>70,525</u>	<u>85,826</u>
	<u>323,967</u>	<u>342,233</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited)	
		As at	As at
		30 June	31 December
		2012	2011
Note		RMB'000	RMB'000
ASSETS			
Non-current assets			
	Intangible operating rights	13,689,868	10,904,496
	Goodwill	396,090	308,095
	Property, plant and equipment	566,786	537,433
	Investment properties	11,593	11,593
	Investment in a jointly controlled entity	328,378	324,436
	Investments in associates	1,689,186	1,639,791
	Available-for-sale financial assets	153,038	138,939
	Derivative financial instrument	3,481	3,481
	Other non-current receivables	11 <u>138,844</u>	<u>141,998</u>
	Total non-current assets	<u>16,977,264</u>	<u>14,010,262</u>
Current assets			
	Trade receivables	12 51,035	20,963
	Other receivables, deposits and prepayments	12 878,794	817,702
	Amount due from a non-controlling interest of a subsidiary	44,000	—
	Cash and cash equivalents	<u>1,186,758</u>	<u>1,298,476</u>
	Total current assets	<u>2,160,587</u>	<u>2,137,141</u>
	Total assets	<u>19,137,851</u>	<u>16,147,403</u>

	(Unaudited)	
	As at	As at
Note	30 June 2012	31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY		
Equity attributable to shareholders of the Company		
Share capital	147,322	147,322
Reserves	<u>7,849,254</u>	<u>7,786,531</u>
	7,996,576	7,933,853
Non-controlling interests	<u>2,092,067</u>	<u>2,025,553</u>
Total equity	<u>10,088,643</u>	<u>9,959,406</u>
LIABILITIES		
Non-current liabilities		
Borrowings	6,064,830	3,765,664
Deferred income tax liabilities	<u>1,492,662</u>	<u>1,173,720</u>
Total non-current liabilities	<u>7,557,492</u>	<u>4,939,384</u>
Current liabilities		
Borrowings due within one year	654,123	598,186
Amounts due to non-controlling interests of subsidiaries	178,136	183,211
Amounts due to holding companies	700	228
Amount due to a jointly controlled entity	31,500	17,500
Amount due to an associate	30,000	—
Trade and other payables and accrued charges	527,591	410,392
Current income tax liabilities	<u>69,666</u>	<u>39,096</u>
Total current liabilities	<u>1,491,716</u>	<u>1,248,613</u>
Total liabilities	<u>9,049,208</u>	<u>6,187,997</u>
Total equity and liabilities	<u>19,137,851</u>	<u>16,147,403</u>
Net current assets	<u>668,871</u>	<u>888,528</u>
Total assets less current liabilities	<u>17,646,135</u>	<u>14,898,790</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 2012 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 2011, 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 2011.

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

The following amendment to standard relevant to the Group’s operations is mandatory for adoption for the financial year beginning 1 January 2012.

HKAS 12 (amendment) Deferred Tax: Recovery of Underlying Assets

The adoption of this amendment to standard does not have significant impact on the Group’s interim financial information.

The following new standards and amendments to standards relevant to the Group's operations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Liabilities	1 January 2014
HKFRS 7 (amendment)	Financial Instruments: Disclosures - Mandatory Effective Date of HKFRS 9 and Transitional Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
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 information 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 information, 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 2011.

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 35.4%. Traffic volumes of certain toll highways and bridges of the Group have become saturated; while traffic growth rate of a toll highway in Hubei is forecasted to be significant due to the opening of its extension connected to Wuhan Tianhe Airport.

Current income tax, business tax and deferred income tax

The Group is subject to income tax and business tax in the PRC. Significant judgement is required in determining the amount of the provision for and the timing of payment of the income tax and business 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, business tax and deferred tax provisions in the periods in which such determination are made.

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

Impairment of intangible operating rights

The Group tests whether intangible operating right has suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit to which the intangible operating right belongs and a suitable discount rate in order to calculate the present value. When the intangible operating right's carrying amount exceeds its value-in-use, the Group also determines the intangible operating right's fair value less costs to sell to determine the intangible operating right's recoverable amount, which is the higher of its fair value less costs to sell and value-in-use.

4 Revenue and segment information

The Group is principally engaged in the operation and management of toll highways and bridges in the PRC. Revenue recognised during the period is as follows:

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance of the Group's main reporting segment - Toll highways and bridges projects in the PRC. The Board of Directors

assesses the performance of this main reporting segment based on measure of profit after income tax for the year. Other operations mainly comprise port operation, investment and others. There have been no sales carried out between segments. None of these operations constitutes a separate segment.

Business segment	Toll roads operations <i>RMB'000</i>	Port and all other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2012			
Revenue (from external customers)	<u>701,425</u>	<u>—</u>	<u>701,425</u>
Operating profit/(loss)	465,163	(670)	464,493
Finance income	22,770	—	22,770
Finance costs	(132,190)	—	(132,190)
Share of result of a jointly controlled entity	3,942	—	3,942
Share of results of associates	<u>96,795</u>	<u>—</u>	<u>96,795</u>
Profit/(loss) before income tax	456,480	(670)	455,810
Income tax (expense)/credit	<u>(142,889)</u>	<u>622</u>	<u>(142,267)</u>
Profit/(loss) for the period	<u><u>313,591</u></u>	<u><u>(48)</u></u>	<u><u>313,543</u></u>
Six months ended 30 June 2011			
Revenue (from external customers)	<u>623,333</u>	<u>—</u>	<u>623,333</u>
Operating profit/(loss)	365,768	(213)	365,555
Finance income	10,100	—	10,100
Finance costs	(44,928)	—	(44,928)
Share of result of a jointly controlled entity	10,480	—	10,480
Share of results of associates	<u>75,972</u>	<u>—</u>	<u>75,972</u>
Profit/(loss) before income tax	417,392	(213)	417,179
Income tax expense	<u>(76,893)</u>	<u>—</u>	<u>(76,893)</u>
Profit/(loss) for the period	<u><u>340,499</u></u>	<u><u>(213)</u></u>	<u><u>340,286</u></u>

Assets and liabilities	Toll roads operations <i>RMB'000</i>	Port and all other segments <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2012			
Total segment assets	18,485,207	652,644	19,137,851
Total segment assets include:			
Investment in a jointly controlled entity	328,378	—	328,378
Investments in associates	1,689,186	—	1,689,186
Total segment liabilities	8,711,884	337,324	9,049,208
Total segment liabilities include:			
Amount due to a jointly controlled entity	31,500	—	31,500
Amount due to an associate	<u>30,000</u>	<u>—</u>	<u>30,000</u>
As at 31 December 2011			
Total segment assets	15,503,947	643,456	16,147,403
Total segment assets include:			
Investment in a jointly controlled entity	324,436	—	324,436
Investments in associates	1,639,791	—	1,639,791
Total segment liabilities	5,873,365	314,632	6,187,997
Total segment liabilities include:			
Amount due to a jointly controlled entity	<u>17,500</u>	<u>—</u>	<u>17,500</u>

The Group is domiciled in the PRC. All revenues of the Group from external customers are generated in the PRC. Besides, most of the assets of the Group are located in the PRC. Thus no geographic information is presented.

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

5 **Other gains - net**

	Six months ended	
	30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gain	1,707	3,671
Gain/(loss) on disposal of property, plant and equipment	44	(85)
Provision for business tax written back (note)	72,230	—
Others	4,248	<u>1,775</u>
	<u>78,229</u>	<u>5,361</u>

Note: The amount was the written back of business tax provision on the compensation in respect of the resumption of four Class I Highways by the Guangzhou Government referred to in note 12.

6 **Expenses by nature**

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

	Six months ended	
	30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Business tax	24,520	21,371
Amortisation of intangible operating rights	129,447	106,361
Depreciation of property, plant and equipment	10,993	9,503
Impairment losses on goodwill	—	3,550
Toll highways and bridges maintenance expenses	8,848	11,278
Toll highways and bridges operating expenses	17,542	14,172
Staff costs (including Directors' emoluments)		
- Wages and salaries	67,302	55,539
- Pension costs (defined contribution plans)	6,104	5,024
- Social security costs	5,274	4,373
- Staff welfare	15,414	11,687
Auditor's remuneration	1,402	<u>1,335</u>

7 Finance income/costs

	Six months ended	
	30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	4,520	5,457
Interest income on other non-current receivables	4,417	4,643
Interest income of compensation arrangement (note 12)	<u>13,833</u>	<u>—</u>
Finance income	<u>22,770</u>	<u>10,100</u>
Interest expenses:		
- Bank borrowings	(143,637)	(47,882)
- Loans from non-controlling interests of certain subsidiaries	(15,623)	(12,237)
- Fair value adjustment on non-interest bearing loans from non-controlling interest of certain subsidiaries	13,800	13,639
- Other loans	(1,247)	—
- Amortization of capitalised loan arranging fee	<u>(377)</u>	<u>—</u>
	(147,084)	(46,480)
Less: amount capitalised in construction in progress	<u>14,894</u>	<u>1,552</u>
Finance costs incurred	<u>(132,190)</u>	<u>(44,928)</u>

The capitalisation rate used to determine the amounts of borrowing costs eligible for capitalisation is 6.79% (30 June 2011: 6.46%) for the period.

8 Income tax expense

- (a) No provision for Hong Kong profits tax has been made for the period as the Group has no income assessable to Hong Kong profits tax during the period (2011: Nil).
- (b) During the six months ended 30 June 2012, 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 2012 is 25% (30 June 2011: 24%).

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 2011: 5% or 10%).

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

	Six months ended	
	30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC enterprise income tax	107,671	55,714
Deferred income tax	<u>34,596</u>	<u>21,179</u>
	<u>142,267</u>	<u>76,893</u>

9 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	
	2012	2011
Profit attributable to shareholders of the Company (RMB'000)	<u>243,018</u>	<u>254,460</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>0.1452</u>	<u>0.1521</u>

The diluted earnings per share for the six months ended 30 June 2012 equal to the basic earnings per share as there were no potential dilutive ordinary shares in issue during the period.

10 Interim dividend

	Six months ended	
	30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Interim, proposed, of HK\$0.09 equivalent to RMB0.0735952 (2011: HK\$0.10 equivalent to RMB0.0825196) per share	<u>123,137</u>	<u>138,069</u>

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

11 Other non-current receivables

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 2012, the total balance of consideration receivable was RMB156.4 million (31 December 2011: RMB160.4 million) which will be settled by 20 half yearly installments until the end of concession period, i.e. 30 November 2021. RMB138.8 million (31 December 2011: RMB142.0 million) of the balance will be received after 30 June 2013 (31 December 2012) according to the receipt schedule.

The fair value of the consideration receivable is approximately RMB159.7 million (31 December 2011: RMB162.1 million).

12 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.

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.

In 2010, the toll stations of Guangshen Highway, Guangshan Highway, Guanghua Highway, Guangcong Highway Section II and Provincial Highway 355, which were Class I highways held by the Group, were resumed by the Guangzhou ("GZ") Government with cash compensation of RMB1,313.3 million and a loss of RMB0.4 million was incurred by the Group as a result of the resumption.

As at 30 June 2012, the Group's other receivable included a remaining compensation balance due from the GZ Government of RMB701.6 million (31 December 2011: RMB701.6 million) and relevant interest receivable of RMB13.8 million (31 December 2011: Nil) in respect of the resumption of four Class I Highways. The Group and GZ Government entered into a supplemental agreement in 2011, where GZ Government agreed to repay the remaining balance on or before 30 September 2012 along with the interests (based on bank's benchmark lending rate) during the period between 1 January 2012 and the date of payment.

13 Trade and other payables and accrued charges

	As at	
	30 June 2012 <i>RMB'000</i>	31 December 2011 <i>RMB'000</i>
Trade payables	61,018	70,087
Other payables and accrued charges	<u>466,573</u>	<u>340,305</u>
	<u>527,591</u>	<u>410,392</u>

The ageing analysis of trade payables is as follows:

0 - 30 days	13	22,977
31 - 90 days	53	1,153
Over 90 days	<u>60,952</u>	<u>45,957</u>
	<u>61,018</u>	<u>70,087</u>

Trade payables mainly represent construction costs payable to contractors.

Trade and other payables and accrued charges are mainly denominated in RMB except for a consideration payable for acquisition of subsidiaries amounting to HK\$272,565,000 (equivalent to RMB222,200,000 as at 30 June 2012), which is denominated in Hong Kong dollar. 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 2012 (the “Reporting Period”) was RMB701.4 million, representing an increase of 12.5 percent over the same period in 2011; profit attributable to shareholders of the Company was RMB243.0 million, representing a decrease of 4.5 percent over the same period in 2011.

The Board has recommended the payment of an interim dividend for 2012 of HK\$0.09 per share, which is equivalent to approximately RMB0.0735952 per share (interim period of 2011: HK\$0.10 per share, which is equivalent to approximately RMB 0.0825196 per share).

BUSINESS REVIEW

Summary information of operating toll roads and bridges

	Toll Mileage	Width (lanes)	Toll Station(s)	Road Type	Attributable Interest (%)	Remaining Operating Term (years)
Subsidiaries						
GNSR Exressway	42.5	6	9	Expressway	60.00	20
Xian Expressway	20.1	4	3	Expressway	100.00	4
Jinbao Expressway	23.9	4	3	Expressway	60.00 ⁽¹⁾	18
Cangyu Expressway	23.3	4	1	Expressway	100.00	18
Han-Xiao Expressway	38.5	4	2	Expressway	90.00	25
Changzhu Expressway	46.5	4	5	Expressway	90.00	28
Weixu Expressway ⁽²⁾	64.3	4	2	Expressway	100.00	23
Associates and Jointly Controlled Entity						
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽³⁾	17
Northern Ring Road	22.0	6	10	Expressway	24.30	11
GWSR Expressway ⁽⁴⁾	42.1	6	5	Expressway	35.00	Pending Approval
Shantou Bay Bridge	6.5	6	1	Suspension Bridge	30.00	16
Qinglian Expressway	215.2	4	17	Expressway	23.63	22

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

(2) The entire interest of the expressway was successfully acquired on 28 May 2012 and included in the analysis for operating projects of the Group in June 2012.

(3) The profit sharing ratio was 18.446% from 2010 onwards.

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

Toll summary of toll roads and bridges

For the six months ended 30 June 2012

	Average daily toll traffic volume		Average daily toll revenue	
	The first half of 2012 (no. of vehicles)	YoY Change %	The first half of 2012 (RMB'000)	YoY Change %
Subsidiaries				
GNSR Expressway	106,788	3.4%	1,900.31	-2.0% ⁽¹⁾
Xian Expressway	47,623	5.5%	636.66	5.5%
Jinbao Expressway ⁽²⁾	24,524	3.8%	334.91	-15.3%
Cangyu Expressway	12,358	16.2%	306.75	6.1%
Han-Xiao Expressway	11,875	25.8%	261.54	20.3%
Changzhu Expressway	10,714	24.8%	309.79	31.9%
Weixu Expressway ⁽³⁾	10,515	22.5%	658.96	21.3%
Associates and Jointly Controlled Entity				
Humen Bridge	75,439	6.4%	2,849.18	1.1%
Northern Ring Road	189,180	10.0%	1,616.28	-0.8% ⁽¹⁾
GWSR Expressway	33,965	5.5%	707.98	-1.6% ⁽¹⁾
Shantou Bay Bridge	15,875	10.1%	578.79	7.7%
Qinglian Expressway ⁽⁴⁾	24,344	13.3%	1,566.68	24.6%

(1) Affected by the slowdown of macro-economy and the implementation of the unified toll fee standards since 1 June 2012, the three projects located in Guangzhou, namely, GNSR Expressway, Northern Ring Road and GWSR Expressway, recorded slight declines in average daily toll revenue.

(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 the proportion of long-distance traffic volumes resulted in a decrease in toll revenue as compared with the same period last year. As of June 2012, the bypassing effect was gradually stabilized.

(3) First split data are hereby used uniformly for average daily toll traffic volume and average daily toll revenue of Weixu Expressway. For the second split, please refer to 'Financial Review'.

(4) With the completion and opening of the Yilian Expressway connecting to the northern section of Qinglian Expressway on 25 September 2011, the transit function of Qinglian Expressway became increasingly obvious, promoting the rapid growth in traffic volume and toll revenue.

Toll roads and bridges

Quarterly analysis of average daily toll traffic volume for the first half of 2012

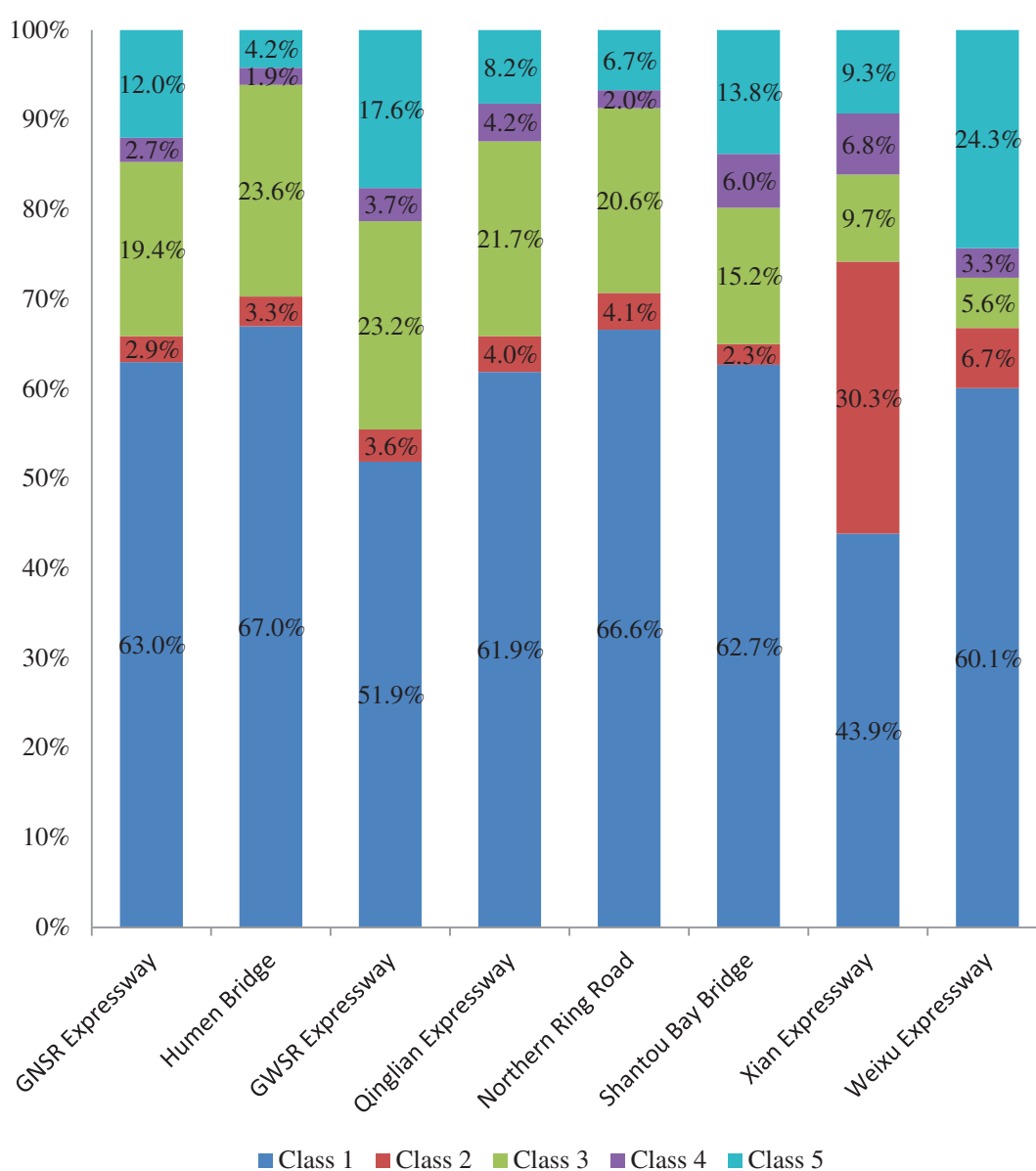
	Average daily toll traffic volume of the first quarter (no. of vehicles)	Average daily toll traffic volume of the second quarter (no. of vehicles)
Subsidiaries		
GNSR Expressway	108,032	105,543
Xian Expressway	43,447	51,800
Jinbao Expressway	22,191	26,856
Cangyu Expressway ⁽¹⁾	14,780	9,937
Han-Xiao Expressway	12,192	11,558
Changzhu Expressway	10,286	11,143
Weixu Expressway	10,919	10,111
Associates and Jointly Controlled Entity		
Humen Bridge	75,123	75,755
Northern Ring Road	181,642	196,717
GWSR Expressway	33,298	34,631
Shantou Bay Bridge	16,576	15,175
Qinglian Expressway ⁽¹⁾	27,349	21,339

- (1) During the Spring Festival, the traffic volume of Cangyu Expressway (being an important road connecting Guangdong Province and Guangxi Province) and Qinglian Expressway (being an important road connecting Guangdong Province and Hunan Province) grew significantly, resulting in a much higher the average daily toll traffic volume in the first quarter than the average daily toll traffic volume in the second quarter.

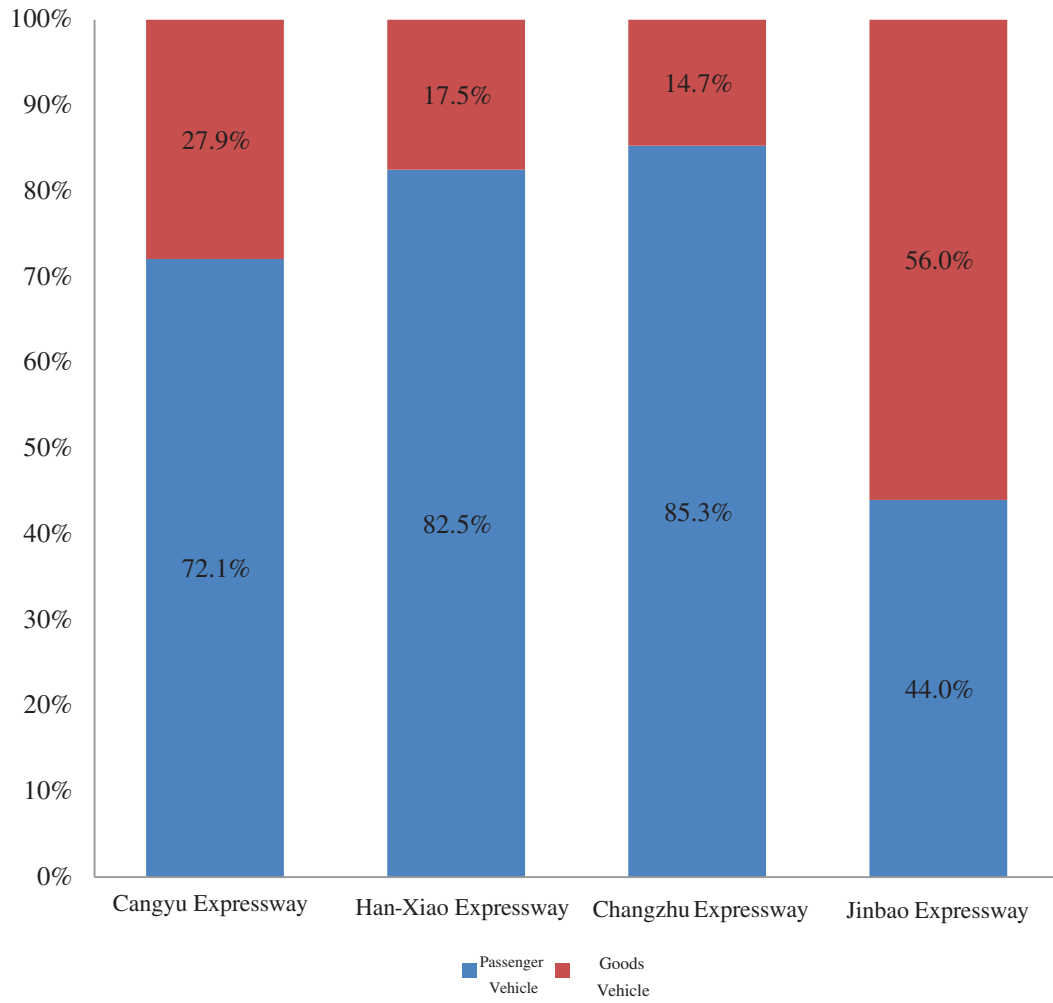
Vehicle type analysis for the first half of 2012

As at the end of June 2012, the projects of expressways and bridges invested and operated by the Group were widely distributed in seven provinces/municipalities including Guangdong, Guangxi, Hunan, Hubei, Shaanxi, Henan and Tianjin. During there porting period, according to the vehicle type classification, which was based on the location where the Group invests and operated its projects, the vehicle types of projects operated in the provinces of Guangdong, Shaanxi and Henan were classified as class 1 to class 5, for projects operated in other areas, the vehicle types were classified into passenger (vehicle) and goods (vehicle).

Vehicle type analysis (by traffic volume) for projects operating in the provinces of Guangdong, Shaanxi and Henan for the first half of 2012



Vehicle type analysis (by traffic volume) for projects operating in other regions for the first half of 2012



Summary of operating performance

Macroeconomic environment

During the reporting period, facing complicated and challenging international and domestic economic situations, the Chinese government implemented active fiscal policies and stable monetary policies and strengthened the polices in advance, thereby keeping the steady growth trend of the national economy, and the stabilization and advancement of economic development. According to preliminary estimation, in the first half year, China's GDP reached RMB 22.7098 trillion, representing an increase of 7.8% year-on-year.

The smooth operation of the domestic economy in general led to stable aggregate traffic demand, the traffic volumes of passenger vehicles and freight vehicles on expressways continued to grow, and the nationwide total traffic volume of passenger vehicles and freight vehicles grew by 8.7% and 14% respectively the first half of 2012 when compared with the same period of last year.

During the reporting period, Guangdong Province continued to promote industrial restructuring and upgrading and the coordinated development of various regions, and under the dual pressures of "Stable Growth" and "Structural Adjustment", the GDP of the whole province reached RMB 2,620.092 billion, grew by 7.4 percent year-on-year, which was lower than the national average for the same period. The economic development in regions where the projects in which the Group had controlling interest (including Shaanxi, Tianjin, Guangxi, Hunan, Hubei and Henan) remained fast growing, the GDP in the first half year grew by 13%, 14.1%, 11.4%, 11.5%, 11.7% and 10.3% respectively, all of which were higher than the national average growth rate for the same period. (Source: National and Provincial Bureaus of Statistics, Ministry of Transport)

(Unit: RMB 100 million)

	National	Guangxi						
		Guangdong Province	Shaanxi Province	Tianjin City	Autonomous Region	Hunan Province	Hubei Province	Henan Province
GDP in the first half of 2012	227,098	26,200.92	6,616	5,864.94	5,329.54	9,909.40	9,885.40	13,530.55
GDP growth rate in the first half of 2012	7.8%	7.4%	13.0%	14.1%	11.4%	11.5%	11.7%	10.3%
GDP growth rate in the first half of 2011	9.6%	10.1%	13.7%	16.6%	12.3%	13.4%	14.1%	11.2%

Policy environment of the toll road sector

On 14 June 2011, the five State ministries and commissions led by Ministry of Transport, National Development and Reform Commission and Ministry of Finance, 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》), calling for a one-year nationwide clean-up campaign in the toll road sector to regulate and clean up various irregularities and non-compliance acts in the toll road sector. To date, rectification of non-compliance of toll road projects has been completed in stages, the relevant local governments had enacted and implemented specific rectification measures.

On 31 May 2012, Guangdong Price Administration Bureau (廣東省物價局) and Guangdong Transport Department (廣東省交通運輸廳) jointly issued the Notice on the Implementation of the Unified Toll Fee Standards for All Expressways in the Province (《關於實施統一全省高速公路車輛通行費收費標準的通知》), requiring the unified toll fee standards to be implemented on all expressways in Guangdong Province starting from 00:00 on 1 June 2012: (1) the basic toll rate for expressways with four lanes shall be RMB 0.45 per km (standard vehicle), the basic toll rate for expressways with six or more lanes shall be RMB 0.60 per km (standard vehicle), the charging factor for each Class 1 to Class 5 vehicles shall be 1, 1.5, 2, 3 and 3.5, respectively; (2) half of the average length of ramp-ways for connecting interchange will be counted as toll mileage, the length of each ramp-way shall be measured from the central pole of the ramp-way toll station to the junction between the ramp-way and the main road; (3) RMB 1 is the minimum charging unit, rounded to the nearest whole number.

The basic toll rate and charging factor for the expressways invested and operated by the Group in Guangdong are in compliance with above requirements. However, some of the Guangdong projects will be affected by toll ramp adjustments, yet official documents have not been received so far.

Progress of investments

During the reporting period, the relevant approval procedure for the equity transfer of Weixu Expressway project in Henan was completed, and the new project company obtained its business license on 28 May 2012 and became a wholly-owned subsidiary of the Group and was taken over by the Group. Meanwhile, the Group continued to strengthen its investment expansion efforts to identify and reserve some quality expressway projects according to its preset strategic targets, and would proceed with the acquisition of selective projects.

Performance of expressways and bridges

Subsidiaries

GNSR Expressway

During the reporting period, the average daily toll traffic volume was 106,788 vehicles and the average daily toll revenue was RMB 1,900,000, representing an increase of 3.4% and a decrease of 2.0%, respectively, when compared with the first half of 2011.

During the reporting period, benefiting from the increasing growth of car ownership and the increasing willingness of passenger travel, the traffic volume of Class I vehicles passing through the GNSR Expressway showed a faster growth momentum, but the traffic volume of Class II to Class V vehicles decreased under the impact by factors such as macroeconomic slowdown and restriction on cargo vehicle traffic due to repair works on surrounding roads, which resulted in a change in the mix of vehicle types. This, together with the unified toll fee standards for vehicle toll fees implemented on the expressways in Guangdong Province since 1 June 2012, resulted in a slight increase in average daily toll traffic volume and a slight decrease in average daily toll revenue during the reporting period.

Xian Expressway

During the reporting period, the average daily toll traffic volume was 47,623 vehicles and the average daily revenue was RMB 637,000, representing an increase of 5.5% and 5.5% respectively when compared with the first half of 2011.

Benefiting from the gradual improvement in the conditions of surrounding road networks and fast development of Shaanxi tourism, the average daily toll traffic volume and toll revenue of Xian Expressway continued to maintain steady growth during the reporting period.

Jinbao Expressway

During the reporting period, the average daily toll traffic volume was 24,524 vehicles and the average daily toll revenue was RMB 335,000, representing an increase of 3.8% and a decrease of 15.3%, respectively, when compared with the first half of 2011.

During the reporting period, the average daily traffic volume of Jinbao Expressway continued to maintain steady growth, but the toll revenue decreased on year-on-year basis, which was mainly due to the change of regional traffic volume structure arising from the opening of Binbao Expressway at the end of 2010, which resulted in a decrease in the traffic volume with long-distance gains. As indicating by the traffic data during the first half of 2012, the bypassing effect was gradually stabilized currently.

Cangyu Expressway

During the reporting period, the average daily toll traffic volume was 12,358 vehicles and the average daily toll revenue was RMB 307,000, representing an increase of 16.2% and 6.1%, respectively, when compared with the first half of 2011.

Benefiting from driving factors such as rapid regional economic growth, gradual improvement in surrounding road networks and repair works of Xijiang River Bridge in Wuzhou, the average daily toll traffic volume and toll revenue of Cangyu Expressway continued to maintain steady growth during the reporting period. The significant higher increase in the growth of toll traffic volume than the growth in toll revenue was mainly due to the change in the mix of vehicle types as a result of the significantly faster growth in passenger vehicles than cargo vehicles.

Han-Xiao Expressway

During the reporting period, the average daily toll traffic volume was 11,875 vehicles and the average daily toll revenue was RMB 262,000, representing an increase of 25.8% and 20.3%, respectively, when compared with the first half of 2011.

Benefiting from positive driving factors such as rapid regional economic growth, gradual relocation of the Hanzhengjie small commodity market to the Hankou North Wholesale City, the opening of the airport north connection line, together with strengthening of publicity and improvement of signage by Han-Xiao Expressway, the average daily toll traffic volume and toll revenue of Han-Xiao Expressway rose significantly on year-on-year basis during the reporting period.

Changzhu Expressway

During the reporting period, the average daily toll traffic volume was 10,714 vehicles and the average daily toll revenue was RMB 310,000, representing an increase of 24.8% and 31.9%, respectively, when compared with the first half of 2011.

During the reporting period, through improvements in signage, strengthening publicity efforts and enhancement in operating service standards by Changzhu Expressway, more and more drivers and passengers became familiar with the Changzhu Expressway and chose to use this road section. This, together the positive driving factors such as rapid regional economic growth and official full operation of the Zhuzhou Fangte amusement park, resulted in a significant increase year-on-year in daily toll traffic volume and toll revenue.

Weixu Expressway

During the reporting period, the average daily toll traffic volume was 10,515 vehicles and the average daily toll revenue was RMB 659,000, representing an increase of 22.5% and 21.3% (Data here are from first split, while for second split please refer to ‘Financial Review’), respectively, when compared with the first half of 2011.

Upon the takeover of Weixu Expressway by the Group on 28 May 2012, the average daily toll traffic volume and toll revenue of Weixu Expressway maintained a favourable growth trend, and the operation was in line with expectation. Weixu Expressway will become a new source of profit growth for the Group.

Associates and jointly controlled entity

Humen Bridge

During the reporting period, the average daily toll traffic volume was 75,439 vehicles and the average daily toll revenue was RMB 2,849,000, representing an increase of 6.4% and 1.1%, respectively, when compared with the first half of 2011.

Benefiting from the continuous growth of car ownership and increasing willingness of passenger travel, the traffic volume of Class 1 vehicles of Humen Bridge recorded rapid growth during the reporting period, however, the traffic volume of Class 5 vehicles has declined due to the slowdown of regional economy, which led to changes in the mix of vehicle types, resulting in a smaller growth in average daily toll revenue than the growth in average daily toll traffic volume.

Northern Ring Road

During the reporting period, the average daily toll traffic volume was 189,180 vehicles and the average daily toll revenue was RMB 1,616,000, representing an increase of 10.0% and a decrease of 0.8%, respectively, when compared with the first half of 2011.

Benefiting from the continuous growth of car ownership and the rapid expansion of the Guangzhou City, the role of Northern Ring Road in city traffic function becomes more significant. During the reporting period, traffic volume of Class 1 vehicles recorded rapid growth, however, the traffic volume of Class 3 to 5 vehicles experienced a decrease year-on-year due to the slowdown of regional economic growth, which led to changes in the mix of vehicle types, thus resulting in more rapid growth in average daily toll traffic volume and a slight decrease in the average daily toll revenue.

GWSR Expressway

During the reporting period, the average daily toll traffic volume was 33,965 vehicles and the average daily toll revenue was RMB 708,000, representing an increase of 5.5% and a decrease of 1.6%, respectively, when compared with the first half of 2011.

Benefiting from the continuous growth of car ownership and increasing willingness of passenger travel, the traffic volume of Class 1 vehicles using the GWSR Expressway recorded rapid growth, however, the traffic volume of Class 2 to 4 vehicles decreased when compared with the same period last year, which was attributable to the slowdown of macroeconomic growth and restriction on cargo vehicle traffic due to repair works on surrounding roads, which led to changes in the mix of vehicle types. This, together with the unified the toll fee standards for vehicle toll fees implemented on the expressways in Guangdong Province since 1 June 2012, led to year-on-year growth in average daily toll traffic volume and a slight decrease in the average daily toll revenue.

Shantou Bay Bridge

During the reporting period, the average daily toll traffic volume was 15,875 vehicles and the average daily toll revenue was RMB 579,000, representing an increase of 10.1% and 7.7%, respectively, when compared with the first half of 2011.

Benefiting from the industry shift and the rapid growth of car ownership in the surrounding regions and the positive effect of the implementation of collecting toll by weight policy since October 2011 in eastern Guangdong regions, the average daily toll traffic volume and toll revenue of Shantou Bay Bridge showed more rapid growth year-on-year during the reporting period.

Qinglian Expressway

During the reporting period, the average daily toll traffic volume was 24,344 vehicles and the average daily toll revenue was RMB 1,567,000, representing an increase of 13.3% and 24.6%, respectively, when compared with the first half of 2011.

The completion and opening of the Yilian Expressway, which connected to northern section of Qinglian Expressway, on 25 September 2011, which enhanced the transit transport function of the Qinglian Expressway, such that the average daily toll traffic volume and toll revenue maintained more rapid growth during the reporting period.

FINANCIAL REVIEW

Key operating results figures

	Six months ended		Change %
	30 June		
	2012 RMB'000	2011 RMB'000	
Toll Revenue	701,425	623,333	12.5
Gross profit of toll collection	476,512	434,647	9.6
Operating profit	464,493	365,555	27.1
Earnings before interests, tax, depreciation and amortization ("EBITDA") ¹	725,065	577,935	25.5
Finance costs	(132,190)	(44,928)	194.2
Share of results of associates	96,795	75,972	27.4
Share of result of a jointly controlled entity	3,942	10,480	-62.4
Profit attributable to shareholders of the Company	243,018	254,460	-4.5
Basic and diluted earnings per share	RMB0.1452	RMB0.1521	-4.5
Interim dividends	123,137	138,069	

¹ EBITDA includes profit from associates and jointly controlled entity and excludes non-cash gains and losses

Analysis of operating results

The global and domestic financial instability and economic downturn in the previous year continued in the Reporting Period. Apart from the external macro-economic impacts, toll operators directly face challenges from the various fiscal and administrative policies imposed by the Central Government such as the special investigation on toll roads per the “Five Ministries Notice” started on 14 June 2011; the implementation of “Toll-by-Weight” standards; the continual implementation of “Green Passage toll free policy” with widening scope and other industry policies and measures which have created impacts and at the same time brought opportunities to the Group. Weixu Expressway was consolidated to the Group in late May 2012 and has contributed RMB18.9 million to toll revenue and RMB3.6 million to profit attributable to shareholders of the Company in the Reporting Period. With the commencement of operation of its Airport North Extension since November 2011, toll revenue of Han-Xiao Expressway grew 21.0 percent in the Reporting Period to RMB47.6 million. After the consolidation of Changzhu Expressway in the second half of 2011, although the Group has continued to share its 2012 half year loss of RMB40.1 million as it is still in its cultivation period (commenced toll operation only in August 2010), yet it has brought in toll revenue of RMB56.4 million in the Reporting Period. The opening of the Liannan section of Qinglian Expressway early in 2011 followed by the opening of Yilian Expressway on 25 September 2011 have boosted the toll revenue of Qinglian Expressway by 24.3 percent to RMB286.0 million in the Reporting Period. Shantou Bay Bridge began to adopt Toll-by-Weight since 20 October 2011 and its toll revenue grew 8.3 percent to RMB105.3 million. Despite the macro-economic slowdown leading to a decline in the ratio of truck traffic, Humen Bridge could still record a 1.6 percent rise in toll revenue to RMB518.6 million in the Reporting Period. Jinbao Expressway continued to be affected by the diversion effect from Binbao Expressway causing its toll revenue to decline by 14.8 percent to RMB61.0 million in the Reporting Period, however management believed the diversion effect is going to be stable. GNSR Expressway, GWSR Expressway and Northern Ring Road were affected by both the macro-economic slowdown and the uniform toll standards on mileage adjustments under specific requirements implemented for expressways in Guangdong Province since 1 June 2012, thereby causing toll revenue of these three expressways to decline. In the Reporting Period, GNSR Expressway, GWSR Expressway and Northern Ring Road recorded drop in toll revenue of 1.4 percent, 1.1 percent and 0.7 percent respectively.

The various macro-economic control measures imposed by the Central Government since 2011 affecting lending rates of financial institutions have increased the total average interest rates of the Group's finance costs in the Reporting Period, from 5.40 percent in last period to 6.58 percent in the Reporting Period. With this interest rate hike, couple with new borrowings brought in from new acquisitions (both onshore project loans and offshore term loans), finance costs increased by 194.2 percent or RMB87.3 million in the Reporting Period. On 8 June 2012 and 6 July 2012, the lending rates of financial institutions were adjusted downward twice by The People's Bank of China. In view of this, management anticipates to enjoy lower effective interest rates in the coming year.

In the Reporting Period, GNSR Expressway's profit tax rate adjusted to 25.0 percent from 12.0 percent in 2011 with the expiration of its tax concession period. As Cangyu Expressway continue to record profit in the Reporting Period, deferred tax asset recorded in second half of 2011 being recognition of its historical unutilized tax losses was reversed proportionately in accordance to the relevant accounting standard and the reversed amount being RMB6.4 million.

Facing with both challenges and risks from internal and external macro environment, the Group is still working hard to increase the scale of operation of the Company through the acquisition of long-term returns of high-quality toll road projects, and dispersed geographical risk, strive for a stable return for the shareholders' investment. In the Reporting Period, the Group's toll revenue increased by 12.5 percent to RMB701.4 million while profit attributable to the shareholders of the Company dropped 4.5 percent to RMB243.0 million. The Directors resolved to declare an interim dividend for 2012 of HK\$0.09 (2011: HK\$0.10) which is equivalent to approximately RMB0.0735952 (2011: RMB0.0825196) per share, represented an interim dividend payout ratio of 50.7 percent (2011: 54.3 percent).

Toll Revenue

The Group recorded toll revenue of RMB701.4 million in the Reporting Period represented a 12.5 percent growth over same period in 2011. Toll revenue contribution from the newly acquired Changzhu Expressway (full six months' toll revenue contribution in the Reporting Period) and Weixu Expressway (one month's toll revenue contribution in the Reporting Period) amounted to RMB56.4 million and RMB18.9 million respectively.

Analysis of toll revenue by each controlled toll project					
Controlled Toll Projects	Reporting Period RMB'000	Percentage of total %	First half of 2011 RMB'000	Percentage of total %	Change %
GNSR Expressway	345,857	49.3	350,896	56.3	-1.4
Xian Expressway	115,873	16.5	109,221	17.5	6.1
Jinbao Expressway	60,954	8.7	71,530	11.5	-14.8
Changzhu Expressway	56,380	8.0	N/A	N/A	N/A ⁽¹⁾
Cangyu Expressway	55,829	8.0	52,352	8.4	6.6
Han-Xiao Expressway	47,600	6.8	39,334	6.3	21.0
Weixu Expressway	<u>18,932</u>	<u>2.7</u>	<u>N/A</u>	<u>N/A</u>	N/A ⁽²⁾
Total	<u>701,425</u>	<u>100.0</u>	<u>623,333</u>	<u>100.0</u>	12.5

(1) Acquisition of Changzhu Expressway was completed on 27 June 2011. For comparison purpose, toll revenue from 1 January 2011 to 30 June 2011 amounted to RMB42.5 million by which the toll revenue in the Reporting Period was higher by 32.6 percent.

(2) Acquisition of Weixu Expressway was completed on 28 May 2012. For comparison purpose, toll revenue in the first half of 2012 amounted to RMB101.4 million compared to same period last year of RMB87.7 million, represented 15.6 percent growth.

GNSR Expressway accounted for 49.3 percent (same period in 2011: 56.3 percent) to the total toll revenue of the Group's controlled toll projects. Being affected by the macro-economic slowdown causing decline in ratio of truck traffic and with the uniform toll standards having been implemented for expressways in Guangdong Province since 1 June 2012, toll revenue of GNSR Expressway in the Reporting Period dropped slightly by 1.4 percent to RMB345.9 million.

Xian Expressway, ranked second in terms of toll revenue contribution. Driven by the development of the area's tourism industry, toll revenue of Xian Expressway grew 6.1 percent to RMB115.9 million which represented approximately 16.5 percent (same period in 2011: 17.5 percent) of the total revenue from the controlled toll projects.

Jinbao Expressway, ranked third in terms of toll revenue contribution, declined 14.8 percent in the Reporting Period to RMB61.0 million, represented approximately 8.7 percent (same period in 2011: 11.5 percent) of the total revenue from controlled toll projects. The drop was mainly due to the opening of the Binbao Expressway in December 2010 which slightly changed the structure of regional traffic volume. Management believed that the decline rate is going to be stable.

Changzhu Expressway was consolidated to the Group in the second half of 2011. It now ranked fourth in terms of toll revenue contribution, represented 8.0 percent of the total revenue from controlled toll projects. For comparison purpose, Changzhu Expressway's toll revenue in the Reporting Period amounted to RMB56.4 million, a 32.6 percent higher than the corresponding period in 2011.

Cangyu Expressway, ranked fifth in terms of toll revenue contribution, represented 8.0 percent (same period in 2011: 8.4 percent) of the total revenue from controlled toll projects. Cangyu Expressway posted revenue growth of 6.6 percent to RMB55.8 million in the Reporting Period.

Subsequent to the commencement of operation of its Airport North Extension in November 2011, Han-Xiao Expressway recorded an inspiring 21.0 percent growth in toll revenue which amounted to RMB47.6 million in the Reporting Period, represented approximately 6.8 percent of the total revenue from controlled toll projects (same period in 2011: 6.3 percent).

Weixu Expressway was consolidated to the Group in late May 2012. From date of consolidation up to the end of the Reporting Period, its toll revenue amounted to RMB18.9 million. For comparison purpose, toll revenue in the first half of 2012 amounted to RMB101.4 million compared to same period last year of RMB87.7 million, represented 15.6 percent growth. Pursuant to the requirements of the relevant industry regulatory authority in Henan Province, second split is implemented for toll revenue. As the second split result is yet to be confirmed, the Group has made reference to the second split ratio adopted in the draft completion audit report in respect of the acquisition of Weixu Expressway and provided a second split deduction in the toll revenue recognized in the Reporting Period.

Cost of services

In the Reporting Period, cost of services of the Group's toll highways amounted to RMB224.9 million (same period in 2011: RMB188.7 million), represented an increase of RMB36.2 million or 19.2 percent over same period in 2011. An analysis of the cost of services showed that cost of services from the newly acquired Changzhu Expressway (consolidated in second half of 2011) and Weixu Expressway (consolidated in late May 2012) in aggregate amounted to RMB27.0 million in the

Reporting Period. Cost of services of the other controlled toll projects in aggregate increased by RMB9.3 million or 4.9 percent in the Reporting Period mainly due to increase in amortization of intangible operating rights which were amortized using the unit of usage method based on the actual traffic volume of the Reporting Period over the projected total traffic volume throughout the life of the project; and increase in other operating expenses from commencement of operation of Airport North extension of Hanxiao Expressway in November 2011.

Analysis of cost of services by each controlled toll project					
Controlled Toll Projects	Reporting Period RMB'000	Percentage of total %	First half of 2011 RMB'000	Percentage of total %	Change %
GNSR Expressway	105,173	46.7	101,304	53.7	3.8
Jinbao Expressway	34,903	15.5	36,912	19.6	-5.4
Xian Expressway	26,887	12.0	24,772	13.1	8.5
Changzhu Expressway	22,898	10.2	N/A	N/A	N/A
Han-Xiao Expressway	16,654	7.4	10,865	5.8	53.3
Cangyu Expressway	13,830	6.1	14,147	7.5	-2.2
Weixu Expressway	4,071	1.8	N/A	N/A	N/A
	224,416		188,000		19.4
Others ⁽¹⁾	497	0.3	686	0.3	N/A
Total	<u>224,913</u>	<u>100.0</u>	<u>188,686</u>	<u>100.0</u>	19.2

(1) Included under-provision of Class 1 Highways in 2010, adjusted in the Reporting Period.

The increment in cost of services of Xian Expressway in the Reporting Period of 8.5 percent or RMB2.1 million was mainly due to the increase in amortization of intangible operating rights related to construction cost of toll highways and bridges upgrade services capitalized in second half of 2011. The increment in cost of services of Han-Xiao Expressway in the Reporting Period of RMB5.8 million or 53.3 percent was mainly due to increase in amortization of intangible operating rights and other operating expenses as its Airport North Extension started operation in November 2011.

Gross profit

Gross profit of toll collection in the Reporting Period was increased by 9.6 percent to RMB476.5 million of which RMB33.5 million was contributed by Changzhu Expressway (consolidated in second half of 2011) and RMB14.9 million from Weixu Expressway (consolidated in late May 2012). Gross profit margin in the Reporting Period was 67.9 percent being 1.8 percentage point lower than first half of 2011.

Analysis of gross profit of toll collection by each controlled toll project				
Controlled Toll Projects	Reporting Period		First half of 2011	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB'000		RMB'000	
GNSR Expressway	240,684	69.6%	249,592	71.1%
Xian Expressway	88,986	76.8%	84,449	77.3%
Jinbao Expressway	26,051	42.7%	34,618	48.4%
Cangyu Expressway	41,999	75.2%	38,205	73.0%
Han-Xiao Expressway	30,946	65.0%	28,469	72.4%
Changzhu Expressway	33,482	59.4%	N/A	N/A
Weixu Expressway	14,861	78.5%	N/A	N/A
	477,009	68.0%	435,333	69.8%
Others ⁽¹⁾	(497)	N/A	(686)	N/A
Total	<u>476,512</u>	67.9%	<u>434,647</u>	69.7%

(1) Included under-provision of cost of services of Class 1 Highways in 2010, adjusted in the Reporting Period.

General and administrative expenses

The Group's general and administrative expenses in the Reporting Period amounted to RMB92.4 million (same period in 2011: RMB75.9 million), represented an increase of RMB16.6 million or 21.8 percent over same period in 2011. Such increase was mainly attributed to the newly acquired Changzhu Expressway (consolidated in second half of 2011) which has added RMB5.1 million to the total general and administrative expenses in the Reporting Period; and increase in staff costs of approximately RMB10.0 million due to (1) additional manpower and increase in salary scale; and (2) 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 RMB132.2 million (same period in 2011: RMB44.9 million), represented an increase of approximately 194.2 percent over same period in 2011. The increase was mainly due to (1) the finance costs from project loans of the new acquisitions, i.e. Changzhu Expressway (consolidated in second half of 2011) amounted to RMB62.5 million and Weixu Expressway (consolidated in late May 2012) amounted to RMB10.7 million; (2) finance costs from offshore loans obtained to fund the acquisition costs of Weixu Expressway in aggregate amounted to RMB7.6 million in the Reporting Period; and (3) increase in effective interest rates of the existing onshore project loans as a result of the various macro-economic control measures imposed by the Central Government since 2011 affecting the best lending rates of financial institutions.

Share of results of associates and jointly controlled entity

The Group's share of post-tax profit less losses of associates has increased by 27.4 percent in the Reporting Period to RMB96.8 million. The increment was mainly due to the improvement in the operating results of Qinglian Expressway in the Reporting Period with the Group's attributable share in its loss narrowed down by 70.0 percent to RMB7.0 million. Qinglian Expressway is still in its cultivation period and operating loss is within our normal expectation. Humen Bridge, Northern Ring Road and Shantou Bay Bridge have recorded positive growth in the Reporting Period while share of post-tax profit of jointly controlled entity dropped 62.4 percent to RMB3.9 million in the Reporting Period.

Share of post-tax profit of Humen Bridge in the Reporting Period amounted to RMB57.3 million, a 3.3 percent increase over same period in 2011. Despite macro-economic slowdown causing decline in ratio of truck traffic, toll revenue at the project company level still posted a growth of 1.6 percent to RMB518.6 million in the Reporting Period.

Share of post-tax profit from Northern Ring Road in the Reporting Period improved 4.6 percent to RMB30.6 million while toll revenue at the project company level slightly declined 0.7 percent to RMB294.2 million due to the macro-economic slowdown causing decline in ratio of truck traffic and also starting 1 June 2012, Guangdong Province has implemented the provincial unified toll collection policy on expressways.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Period amounted to RMB15.9 million, represented a 8.0 percent rise as compared to first half of 2011. With the adoption of Toll-by-Weight since 20 October 2011, toll revenue at project company level grew by 8.3 percent to RMB105.3 million.

In the Reporting Period, the share of loss of Qinglian Expressway narrowed down to RMB7.0 million, represented an improvement of 70.0 percent. Toll revenue at the project company level posted a growth of 24.3 percent to RMB286.0 million in the Reporting Period. Management believed that the opening of the Liannan section of Qinglian Expressway early in 2011 and Yilian Expressway in 25 Sept 2011 will further boost the toll revenue of Qinglian Expressway which is anticipated to become a more meaningful contributor to the Group's profitability.

Due to the macro-economic slowdown causing decline in ratio of truck traffic and also starting 1 June 2012, Guangdong Province has implemented the provincial unified toll collection policy on expressways, toll revenue of GWSR Expressway at the project company level dropped 1.1 percent to RMB128.9 million in the Reporting Period and share of its post-tax profit declined 62.4 percent to RMB3.9 million in the Reporting Period due to increase in finance costs with effective interest rate surged from 5.27 percent to 6.51 percent.

Analysis of share of results of associates and jointly controlled entity and respective revenue					
	Profit Sharing ratio %	Revenue ⁽¹⁾		Share of results	
		Reporting Period RMB'000	YoY change %	Reporting Period RMB'000	YoY change %
Associates					
Humen Bridge	18.446	518,640	1.6	57,294	3.3
Northern Ring Road	24.3	294,167	-0.7	30,639	4.6
Shantou Bay Bridge	30.0	105,340	8.3	15,905	8.0
Qinglian Expressway	23.63	<u>285,956</u>	24.3	<u>(7,043)</u>	loss decrease 70.0
Sub-total		1,204,103	6.2	96,795	27.4
Jointly controlled entity					
GWSR Expressway	35.0	<u>128,852</u>	-1.1	<u>3,942</u>	-62.4
Total		<u>1,332,955</u>	5.4	<u>100,737</u>	16.5

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

Income tax expense

Total income tax expense of the Group in the Reporting Period amounted to RMB142.3 million, represented an increase of RMB65.4 million or 85.0 percent in the Reporting Period. During the five year transition period provided by the New Corporate Income Tax Law (“CITL”) of the PRC, income tax rate applicable to the Group’s PRC subsidiaries and associates in the Reporting Period was increased to 24.0 percent from 25.0 percent in 2012 (being the last transition year). GNSR Expressway recorded an increase of RMB30.6 million in income tax expense in the Reporting Period which was mainly due to its tax rate increment from 12.0 percent in 2011 (being the last year of its tax concession period) to 25.0 percent in 2012 and onward. When the Group successfully obtained an exemption to the business tax in respect of the compensation receivable of the Class 1 Highways, a reversal entry was made in the Reporting Period to the provision in 2010 and consequently, profit tax of RMB14.2 million was provided in the Reporting Period. The full six months’ deferred tax of Changzhu Expressway (consolidated in second half of 2011) amounted to RMB8.9 million was added to the total income tax expense in the Reporting Period. As Cangyu Expressway continues to operate profitably, reversal of RMB6.4 million from its deferred tax assets was made and charged to the income tax expense in the Reporting Period. Xian Expressway has an adjustment of a prior year corporate tax recognized in the Reporting Period of RMB3.75 million.

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB243.0 million in the Reporting Period, represented a decline of 4.5 percent over same period in 2011.

Analysis of the profit attributable to shareholders of the Company					
	Reporting Period	Percentage of total	First half of 2011	Percentage of total	Change
	RMB'000	%	RMB'000	%	%
Net profit from controlled toll projects	156,442	60.8	222,292	72.0	-29.6
Net profit from non-controlled toll projects ⁽¹⁾	<u>100,737</u>	<u>39.2</u>	<u>86,452</u>	<u>28.0</u>	16.5
Net profit from toll projects	257,179	<u>100.0</u>	308,744	<u>100.0</u>	-16.7
Withholding tax on PRC dividends	(20,787)		(20,753)		0.2
Corporate income and expenses	(45,238)		(33,706)		34.2
Corporate finance costs	(7,872)		1,403		661.1
Net impact from exemption of business tax of Class 1 Highways	49,879		(1,228)		N/A
Net impact of interest income on compensation receivable	<u>9,857</u>		<u>—</u>		N/A
Profit attributable to shareholders of the Company	<u>243,018</u>		<u>254,460</u>		-4.5

(1) Representing share of results of associates and jointly controlled entity

An analysis of the profit attributable to shareholders of the Company showed that net profit derived from toll projects amounted to RMB257.2 million in the Reporting Period which represented a 16.7 percent drop or RMB51.6 million over same period in 2011. Of which, net profit from controlled toll projects accounted for 60.8 percent (same period in 2011: 72.0 percent) while net profit from non-controlled toll projects accounted for 39.2 percent (same period in 2011: 28.0 percent) in the Reporting Period.

Net profit from controlled toll projects amounted to RMB156.4 million in the Reporting Period represented a decrease of 29.6 percent over same period in 2011. Net profit of GNSR Expressway dropped 20.4 percent mainly due to its toll revenue drop and adjustment of its corporate income tax rate from 12.0 percent in 2011 to 25.0 percent in 2012 and onwards as its tax concession expired in 2011. Xian Expressway recorded a 2.3 percent net profit decline mainly due to an adjustment of a prior year corporate tax recognized in the Reporting Period of RMB3.75 million. The decline in net profit of Jinbao Expressway of 17.8 percent was mainly due to decline of its toll revenue. The drop in net profit of Canyu Expressway of 3.0 percent was mainly due to the reversal of its deferred tax asset (recognized in second half of 2011) of RMB6.4 million to income tax expense in the Reporting Period. If taking out the aforementioned reversal in the Reporting Period, Cangyu Expressway should have a net profit increment of approximately 25.7 percent.

Analysis of net profit by each controlled toll project					
Controlled Toll Projects	Reporting Period RMB'000	Percentage of total %	First half of 2011 RMB'000	Percentage of total %	Change %
GNSR Expressway	97,615	38.0	122,580	39.6	-20.4
Xian Expressway	55,833	21.7	57,148	18.5	-2.3
Jinbao Expressway	14,855	5.8	18,062	5.9	-17.8
Cangyu Expressway	21,752	8.5	22,422	7.3	-3.0
Han-Xiao Expressway	2,805	1.1	2,079	0.7	34.9
Changzhu Expressway	(40,064)⁽¹⁾	-15.6	N/A	N/A	N/A
Weixu Expressway	3,646⁽²⁾	1.3	N/A	N/A	N/A
Total	<u>156,442</u>	<u>60.8</u>	<u>222,291</u>	<u>72.0</u>	-29.6

(1) Acquisition of Changzhu Expressway was completed on 27 June 2011 and had its full six months of operating results consolidated to the Group in the Reporting Period.

(2) Acquisition of Weixu Expressway was completed on 28 May 2012 and had only one month's operating results consolidated to the Group in the Reporting Period.

Net profit from non-controlled toll projects (an analysis was shown in the aforementioned table “analysis of share of results of associates and jointly controlled entity and respective revenue”) amounted to RMB100.7 million which was 16.5 percent higher than same period in 2011. 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 22.3 percent (same period in 2011: 18.0 percent), 11.9 percent (same period in 2011: 9.5 percent), 6.2 percent (same period in 2011: 4.8 percent) and 1.5 percent (same period in 2011: 3.4 percent) respectively.

Corporate income and expenses in the Reporting Period has increased by 34.2 percent or RMB11.5 million in the Reporting Period mainly due to increase in staff costs of approximately RMB10.0 million as explained in the general and administrative expenses section above. Corporate finance costs included RMB7.6 million mainly from offshore bank borrowings obtained during the period from second half of 2011 up to the Reporting Period.

Interim dividend

The Directors resolved to declare an interim dividend for 2012 of HK\$0.09 which is equivalent to approximately RMB0.0735952 (2011: HK\$0.10 which was equivalent to approximately RMB0.0825196) per share payable on or about 8 November 2012 to shareholders whose names appear on the register of members of the Company on 12 October 2012. Interim dividend payout ratio was 50.7 percent (2011: 54.3 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	
	2012	2011	Change
	RMB'000	RMB'000	%
Total assets	19,137,851	16,147,403	18.5
Total liabilities	9,049,208	6,187,997	46.2
Cash and cash equivalents	1,186,758	1,298,476	-8.6
Total borrowings	6,718,953	4,363,850	54.0
Bank borrowings	6,455,367	4,028,118	60.3
Current ratio	1.4 times	1.7 times	
Interest coverage	5.0 times	8.0 times	
Equity attributable to the shareholders of the Company	7,996,576	7,933,853	0.8

Analysis of financial position

Assets, Liabilities and Equity

As at 30 June 2012, the Group's total assets amounted to RMB19.1 billion which represented an increase of 18.5 percent over the balance as at 31 December 2011. The Group's total assets comprised mainly of intangible operating rights of RMB13.7 billion (31 December 2011: RMB10.9 billion); investments in jointly controlled entity and associates of RMB2.02 billion (31 December 2011: RMB1.96 billion), compensation receivable of RMB701.6 million (31 December 2011: RMB701.6 million) being the balance for closure of the four Class 1 Highways (Before 31 December 2011, the Group and GZ Government have entered into a supplemental agreement, where GZ Government agreed to repay the remaining balance on or before 30 September 2012 along with the interests (based on bank's benchmark lending rate) during the period between 1 January 2012 and date of payment); and cash and cash equivalents of RMB1.19 billion (31 December 2011: RMB1.3 billion). At end of May 2012, Weixu Expressway was consolidated into the Group and intangible operating rights were increased by RMB2.9 billion.

As at 30 June 2012, the Group's total liabilities amounted to RMB9.0 billion which represented an increase of 46.2 percent over the balance as at 31 December 2011. The Group's total liabilities comprised mainly of bank borrowings of RMB6.46 billion (31 December 2011: RMB4.03 billion); loans from non-controlling interests of RMB246.7 million (31 December 2011: RMB293.1 million); other loan of RMB16.9 million (31 December 2011: RMB42.7 million) being short-term borrowing from an external party (31 December 2011: two parties); deferred income tax liabilities of RMB1.49 billion (31 December 2011: RMB1.17 billion); and balance of cash purchase consideration of Weixu Expressway and Changzhu Expressway amounted to RMB222.2 million and RMB124.5 million respectively. As a result of consolidating Weixu Expressway into the Group at end of May 2012, increase in total liabilities included RMB1.66 billion in total borrowings and RMB308.9 million in deferred income tax liabilities. Movement in deferred income tax liabilities during the Reporting Period included payments made in respect of PRC distributable dividend tax of RMB28.1 million.

As at 30 June 2012, the Group's total equity amounted to RMB10.09 billion (31 December 2011: RMB9.96 billion), of which amount attributable to the shareholders of the Company amounted to RMB8.0 billion, an increase of RMB62.7 million over the balance as at 31 December 2011.

Analysis of major assets, liabilities and equity items

Items	(Unaudited)		Change %
	30 June 2012 RMB'000	31 December 2011 RMB'000	
Total assets	19,137,851	16,147,403	18.5
Approximately 90.0 % of which:			
Intangible operating rights	13,689,868	10,904,496	25.5
Investments in jointly controlled entity and associates	2,017,564	1,964,227	2.7
Compensation receivable	701,615	701,615	—
Cash and cash equivalents	1,186,758	1,298,476	-8.6
Total liabilities	9,049,208	6,187,997	46.2
Approximately 90.0 % of which:			
Bank borrowings — current portion	511,337	379,830	34.6
— long term portion	5,944,030	3,648,288	62.9
Other loans	16,880	42,680	-60.4
Loans from non-controlling interests	246,706	293,052	-15.8
Deferred income tax liabilities	1,492,662	1,173,720	27.2
Total equity	10,088,643	9,959,406	1.3
Of which: Attributable to the shareholders of the Company	7,996,576	7,933,853	0.8

Cash flows

The Group's cash and cash equivalents as at 30 June 2012 amounted to approximately RMB1.19 billion which was 8.6 percent lower than the level at 31 December 2011.

Net cash generated from operating activities during the Reporting Period amounted to RMB175.9 million (30 June 2011: RMB375.9 million) which was arrived from cash generated from operations of RMB321.3 million (30 June 2011: RMB422.5 million) less interest paid of RMB145.4 million (30 June 2011: RMB46.6 million).

Cash flows from investing activities during the Reporting Period showed net cash used amounted to RMB835.9 million (30 June 2011: RMB1.3 billion). On the outflow side, mainly were capital expenditures amounted to approximately RMB945.9 million (30 June 2011: RMB1.6 billion). On the inflow side, mainly consisted of investment returns from associates of RMB100.1 million (30 June 2011: RMB182.0 million); and bank interest income amounted to approximately RMB9.8 million (30 June 2011: RMB11.0 million).

Cash flows from financing activities during the Reporting Period showed net cash generated amounted to RMB547.7 million (30 June 2011: net cash used of RMB265.1 million). The inflow side mainly included new bank borrowings amounted to approximately RMB835.4 million and proceeds of loans from associate and jointly controlled entity of RMB44.0 million. The outflow side mainly included repayment of bank borrowings amounting to RMB55.8 million (30 June 2011: RMB110.0 million); payment of up-front fee of RMB7.9 million; payments of loans from non-controlling interest of subsidiaries of RMB51.5 million; repayment of other loans of RMB25.8 million; no dividends paid to non-controlling interest of subsidiaries in the Reporting Period (30 June 2011: RMB42.5 million); and dividends paid to the shareholders of the Company of RMB190.7 million (30 June 2011: RMB169.4 million).

Current ratio

The current ratio (current assets over current liabilities) as at 30 June 2012 was 1.4 times (31 December 2011: 1.7 times). Apart from cash and cash equivalents which were the major components of the Group's current assets as at 30 June 2012, a receivable of RMB701.6 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 2012 was short term borrowings (i.e. maturity within one year) of approximately RMB654.1 million (31 December 2011: RMB598.2 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 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 period ended 30 June 2012 was 5.0 times (31 December 2011: 8.0 times).

Capital expenditures and investments

During the Reporting Period, total capital expenditures amounted to RMB945.9 million of which expenditures related to investment funds included payments of cash considerations to acquisition of a subsidiary of approximately RMB840.0 million and additional capital injection to an associate of RMB52.7 million. Capital expenditures related to intangible operating rights and fixed assets included payments of construction costs of toll highways and bridges upgrade services of RMB18.3 million and purchase of property, plant and equipment of RMB34.7 million. Apart from the aforementioned, no material capital expenditures were paid during the Reporting Period.

Capital structures

	(Unaudited)	
	30 June 2012	31 December 2011
	RMB'000	RMB'000
Bank borrowings	6,455,367	4,028,118
Other loan	16,880	42,680
Loans from non-controlling interests	246,706	293,052
Amounts due to non-controlling interests of subsidiaries	53,594	58,668
Amounts due to holding companies	700	228
Amount due to a jointly controlled entity and associate	<u>61,500</u>	<u>17,500</u>
Total debts	6,834,747	4,440,246
Less: cash and cash equivalents	<u>(1,186,758)</u>	<u>(1,298,476)</u>
Net debts	5,647,989	3,141,770
Equity attributable to the shareholders of the Company	<u>7,996,576</u>	<u>7,933,853</u>
Total capitalization	<u><u>13,644,565</u></u>	<u><u>11,075,623</u></u>
Gearing ratio (net debts/total capitalization)	41.4%	28.4%

Bank borrowings of the Group as at 30 June 2012 amounted to approximately RMB6.46 billion (31 December 2011: RMB4.03 billion). About 83.3 percent (31 December 2011: 93.7 percent) of the total bank borrowings is onshore RMB floating rate secured loans obtained in mainland China; and approximately 16.7 percent (31 December 2011: 6.3 percent) is offshore unsecured floating rate term loans denominated in USD and HK dollar. About 7.9 percent of total bank borrowings amounted to approximately RMB511.3 million are repayable within one year and about 92.1 percent or approximately RMB5.94 billion are long term. The effective interest rate of these bank borrowings as at 30 June 2012 was 6.24 percent (31 December 2011: 5.89 percent) per annum.

Other loan was short term borrowing from an external party (31 December 2011: two parties). As at 30 June 2012, this other loan amounted to RMB16.9 million (31 December 2011: RMB42.7 million) which is unsecured (As at 31 December 2011, RMB25.8 million of the other loans is secured by intangible operating rights of the Group.). This borrowing is bearing interest at a rate of 6.31 percent per annum during the Reporting Period.

Loans from non-controlling interests are unsecured, denominated in RMB. Except for RMB28.0 million which was interest bearing at a rate of 6.31 percent per annum during the Reporting Period, the rest were interest free and the carrying amounts of these loans were stated at fair values. Loans from non-controlling interests of certain subsidiaries of RMB125.9 million are repayable within one year.

Amounts due to non-controlling interests of subsidiaries / holding companies are unsecured, interest free, repayable on demand and are mainly denominated in RMB.

As at 30 June 2012, equity attributable to the shareholders of the Company amounted to RMB8.0 billion (31 December 2011: RMB7.93 billion), which accounted for 58.6 percent (31 December 2011: 71.6 percent) of the Group's total capitalization.

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. Cash and leverage level are managed prudently and investments and utilization of financial products are evaluated thoroughly. During the Reporting Period, the Group has obtained sufficient funds from banking institutions to finance the acquisition costs of Weixu Expressway completed in late May 2012. Through raising its leverage, the Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks, with no deposit in non-bank institutions or any amount applied to securities investment. Going forward, management believes 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. Except that certain fund-raising exercises were conducted in Hong Kong, most of the expenses are incurred in the PRC and denominated in RMB; as a result, there is a natural and high degree of currency match between the Group's revenue and expenses at the operating level. As at the end of the Reporting Period, the Group has approximately RMB1.08 billion worth of offshore bank borrowings denominated in HK dollars and US dollars while the level of cash and cash equivalents denominated in HK\$ and USD in aggregate worth approximately RMB393.5 million. The Group will closely review and assess its currency risk and will adopt appropriate hedging strategy when appropriate. Meanwhile, the Group has taken advantage of the further relaxation measures in the RMB business in Hong Kong with dividends from PRC joint ventures can now be remitted to Hong Kong either in HK dollars or Renminbi.

As at the end of the Reporting Period, about 83.3 percent of the Group's bank borrowings are incurred at the project companies' level in the PRC. Going forward, as the Group continues to develop and venues of financing grow, management will consider equity and debt financing denominated in foreign currency as an alternative source of funding investment projects. The Group maintains close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by and to take advantage of the cost differentials of these two markets.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2012, the Group had capital commitments related to additional capital injection to an associate, intangible operating rights and property, plant and equipment of approximately RMB202.1 million being contracted but not provided for and approximately RMB106.3 million being authorized but not contracted for.

Except for the aforementioned, the Group had no material capital commitments as at 30 June 2012. There were no significant contingent liabilities as at 30 June 2012.

EMPLOYEES

As at 30 June 2012, the Group had approximately 1,735 employees of whom about 1,431 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

Macro-economy

During the reporting period, Europe was still suffering from debt crisis, economies of the United States and other emerging markets weakened, the prospect of global economic recovery was still facing more uncertainties. Under such complicated international economic conditions, China, though obviously at a slower growth pace, still maintained a GDP growth of 7.8% in the first half of 2012, and its economies are expected to run steadily in anticipation of an increase in the efforts of advanced and micro-adjustments by the government in the second half of the year.

We also noted the differences in regional economic developments of the PRC: the economies in eastern coastal areas were export-oriented and the adverse impact from the weakened economies in Europe and America was more obvious, growth in import and export trade decreased and economic growth was relatively slower; the economies in central and western areas were less impacted by imports and exports, and benefiting from such factors as the transfer of labor-intensive industry in eastern coastal areas as well as support of state policies, they enjoyed relatively faster economic growth. As a result, projects in eastern coastal areas are expected to achieve a relatively steady business growth, while those in central and western provinces will continue their strong growth.

Analysis of industry policies

Completion of rectification at toll road projects in stages which lasts for one year

The rectification of non-compliance in the toll road industry led by the five ministries and commissions including the Ministry of Transport, the National Development and Reform Commission and the Ministry of Finance since 14 June 2011 has been currently completed in stages and all provinces have implemented specific clean-up and rectification measures.

Guangdong Province unifies the toll standards of expressways

On 31 May 2012, the Guangdong Price Administration Bureau and the Guangdong Transport Department jointly issued the “Notice on the Implementation of a Unified Toll Fee Standards for All Expressways in the Province” (《關於實施統一全省高速公路車輛通行費收費標準的通知》) (Yue Fei [2012] No. 1), requiring all expressway toll projects in Guangdong Province shall charge according to the principles of unified toll fee standards effective from 00:00 on 1 June 2012.

Expressways invested and operated by the Company in Guangdong Province met the aforesaid requirements basically, some of which were slightly affected in toll revenue as a result of “the requirement that half of the average length of ramp-ways for connecting interchange will be counted as toll mileage”.

Full implementation of weight-based toll collection in Guangdong Province and traffic restrictions in Guangzhou Outering Expressway

Since 1 June 2012, 12 A.M., a unified toll collection standard has been implemented across Guangdong Province, and Guangzhou has been included in the central Guangdong area toll collection system. This has speeded up the progress towards Guangdong-wide united toll collection and full weight-based toll collection, both of which are expected to be implemented by the end of the year or early next year.

On the other hand, the Guangzhou Municipal government has announced the trial plan since 00:00 1st July to control the licensing of small and medium passenger cars, aiming to ensure smooth traffic, improvement of environment and reasonable growth of small and medium passenger cars ownership. In addition to this plan, related departments are now studying the reasonable traffic restriction for nonlocal vehicles (detailed plan has not yet been announced). The rough expectation from this plan would be that the GNSR Expressway and the GWSR Expressway of the Group could be benefited.

Licensing restriction of vehicles and traffic restriction of nonlocal vehicles in Guangzhou

The Guangzhou Municipal Government has announced that started from 1st July 2012 a trial plan of licensing restriction would be implemented, for the purpose of climate protection, control of small and medium vehicle ownership and ensuring smooth traffic.

In addition to this plan, relevant departments are now studying other supplementary traffic policies, including traffic restriction for nonlocal vehicles in Guangzhou (details has not yet been announced so far). As a result, the Group’s GNSR Expressway and GWSR Expressway could be possibly benefited.

Passenger car being waived toll charges during major national holidays

On 24 July 2012, the State Council approved and requested the implementation of “The Implementation Plan for Exemption from Toll Charges by Small Passenger Cars During Major National Holidays” issued by the Five Ministries pursuant to which

small passenger cars with seven seats or less would be waived toll charges during Spring Festival, Tomb Sweeping Days, Labor Day, National Holidays or other holidays next to the four above clarified by the official documents from the State Council.

Based on the historical traffic volumes of the Group's expressways, a decline around 3% of annual toll revenue for the Group would be expected by excluding any further impacts on traffic volumes caused by the plan.

Future prospects of operations management

It is anticipated that the Group's relatively more mature projects, such as GNSR Expressway, Humen Bridge, Xian Expressway, Northern Ring Road, Cangyu Expressway, Shantou Bay Bridge and Jinbao Expressway, will continue to generate solid profits for the Group.

Han-Xiao Expressway, Changzhu Expressway and Qinglian Expressway continued to record a strong double-digit growth in toll revenue during the reporting period, representing an important spot of profit growth for the Company. Han-Xiao Expressway has reached the profit and loss breakeven point for the second consecutive year, Changzhu Expressway and Qinglian Expressway are still at their cultivation stage, and Qinglian Expressway reduced its losses significantly.

The transfer contract for the acquisition of Weixu Expressway was entered into by the Group at the end of October 2011. Since the official takeover by the Group on 28 May 2012, Weixu Expressway was officially consolidated into the Company's consolidated financial statements.

Expansion of investments

The Group will remain focused on the investment and operation of quality expressways, and closely monitor investment opportunities in the following regions: (1) the Pearl River Delta region which is more mature in economic development; (2) central and western regions in China, which have shown enormous potential in economic development in recent years and are benefiting from the policy support of central government as well as the development opportunities brought by a shift of industries from the eastern coastal areas.

The Group's total assets increased to RMB19.1 billion and debt ratio increased to 47.3% after completion of acquisition of Weixu Expressway in Henan. The Group will also closely trace and inspect related projects, endeavor to acquire quality expressway projects in due course and further improve its operational capacity in

standardization, elaboration and normalization. The Group will also further improve the business model by financing abroad, investing inland and improving management, so that the Group will improve the long term returns of the Company's asset portfolio in general.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2012, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) and the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012), with the exception of code provision A.4.1.

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 2012 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 2012. 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 Thursday, 11 October 2012 to Friday, 12 October 2012, 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 Wednesday, 10 October 2012.

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

Hong Kong, 15 August 2012

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 FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu
Directors: