

## **Chairman's Statement**

It has been over three years since the establishment of Sichuan Chengyu Expressway Company Limited. For the past three years, the Company followed the guidance of "progress from steady growth and profits from progress" and pursued the target of attaining the highest returns for the shareholders. The Company engaged itself in transforming values, encouraging innovations and standardizing corporate operation. As a result, there was certain growth in various economic indices including operating result and scale of assets.

For the year ended 31st December, 2000, the Group's turnover was Rmb594,165,000, representing a 34.97% increase over the previous year; profit attributable to shareholders for the year amounted to Rmb166,452,000, representing a 1.77% decrease when compared to the corresponding figure last year; earnings per share was Rmb0.0651, down 1.77% from that of 1999.

The Board of Directors proposed to distribute a final dividend of Rmb0.03 per share for the year ended 31st December, 2000. This proposal is subject to approval at the Annual General Meeting to be held in Chengdu on Tuesday, 29th May, 2001. Dividends are expected to be distributed by Wednesday 13th June, 2001 to all shareholders whose names appear on the Company's register as of Tuesday, 29th May, 2001.

### **BUSINESS ENVIRONMENT**

#### **Better Macro-economic Environment**

In 2000, the State government followed the developmental strategy of stimulating domestic demand and facilitating structural adjustments. The State also adopted positive fiscal policy and stable currency policy. The national economy recorded sustainable and steady growth. The total gross domestic product amounted to Rmb8,900 billion (equivalent to US1,078 billion), breaking through USD1,000 billion for the first time and making a historical leap. The national economy increased at a rate of 8% and thereby twisted the downturn in economic growth over the past seven consecutive years, thus laying a good foundation for the steady development growth of Chinese economy in the new century. The economy of Sichuan Province also tended to have a good development with a gross domestic product of Rmb401.03 billion, representing an increase of 9% over the previous year. Demand for investment, consumption and export have all shown higher growth. Industrial production situation has improved. The positive development of Sichuan regional economy has laid solid foundation for Sichuan traffic industry.

## **Grand Development Strategy for the Western Region**

Since this year, the grand development strategy for the western region has officially commenced. The State Council has formulated a series of policies to boost the development of the western region including enhancing financial support and investment for the West. The tenth "Five Year" plan targeting at the western region will be implemented in 2001. It will bring a faster development to Sichuan where is a province at the western region with an economy higher than the average of the western region. Sichuan Provincial Government has initiated a policy and guideline of "catch-up model" and "leap-over model" for its development in the first ten years in the 21st century. The specific plans for stimulating pillar industries have also been formulated. We have every reason to believe that, as the grand development strategy for the western region becomes more apparent, Sichuan economy will surely enter a new stage of higher growth, which will boost Sichuan road industry.

## **The Impact of Joining in WTO**

In the long run, China's entry into WTO will benefit the development of socialist market economy and the overall growth of the economy. On the other hand, it will encourage China's enterprises to cope with more competitive environment and to increase efficiency and profit. In the meantime, it is expected the tariff for vehicle import will be gradually reduced after joining WTO and therefore the vehicle consumption will be boomed. All these factors will lead to the increase of traffic flow on road.

## **Technological Development**

It is no doubt that the 21st century is an era of knowledge economy. The fast changing modern information technology will affect the society and people's daily life in every sector. Science and technology is the most important force of production. To comply with this change, the Company will increase investment in technology research and development and the application of modern information technology to improve the quality of our management and services.

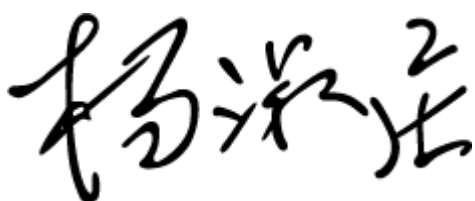
## **OPERATIONAL PRINCIPLE AND DEVELOPMENTAL DIRECTION**

The Company is located in Chengdu, the capital city of Sichuan Province. Sichuan, one of China's largest provinces in western region, has a very large population, resourceful endowment and vast market, which provides enormous potential for development. However, Sichuan's economy is relatively backward comparing to China's eastern coastal areas where were developed earlier. Inactive production and transportation activities has restricted the rapid growth of traffic flow in the Company's toll roads and significant increase in the Company's profitability. But we believe that along with the implementation of the grand development strategy for the western region, Sichuan economy will have a new era of fast development. The Company's core business is in this region with full of opportunities and potentials. The continuous development of the Company will be surely given impetus by the speedy development of Sichuan economy. We are confident that we will take this opportunity and make more progress to make returns to our investors.

Our operational principle is to highlight its core business and strengthen capital operation and to construct and operate quality roads in Sichuan Province so as to provide excellent investment opportunities for investors and to attain the best returns for shareholders.

Our developmental direction is to make the Company the principal participant in Sichuan and China's infrastructure market and, furthermore, to make the Company one of the best road construction and investment companies in China.

Our business is closely related to the development of traffic. We believe in ourselves and we are full of confidence for the future.

A handwritten signature in black ink, consisting of stylized Chinese characters, likely representing the name Yang Shu Zhuang.

**Yang Shu Zhuang**

*Chairperson*

Chengdu, Sichuan, the PRC

22nd March, 2001