

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the management and operation of the Chengyu Expressway and investment holding. Details of the principal activities of the subsidiaries and an associated company are set out in notes 14 and 15 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

Summary particulars of the expressways, class II roads and a bridge managed and operated by the Group are as follows:

	Origin/ destination	Approximate length	Commencement date of toll operations
Chengyu Expressway	Chengdu/Shangjiapo	226km	1 July 1995
Chengya Expressway	Chengdu/Duiyan	144km	28 December 2000
Chengbei Exit Expressway	Qinglongchang/Baihelin	10.4km	21 December 1998
Zigong Ring Road Section 1	Dengguan/Zigong	30km	1 December 1998
Zigong Ring Road Section 2	Yanggongqiao/Rongxian	46.1km	1 December 1998
Lulong Road Luzhou Section	Luzhou/Jiamingzheng	49.7km	1 September 1999
Luhe Road Luzhou Section	Luzhou/Mituozheng	22.8km	1 September 1999
Luzhou Tuojiang Er Bridge	Luzhou	4.5km	1 September 1999

SEGMENTAL INFORMATION

During the year, the Group's turnover and contribution to profit from operating activities were derived entirely from within the Sichuan Province, the PRC. Accordingly, an analysis of turnover and contribution to profit from operating activities by geographical area is not presented. An analysis of the Group's turnover and contribution to profit from operating activities by toll operations for the year ended 31 December 2000 is as follows:

	Turnover Rmb'000	Contribution to profit from operating activities Rmb'000
Sichuan Chengyu Expressway	415,957	268,135
Chengbei Exit Expressway	24,793	12,699
Chengya Expressway	91,879	8,094
Zigong Ring Roads	16,695	3,319
Toll Bridge and Roads in Luzhou	44,841	18,526
	594,165	310,773

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 66.

The directors recommend the payment of a final dividend of Rmb0.03 per share in respect of the year to shareholders on the register of members on 29 May 2001. This recommendation has been incorporated in the financial statements.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results and of the assets and liabilities of the Group prepared on the basis set out in the note below:

	Year ended 31 December				
	2000	1999	1998	1997	1996
<i>Results</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Turnover	594,165	440,215	375,966	340,922	279,227
Other revenue	44,412	23,270	19,287	26,642	12,867
Depreciation and amortization expenses	(185,045)	(108,899)	(81,376)	(70,761)	(62,924)
Staff costs	(60,926)	(35,042)	(25,722)	(15,227)	(11,224)
Other operating expenses	(81,833)	(69,961)	(48,347)	(39,965)	(26,577)

Profit from operating activities	310,773	249,583	239,808	241,611	191,369
Finance costs	(152,306)	(72,606)	(58,851)	(68,669)	(69,552)
Share of profit of an associated company	309	117	-	-	-
Profit before tax	158,776	177,094	180,957	172,942	121,817
Tax	(39,460)	(14,874)	(262)	(14,066)	-
Profit before minority interests	119,316	162,220	180,695	158,876	121,817
Minority interests	47,136	7,229	115	-	-
Net profit attributable to shareholders	166,452	169,449	180,810	158,876	121,817
Assets and liabilities					
Total assets	8,125,918	7,654,455	6,651,998	5,385,782	3,070,515
Total liabilities and minority interests	3,827,806	3,445,267	2,535,517	1,373,369	1,494,219
Net assets	4,298,112	4,209,188	4,116,481	4,012,413	1,576,296

Note:

The consolidated results of the Group for the years ended 31 December 1999 and 1998 and the pro forma consolidated results of the Group for the years ended 31 December 1997 and 1996 have been extracted from the Company's 1999 annual report dated 22 March 2000, while those of the year ended 31 December 2000 were prepared based on the consolidated profit and loss account as set out on page 34 of the financial statements.

FIXED ASSETS

Details of movements in the fixed assets and construction in progress of the Company and the Group during the year are set out in notes 11 and 12 to the financial statements, respectively.

CAPITAL COMMITMENTS

Details of the capital commitments of the Company and the Group as of 31 December 2000 are set out in note 28 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

Associated company

Particulars of the Company's and the Group's interest in an associated company are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

BANK AND OTHER LOANS

Details of the bank and other loans of the Company and the Group are set out in note 22 to the financial statements.

INTEREST CAPITALIZATION

During the year, interest capitalized to construction in progress amounted to Rmb5,909,000 (1999: Rmb84,498,000).

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and suppliers contributed less than 30% of total toll revenues and purchases, respectively, of the Group during the year. Accordingly, a corresponding analysis of major customers and suppliers is not presented.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Executive directors

Ms. Yang Shuzhuang	(re-appointed on 10 October 2000)
Mr. Tan Shiqiao	(re-appointed on 10 October 2000)
Mr. Yang Xiaokun	(re-appointed on 10 October 2000)
Mr. Yang Kunping	(re-appointed on 10 October 2000)
Mr. Cui Bingquan	(resigned on 18 August 2000)
Mr. Zhang Yongnian	(appointed on 10 October 2000)
Mr. Xiang Nanyang	(resigned on 10 October 2000)
Mr. Liu Mingli	(appointed on 10 October 2000)
Mr. Chen Yongde	

Independent non-executive directors

Mr. Wang Zhanyi	(re-appointed on 10 October 2000)
Mr. Yan Zhonghe	(appointed on 30 May 2000)
Sir David Akers-Jones	(resigned on 25 May 2000)

According to article 100 of the Company's articles of association, directors are appointed for a term of three years. Ms. Yang Shuzhuang, Mr. Tan Shiqiao, Mr. Yang Xiaokun, Mr. Yang Kunping and Mr. Wang Zhanyi were appointed on 19 August 1997 and accordingly their terms expired on 18 August 2000. They continued in office until their re-appointment on 10 October 2000. In accordance with the Company's articles of association, all the directors continue in office.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out under the Profile of Directors, Supervisors and the Management Section of the Annual Report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors emoluments and of the five highest paid individuals in the Group are set out in notes 6 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the directors of the Company has entered into a service agreement with the Company with effect from the date of appointment/re-appointment of the respective director, for a term of three years.

Save as disclosed above, none of the directors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Directors' rights to acquire shares

At no time during the year was the Company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

Name	Number of shares	Percentage
Sichuan Highway Development	1,005,290,000	39.3%
Huajian Communication and Economic Development Center	657,450,000	25.7%
HKSCC Nominees Limited	625,689,999	24.5%

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

DIRECTORS' AND SENIOR EXECUTIVES' INTERESTS IN SHARES

At 31 December 2000, none of the directors, senior executives or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company as defined in the SDI Ordinance.

DEPOSITS

At 31 December 2000, the Group did not have any designated deposits or overdue time deposits with any financial institutions in the PRC.

RETIREMENT SCHEME

As stipulated by the State regulations of the PRC, the Group participates in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. During the year, the Group was required to make contributions to registered insurance companies at a rate of 20% of the average basic salaries within the geographical area where the employees are under employment with the Group. The Group has no obligation for the payment of pension benefits beyond the annual contributions to the registered insurance companies. During the year, contributions to registered insurance companies made by the Group under the defined contribution retirement scheme amounted to Rmb3,463,694 (1999: Rmb2,656,311).

ACCOMMODATION BENEFITS FOR EMPLOYEES

According to relevant rules and regulations of Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the salaries and wages of the employees, to an accommodation fund. There are no further obligations on the part of the Group except for such contributions to the accommodation fund. During the year, the Group's contributions to the accommodation fund amounted to Rmb1,141,433 (1999: Rmb613,861).

The Group provided additional housing benefits to certain selected employees. The additional housing benefits covered 25 employees of the Company and 12 employees of Sichuan Chengya Expressway Company Limited, a subsidiary of the Company. The cost of providing the additional housing benefits amounted to Rmb10,116,434 (1999: Rmb5,000,531) has been charged to the profit and loss account for the year.

IMPACT OF HOUSING REFORM POLICIES

On 6 September 2000, the Ministry of Finance of the PRC issued a directive (the "Directive") numbered "Caiqi (2000) 295" in respect of accounting policies in relation to the national enterprise housing reform. The Company has examined the relevant issues, and has concluded that the Directive does not have any significant impact on the results and financial standing of the Group for the year.

CONNECTED TRANSACTIONS

The Group had connected transactions during the year, as more fully described in note 30 to the financial statements, with Sichuan Highway Development, a State-owned enterprise established in the PRC. In the opinion of the directors, including the independent non-executive directors of the Company, these transactions were:

- (i) conducted in the ordinary course of business of the Group;
- (ii) entered into in accordance with the terms of the agreements governing such transactions; and
- (iii) fair and reasonable so far as the shareholders of the Company are concerned.

CODE OF BEST PRACTICE

Other than the setting up of an Audit Committee aiming at reviewing and supervising the Company's financial reporting process and internal controls, the Company has complied with Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited during the year. The Company's organizational structure has, in lieu, a Supervisory Committee which carries out functions similar to that of an Audit Committee, the differences being that the Company's Supervisory Committee comprises four representatives (one of which shall be an employee of the Company) who are elected and removed in the general meeting of shareholders, and which reports to the general meeting of shareholders, whereas an Audit Committee is appointed amongst the non-executive directors of a company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as international auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chairperson

Chengdu, Sichuan Province, the PRC

22 March 2001