

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 2001.

Principal Activities

The principal activities of the Company are the management and operation of the Chengyu Expressway. Details of the principal activities of the subsidiaries and associates are set out in notes 16 and 17 to the financial statements. There were no changes in the nature of Group's principal activities during the year.

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

	Origin/ destination	Approximate length	Date of the entire toll expressway, road or bridge commenced 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 from tolls from expressways, high grade roads and a bridge in Sichuan Province, the PRC. Accordingly, no segment information by business and geographical segments is presented. An analysis of the Group's turnover and contribution to profit from operating activities by toll operations for the year is as follows:

	For the year ended 31 December			
	2001		2000	
	Turnover <i>Rmb'000</i>	Contribution to profit from operating activities <i>Rmb'000</i>	Turnover <i>Rmb'000</i>	Contribution to profit from operating activities <i>Rmb'000</i>
Chengyu Expressway	444,188	248,889	415,957	268,135
Chengya Expressway	130,401	14,783	91,879	8,094
Chengbei Exit Expressway	29,747	15,334	24,793	12,699
Zigong Ring Roads	21,539	7,703	16,695	3,319
Toll Bridge and Roads in Luzhou	38,732	15,097	44,841	18,526
	664,607	301,806	594,165	310,773

Report of the Directors (Cont'd)

Results and Dividends

The Group's profit for the year ended 31 December 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 68.

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 28 May 2002. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 11 to the financial statements.

Summary Financial Information

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years, as prepared on the basis set out in the note below. The amounts for each year in the five year summary have been adjusted for the effect of the retrospective changes in accounting policy affecting proposed dividends, as detailed in note 2 to the financial statements.

Results	Year ended 31 December				
	2001 Rmb'000	2000 Rmb'000	1999 Rmb'000	1998 Rmb'000	1997 Rmb'000
Turnover	664,607	594,165	440,215	375,966	340,922
Other revenue and gains	35,278	44,412	23,270	19,287	26,642
Depreciation and amortisation expenses	(204,558)	(185,045)	(108,899)	(81,376)	(70,761)
Staff costs	(56,778)	(60,926)	(35,042)	(25,722)	(15,227)
Other operating expenses	(136,743)	(81,833)	(69,961)	(48,347)	(39,965)
Profit from operating activities	301,806	310,773	249,583	239,808	241,611
Finance costs	(134,375)	(152,306)	(72,606)	(58,851)	(68,669)
Share of profits less losses of associates	1,063	309	117	—	—
Profit before tax	168,494	158,776	177,094	180,957	172,942
Tax	(32,707)	(39,460)	(14,874)	(262)	(14,066)
Profit before minority interests	135,787	119,316	162,220	180,695	158,876
Minority interests	38,789	47,136	7,229	115	—
Net profit from ordinary activities attributable to shareholders	174,576	166,452	169,449	180,810	158,876
Assets, liabilities and minority interests					
Total assets	7,907,440	8,125,918	7,654,455	6,651,998	5,385,782
Total liabilities	2,980,246	3,264,502	2,839,869	2,032,490	1,185,527
Minority interests	454,506	486,562	528,656	426,285	149,471
Net assets	4,472,688	4,374,854	4,285,930	4,193,223	4,050,784

Summary Financial Information *(continued)*

Note:

The consolidated results of the Group for the year ended 31 December 2000, 1999 and 1998, together with the pro forma consolidated results of the Group for the year ended 31 December 1997 have been extracted from the Company's 2000 annual report dated 22 March 2001, while those of the year ended 31 December 2001 were prepared based on the consolidated income statement as set out on page 36 of the financial statements. This summary does not form part of the audited financial statements.

Fixed Assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

Issued Capital

Details of the Company's issued capital are set out in note 26 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, Redemption or Sale of Listed Securities of the Company

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 27 to the financial statements.

Distributable Reserves

At 31 December 2001, the Company's reserves available for distribution, calculated in accordance with the provision of the PRC legislation, amounted to Rmb375,290,000. In addition, the Company's share premium account, in the amount of Rmb1,413,597,000, may be distributed in the form of fully paid bonus shares.

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 were:

Executive Directors:

Ms. Yang Shuzhuang
Mr. Tan Shiqiao
Mr. Yang Xiaokun
Mr. Yang Kunping
Mr. Zhang Yongnian
Mr. Liu Mingli
Mr. Chen Yongde
Mr. Zhang Wensheng (appointed on 29 May 2001)
Ms. Zhang Yang (appointed on 29 May 2001)

Independent non-executive Directors:

Mr. Wang Zhanyi (resigned on 29 May 2001)
Mr. Yan Zhonghe
Mr. Zang Dihua (appointed on 29 May 2001)

According to article 100 of the Company's articles of association, the directors are appointed for a period of three years. 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.

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 of the respective director, for a term of three years.

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' 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.

Directors' Rights to Acquire Shares

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

Report of the Directors (Cont'd)

Substantial Shareholders

At 31 December 2001, 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 held	Percentage of the Company's share capital
Sichuan Highway Development	1,005,290,000	39
HKSCC Nominees Limited	881,877,999	34
Huajian Communication and Economic Development Centre	657,450,000	26

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' Interests in Shares and Warrants

At 31 December 2001, none of the directors 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 2001, 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 a local social security bureau 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 the local social security bureau made by the Group under the defined contribution retirement scheme amounted to Rmb5,538,469 (2000: Rmb3,463,694).

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 Rmb1,284,588 (2000: Rmb1,141,433).

Connected Transactions

The Group had connected transactions during the year, as more fully described in note 33 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 the 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 organisational structure has, in lieu, a Supervisory Committee which carries out functions similar to that of an audit committee, the principal difference is 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



Chairman

Chengdu, Sichuan Province, the PRC

21 March 2002